

**The City of Festus, Missouri**

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

**September 30, 2012**



**The City of Festus, Missouri**  
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**For the year ended September 30, 2012**

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## INDEPENDENT AUDITOR'S REPORT



Honorable Mayor and  
City Council  
City of Festus, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Festus, Missouri, (the City), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Festus' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements of the Festus Public Library Foundation, Inc. (the Foundation) have not been audited, and we were not engaged to audit the Foundation financial statements as part of our audit of the City's basic financial statements. The Foundation's financial activities are included in the City's basic financial statements as a discretely presented component unit.

As more fully described in Note 12, the City has not determined the cost of its defined benefit pension plan in accordance with accounting principles generally accepted in the United State of America (GASB 45), which require the cost of employees' pensions to be recognized over the employees' respective service periods and a liability to be recognized when the accumulated benefit obligation exceeds the fair value of plan assets. The effects of that departure on the financial statements are not reasonably determinable.

In our opinion, except for the effect of the matter described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Festus, Missouri, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. As described in Note 15, the City has adopted the provisions of Governmental Accounting Standards Board No. 54. "Fund Balance Reporting and Governmental Fund Type Definitions" as of and for the year ended September 30, 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2013, 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

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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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 44 through 48 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Festus, Missouri's basic financial statements. The combining and individual nonmajor fund financial statements and nonmajor budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, nonmajor budgetary comparison information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the 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.

*Nichols, Stopp, & VanHoy, LLC*

Creve Coeur, Missouri  
April 30, 2013

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2011

As management of the City of Festus, Missouri, we offer readers of the City of Festus's Financial Statements this narrative overview and analysis of the financial activities of the City of Festus, Missouri for the Fiscal Year ended September 30, 2012. We encourage readers to consider the information presented here along with the City's financial statements, including the footnotes and supplementary information that follow this Management's Discussion and Analysis.

## FINANCIAL HIGHLIGHTS

- The assets of the City, as reported by the Statement of Net Assets, exceeded its liabilities at the close of the most recent fiscal year by \$ 37,394,141 (net assets). Of this amount, \$ 12,924,624 (unrestricted net assets) may be used to meet the City's ongoing obligations to its citizens and creditors in accordance with the City's fund designation and fiscal policies.
- As of the close of the 2012 fiscal year, the City of Festus' Governmental Fund Statements reported combined ending fund balances of \$ 10,946,690 an increase of \$ 769,371 in comparison with the prior year, after adjustments. 24 % of this total amount is available for spending at the government's discretion (General Fund balance) and an additional 71% is available for spending in the Special Revenue Funds. Of these amounts the City tries to maintain a balance of \$1,200,000 for emergency purposes in the General Fund and \$1,000,000 in the City Transportation Tax Fund, these amounts are reviewed by council.
- As of the close of the 2012 fiscal year, the City of Festus' Proprietary Fund reported ending net assets of \$11,745,302, an increase of \$ 759,706 in comparison with the prior year, after adjustments.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 2,491,454 or 44.5% of total general fund expenditures.
- The City's total debt decreased by \$ 962,988 during the current fiscal year to a total of \$ 13,263,081. This includes the refinanced loan for the purchase and remodeling of the Library building at 400 West Main Street.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The two government-wide statements are the *statement of net assets* and the *statement of activities*. These statements report the City's net assets and how they have changed.

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

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

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2012

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

The government-wide financial statements distinguish functions of the City of Festus, Missouri that are principally supported by taxes and intergovernmental revenues (*governmental activities*), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Not only do the government-wide financial statements include the City itself (known as the primary government), but also one legally separate agency. Financial information for the component unit is shown separately from the financial information presented for the primary government. The *governmental activities* of the City of Festus, Missouri include general government, judicial, building and planning, public safety, parks and recreation, public works and a public library. The City of Festus, Missouri operates 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 fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, City Transportation Tax Fund, County Transportation Tax Fund, and Capital Reserve Fund, which are considered to be a major funds. Data from the other governmental funds are combined into a single, aggregated presentation called "other governmental funds". Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the other supplementary information section in this report.

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



CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2012

**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 ninth 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Festus, Missouri, assets exceeded liabilities by \$ 37,394,141 at the close of the most recent fiscal year.

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2012

**City of Festus Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>
<i>Assets</i>						
Current & Other Assets	\$15,296,537	\$16,130,731	\$11,433,193	\$11,589,379	\$26,729,730	\$27,720,110
Capital Assets, Net	16,035,631	16,690,666	9,334,281	9,210,783	25,369,912	25,901,449
<b>Total Assets</b>	<b>31,332,168</b>	<b>32,821,397</b>	<b>20,767,474</b>	<b>20,800,162</b>	<b>52,099,642</b>	<b>53,621,559</b>
<i>Liabilities</i>						
Long-Term Liabilities	4,975,559	4,759,270	9,250,510	8,503,811	14,226,069	13,263,081
Other Liabilities	2,264,426	2,413,288	531,368	551,049	2,795,794	2,964,337
<b>Total Liabilities</b>	<b>7,239,985</b>	<b>7,172,558</b>	<b>9,781,878</b>	<b>9,054,860</b>	<b>17,021,863</b>	<b>16,227,418</b>
<i>Net Assets</i>						
Invested in Capital Assets,						
Net of Related Debt	14,260,410	14,702,150	6,495,981	6,795,944	20,756,391	21,498,094
Restricted	16,167	1,844	3,151,296	2,969,579	3,167,463	2,971,423
Unrestricted	9,815,606	10,944,845	1,338,319	1,979,779	11,153,925	12,924,624
<b>Total Net Assets</b>	<b>\$24,092,183</b>	<b>\$25,648,839</b>	<b>\$10,985,596</b>	<b>\$11,745,302</b>	<b>\$35,077,779</b>	<b>\$37,394,141</b>

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

An additional portion of the City's net assets 7.95 % represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$ 12,924,624 may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2012, the City of Festus, Missouri is able to report positive balances in all of the net assets for the current year-end.

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2012

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

City of Festus Statement of Activities	Government Activities		Business-Type Activities		Totals	
	2011	2012	2011	2012	2011	2012
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$1,776,203	\$ 2,023,265	\$ 3,909,985	\$ 4,367,414	\$5,686,188	\$6,390,679
Operating Grants	269,017	179,729	-	-	269,017	179,729
Capital Grants & Contributions	563,686	567,615	50,206	102,625	613,892	670,240
General Revenues:						
Taxes	7,935,572	7,478,773	-	-	7,935,572	7,478,773
Licenses (taxes)	195,989	198,507	-	-	195,989	198,507
Investment Income	43,639	34,961	164,455	146,303	208,094	181,264
Gain/Loss, on disposal	(1,947)	(9,039)	1,930,029	(17,673)	1,928,082	(26,712)
Miscellaneous	77,499	140,336	26,729	5,922	104,228	146,258
<b>Total Revenue</b>	<b>10,859,658</b>	<b>10,614,147</b>	<b>6,081,404</b>	<b>4,604,591</b>	<b>16,941,062</b>	<b>15,218,738</b>
<b>Expenses</b>						
Administration	689,929	675,698	-	-	689,929	675,698
Court	144,477	143,274	-	-	144,477	143,274
Building Department	399,038	340,057	-	-	399,038	340,057
Police	2,262,492	2,200,661	-	-	2,262,492	2,200,661
Dispatch	510,714	507,062	-	-	510,714	507,062
Fire	379,047	380,013	-	-	379,047	380,013
Emergency Management	29,837	21,164	-	-	29,837	21,164
Street	1,828,230	1,586,648	-	-	1,828,230	1,586,648
Health	110,853	110,483	-	-	110,853	110,483
Library	339,618	329,005	-	-	339,618	329,005
Parks	616,123	629,792	-	-	616,123	629,792
Public Works	-	-	-	-	-	-
Non-Departmental	1,379,079	1,672,176	-	-	1,379,079	1,672,176
Economic Development	-	-	-	-	-	-
Interest and Fiscal Charges	95,631	111,457	-	-	95,631	111,457
Airport	-	-	8,606	-	8,606	-
Water and Sewer	-	-	3,811,250	4,194,885	3,811,250	4,194,885
<b>Total Expenses</b>	<b>8,785,068</b>	<b>8,707,490</b>	<b>3,819,856</b>	<b>4,194,885</b>	<b>12,604,924</b>	<b>12,902,375</b>
Special Items:						
Transfers	1,597,433	(350,000)	(1,597,433)	350,000	-	-
<b>Increase (decrease)</b>	<b>\$ 3,672,023</b>	<b>\$ 1,556,657</b>	<b>\$ 664,115</b>	<b>\$ 759,706</b>	<b>\$ 4,336,138</b>	<b>\$ 2,316,363</b>

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2012

## **SIGNIFICANT CHANGES IN NET ASSETS**

### **Governmental Activities:**

Some of the changes noted are:

- Property taxes increased by .78% or \$ 5,764 from the prior year. Taxes – other increased by 5.0% for the year for the Government Activities Funds. The sales tax collections net of reimbursements for all governmental funds, decreased \$ 535,899 or (9.3)% - the majority of the decrease (\$460,560) is from County T-Tax since the prior year included deferred revenue for a major street project . The utility gross receipts tax had an increase of \$1,422 or .2% compared to last year's receipts. The state gas tax increased by 9.3% and the vehicle sales tax increased by \$10,711 compared to last year. The City's business licenses increased by 1.3% and building permits decreased from last year by (\$16,657) and Occupancy Permits increased by \$3,314.
- The City began the collection of a two percent tourism tax in fiscal year 2003 to promote tourism in the City and to be used towards improvements to City parks. In 2012 the citizens voted to increase the Tourism tax to 5%. The City has collected \$ 106,414 for the fiscal year ending 2012 and \$ 79,849 for the fiscal year ending 2011. The Tourism Board has chosen to match funds up to \$150,000 to improve the ball fields-project started 2012.
- 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 2012, the unassigned fund balance of the general fund was \$ 2,491,454, while the total fund balance was \$ 3,124,075. 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 44.5% of total general fund expenditures and transfers out of \$ 5,600,384, while total fund balance represents 55.8% of total general fund expenditures and transfers out.

The fund balance of the City's general fund increased by \$ 662,402 or 26.9%, from the prior-year fund balance. The change of the current year's fund balances is due to:

- Overall General Revenue Fund revenues were up \$194,552 as compared to the previous year. There was also a decrease in expenditures of approximately \$ 334,000. Also the transfers-in increased by \$ 118,394, since the Capital Reserve fund transferred funds set aside for one-half the Dispatch 911 system plus transferred for repair to the roof of the rental building in 2012. The transfers-out decreased to zero in 2012.

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2012

**GOVERNMENTAL FUNDS (continued)**

- General Fund expenditures decreased due to various reasons including capital expenditures in 2011 of over \$52,000 improvement to the boiler system at City Hall, \$115,500 in air packs purchased for the Fire Department with grant monies, and 2011 was the final payment of \$80,000 on the training center; other differences included - not replacing two retired employees and moving other employees to different departments,
- 

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

- The City Transportation Fund balance increased by \$ 101,158 or 4% from the prior-year. The expenditures increased by \$ 192,093, with an decrease in operating expenses of \$122,620 and an increase in capital purchases of over \$ 314,000 due to increasing the street repair projects. At the end of September 30, 2012, the spendable portion of the fund balance of \$2,615,044 is available for spending at the City's discretion on transportation projects.
- The County Transportation Fund increased by \$ 1,816 or . 8% from the prior year. At the end of September 30, 2012 the fund balance of \$229,954 is essentially a reserve needed in order to pay for expenditures up front until the City can request reimbursement through the County. There was deferred revenue in the amount of \$ 497,956 available at September 30, 2012. Both revenues and expenditures increased by approximately \$87,000 due to the way the projects are reimbursed by County.

