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1-1-1996

## Financial Statements with Independent Auditors' Report, 1995

City of Festus

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**CITY OF FESTUS, MISSOURI**  
**FINANCIAL STATEMENTS**  
**WITH**  
**INDEPENDENT AUDITORS' REPORT**

**September 30, 1995**

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Brown • Smith • Wallace, L.L.C.

Accountants and Business Advisors

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
of the City of Festus, Missouri  
Festus, Missouri

We have audited the accompanying general-purpose financial statements of the City of Festus, Missouri (the City) as of and for the year ended September 30, 1995. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Festus, Missouri as of September 30, 1995, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued reports dated December 1, 1995 on our consideration of the City's internal control structure and on its compliance with laws and regulations.

*Brown Smith Wallace, L.L.C.*

December 1, 1995

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Brown • Smith • Wallace, L.L.C.

Accountants and Business Advisors

**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL  
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To The Honorable Mayor and  
Members of the City Council  
of the City of Festus, Missouri  
Festus, Missouri

We have audited the general-purpose financial statements of the City of Festus, Missouri (the City), as of and for the year ended September 30, 1995, and have issued our report thereon dated December 1, 1995.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement.

In planning and performing our audit of the general-purpose financial statements of the City, for the year ended September 30, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

The management of the City is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with

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generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

1. Revenue Bonds - Series 1990

In prior years, we have recommended that the City establish controls consistent with Sections of its Ordinance No. 2126 related to the Combined Waterworks and Sewerage System Refunding and Improvement Revenue Bonds - Series 1990.

The ordinance requires that separate funds be set up to account for liquid assets, debt reserves and revenues of the System. The City has elected to establish separate general ledger accounts, rather than separate funds, to account for these items.

Recommendation:

We recommend the City establish the required separate funds in its treasury.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the City, in a separate letter dated December 1, 1995.

This report is intended for the information of management, members of the City Council, and the Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

*Brown Smith Wallace, L.L.C.*

December 1, 1995



Brown • Smith • Wallace, L.L.C.

Accountants and Business Advisors

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
BASED ON AN AUDIT OF GENERAL PURPOSE  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To The Honorable Mayor and  
Members of the City Council  
of the City of Festus, Missouri  
Festus, Missouri

We have audited the general-purpose financial statements of the City of Festus, Missouri (the City), as of and for the year ended September 30, 1995, and have issued our report thereon dated December 1, 1995.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the City, is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain immaterial instances of noncompliance that we have reported to the management of City of Festus in a separate letter dated December 1, 1995.

This report is intended for the information of management, members of the City Council, and the Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

*Brown Smith Wallace, L.L.C.*

December 1, 1995

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Special Revenue Fund			Totals - (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
120,418	(169,608)	(290,026)	(53,075)	(118,320)	(65,245)
340,784 (360)	365,575 (87,791)	24,791 (87,431)	340,784 (284,244)	371,675 (371,675)	30,891 (87,431)
340,424	277,784	(62,640)	56,540	-	(56,540)
460,842	108,176	(352,666)	3,465	(118,320)	(121,785)
(177,111)	883,434	1,060,545	(351,311)	1,968,512	2,319,823
-	(27,989)	(27,989)	-	(27,989)	(27,989)
<b>\$ 283,731</b>	<b>\$ 963,621</b>	<b>\$ 679,890</b>	<b>\$(347,846)</b>	<b>\$ 1,822,203</b>	<b>\$ 2,170,049</b>

**CITY OF FESTUS, MISSOURI**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL -**  
**GENERAL AND SPECIAL REVENUE FUND TYPES - CONTINUED**

Year ended September 30, 1995

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Excess (deficiency) of revenues over expenditures	(173,493)	51,288	224,781
Other financing sources (uses):			
Operating transfers in	-	6,100	6,100
Operating transfers out	(283,884)	(283,884)	-
	(283,884)	(277,784)	6,100
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(457,377)	(226,496)	230,881
Total fund equity and other credits at beginning of year	(174,200)	1,085,078	1,259,278
Correction of an error	-	-	-
<b>Total fund equity and other credits at end of year</b>	<b>\$ (631,277)</b>	<b>\$ 858,582</b>	<b>\$ 1,490,159</b>

The accompanying notes are an integral part of this statement.