**PROPRIETARY FUNDS**

Business-type activities – Water and Sewer Fund, increased the City's net assets by \$ 759,706, which is an increase of more than 6.9% over the prior fiscal year. Key elements of this change are as follows:

- The City water sales increased in the amount of \$ 308,600 or 12.1% from the prior year. The City sewer sales increased in the amount of \$ 106,881 or 9.3%.

**CAPITAL ASSETS**

The City of Festus' investment in capital assets for its governmental and business type activities as of September 30, 2012 amounts to \$25,901,450 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads and bridges. The increase in the City of Festus' investment in capital assets for the current fiscal year was 2.1%, (a 4.1% increase for governmental activities and a (1.3%) decrease for business-type activities).

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

**Governmental Activities:**

- Construction in Progress decreased predominately due to over \$925,000 of the Sunshine Drive project being completed and capitalized and then over \$180,000 of Sunset Park project being added.
- Buildings and Other Improvements included a new roof on the rental building and improvements to the public works back building.

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2012

**Governmental Activities (continued)**

- Office equipment (mainly computers and software) was purchased for various departments. Also there were reductions of computers retired by various departments.
- Additions to Automotive Equipment for the year included a pickup with animal transport unit for Animal Control and new pickup for the Parks. There were several vehicles disposed of during the year including the old Animal Control vehicle, a street sweeper, and several old police vehicles.
- Machinery and equipment acquired during the year included an ice maker and thermal camera for the Fire Department; radios for emergency management; a light bar for Police; striper, sign laminator, backhoe bucket, and salt spreader for Street Department; and pitching mounds and a snow plow for the Parks Department. Also during the year several Fire Department items were sold or retired – boat, depth finder, outdated gear, helmets, jaws of life, and other rescue equipment. The Parks Department donated the skate park equipment to Jefferson County. The Street Department also sold or retired equipment – v-box spreaders, snowplows and a chipper.
- Additions to infrastructure and land improvements included street overlays from 2012 projects - \$445,129, the Gannon Enhancement street project - \$ 701,799, and the Sunshine Drive street project - \$ 925,278. Also, in 2012 there were additions of new sidewalks totaling \$ 72,435, storm water improvements of \$49,085 and \$ 15,562 of new fencing at Sunset Park. The old fencing and lighting at Sunset Park were removed from capital assets.

**Business-Type Activities:**

- On Central Avenue the 12” water main was replaced at a cost of \$ 170,208.
- There was additional lining added to the sewers at a cost of \$70,499.
- A scrubber was added for Jersey Lift Station and a Neptune mobile collector was purchased.

City of Festus Capital Assets <i>(net of depreciation)</i>	Government Activities		Business-type Activities		Total Capital Assets	
	2011	2012	2011	2012	2011	2012
Land	\$ 1,506,298	\$ 1,506,298	\$ 194,059	\$ 194,059	\$ 1,700,357	\$ 1,700,357
Assets held for sale		3,899	52,432	52,432	52,432	56,331
Construction in Progress	949,975	400,421	24,947	23,097	974,922	423,518
Systems and Improvements			8,174,621	8,151,580	8,174,621	8,151,580
Buildings and Other Improvements	3,665,523	3,519,861	78,207	73,537	3,743,730	3,593,398
Office Equipment	112,598	91,544			112,598	91,544
Automotive Equipment	643,082	478,108	161,942	115,537	805,024	593,645
Machinery and Equipment	545,120	432,075	625,984	579,063	1,171,104	1,011,138
Furniture and Fixtures			2,500	2,228	2,500	2,228
Computer Equipment			11,496	11,664	11,496	11,664
Infrastructure	6,252,279	5,954,426			6,252,279	5,954,426
Land Improvements	2,360,756	4,304,035	8,093	7,586	2,368,849	4,311,621
Capital Assets, Net	\$ 16,035,631	\$ 16,690,667	\$ 9,334,281	\$ 9,210,783	\$ 25,369,912	\$ 25,901,450

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2012

**LONG - TERM DEBT**

**Governmental Activities:**

At the end of September 30, 2012 the City had outstanding long-term debt obligations for governmental activities in the amount of \$ 4,759,270 compared to \$4,975,559 in 2011. The City's obligations include a Neighborhood Improvement District Bonds in the amount of \$415,095 that will be assessed to property owners benefiting from improvements within the Bailey Station, Tanglewood, and Alexander Heights Subdivisions over the next 11 years. Capital lease obligations outstanding totaled \$82,062, which include a capital lease for computers, a capital lease for a voice recorder, and a lease for a fire truck. The 2012 Certificate of Participation was issued to refinance the lease purchase of the Library building. 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, 2012, the City had outstanding long-term debt obligations for business-type activities in the amount of \$ 8,503,811 compared to \$ 9,250,510 in 2011. The Neighborhood Improvement District (NID) Bonds totaling \$159,913 have various maturity dates out to 2022. The Certificates of Participation Series 2005 is for the installation of the 18" parallel sewer line, net of the discount and the \$ 821,139 is due in annual installments through 2025. 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	
	2011	2012	2011	2012	2011	2012
Capital Leases	\$ 1,598,086	\$ 82,062	\$ -	\$ -	\$ 1,598,086	\$ 82,062
Revenue Bonds			5,954,497	5,411,783	5,954,497	5,411,783
NID	447,580	415,095	172,428	159,913	620,008	575,008
Certificates of Participation	-	1,440,000	865,470	821,139	865,470	2,261,139
Notes Payable	2,929,893	2,822,113	2,258,115	2,110,976	5,188,008	4,933,089
<b>Total</b>	<b>\$ 4,975,559</b>	<b>\$ 4,759,270</b>	<b>\$ 9,250,510</b>	<b>\$ 8,503,811</b>	<b>\$ 14,226,069</b>	<b>\$ 13,263,081</b>

**SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES**

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

- General revenues showed an increase of \$ 417,818 over the amended budget. Conservatism was used in designating a budget amount for Property Taxes, Sales Tax, Utility Gross Receipts, 911 Tax, and Court Fines and all had revenues higher than budget. The major reason for the increase was court fines which were \$364,853 over budgeted, primarily due to changing procedures and clearing up some older cases. The only area where the revenues were under budget was Service Charges, and that was due to the trash contract being renewed with a lower fee being charged to consumers in January.

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2012

**SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES (continued)**

- Under administration, the department was under total operating budget by \$18,054. This included savings of over \$6,300 in bank fees, over \$4,800 in building maintenance, over \$5,300 in utility bills, over \$6,200 in office expenses and over \$4,400 in ordinance codification expenses.
- The court was \$ 4,487, under operating budget for the year. Their office expenses were \$ 2,389 under amount budgeted.
- The building department did not need monies budgeted for legal fees and computer service fees. They also were under budget on the office expenses and maintenance costs. The building department was \$ 34,438 under budget.
- The police department was under budget by \$45,807, which included over \$49,000 in savings in wages and benefits, the savings can be attributed to not replacing three officers for several months after leaving.
- Dispatch was \$17,075 under budget in total, which includes savings in overtime, benefits, maintenance contracts, and training.
- The fire department volunteer firefighters were 6% under budget and the vehicle and maintenance expenses were \$8,012 or 26% under budget due mainly to only spending 86% of their heavy equipment maintenance line, and only 26% of the Light Equipment maintenance line.
- The Emergency Management budget was under by 41% or \$7,738, primarily due to not needing to spend monies on the Citizen Corp or to replenish the emergency supplies.
- The street department was under budget by \$ 39,280.
- The non-departmental budget was under operating budget by \$ 44,873. As noted in revenues the trash contract was up and the new service charge was less that amount in budget.

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 \$ 29,693 more than what was budgeted and the investment income coming in \$ 3,509 more than budget. Plus there were insurance claims of \$ 13,644 and asset sales of \$ 4,282 that had not been budgeted. The grant revenue was \$ 95,863 under amount budgeted due to delays in the Central Avenue project.
- Operating expenditures for the City's Transportation Tax Fund were \$ 270,768 under the amount budgeted. The primary categories for this were wages and benefits under budget, in part due to the allowing of comp time rather than paid overtime. Other areas of budget savings include material and supply, which was \$99,628 under budget and special expenses, which were \$ 32,896 under budget. The capital outlay being under budget is due to the delay in the Central Avenue project.
- The County Transportation Tax Fund showed taxes under budget by \$ 18,480, since the tax revenues are requested from County after we spend the money on a Capital project. Capital Outlay expenditures in this fund were under budget by \$ 324,164, since some of the projects budgeted were not yet complete and the expenditures will need to be re-budgeted next year.

Variances noted in non-major governmental funds, include:

- Property taxes in all funds were 4% over what was projected, due to a higher collection rate of delinquent taxes.
- The Library Fund's Other Revenue was over budget due to contributed revenue from other funds of \$44,954 for capital building improvements, which was also over budget.
- The Park Fund operating expenses were under budget by \$ 79,249, this is in part due to \$ 24,639 of wages and benefits being capitalized, thus the capital expenses were over budget.



CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2012

**SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES (continued)**

- The Storm Water Fund showed operating expenses under budget by \$ 56,255 due to not proceeding with as many storm drain projects and the capital portion of the budget was under since the lining of the pipes was not completed until after the fiscal year ended.

**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 Assets**  
**September 30, 2012**

	Primary Government			Component
	Governmental Activities	Business Type Activities	Total	Unit Festus Public Library Foundation
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,903,135	\$ 2,271,719	\$ 8,174,854	\$ 4,423
Investments	3,926,736	1,026,557	4,953,293	-
Restricted cash and cash equivalents	50,953	360,865	411,818	1,342
Restricted investments	15,184	3,051,665	3,066,849	12,704
Receivables, net				
Taxes	4,963,357	-	4,963,357	-
Special assessments	513,404	135,414	648,818	-
Service charges	-	473,885	473,885	-
Interest	3,659	33,294	36,953	-
Grants	40,159	6,406	46,565	-
Court	231,750	-	231,750	-
Other	194,694	64,331	259,025	-
Prepaid items	246,204	48,278	294,482	-
Inventory	-	138,969	138,969	-
Investment in joint venture	-	3,876,226	3,876,226	-
Debt issue costs	41,496	101,770	143,266	-
Other noncurrent assets	-	-	-	-
Capital assets:				
Land and construction in progress	1,906,718	217,156	2,123,874	-
Other capital assets, net	14,783,948	8,993,627	23,777,575	-
Total Assets	<u>\$ 32,821,397</u>	<u>\$ 20,800,162</u>	<u>\$ 53,621,559</u>	<u>\$ 18,469</u>
<b>LIABILITIES</b>				
Checks written in excess of cash balance	\$ 200,861	\$ -	\$ 200,861	\$ -
Accounts payable	286,091	156,543	442,634	-
Accrued payroll	193,808	34,417	228,225	-
Accrued payroll liabilities-other	39,403	10,599	50,002	-
Accrued interest	12,753	76,026	88,779	-
Deposits payable	-	273,426	273,426	-
Fund held for others	45,479	-	45,479	-
Unearned revenue	1,324,324	-	1,324,324	-
Other liabilities	310,569	38	310,607	-
Noncurrent liabilities:				
Due Within One Year	201,750	770,554	972,304	-
Due in More Than One Year	4,557,520	7,733,257	12,290,777	-
Total Liabilities	<u>\$ 7,172,558</u>	<u>\$ 9,054,860</u>	<u>\$ 16,227,418</u>	<u>\$ -</u>
<b>NET ASSETS</b>				
Invested in capital assets, net	\$ 14,702,150	\$ 6,795,944	\$ 21,498,094	\$ -
Restricted:				
Debt service funds	1,844	2,969,579	2,971,423	-
Other purposes	-	-	-	18,469
Unrestricted	10,944,845	1,979,779	12,924,624	-
Total Net Assets	<u>\$ 25,648,839</u>	<u>\$ 11,745,302</u>	<u>\$ 37,394,141</u>	<u>\$ 18,469</u>

See Notes to the Financial Statements

**The City of Festus, Missouri**  
**Statement of Activities**  
**For the year ended September 30, 2012**

Functions/Programs	Expenses	Program Cash Receipts			Net (Expense) Revenue and Changes in Net Assets			Component Unit (unaudited) Festus Public Library Fndn.
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		
						Business-Type Activities	Total	
<b>Primary Government:</b>								
Governmental Activities:								
Administration	\$ 675,698	\$ -	\$ 2,437	\$ -	\$ (673,261)	\$ -	\$ (673,261)	\$ -
Court	143,274	880,032	-	-	736,758	-	736,758	-
Building Department	340,057	66,338	-	-	(273,719)	-	(273,719)	-
Police	2,200,661	3,275	72,535	-	(2,124,851)	-	(2,124,851)	-
Dispatch	507,062	73,290	-	-	(433,772)	-	(433,772)	-
Fire	380,013	15,500	-	-	(364,513)	-	(364,513)	-
Emergency Management	21,164	-	-	-	(21,164)	-	(21,164)	-
Street	1,586,649	37,178	-	567,615	(981,856)	-	(981,856)	-
Health	110,483	15,018	145	-	(95,320)	-	(95,320)	-
Library	329,005	58,894	9,097	-	(261,014)	-	(261,014)	-
Parks	629,792	48,059	6,441	-	(575,292)	-	(575,292)	-
Non-departmental	1,672,175	825,681	89,074	-	(757,420)	-	(757,420)	-
Interest and Fiscal Charges	111,457	-	-	-	(111,457)	-	(111,457)	-
Total Government Activities	\$ 8,707,490	\$ 2,023,265	\$ 179,729	\$ 567,615	\$ (5,936,881)	\$ -	\$ (5,936,881)	\$ -
Business-type Activities:								
Water and Sewer	4,194,885	4,367,414	-	102,625	-	275,154	275,154	-
Total Business-type Activities	\$ 4,194,885	\$ 4,367,414	\$ -	\$ 102,625	\$ -	\$ 275,154	\$ 275,154	\$ -
Total Primary Government	\$ 12,902,375	\$ 6,390,679	\$ 179,729	\$ 670,240	\$ (5,936,881)	\$ 275,154	\$ (5,661,727)	
<b>Component Units:</b>								
Festus Public Library Foundation	\$ 925	\$ -	\$ -	\$ -				\$ (925)
Total Component Units	\$ 925	\$ -	\$ -	\$ -				\$ (925)
<b>General Revenues</b>								
Taxes:								
Sales tax					\$ 5,206,599	\$ -	\$ 5,206,599	\$ -
Property tax					742,985	-	742,985	-
Taxes - other					1,529,188	-	1,529,188	-
Licenses (taxes)					198,507	-	198,507	-
Investment income					34,961	146,303	181,264	288
Gain/Loss on Disposal of Assets					(9,039)	(17,673)	(26,712)	-
Miscellaneous					140,336	5,922	146,258	3,263
Transfers (net)					(350,000)	350,000	-	-
Total General Revenues					\$ 7,493,537	\$ 484,552	\$ 7,978,089	\$ 3,551
<b>Change in Net Assets</b>					1,556,656	759,706	2,316,362	2,626
<b>Net Assets, Beginning</b>					24,092,183	10,985,596	35,077,779	15,843
<b>Net Assets, Ending</b>					\$ 25,648,839	\$ 11,745,302	\$ 37,394,141	\$ 18,469

See Notes to the Financial Statements

**The City of Festus, Missouri**  
**Balance Sheet - Governmental Funds**  
**September 30, 2012**

<b>Assets</b>	<b>General Fund</b>	<b>City Transportation Tax</b>	<b>County Transportation Tax</b>	<b>Capital Reserve</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 1,450,538	\$ 1,333,753	\$ -	\$ 1,017,847	\$ 2,100,997	\$ 5,903,135
Investments	925,919	1,145,075	-	1,199,465	656,277	3,926,736
Restricted cash	12,566	-	-	-	-	12,566
Restricted investments	15,184	-	-	-	-	15,184
Receivables, net						
Taxes	609,369	205,663	938,329	-	387,882	2,141,243
Special assessments	-	-	-	-	513,404	513,404
Interest	1,063	1,263	-	687	646	3,659
Grants	16,148	23,111	-	900	-	40,159
Court	231,750	-	-	-	-	231,750
Other	153,879	19,411	-	-	21,404	194,694
Prepaid items	165,302	44,709	-	-	36,193	246,204
Due from other funds	301,009	-	-	-	-	301,009
<b>Total Assets</b>	<b>\$ 3,882,727</b>	<b>\$ 2,772,985</b>	<b>\$ 938,329</b>	<b>\$ 2,218,899</b>	<b>\$ 3,716,803</b>	<b>\$ 13,529,743</b>
<b>Liabilities</b>						
Checks written in excess of cash balance	\$ -	\$ -	\$ 200,861	\$ -	\$ -	\$ 200,861
Accounts payable	106,288	56,167	9,558	-	114,078	286,091
Accrued payroll	61,302	4,867	-	-	7,318	73,487
Accrued payroll liabilities - other	29,459	3,969	-	-	5,975	39,403
Due to other funds	-	-	-	-	301,009	301,009
Funds held for others	43,979	1,500	-	-	-	45,479
Unearned revenue	272,299	-	497,956	-	554,069	1,324,324
Accrued interest	-	-	-	-	1,831	1,831
Other liabilities	245,325	46,729	-	-	18,514	310,568
Noncurrent liabilities:						
Due within one year	-	-	-	-	-	-
Due in more than one year	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>\$ 758,652</b>	<b>\$ 113,232</b>	<b>\$ 708,375</b>	<b>\$ -</b>	<b>\$ 1,002,794</b>	<b>\$ 2,583,053</b>
<b>Fund Balance</b>						
Nonspendable:						
Prepaid items	\$ 165,302	\$ 44,709	\$ -	\$ -	\$ 36,193	\$ 246,204
Interfund advances	301,009	-	-	-	-	301,009
Restricted:						
Debt service	-	-	-	-	1,844	1,844
Assigned:						
Encumbrances	166,310	812,542	-	3,000	120,088	1,101,940
Unassigned:						
General fund	2,491,454	-	-	-	-	2,491,454
Special revenue fund	-	1,802,502	229,954	2,215,899	2,555,884	6,804,239
<b>Total Fund Balances</b>	<b>\$ 3,124,075</b>	<b>\$ 2,659,753</b>	<b>\$ 229,954</b>	<b>\$ 2,218,899</b>	<b>\$ 2,714,009</b>	<b>\$ 10,946,690</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,882,727</b>	<b>\$ 2,772,985</b>	<b>\$ 938,329</b>	<b>\$ 2,218,899</b>	<b>\$ 3,716,803</b>	<b>\$ 13,529,743</b>

**The City of Festus, Missouri**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**For the year ended September 30, 2012**

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Total Fund Balances - Governmental Funds	\$ 10,946,690
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	38,387
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	16,690,666
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	41,496
Long-term debt group cash is not accounted for in the fund financial statements.	2,822,113
Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:	
Accrued payables	(10,922)
Accrued compensated balances	(120,321)
Bonds and notes payable outstanding	<u>(4,759,270)</u>
Net Assets of Governmental Activities	<u><u>\$ 25,648,839</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, 2012**

	General Fund	City Transportation Tax	County Transportation Tax	Capital Reserve	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property taxes	\$ 247,662	\$ -	\$ -	\$ -	\$ 495,324	\$ 742,986
Taxes - other	3,645,600	1,103,793	491,520	-	1,494,875	6,735,788
Intergovernmental	-	-	-	-	9,972	9,972
Special assessments	-	-	-	-	37,178	37,178
Grant revenue	67,962	472,875	94,740	900	12,013	648,490
Licenses and permits	260,045	4,800	-	-	317	265,162
Fines and penalties	873,094	-	-	-	41,864	914,958
Investment income	9,960	11,509	180	6,054	7,255	34,958
Building lease payments	53,430	-	-	-	-	53,430
Other	81,568	25,798	-	-	173,922	281,288
Service charges	898,971	-	-	-	-	898,971
Total Revenues	<u>\$ 6,138,292</u>	<u>\$ 1,618,775</u>	<u>\$ 586,440</u>	<u>\$ 6,954</u>	<u>\$ 2,272,720</u>	<u>\$ 10,623,181</u>
<b>Expenditures</b>						
Current:						
Administration	\$ 592,072	\$ -	\$ -	\$ -	\$ -	\$ 592,072
Court	141,584	-	-	-	-	141,584
Building department	333,983	-	-	-	-	333,983
Police	2,136,989	-	-	-	5,675	2,142,664
Dispatch	496,152	-	-	-	-	496,152
Fire	187,583	-	-	-	-	187,583
Emergency management	11,212	-	-	-	-	11,212
Street	322,105	687,240	-	-	-	1,009,345
Health	-	-	-	-	101,774	101,774
Library	-	-	-	-	241,189	241,189
Parks	-	-	-	-	488,227	488,227
Non-departmental	1,042,934	-	-	900	482,165	1,525,999
Capital outlay	165,808	825,705	584,624	-	428,812	2,004,949
Debt service:						
Principal	118,633	559	-	-	33,914	153,106
Interest and fiscal charges	51,329	18	-	-	22,624	73,971
Total Expenditures	<u>\$ 5,600,384</u>	<u>\$ 1,513,522</u>	<u>\$ 584,624</u>	<u>\$ 900</u>	<u>\$ 1,804,380</u>	<u>\$ 9,503,810</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>537,908</u>	<u>105,253</u>	<u>1,816</u>	<u>6,054</u>	<u>468,340</u>	<u>1,119,371</u>
<b>Other Financing Sources (Uses)</b>						
Lease purchase proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in	124,494	-	-	-	479,534	604,028
Transfers out	-	(4,095)	-	(221,849)	(728,084)	(954,028)
Total Other Financing Sources	<u>\$ 124,494</u>	<u>\$ (4,095)</u>	<u>\$ -</u>	<u>\$ (221,849)</u>	<u>\$ (248,550)</u>	<u>\$ (350,000)</u>
<b>Net Change in Fund Balance</b>	662,402	101,158	1,816	(215,795)	219,790	769,371
<b>Fund Balance (Deficit), October 1</b>	<u>2,461,673</u>	<u>2,558,595</u>	<u>228,138</u>	<u>2,434,694</u>	<u>2,494,219</u>	<u>10,177,319</u>
<b>Fund Balance (Deficit), September 30</b>	<u>\$ 3,124,075</u>	<u>\$ 2,659,753</u>	<u>\$ 229,954</u>	<u>\$ 2,218,899</u>	<u>\$ 2,714,009</u>	<u>\$ 10,946,690</u>

**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, 2012**

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Net Change in Fund Balances - Governmental Funds \$ 769,371

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.