Special Revenue Fund			Totals - (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 130,220	\$ 137,794	\$ 7,574	\$ 313,720	\$ 334,953	\$ 21,233
29,030	32,818	3,788	73,030	78,138	5,108
8,255	8,935	680	20,455	21,274	819
8,630	7,871	(759)	424,630	428,625	3,995
975,000	982,322	7,322	2,560,000	2,652,730	92,730
4,585	4,151	(434)	13,585	12,115	(1,470)
-	-	-	175,000	190,903	15,903
3,200	2,583	(617)	3,200	2,583	(617)
399,550	1,080,356	680,806	399,550	1,130,549	730,999
16,000	30,708	14,708	16,000	30,708	14,708
-	-	-	118,000	137,606	19,606
23,375	22,608	(767)	155,875	211,628	55,753
13,825	47,415	33,590	31,825	96,542	64,717
436,732	27,314	(409,418)	493,582	75,044	(418,538)
-	-	-	275,000	290,086	15,086
2,048,402	2,384,875	336,473	5,073,452	5,693,484	620,032
128,239	127,853	386	795,866	801,944	(6,078)
5,910	56,429	(50,519)	1,751,841	1,878,620	(126,779)
1,087,664	1,105,233	(17,569)	1,235,664	1,251,630	(15,966)
54,800	50,135	4,665	54,800	50,135	4,665
118,224	117,491	733	118,224	117,491	733
307,002	324,222	(17,220)	307,002	324,222	(17,220)
-	-	-	284,443	302,743	(18,300)
206,246	753,284	(547,038)	206,246	753,284	(547,038)
12,767	12,766	1	298,161	257,520	40,641
7,132	7,070	62	74,280	74,215	65
1,927,984	2,554,483	(626,499)	5,126,527	5,811,804	(685,277)

**CITY OF FESTUS, MISSOURI**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL -  
GENERAL AND SPECIAL REVENUE FUND TYPES**

Year ended September 30, 1995

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues</b>			
Property taxes			
Real estate	\$ 183,500	\$ 197,159	\$ 13,659
Personal property	44,000	45,320	1,320
Replacement tax	12,200	12,339	139
Other taxes			
Franchise - utilities and railroads	416,000	420,754	4,754
Sales taxes	1,585,000	1,670,408	85,408
Intangible taxes	9,000	7,964	(1,036)
Intergovernmental revenues			
State gasoline taxes	175,000	190,903	15,903
State library aid	-	-	-
Federal, state and local program advances and reimbursements	-	50,193	50,193
Special sewer assessments	-	-	-
Licenses and permits	118,000	137,606	19,606
Fines and penalties	132,500	189,020	56,520
Interest	18,000	49,127	31,127
Miscellaneous	56,850	47,730	(9,120)
Services charges			
Trash collection	275,000	290,086	15,086
<b>Total revenues</b>	<b>3,025,050</b>	<b>3,308,609</b>	<b>283,559</b>
<b>Expenditures</b>			
Current			
General government	667,627	674,091	(6,464)
Public safety	1,745,931	1,822,191	(76,260)
Streets and sewers	148,000	146,397	1,603
Health and sanitation	-	-	-
Library	-	-	-
Parks	-	-	-
Non-departmental Program expenses	284,443	302,743	(18,300)
Principal debt service	285,394	244,754	40,640
Interest debt service	67,148	67,145	3
<b>Total expenditures</b>	<b>3,198,543</b>	<b>3,257,321</b>	<b>(58,778)</b>

The accompanying notes are an integral part of this statement.

Totals (Memorandum Only) Primary Government	Component Unit	Totals (Memorandum Only) Reporting Entity
801,944	-	801,944
1,878,620	-	1,878,620
1,251,630	-	1,251,630
50,135	-	50,135
117,491	-	117,491
324,222	-	324,222
302,743	-	302,743
753,284	-	753,284
257,520	-	257,520
74,215	-	74,215
5,811,804	-	5,811,804
(118,320)	3,518	(114,802)
371,675	-	371,675
(371,675)	-	(371,675)
(118,320)	3,518	(114,802)
1,968,512	-	1,968,512
(27,989)	27,989	-
\$1,822,203	\$31,507	\$1,853,710

**CITY OF FESTUS, MISSOURI**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
ALL GOVERNMENTAL FUND TYPES - CONTINUED**