Depreciation expense	(1,153,972)	
Capital outlays	<u>2,004,949</u>	850,977

Gain/(Loss) on capital assets sold (9,039)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. (33,470)

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

Amortization of 2005 & 2008 COP Cost of Issuance		(26,564)
Payment of 2005 COP Interest		(10,922)

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>16,303</u>
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Change in Net Assets of Governmental Activities \$ 1,556,656

The City of Festus, Missouri  
Statement of Net Assets  
Proprietary Funds  
September 30, 2012

		Water & Sewer
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$	2,271,719
Investments		1,026,557
Restricted cash and cash equivalents		360,865
Restricted investments		3,051,665
Receivables, net		
Special assessments		135,414
Service charges		473,885
Interest		33,294
Grants		6,406
Other		64,331
Prepaid items		48,278
Inventory		138,969
Total Current Assets	<u>\$</u>	<u>7,611,383</u>
<b>Noncurrent Assets</b>		
Investments in joint venture	\$	3,876,226
Debt issue costs		101,770
Non-depreciable capital assets:		
Land and construction in progress		217,156
Depreciable capital assets:		
Other capital assets, net		8,993,627
Total Noncurrent Assets	<u>\$</u>	<u>13,188,779</u>
Total Assets	<u>\$</u>	<u>20,800,162</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Checks written in excess of cash balance	\$	-
Accounts payable		156,543
Payroll and compensated absences payable		34,417
Accrued payroll liabilities - other		10,599
Accrued interest		76,026
Revenue bonds and NID bonds payable - current		617,515
Capital leases - current		-
Notes payable - current		153,039
Deposits payable		273,426
Due to other funds		-
Other liabilities		38
Total Current Liabilities	<u>\$</u>	<u>1,321,603</u>
<b>Long-Term Liabilities</b>		
Revenue bonds payable and neighborhood improvement district bonds, net of bond premiums & discounts	\$	5,775,320
Capital leases		-
Notes payable		1,957,937
Total Long-Term Liabilities	<u>\$</u>	<u>7,733,257</u>
Total Liabilities	<u>\$</u>	<u>9,054,860</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	\$	6,795,944
Restricted for:		
Debt reserve funds		2,969,579
Sewer line extension		-
Unrestricted		1,979,779
Total Net Assets	<u>\$</u>	<u>11,745,302</u>



**The City of Festus, Missouri**  
**Statement of Revenue, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the year ended September 30, 2012**

	Water & Sewer
<b>Operating Revenues</b>	
Water and sewer collections and fees	\$ 4,322,940
Other revenues	44,474
Total Operating Revenues	\$ 4,367,414
<b>Operating Expenses</b>	
Personnel expenses	\$ 885,252
Materials and supplies	305,585
Purchased water	1,509,750
Utilities and maintenance	211,273
Depreciation and amortization	564,619
Treatment plant	261,667
Other	142,074
Total Operating Expenses	\$ 3,880,220
Operating Income (Loss)	487,194
<b>Non-operating Revenues (Expenses)</b>	
Interest income	\$ 146,303
Miscellaneous income	5,922
Gain/loss on disposal of assets	(17,673)
Interest expense	(314,665)
Total Non-operating Revenues (Expenses)	\$ (180,113)
Income (Loss) Before Capital Contributions and Transfers	307,081
Capital contributions	102,625
Transfers in (out)	350,000
	\$ 452,625
Change in Net Assets	759,706
Net Assets, October 1	10,985,596
Net Assets, September 30	\$ 11,745,302

See Notes to the Financial Statements

The City of Festus, Missouri  
Statement of Cash Flows  
Proprietary Funds  
For the year ended September 30, 2012

	Water and Sewer
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Receipts from customers	\$ 4,319,442
Payments to suppliers	(2,071,081)
Payments to employees	(886,059)
Other receipts (payments)	(143,584)
Net Cash Flows from Operating Activities	1,218,718
Cash Flows from Noncapital Financing Activities:	
Grants and other contributions	102,625
Transfer in (out)	350,000
Net Cash Used by Noncapital Financing Activities	452,625
Cash Flows from Capital and Related Financing Activities:	
Payments of long-term debt	(754,654)
Proceeds from notes payable	-
Interest on debt	(320,728)
Acquisition and construction of capital assets	(274,742)
Net Cash Used by Capital and Related Financing Activities	(1,350,124)
Cash Flows from Investing Activities:	
Proceeds from sale of investments	2,884,562
Purchase of investments	(2,603,834)
Miscellaneous income	5,922
Interest on investments	150,332
Net Cash Used by Investing Activities	436,982
Net Increase in Cash and Cash Equivalents	\$ 758,201
Cash and Cash Equivalents, October 1	1,874,383
Cash and Cash Equivalents, September 30	\$ 2,632,584
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Cash flows from operating activities:	
Operating Profit (Loss)	\$ 487,194
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation Expense	546,259
Amortization Expense	18,360
(Increase) decrease in:	
Accounts receivable	(57,706)
Prepaid items	10,953
Inventories	187,914
Increase (decrease) in:	
Accounts payable	26,551
Accrued liabilities	(807)
Net cash provided by (used in) operating activities	\$ 1,218,718
Noncash Capital and Related Financing and/or Investing Activities:	
None	

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

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**Note 1 - Summary of Significant Accounting Policies**

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

**The Financial Reporting Entity**

The City defines its financial reporting entity in accordance with provisions established by the Governmental Accounting Standards Board (GASB). Such standards require inclusion of component units based upon whether the City's governing body has any significant amount of financial accountability for potential component units (PCU). The City is financially accountable if it appoints a voting majority of a PCU's governing body and is able to impose its will on the PCU or there is a potential for the PCU to provide specific financial benefits to, or impose specific financial burdens on, the City. The City's financial reporting entity consists of the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

**Discretely Presented Component Unit**

The discretely presented component unit column in the basic financial statements include the financial data of the City's component unit. It is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The following entity is discretely presented in the basic financial statements as a governmental fund type:

**Festus Public Library Foundation, Inc.** - The City Council appoints the Library Board. The Library Board then appoints three members from the Library Board and four members from the community to serve as the governing body of the foundation. The purpose of the component unit is to establish future expansion and repair of the library building, and to update and add to the collection of books, materials, and equipment in the library. Separate financial statements are not prepared for the Festus Public Library Foundation, Inc.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

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

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

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

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

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

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

**Encumbrances**

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

**Cash, Cash Equivalents, and Investments**

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

**Allowance for Uncollectable Accounts**

Allowance for uncollectable accounts is as follows:

	<u>Sept. 30, 2012</u>
Governmental Activities - General Fund	\$ 88,403
Business-type Activities - Water and Sewer Enterprise Fund	130,990
	<u>\$ 219,393</u>

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

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

**Due To/From Other Funds**

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

**Inventory and Prepaid Items**

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

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

**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 assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with GASB Statement No. 34, infrastructure assets constructed, purchased, or donated effective October 1, 2003 are reported in the government-wide financial statements.

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

**Capital Assets (continued)**

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	20-50

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

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

**Compensated Absences**

Vacation

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

	<b>Total</b>	<b>Amounts Due Within One Year</b>
Governmental Activities	\$ 93,686	\$ 93,686
Business Type Activities	<u>15,613</u>	<u>15,613</u>
	<u>\$ 109,299</u>	<u>\$ 109,299</u>

Sick Leave

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

Comp Time

A non-exempt employee 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.

**Unearned Revenue**

Unearned revenue is composed of delinquent property tax receivables, protested utility taxes, and insurance proceeds not used 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported and amortized over the term of the related debt.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

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

**Long-Term Obligations (continued)**

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

**Fund Equity**

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

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

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

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

The governmental fund equities, under GASB Statement No. 54, are classified in the following categories:

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

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

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

*Assigned* - represents fund balances that are any amounts for which it is the City's intent that the funds be used for specific purposes but there is 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, 2012**

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

**Grant Revenue**

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

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

**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, 2012 consisted of the following:

<u>Type</u>	<u>Maturities</u>	<u>2012 Cost</u>
Unrestricted Deposits:		
Petty cash	n/a	\$ 1,944
Deposits	n/a	8,172,910
Total Unrestricted Deposits		\$ 8,174,854
Restricted Deposits:		
Demand deposits	n/a	120,224
Deposits	n/a	291,594
Total Restricted Deposits		\$ 411,818

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

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

Unrestricted Investments:		
Certificate of deposit	11/23/12	\$ 250,000
Certificate of deposit	1/4/13	1,545,808
Certificate of deposit	1/10/13	245,000
Certificate of deposit	1/12/13	500,000
Certificate of deposit	1/27/13	526,482
Certificate of deposit	5/8/13	265,619
Certificate of deposit	7/10/13	520,384
Certificate of deposit	7/28/13	500,000
Commerce FNMA Callable	7/26/13	600,000
Total Unrestricted Investments		<u>\$ 4,953,293</u>
Restricted Investments:		
Certificate of deposit	12/15/12	\$ 15,184
Certificate of deposit	1/27/13	163,923
Guaranteed investment contract	6/30/23	13,912
Guaranteed investment contract	6/30/23	48,750
Guaranteed investment contract	6/30/23	1,806,503
Guaranteed investment contract	6/30/23	8,851
Guaranteed investment contract	6/30/23	304,473
Guaranteed investment contract	6/30/23	705,253
Total Restricted Investments		<u>\$ 3,066,849</u>

Investments are recorded at cost, which approximates market.

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

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

**Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law requires depository financial institutions to pledge as collateral for public funds on deposit by governmental unit securities which, when combined with Federal Deposit Insurance Corporation ("FDIC") insurance, are at least equal to the amount on deposit at all times.

**Concentration of Credit Risks** - The City places no limit on the amount the City may invest in any one issuer. More than 5% of the City's total unrestricted investments are with U.S. federal agencies.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

**Note 3 - Capital Assets**

Capital asset activity for the year ended September 30, 2012 was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>Sept. 30, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Sept. 30, 2012</b>
<b>Governmental Activities:</b>				
Land	\$ 1,506,299	\$ -	\$ -	\$ 1,506,299
Construction in process	949,974	1,117,157	(1,666,712)	400,419
Assets to be sold	-	3,899	-	3,899
Buildings and other improvements	5,956,305	61,171	(17,689)	5,999,787
Office equipment	293,883	9,080	(14,429)	288,534
Automotive equipment	3,711,204	46,091	(118,862)	3,638,433
Machinery and equipment	1,873,097	38,073	(142,837)	1,768,333
Infrastructure	7,480,975	49,086	-	7,530,061
Land improvements	3,511,482	2,160,204	(46,098)	5,625,588
<b>Total Capital Assets</b>	<u>25,283,219</u>	<u>3,484,761</u>	<u>(2,006,627)</u>	<u>26,761,353</u>
Less: Accumulated depreciation				
Buildings and other improvements	2,290,782	200,286	(11,143)	2,479,925
Office equipment	181,285	29,428	(13,724)	196,989
Automotive equipment	3,068,120	211,067	(118,861)	3,160,326
Machinery and equipment	1,327,977	149,329	(141,047)	1,336,259
Infrastructure	1,228,698	346,938	-	1,575,636
Land improvements	1,150,726	216,924	(46,098)	1,321,552
<b>Total Accumulated Depreciation</b>	<u>9,247,588</u>	<u>1,153,972</u>	<u>(330,873)</u>	<u>10,070,687</u>
<b>Governmental Activities Capital Assets, net</b>	<u>\$ 16,035,631</u>	<u>\$ 2,330,789</u>	<u>\$ (1,675,754)</u>	<u>\$ 16,690,666</u>
<b>Business-type Activities</b>				
Land	\$ 194,059	\$ -	\$ -	\$ 194,059
Assets to be sold	52,432	-	-	52,432
Construction in process	24,946	9,932	(11,781)	23,097
Systems and improvements	10,981,940	240,709	(17,995)	11,204,654
Buildings and other improvements	189,905	-	-	189,905
Automotive equipment	605,732	1,501	-	607,233
Machinery and equipment	1,413,440	18,608	(10,998)	1,421,050
Furniture and fixtures	10,362	-	-	10,362
Computer equipment	27,749	3,996	-	31,745
<b>Total Capital Assets</b>	<u>13,500,565</u>	<u>274,746</u>	<u>(40,774)</u>	<u>13,734,537</u>
Less: Accumulated depreciation				
Systems and improvements	2,799,226	253,665	(7,405)	3,045,486
Buildings and other improvements	111,697	4,672	-	116,369
Automotive equipment	443,792	47,904	-	491,696
Machinery and equipment	787,455	64,520	(9,987)	841,988
Furniture and fixtures	7,863	271	-	8,134
Computer equipment	16,251	3,830	-	20,081
<b>Total Accumulated Depreciation</b>	<u>4,166,284</u>	<u>374,862</u>	<u>(17,392)</u>	<u>4,523,754</u>
<b>Business-type Activities Capital Assets, net</b>	<u>\$ 9,334,281</u>	<u>\$ (100,116)</u>	<u>\$ (23,382)</u>	<u>\$ 9,210,783</u>

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

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

Depreciation expense was charged to functions/programs of the primary government for the year ended September 30, 2012 as follows:

	Amount
<b>Governmental Activities:</b>	
Administration	\$ 60,823
Court	623
Building department	8,986
Police	65,544
Dispatch	4,421
Fire	188,571
Street	575,423
Emergency Management	9,952
Non-Departmental	25,569
Health	7,019
Library	87,920
Parks	119,121
Total Depreciation Expense - Governmental Activities	\$ 1,153,972
 <b>Business-type Activities:</b>	
Water and Sewer	546,529
Total Depreciation Expense - Business-type Activities	\$ 546,529

**Note 4 - Long-Term Debt**

Long-term liability activity for the year ended September 30, 2012 was as follows:

	Balance September 30, 2011	Additions	Reductions	Balance September 30, 2012	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Capital leases	\$ 1,598,086	\$ -	\$ (1,516,025)	\$ 82,061	\$ 79,265
NID bonds	447,580	-	(32,485)	415,095	32,485
Certificates of Participation	-	1,440,000	-	1,440,000	90,000
Notes payable	2,929,893	-	(107,779)	2,822,114	-
Total Governmental Activities:	\$ 4,975,559	\$ 1,440,000	\$ (1,656,289)	\$ 4,759,270	\$ 201,750

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

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

	<b>Balance September 30, 2011</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance September 30, 2012</b>	<b>Amounts Due Within One Year</b>
<b>Business-type activities:</b>					
Revenue bonds	\$ 5,975,000	\$ -	\$ (550,000)	\$ 5,425,000	\$ 560,000
Add: Premium	139,974	-	(12,165)	127,809	-
Less: On Refunding	(160,479)	19,453	-	(141,026)	-
NID Bonds	172,428	-	(12,515)	159,913	12,515
Certificates of Participation	875,000	-	(45,000)	830,000	45,000
Less: Discount	(9,529)	668	-	(8,861)	-
Note payable	2,258,115	-	(147,139)	2,110,976	153,039
<b>Total Business-type Activities:</b>	<b>\$ 9,250,509</b>	<b>\$ 20,121</b>	<b>\$ (766,819)</b>	<b>\$ 8,503,811</b>	<b>\$ 770,554</b>

Capital Leases

	<b>September 30, 2012</b>
<b>Governmental Activities:</b>	
Capital lease \$350,000 for 2008 fire truck, due in monthly installments through October 1, 2013, interest payable at 3.750%.	75,337
Capital lease \$12,483 for 2010 voice recorder, due in annual installments through March 25, 2014, interest payable at 13.90%.	5,251
Capital lease \$24,947 for 2010 computer, due in monthly installments through October 15, 2012, interest payable at 4.380%.	1,473
Total:	<b>\$ 82,061</b>

**Business-type Activities:**

There were no business-type capital leases for the year ended September 30, 2012.

The assets acquired through capital leases are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Assets:		
Automobile equipment	\$ 312,420	\$ -
Building (Library Project)	1,542,657	-
Voice Recorder	12,483	-
Computer	24,947	-
Less: Payments/Reductions	(1,810,446)	-
<b>Total Assets:</b>	<b>\$ 82,061</b>	<b>\$ -</b>

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

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

Capital Leases (continued)

A schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments as of September 30, 2012 are as follows:

<b>For the years ending September 30,</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
2013	\$ 82,921	\$ -	\$ 82,921
2014	4,563	-	4,563
Total minimum lease payments	\$ 87,484	\$ -	\$ 87,484
Less: Amount representing interest	(5,423)	-	(5,423)
Total minimum lease payments, net	<u>\$ 82,061</u>	<u>\$ -</u>	<u>\$ 82,061</u>

Neighborhood Improvement District Bonds

The total amount of the Neighborhood Improvement District Bonds Series 2002 is \$875,000. This amount is split between the governmental activities and the business-type activities.

	<b>September 30, 2012</b>
<b>Governmental Activities:</b>	
\$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%.	\$ 415,095
<b>Business-type Activities:</b>	
\$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%.	<u>159,913</u>
Total:	<u>\$ 575,008</u>

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

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

Neighborhood Improvement District Bonds (continued)

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

<b>For The Years Ended September 30</b>	<b>Governmental Activities</b>			<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 32,485	\$ 21,144	\$ 53,629	\$ 12,515	\$ 8,222	\$ 20,737
2014	32,485	19,580	52,065	12,515	7,615	20,130
2015	36,095	17,878	53,973	13,905	6,952	20,857
2016	36,095	16,042	52,137	13,905	6,238	20,143
2017	39,704	14,075	53,779	15,296	5,474	20,770
2018-2022	238,231	34,425	272,656	91,777	13,388	105,165
	<u>\$ 415,095</u>	<u>\$ 123,144</u>	<u>\$ 538,239</u>	<u>\$ 159,913</u>	<u>\$ 47,889</u>	<u>\$ 207,802</u>

Certificates of Participation

The total amount of the Certificates of Participation Series 2012 is \$1,440,000. This amount is located in the governmental activities. The total amount of the Certificates of Participation Series 2005 is \$830,000. This amount is located in the business-type activities.

	<b>September 30, 2012</b>
<b>Governmental Activities:</b>	
\$1,440,000 Certificates of Participation, Series 2012, due in annual installments through January 1, 2028, interest payable at 3.0% to 4.0%.	\$ 1,440,000
<b>Business-type Activities:</b>	
\$1,070,000 Certificates of Participation, Series 2005, due in annual installments through December 1, 2025, interest payable at 3.4% to 4.5%.	<u>830,000</u>
<b>Total:</b>	<u><u>\$ 2,270,000</u></u>

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

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

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

<b>For The Years Ended September 30</b>	<b>Governmental Activities</b>			<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 90,000	\$ 36,591	\$ 126,591	\$ 45,000	\$ 34,855	\$ 79,855
2014	80,000	31,865	111,865	45,000	33,100	78,100
2015	80,000	31,025	111,025	50,000	31,185	81,185
2016	80,000	29,985	109,985	50,000	29,110	79,110
2017	80,000	28,785	108,785	50,000	27,035	77,035
2018-2022	435,000	118,805	553,805	295,000	99,489	394,489
2023-2027	490,000	57,079	547,079	295,000	27,337	322,337
2028	105,000	1,706	106,706	-	-	-
	<u>\$ 1,440,000</u>	<u>\$ 335,841</u>	<u>\$ 1,775,841</u>	<u>\$ 830,000</u>	<u>\$ 282,111</u>	<u>\$ 1,112,111</u>

Tax Increment Financing Debt

**September 30,  
2012**

**Governmental Activities:**

The City has entered into an agreement on February 26, 2003 for the development of a Lowe's store within the City limits. Whereas, the City has agreed to reimburse Lowe's a portion of certain City and State infrastructure costs for up to a maximum aggregate amount of \$1,800,000 plus interest until the company either receives the total amount of the final project costs or fifteen (15) years from the full execution of this agreement. The City is to deposit 50% of the 1.5% sales tax generated from the business into a special allocation fund to be released on a quarterly basis.

\$ 1,200,533

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

1,621,580

Total: \$ 2,822,113



**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

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

Revenue Bonds Payable

	<u>September 30, 2012</u>
<b>Business-type Activities</b>	
\$3,960,000 Revenue Bonds, Series 2003, due in annual installments through July 1, 2019, interest payable at 3.036%.	\$ 1,410,000
\$3,575,000 Revenue Bonds, Series 2002B, due in annual installments through July 2023, interest payable at 2.05% to 5.5%.	2,455,000
\$1,885,000 Revenue Bonds, Series 2001C, due in annual installments through July 1, 2022, interest payable at 3% to 5.375%.	<u>1,560,000</u>
Total:	<u>\$ 5,425,000</u>

Notes Payable

	<u>September 30, 2012</u>
<b>Business-type Activities</b>	
State Revolving Fund (SRF) - 2001C, no interest	\$ 304,474
State Revolving Fund (SRF) - 2002B, no interest	<u>1,806,502</u>
Total:	<u>\$ 2,110,976</u>

The debt maturity of the bonds, excluding amount maturing after September 30, 2012, which were remitted prior to the current fiscal year-end and the SRF note, are as follows:

<b>For The Years Ended September 30</b>	<b>Revenue Bonds</b>			<b>Notes Payable</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 560,000	\$ 253,639	\$ 813,639	\$ 153,039	\$ -	\$ 153,039
2014	580,000	230,897	810,897	155,072	-	155,072
2015	640,000	207,424	847,424	156,875	-	156,875
2016	485,000	182,709	667,709	165,043	-	165,043
2017	505,000	158,131	663,131	167,910	-	167,910
2018-2022	2,400,000	407,572	2,807,572	1,134,537	-	1,134,537
2023	255,000	12,750	267,750	178,500	-	178,500
	<u>\$ 5,425,000</u>	<u>\$ 1,453,122</u>	<u>\$ 6,878,122</u>	<u>\$ 2,110,976</u>	<u>\$ -</u>	<u>\$ 2,110,976</u>

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

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

Notes Payable (continued)

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

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

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

**Note 5 - Employee Retirement Plan**

Plan Description

The City participates in LAGERS, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, Section RSMo 70.600 - 70.555. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

Funding Status

Full-time employees of the City of Festus do not contribute to the pension plan. The June 30th statutory required contribution rates are 11.6% (General), 9.8% (Police) and 20.2% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

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**Note 5 - Employee Retirement Plan**

Annual Pension Cost and Net Pension Obligation (NPO)

The subdivision's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 467,073
Interest on net pension obligation	5,554
Adjustment to annual required contribution	(4,227)
Annual pension cost	468,400
Actual contributions	401,216
Increase (decrease) in NPO	67,184
NPO beginning of year	76,613
NPO end of year	\$ 143,797

The annual required contribution (ARC) was determined as part of the February 29, 2009 and February 28, 2010 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2012 included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2009 was 30 years for the General division, 30 years for the Police division and 30 years for the Fire division. The amortization period as of February 28, 2010 was 30 years for the General division, 30 years for the Police division and 30 years for the Fire division.

Three-year Trend Information

<b>For the Years Ended June 30</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2010	\$ 345,648	100%	\$ -
2011	456,030	83.2%	76,613
2012	468,400	85.7%	143,797

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

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

**Required Supplementary Information**  
Schedule of Funding Progress

<b>Actuarial Valuation Date</b>	<b>(a) Actuarial Value Of Assets</b>	<b>(b) Entry Age Actuarial Accrued Liability</b>	<b>(b-a) Unfunded Accrued Liability (UAL)</b>
2/28/2010	\$ 6,131,872	\$ 8,327,195	\$ 2,195,323
2/28/2011	5,628,349	8,383,662	2,755,313
2/28/2012	6,325,689	8,679,415	2,353,726

<b>Actuarial Valuation Date</b>	<b>(a/b) Funded Ratio</b>	<b>(c) Annual Covered Payroll</b>	<b>[(b-a)/c] UAL as a Percentage Of Covered Payroll</b>
2/28/2010	74%	\$ 3,752,986	58%
2/28/2011	67%	3,668,271	75%
2/28/2012	73%	3,787,362	62%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

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

There were no due from/due to other fund balances at September 30, 2012. Balances in the Library Fund of (\$300,000), NID Assessment Fund of (\$1,009) and General Fund of \$301,009 have been eliminated upon consolidation in the government-wide financial statements.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

**Note 7 - Interfund Transfers**

Individual fund transfers are as follows:

	Fund	Transfers In	Transfers Out	Net Transfers
Governmental Activities:	General Fund	\$ 124,494	\$ -	\$ 124,494
	Library Fund	4,650	-	4,650
	Park Fund	470,789	-	470,789
	Capital Reserve Fund	-	221,849	(221,849)
	Tourism Tax	-	89,226	(89,226)
	City Transportation Tax Fund	-	4,095	(4,095)
	Storm Water Tax Fund	-	288,858	(288,858)
	Capital Improvement Fund	-	350,000	(350,000)
	NID Assessment Fund	4,095	-	4,095
	Total Governmental Activities	604,028	954,028	(350,000)
Business Type Activities:	Water Administration Fund	350,000	-	350,000
	Total Business-type Activities	350,000	-	350,000
	Total Transfers	\$ 954,028	\$ 954,028	\$ -

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

**Note 8 - 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, 2013. 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 an assessment totaling \$509,212 for MIRMA's fiscal year ended June 30, 2012. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2012**

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**Note 9 - 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 10 - 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 61-63% of the previous month's costs of operation and maintenance of the shared facility and repairs and replacements of equipment. The City of Crystal City is committed to pay the remaining 37-39% of described costs. Complete financial statements of the Commission can be obtained directly from its administrative offices. The City accounts for its participation in this joint venture under the equity method of accounting to reflect its 61-63% ownership of the Commission. The City's interest in the joint venture at September 30, 2012 is \$3,876,226 and its share of the Commission's net loss before adding back depreciation assets financed by grants from other governments is \$165,693. For the year ended September 30, 2012, the City's cost for sewage treatment services provided by the Commission was \$248,897, which includes the City's share of operating expenses, capital, and reserve.

The following paragraph is unaudited:

The Commission maintains its accounts on the cash basis. Total assets and equity of the Commission at September 30, 2012 were both \$28,932. Commission management stated that no long-term liabilities were outstanding at September 30, 2012. For the year ended September 30, 2012, total receipts and disbursements were \$406,872 and \$406,872, respectively, resulting in a net change in the Commission's equity of (\$0).

Jefferson County Water Authority

The City of Festus entered into a joint venture with the City of Herculaneum to form the Jefferson County Water Authority (JCWA) in January 2000 to provide water to the two city's residents. 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, 2012**

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**Note 10 - Joint Ventures (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.

**Note 11 - Concentration**

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

**Note 12 - 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, 2011, 9 retirees and 5 retirees' spouses participated in the City's insurance plans and paid premiums totaling \$36,127. COBRA premiums paid (not by City) totaled \$16,528.

**Note 13 - Operating Leases**

The City entered into a sixty month operating lease agreement with for a postage meter in August 2010. The total of the lease is \$14,221. Payments applied in fiscal year 2012 totaled \$2,844. Payments due for fiscal year 2013, 2014 and 2015 are \$2,844, \$2,844 and \$1,896, respectively.

**Note 14 - New Accounting Pronouncements**

GASB Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources and is effective for periods beginning after December 15, 2012. Effects of the City's financial statements as a result of the adoption of this new pronouncements are unknown.

**Note 15 - Subsequent Events**

The County has evaluated events subsequent to September 30, 2012 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through April 30, 2013, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the year ended September 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ 239,435	\$ 239,435	\$ 247,662	\$ 8,227
Taxes - other	3,441,400	3,541,400	3,645,600	104,200
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	37,500	60,550	67,962	7,412
Licenses and permits	241,000	241,000	260,045	19,045
Fines and penalties	455,700	505,700	873,094	367,394
Investment income	10,000	10,000	9,960	(40)
Building lease payments	49,200	49,200	53,430	4,230
Other	36,238	64,649	81,568	16,919
Service charges	1,008,540	1,008,540	898,971	(109,569)
Total Revenues	<u>\$ 5,519,013</u>	<u>\$ 5,720,474</u>	<u>\$ 6,138,292</u>	<u>\$ 417,818</u>
<b>Expenditures</b>				
Current:				
Administration	\$ 610,126	\$ 636,261	\$ 592,072	\$ (44,189)
Court	146,071	146,071	141,584	(4,487)
Building department	368,421	347,510	333,983	(13,527)
Police	2,182,796	2,211,243	2,136,989	(74,254)
Dispatch	513,227	519,127	496,152	(22,975)
Fire	223,811	221,939	187,583	(34,356)
Emergency management	18,950	18,950	11,212	(7,738)
Street	361,385	325,080	322,105	(2,975)
Non-departmental	1,083,950	1,093,650	1,042,934	(50,716)
Capital outlay	269,979	224,681	165,808	(58,873)
Debt Service:				
Principal	137,441	132,016	118,633	(13,383)
Interest and fiscal charges	74,224	59,699	51,329	(8,370)
Total Expenditures	<u>\$ 5,990,381</u>	<u>\$ 5,936,227</u>	<u>\$ 5,600,384</u>	<u>\$ (335,843)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(471,368)	(215,753)	537,908	753,661
<b>Other Financing Sources (Uses)</b>				
Lease purchase proceeds	-	-	-	-
Transfers in	202,985	187,035	124,494	(62,541)
Transfers out	(3,857)	(1,500)	-	1,500
Total Other Financing Sources (Uses)	<u>199,128</u>	<u>185,535</u>	<u>124,494</u>	<u>(61,041)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (272,240)</u>	<u>\$ (30,218)</u>	\$ 662,402	<u>\$ 692,620</u>
<b>Fund Balance, October 1</b>			<u>2,461,673</u>	
<b>Fund Balance, September 30</b>			<u>\$ 3,124,075</u>	



**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**City Transportation Tax Fund**  
**For the year ended September 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	1,074,100	1,074,100	1,103,793	29,693
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	1,183,296	568,738	472,875	(95,863)
Licenses and permits	1,500	1,500	4,800	3,300
Fines and penalties	-	-	-	-
Investment income	8,000	8,000	11,509	3,509
Building lease payments	-	-	-	-
Other	1,500	1,500	25,798	24,298
Service charges	-	-	-	-
Total Revenues	<u>\$ 2,268,396</u>	<u>\$ 1,653,838</u>	<u>\$ 1,618,775</u>	<u>\$ (35,063)</u>
<b>Expenditures</b>				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire	-	-	-	-
Emergency management	-	-	-	-
Street	958,008	958,008	687,240	(270,768)
Non-departmental	-	-	-	-
Capital outlay	1,854,681	1,086,483	825,705	(260,778)
Debt Service:				
Principal	560	560	559	(1)
Interest and fiscal charges	18	18	18	-
Total Expenditures	<u>\$ 2,813,267</u>	<u>\$ 2,045,069</u>	<u>\$ 1,513,522</u>	<u>\$ (531,547)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(544,871)	(391,231)	105,253	496,484
<b>Other Financing Sources (Uses)</b>				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(4,098)	(4,098)	(4,095)	3
Total Other Financing Sources (Uses)	<u>(4,098)</u>	<u>(4,098)</u>	<u>(4,095)</u>	<u>3</u>
<b>Net Change in Fund Balance</b>	<u>\$ (548,969)</u>	<u>\$ (395,329)</u>	\$ 101,158	<u>\$ 496,487</u>
<b>Fund Balance, October 1</b>			<u>2,558,595</u>	
<b>Fund Balance, September 30</b>			<u>\$ 2,659,753</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, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	510,000	510,000	491,520	(18,480)
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	49,600	94,740	94,740	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	100	100	180	80
Building lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 559,700</u>	<u>\$ 604,840</u>	<u>\$ 586,440</u>	<u>\$ (18,400)</u>
<b>Expenditures</b>				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire	-	-	-	-
Emergency management	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	936,148	908,788	584,624	(324,164)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 936,148</u>	<u>\$ 908,788</u>	<u>\$ 584,624</u>	<u>\$ (324,164)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(376,448)	(303,948)	1,816	305,764
<b>Other Financing Sources (Uses)</b>				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (376,448)</u>	<u>\$ (303,948)</u>	\$ 1,816	<u>\$ 305,764</u>
<b>Fund Balance, October 1</b>			<u>228,138</u>	
<b>Fund Balance, September 30</b>			<u>\$ 229,954</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Capital Reserve Fund**  
**For the year ended September 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	900	900
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	5,800	5,800	6,054	254
Building lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 5,800</u>	<u>\$ 5,800</u>	<u>\$ 6,954</u>	<u>\$ 1,154</u>
<b>Expenditures</b>				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire	-	-	-	-
Emergency management	-	-	-	-
Street	-	-	-	-
Non-departmental	-	4,000	900	(3,100)
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 900</u>	<u>\$ (3,100)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	5,800	1,800	6,054	4,254
<b>Other Financing Sources (Uses)</b>				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(211,635)	(286,664)	(221,849)	64,815
Total Other Financing Sources (Uses)	<u>(211,635)</u>	<u>(286,664)</u>	<u>(221,849)</u>	<u>64,815</u>
<b>Net Change in Fund Balance</b>	<u>\$ (205,835)</u>	<u>\$ (284,864)</u>	\$ (215,795)	<u>\$ 69,069</u>
<b>Fund Balance, October 1</b>			<u>2,434,694</u>	
<b>Fund Balance, September 30</b>			<u>\$ 2,218,899</u>	

**City of Festus, Missouri**  
**Notes to the Required Supplementary Information**  
**For the year ended September 30, 2012**

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**Note 1 - Explanation of Budgetary Process**

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

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

The Library has a negative fund balance due to debt.

**The City of Festus, Missouri**  
**Combining Balance Sheet - Non-Major Governmental Funds**  
**September 30, 2012**

<b>Special Revenue Funds</b>											
	Health	Library	Park	NID Assessment	Law Enforcement Training	Storm Water Tax	Tourism Tax	Sales Tax Reimb.	Federal Forfeiture	Capital Improvement	Totals
<b>Assets</b>											
Cash and cash equivalents	\$ 185,400	\$ 133,498	\$ 180,291	\$ 4,684	\$ 20,419	\$ 553,582	\$ 134,493	\$ 86,278	\$ 18,180	\$ 784,172	\$ 2,100,997
Investments	110,015	50,000	121,195	-	-	295,067	80,000	-	-	-	656,277
Restricted cash	-	-	-	-	-	-	-	-	-	-	-
Restricted investments	-	-	-	-	-	-	-	-	-	-	-
Receivables, net											
Taxes	8,137	11,189	62,627	-	-	111,850	46,343	44,719	-	103,017	387,882
Special assessments	-	-	-	513,404	-	-	-	-	-	-	513,404
Interest	108	47	117	-	-	299	75	-	-	-	646
Grants	-	-	-	-	-	-	-	-	-	-	-
Court	-	-	-	-	-	-	-	-	-	-	-
Other	16,832	-	-	-	4,572	-	-	-	-	-	21,404
Prepaid items	3,253	8,420	21,805	-	-	2,715	-	-	-	-	36,193
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 323,745</b>	<b>\$ 203,154</b>	<b>\$ 386,035</b>	<b>\$ 518,088</b>	<b>\$ 24,991</b>	<b>\$ 963,513</b>	<b>\$ 260,911</b>	<b>\$ 130,997</b>	<b>\$ 18,180</b>	<b>\$ 887,189</b>	<b>\$ 3,716,803</b>
<b>Liabilities</b>											
Checks written in excess of cash balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	5,000	5,875	28,527	-	175	56,557	-	-	-	17,944	114,078
Accrued payroll	909	2,506	3,331	-	-	572	-	-	-	-	7,318
Accrued payroll liabilities-other	1,352	933	2,997	-	-	693	-	-	-	-	5,975
Due to other funds	-	300,000	-	1,009	-	-	-	-	-	-	301,009
Funds held for others	-	-	-	-	-	-	-	-	-	-	-
Unearned revenue	7,258	20,578	9,829	513,404	-	3,000	-	-	-	-	554,069
Accrued interest	-	-	-	1,831	-	-	-	-	-	-	1,831
Other liabilities	50	-	520	-	-	17,944	-	-	-	-	18,514
Noncurrent liabilities:											
Due Within One Year	-	-	-	-	-	-	-	-	-	-	-
Due in More Than One Year	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>\$ 14,569</b>	<b>\$ 329,892</b>	<b>\$ 45,204</b>	<b>\$ 516,244</b>	<b>\$ 175</b>	<b>\$ 78,766</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,944</b>	<b>\$ 1,002,794</b>
<b>Fund Balance</b>											
Nonspendable:											
Prepaid items	\$ 3,253	\$ 8,420	\$ 21,805	\$ -	\$ -	\$ 2,715	\$ -	\$ -	\$ -	\$ -	\$ 36,193
Interfund advances	-	-	-	-	-	-	-	-	-	-	-
Restricted:											
Debt service	-	-	-	1,844	-	-	-	-	-	-	1,844
Assigned											
Encumbrances	-	-	1	-	-	120,087	-	-	-	-	120,088
Unreserved:											
General fund	-	-	-	-	-	-	-	-	-	-	-
Special revenue funds	305,923	(135,158)	319,025	-	24,816	761,945	260,911	130,997	18,180	869,245	2,555,884
<b>Total Fund Balance</b>	<b>\$ 309,176</b>	<b>\$ (126,738)</b>	<b>\$ 340,831</b>	<b>\$ 1,844</b>	<b>\$ 24,816</b>	<b>\$ 884,747</b>	<b>\$ 260,911</b>	<b>\$ 130,997</b>	<b>\$ 18,180</b>	<b>\$ 869,245</b>	<b>\$ 2,714,009</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 323,745</b>	<b>\$ 203,154</b>	<b>\$ 386,035</b>	<b>\$ 518,088</b>	<b>\$ 24,991</b>	<b>\$ 963,513</b>	<b>\$ 260,911</b>	<b>\$ 130,997</b>	<b>\$ 18,180</b>	<b>\$ 887,189</b>	<b>\$ 3,716,803</b>

**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, 2012**

**Special Revenue Funds**

<b>Revenues</b>	<b>Health</b>	<b>Library</b>	<b>Park</b>	<b>NID Assessment</b>	<b>Law Enforcement Training</b>	<b>Storm Water Tax</b>	<b>Tourism Tax</b>	<b>Sales Tax Reimb.</b>	<b>Federal Forfeiture</b>	<b>Capital Improvement</b>	<b>Totals</b>
Property taxes	\$ 132,086	\$ 181,619	\$ 181,619	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 495,324
Taxes - other	-	-	-	-	-	577,717	106,414	233,484	-	577,260	1,494,875
Intergovernmental	-	-	-	-	9,972	-	-	-	-	-	9,972
Special assessments	-	-	-	37,178	-	-	-	-	-	-	37,178
Grant revenue	-	7,441	-	-	4,572	-	-	-	-	-	12,013
Licenses and permits	317	-	-	-	-	-	-	-	-	-	317
Fines and penalties	3,245	36,394	2,225	-	-	-	-	-	-	-	41,864
Investment income	937	484	1,046	200	20	2,903	619	48	6	992	7,255
Building lease payments	-	-	-	-	-	-	-	-	-	-	-
Other	11,896	71,335	63,990	-	-	7,281	-	-	19,420	-	173,922
Service charges	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 148,481</b>	<b>\$ 297,273</b>	<b>\$ 248,880</b>	<b>\$ 37,378</b>	<b>\$ 14,564</b>	<b>\$ 587,901</b>	<b>\$ 107,033</b>	<b>\$ 233,532</b>	<b>\$ 19,426</b>	<b>\$ 578,252</b>	<b>\$ 2,272,720</b>
<b>Expenditures</b>											
Current:											
Police	\$ -	\$ -	\$ -	\$ -	\$ 5,675	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,675
Street	-	-	-	-	-	-	-	-	-	-	-
Health	101,774	-	-	-	-	-	-	-	-	-	101,774
Library	-	241,189	-	-	-	-	-	-	-	-	241,189
Parks	-	-	488,227	-	-	-	-	-	-	-	488,227
Non-departmental	-	-	-	731	-	239,409	-	242,025	-	-	482,165
Capital outlay	30,117	47,256	244,893	-	-	102,647	-	-	3,899	-	428,812
Debt service:											
Principal	238	1,191	-	32,485	-	-	-	-	-	-	33,914
Interest and fiscal charges	7	37	-	22,580	-	-	-	-	-	-	22,624
<b>Total Expenditures</b>	<b>\$ 132,136</b>	<b>\$ 289,673</b>	<b>\$ 733,120</b>	<b>\$ 55,796</b>	<b>\$ 5,675</b>	<b>\$ 342,056</b>	<b>\$ -</b>	<b>\$ 242,025</b>	<b>\$ 3,899</b>	<b>\$ -</b>	<b>\$ 1,804,380</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>16,345</b>	<b>7,600</b>	<b>(484,240)</b>	<b>(18,418)</b>	<b>8,889</b>	<b>245,845</b>	<b>107,033</b>	<b>(8,493)</b>	<b>15,527</b>	<b>578,252</b>	<b>468,340</b>
<b>Other Financing Sources (Uses)</b>											
Lease purchase proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in	-	4,650	470,789	4,095	-	-	-	-	-	-	479,534
Transfers out	-	-	-	-	-	(288,858)	(89,226)	-	-	(350,000)	(728,084)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 4,650</b>	<b>\$ 470,789</b>	<b>\$ 4,095</b>	<b>\$ -</b>	<b>\$ (288,858)</b>	<b>\$ (89,226)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (350,000)</b>	<b>\$ (248,550)</b>
<b>Net Change in Fund Balance</b>	<b>16,345</b>	<b>12,250</b>	<b>(13,451)</b>	<b>(14,323)</b>	<b>8,889</b>	<b>(43,013)</b>	<b>17,807</b>	<b>(8,493)</b>	<b>15,527</b>	<b>228,252</b>	<b>219,790</b>
<b>Fund Balance (Deficit), October 1</b>	<b>292,831</b>	<b>(138,988)</b>	<b>354,282</b>	<b>16,167</b>	<b>15,927</b>	<b>927,760</b>	<b>243,104</b>	<b>139,490</b>	<b>2,653</b>	<b>640,993</b>	<b>2,494,219</b>
<b>Fund Balance (Deficit), September 30</b>	<b>\$ 309,176</b>	<b>\$ (126,738)</b>	<b>\$ 340,831</b>	<b>\$ 1,844</b>	<b>\$ 24,816</b>	<b>\$ 884,747</b>	<b>\$ 260,911</b>	<b>\$ 130,997</b>	<b>\$ 18,180</b>	<b>\$ 869,245</b>	<b>\$ 2,714,009</b>

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Health Special Revenue Fund**  
**For the year ended September 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ 127,695	\$ 127,695	\$ 132,086	\$ 4,391
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	100	100	317	217
Fines and penalties	2,550	2,550	3,245	695
Investment income	700	700	937	237
Building lease payments	-	-	-	-
Other	10,000	10,000	11,896	1,896
Service charges	-	-	-	-
Total Revenues	<u>\$ 141,045</u>	<u>\$ 141,045</u>	<u>\$ 148,481</u>	<u>\$ 7,436</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	115,965	115,030	101,774	(13,256)
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	33,550	33,550	30,117	(3,433)
Debt Service:				
Principal	239	239	238	(1)
Interest and fiscal charges	8	8	7	(1)
Total Expenditures	<u>\$ 149,762</u>	<u>\$ 148,827</u>	<u>\$ 132,136</u>	<u>\$ (16,691)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(8,717)	(7,782)	16,345	24,127
<b>Other Financing Sources (Uses)</b>				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (8,717)</u>	<u>\$ (7,782)</u>	\$ 16,345	<u>\$ 24,127</u>
<b>Fund Balance, October 1</b>			<u>292,831</u>	
<b>Fund Balance, September 30</b>			<u>\$ 309,176</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, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ 175,560	\$ 175,560	\$ 181,619	\$ 6,059
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	4,830	6,470	7,441	971
Licenses and permits	-	-	-	-
Fines and penalties	32,000	32,000	36,394	4,394
Investment income	700	700	484	(216)
Building lease payments	-	-	-	-
Other	30,500	30,500	71,335	40,835
Service charges	-	-	-	-
Total Revenues	<u>\$ 243,590</u>	<u>\$ 245,230</u>	<u>\$ 297,273</u>	<u>\$ 52,043</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	247,467	246,750	241,189	(5,561)
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	5,900	5,900	47,256	41,356
Debt Service:				
Principal	1,192	1,192	1,191	(1)
Interest and fiscal charges	38	38	37	(1)
Total Expenditures	<u>\$ 254,597</u>	<u>\$ 253,880</u>	<u>\$ 289,673</u>	<u>\$ 35,793</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(11,007)	(8,650)	7,600	16,250
<b>Other Financing Sources (Uses)</b>				
Lease purchase proceeds	-	-	-	-
Transfers in	11,007	7,007	4,650	(2,357)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>11,007</u>	<u>7,007</u>	<u>4,650</u>	<u>(2,357)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ (1,643)</u>	\$ 12,250	<u>\$ 13,893</u>
<b>Fund Balance, October 1</b>			<u>(138,988)</u>	
<b>Fund Balance, September 30</b>			<u>\$ (126,738)</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, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ 175,560	\$ 175,560	\$ 181,619	\$ 6,059
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	1,500	1,500	2,225	725
Investment income	1,000	1,000	1,046	46
Building lease payments	-	-	-	-
Other	49,500	51,157	63,990	12,833
Service charges	-	-	-	-
Total Revenues	<u>\$ 227,560</u>	<u>\$ 229,217</u>	<u>\$ 248,880</u>	<u>\$ 19,663</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	565,050	567,476	488,227	(79,249)
Non-departmental	-	-	-	-
Capital outlay	39,800	226,279	244,893	18,614
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 604,850</u>	<u>\$ 793,755</u>	<u>\$ 733,120</u>	<u>\$ (60,635)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(377,290)	(564,538)	(484,240)	80,298
<b>Other Financing Sources (Uses)</b>				
Lease purchase payments	-	-	-	-
Transfers in	280,400	466,879	470,789	3,910
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>280,400</u>	<u>466,879</u>	<u>470,789</u>	<u>3,910</u>
<b>Net Change in Fund Balance</b>	<u>\$ (96,890)</u>	<u>\$ (97,659)</u>	\$ (13,451)	<u>\$ 84,208</u>
<b>Fund Balance, October 1</b>			<u>354,282</u>	
<b>Fund Balance, September 30</b>			<u>\$ 340,831</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, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	49,938	49,938	37,178	(12,760)
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	100	100	200	100
Building lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 50,038</u>	<u>\$ 50,038</u>	<u>\$ 37,378</u>	<u>\$ (12,660)</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	1,000	1,000	731	(269)
Capital outlay	-	-	-	-
Debt Service:				
Principal	32,485	32,485	32,485	-
Interest and fiscal charges	22,702	22,702	22,580	(122)
Total Expenditures	<u>\$ 56,187</u>	<u>\$ 56,187</u>	<u>\$ 55,796</u>	<u>\$ (391)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(6,149)	(6,149)	(18,418)	(12,269)
<b>Other Financing Sources (Uses)</b>				
Lease purchase proceeds	-	-	-	-
Transfers in	4,098	4,098	4,095	(3)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>4,098</u>	<u>4,098</u>	<u>4,095</u>	<u>(3)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (2,051)</u>	<u>\$ (2,051)</u>	\$ (14,323)	<u>\$ (12,272)</u>
<b>Fund Balance, October 1 (restated)</b>			<u>16,167</u>	
<b>Fund Balance, September 30</b>			<u>\$ 1,844</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, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	6,000	6,000	9,972	3,972
Special assessments	-	-	-	-
Grant revenue	-	-	4,572	4,572
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	20	20
Building lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 14,564</u>	<u>\$ 8,564</u>
<b>Expenditures</b>				
Current:				
Police	\$ 9,000	\$ 9,000	\$ 5,675	\$ (3,325)
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 5,675</u>	<u>\$ (3,325)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(3,000)	(3,000)	8,889	11,889
<b>Other Financing Sources (Uses)</b>				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	\$ 8,889	<u>\$ 11,889</u>
<b>Fund Balance, October 1</b>			<u>15,927</u>	
<b>Fund Balance, September 30</b>			<u>\$ 24,816</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, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	560,800	560,800	577,717	16,917
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	2,000	2,000	2,903	903
Building lease payments	-	-	-	-
Other	-	-	7,281	7,281
Service charges	-	-	-	-
Total Revenues	<u>\$ 562,800</u>	<u>\$ 562,800</u>	<u>\$ 587,901</u>	<u>\$ 25,101</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	292,939	295,644	239,409	(56,235)
Capital outlay	275,000	346,408	102,647	(243,761)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 567,939</u>	<u>\$ 642,052</u>	<u>\$ 342,056</u>	<u>\$ (299,996)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(5,139)	(79,252)	245,845	325,097
<b>Other Financing Sources (Uses)</b>				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(280,400)	(280,400)	(288,858)	(8,458)
Total Other Financing Sources (Uses)	<u>(280,400)</u>	<u>(280,400)</u>	<u>(288,858)</u>	<u>(8,458)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (285,539)</u>	<u>\$ (359,652)</u>	\$ (43,013)	<u>\$ 316,639</u>
<b>Fund Balance, October 1</b>			<u>927,760</u>	
<b>Fund Balance, September 30</b>			<u>\$ 884,747</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, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	80,000	80,000	106,414	26,414
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	500	500	619	119
Building lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 80,500</u>	<u>\$ 80,500</u>	<u>\$ 107,033</u>	<u>\$ 26,533</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	80,500	80,500	107,033	26,533
<b>Other Financing Sources (Uses)</b>				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(91,500)	(89,226)	2,274
Total Other Financing Sources (Uses)	<u>-</u>	<u>(91,500)</u>	<u>(89,226)</u>	<u>2,274</u>
<b>Net Change in Fund Balance</b>	<u>\$ 80,500</u>	<u>\$ (11,000)</u>	\$ 17,807	<u>\$ 28,807</u>
<b>Fund Balance, October 1</b>			<u>243,104</u>	
<b>Fund Balance, September 30</b>			<u>\$ 260,911</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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	230,000	230,000	233,484	3,484
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	48	48
Building lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 230,000</u>	<u>\$ 230,000</u>	<u>\$ 233,532</u>	<u>\$ 3,532</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	230,000	242,027	242,025	(2)
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 230,000</u>	<u>\$ 242,027</u>	<u>\$ 242,025</u>	<u>\$ (2)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	-	(12,027)	(8,493)	3,534
<b>Other Financing Sources (Uses)</b>				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ (12,027)</u>	<u>\$ (8,493)</u>	<u>\$ 3,534</u>
<b>Fund Balance, October 1</b>			<u>139,490</u>	
<b>Fund Balance, September 30</b>			<u>\$ 130,997</u>	

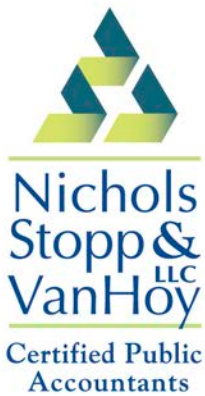
**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Federal Forfeiture Special Revenue Fund**  
**For the year ended September 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	6	6
Building lease payments	-	-	-	-
Other	-	-	19,420	19,420
Service charges	-	-	-	-
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,426</u>	<u>\$ 19,426</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	2,652	-	3,899	3,899
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 2,652</u>	<u>\$ -</u>	<u>\$ 3,899</u>	<u>\$ 3,899</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(2,652)	-	15,527	15,527
<b>Other Financing Sources (Uses)</b>				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (2,652)</u>	<u>\$ -</u>	<u>\$ 15,527</u>	<u>\$ 15,527</u>
<b>Fund Balance, October 1</b>			<u>2,653</u>	
<b>Fund Balance, September 30</b>			<u>\$ 18,180</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Capital Improvement Special Revenue Fund**  
**For the year ended September 30, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	560,800	560,800	577,260	16,460
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	500	500	992	492
Building lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 561,300</u>	<u>\$ 561,300</u>	<u>\$ 578,252</u>	<u>\$ 16,952</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	561,300	561,300	578,252	16,952
<b>Other Financing Sources (Uses)</b>				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(710,500)	(710,500)	(350,000)	360,500
Total Other Financing Sources (Uses)	<u>(710,500)</u>	<u>(710,500)</u>	<u>(350,000)</u>	<u>360,500</u>
<b>Net Change in Fund Balance</b>	<u>\$ (149,200)</u>	<u>\$ (149,200)</u>	\$ 228,252	<u>\$ 377,452</u>
<b>Fund Balance, October 1</b>			<u>640,993</u>	
<b>Fund Balance, September 30</b>			<u>\$ 869,245</u>	





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 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 30, 2013. Our report was qualified due to the City not implementing GASB 45. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Festus, Missouri, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2012-2 that we consider to be a significant deficiency in internal control over financial reporting.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with

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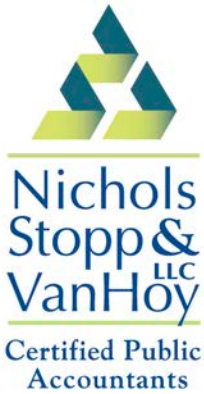
which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-3.

Management's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Nichols, Stopp, & VanHoy, LLC*

Creve Coeur, Missouri  
April 30, 2013



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor  
City Council  
City of Festus, Missouri

Compliance

We have audited the City of Festus, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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'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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City, complied, in all material respects, with the 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, 2012.

Internal Control over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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'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*

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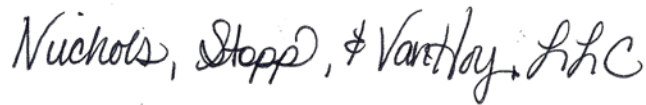
*weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Creve Coeur, Missouri  
April 30, 2013

**The City of Festus, Missouri**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended September 30, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Identifying Number	Federal Expenditures
<b>U.S. Department of Justice</b>			
Direct programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0567	\$ 12,047
Equitable Sharing Program	16.922	MO 0500 300	19,426
FY2012 Task Force Overtime	16.XXX	S-11-0136	<u>15,406</u>
Total U.S. Department of Justice			46,879
<b>U.S. Department of Transportation</b>			
Passed through:			
Missouri Department of Transportation Highway Safety Division-			
State and Community Highway Safety	20.600	12-PT-02-048	16,957
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	12-K8-03-037	29,710
Feasibility Study	20.XXX	AIR 056-114A	900
Central Missouri State University -			
Alcohol Open Container Requirements	20.607	12-154-AL-083	726
Child Safety and Child Booster Seats Incentive Grants	20.613	12-K3-05-003	986
Missouri Highways and Transportation Commission -			
Highway Planning and Construction	20.205	STP-2600(602)	94,740
Highway Planning and Construction	20.205	STP-2600(605)	<u>472,875</u>
Total U.S. Department of Transportation			616,894
<b>U.S. Environmental Protection Agency</b>			
Passed through:			
Missouri Department of Natural Resources -			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	ER12-DWSA-MO6010276	<u>32,587</u>
Total U.S. Environmental Protection Agency			<u>32,587</u>
Total Schedule of Expenditures of Federal Awards			<u><u>\$ 696,360</u></u>

**The City of Festus, Missouri**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the year ended September 30, 2012**

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**Note 1 - General**

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular 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 information is not available. This Schedule includes all federal awards administered by the City.

**Note 2 - Basis of Presentation**

OMB Circular A-133 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.

Accordingly, the Schedule includes expenditures of both cash and noncash awards.

**Note 3 - Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the City's accompanying financial statements.

**Note 4 - Relationship to Federal Financial Reports**

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

**Note 5 - Matching Revenues**

For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

**Note 6 - Subrecipients**

During the year ended September 30, 2011, the City passed through \$4,182 of federal funds under the Alcohol Impaired Driving Countermeasures Incentive Grant (CFDA #20.601) to another local city.

**The City of Festus, Missouri**  
**Schedule of Findings and Questioned Costs**  
**For the year ended September 30, 2012**

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**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? \_\_\_\_\_ X Yes \_\_\_\_\_ 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: \$ 300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes \_\_\_\_\_ X No

**The City of Festus, Missouri**  
**Schedule of Findings and Questioned Costs**  
**For the year ended September 30, 2012**

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**Section 2 - Financial Statement Findings**

2012-1 **Condition:** An actuarial valuation has not been obtained for other post employment benefits.

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

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

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

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

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

2012-2 **Condition:** During our audit, we noted there is no formal risk assessment in place.

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

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

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

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

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



**The City of Festus, Missouri**  
**Schedule of Findings and Questioned Costs**  
**For the year ended September 30, 2012**

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**Section 2 - Financial Statement Findings (continued)**

2012-3    **Condition:** During the year, the actual expenditures of the Library Fund and Federal Forfeiture Fund exceeded the budgeted expenditures.

**Criteria:** Missouri 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 actual expense for the Library building was budgeted and paid from the General Fund. Due to the fact that the building is a Library asset, an entry was made to post donated revenues and matching expense transfer to the Long-Term Debt fund. While a budget amendment should have been made to reflect this, it should be noted that the expense had been approved by council before being paid and the net effect of revenues minus expenditures in the Library fund was zero. As to the Federal Forfeiture Fund, this was an entry to reflect the receipt of a vehicle, resulting in a posting to donated revenues and a matching expense transfer to the Long-Term Debt fund. The vehicle was received at the end of the fiscal year and the accounting department was not aware of the receipt of the vehicle until after the end of the fiscal year; it was too late to make a budget amendment. The accounting department will try to avoid these budgetary oversights in the future.

**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**

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In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by the City of Festus, Missouri, on the applicable findings in the prior audit report issued for the year end September 30, 2011.

**Prior Year Financial Statement Findings**

2011-1    **Condition:** Documentation of the components of internal controls has not been prepared.

**Criteria:** Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters In An Audit*, which is effective for periods ending on or after December 15, 2009, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

**Cause:** The City did not prepare the required documentation.

**Effect:** SAS 115 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the City may not be able to ensure that controls are in place, communicated and operating effectively.

**Recommendation:** We recommend that the City develop the required internal control documentation. In addition, we recommend referring to the COSO internal control guidance and tools as a means to begin the process. Those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

**Client Response:** Since the end of the fiscal year the City has developed an internal control narrative to go along with the existing purchasing policy, investment policy and employee policy (which includes sections regarding use of city equipment, employee conduct, business ethics, and other relevant items). The City will continue to work on developing a more thorough internal control document.

**Status:** Management has corrected this issue.

2011-2    **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.

**Client 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 go out for RFP for actuarial services if it is deemed to be of value to the City and its citizens.

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

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**Prior Year Financial Statement Findings (continued)**

2011-2 **Status:** Management has not implemented a corrective action plan, therefore, this finding is repeated in the current year at 2012-1.

2011-3 **Condition:** During our audit, we noted there is no formal risk assessment in place.

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

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

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

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

**Client Response:** The City will look at performing an annual risk assessment and will include it in the internal control policy.

**Status:** Management has not implemented a corrective action plan, therefore, this finding is repeated in the current year at 2012-1.

**Prior Year Federal Award Findings and Questioned Costs**

2011-4 **Condition:** The Schedule of Expenditures of Federal Awards (SEFA) contained errors.

**Criteria:** OMB Circular A-133 requires auditees to prepare an accurate SEFA containing awards expended, CFDA title and number, award number, name of the Federal agency, and name of the pass-through entity.

**Cause:** Management was unaware of the reporting requirements for federal awards in which a local cost match was required.

**Effect:** Federal expenditures reported on the SEFA were over stated.

**Recommendation:** We recommend that management develop internal controls over reporting and consult with outside accountants when needed to ensure an accurate SEFA is prepared.

**Client Response:** The City prepared the schedule of expenditures for the prior audit, which included the City cost match as well as the federal award. The prior SEFA was prepared by outside accountants as part of the audit with the City's understanding that they had adequate knowledge of the reporting requirements. The City is now aware that the report is 100% the City's responsibility and will take proper steps to ensure that future reports are accurate.

**Status:** Management has corrected this issue.