Year ended September 30, 1995

	General Fund	Special Revenue Fund
<b>Expenditures</b>		
Current		
General government	674,091	127,853
Public safety	1,822,191	56,429
Streets and sewers	146,397	1,105,233
Health and sanitation	-	50,135
Library	-	117,491
Parks	-	324,222
Non-departmental	302,743	-
Program expenses	-	753,284
Principal debt service	244,754	12,766
Interest debt service	67,145	7,070
<b>Total expenditures</b>	<b>3,257,321</b>	<b>2,554,483</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>51,288</b>	<b>(169,608)</b>
Other financing sources (uses):		
Operating transfers in	6,100	365,575
Operating transfers out	(283,884)	(87,791)
<b>Excess (deficiency) of revenues and other sources over (under) expenditures and other uses</b>	<b>(226,496)</b>	<b>108,176</b>
Total fund equity and other credits at beginning of year	1,085,078	883,434
Correction of an error	-	(27,989)
<b>Total fund equity and other credits at end of year</b>	<b>\$ 858,582</b>	<b>\$ 963,621</b>

The accompanying notes are an integral part of this statement.

Totals (Memorandum Only) Primary Government	Component Unit	Totals (Memorandum Only) Reporting Entity
\$ 334,953	\$ -	\$ 334,953
78,138	-	78,138
21,274	-	21,274
428,625	-	428,625
2,652,730	-	2,652,730
12,115	-	12,115
190,903	-	190,903
2,583	-	2,583
1,130,549	-	1,130,549
30,708	-	30,708
137,606	-	137,606
211,628	-	211,628
96,542	3,518	100,060
75,044	-	75,044
290,086	-	290,086
5,693,484	3,518	5,697,002

**CITY OF FESTUS, MISSOURI**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
ALL GOVERNMENTAL FUND TYPES**

Year ended September 30, 1995

	General Fund	Special Revenue Fund
<b>Revenues</b>		
Property taxes		
Real estate	\$ 197,159	\$ 137,794
Personal property	45,320	32,818
Replacement tax	12,339	8,935
Other taxes		
Franchise - utilities and railroads	420,754	7,871
Sales taxes	1,670,408	982,322
Intangible taxes	7,964	4,151
Intergovernmental revenues		
State gasoline taxes	190,903	-
State library aid	-	2,583
Federal, state and local program advances and reimbursements	50,193	1,080,356
Special sewer assessments	-	30,708
Licenses and permits	137,606	-
Fines and penalties	189,020	22,608
Interest	49,127	47,415
Miscellaneous	47,730	27,314
Services charges		
Trash collection	290,086	-
<b>Total revenues</b>	<b>3,308,609</b>	<b>2,384,875</b>

The accompanying notes are an integral part of this statement.



Proprietary Fund Types		Account Groups		Totals (Memorandum Only) Primary Government	Component Unit	Totals (Memorandum Only) Reporting Entity
Enterprise	Internal Service	General Fixed Assets	General Long-term Debt			
\$ 33,842	\$2,050	\$ -	\$ -	\$ 152,341	\$ -	\$ 152,341
22,658	1,537	-	-	211,822	-	211,822
3,603	210	-	-	18,149	-	18,149
-	-	-	1,102,836	1,102,836	-	1,102,836
-	-	-	65,000	65,000	-	65,000
-	-	-	-	253,268	-	253,268
61,660	-	-	-	66,554	-	66,554
132,379	-	-	-	132,927	-	132,927
-	-	-	-	93,949	-	93,949
-	-	-	-	611,822	-	611,822
1,857	-	-	-	131,421	-	131,421
3,425,248	-	-	-	3,425,248	-	3,425,248
-	-	-	14,300	14,300	-	14,300
3,681,247	3,797	-	1,182,136	6,279,637	-	6,279,637
852,393	-	-	-	852,393	-	852,393
-	-	6,955,065	-	6,955,065	-	6,955,065
346,000	-	-	-	346,000	-	346,000
17,687	1,727	-	-	19,414	-	19,414
-	-	-	-	1,514	-	1,514
-	-	-	-	59,659	-	59,659
-	-	-	-	51,226	-	51,226
-	-	-	-	1,709,804	31,507	1,741,311
1,216,080	1,727	6,955,065	-	9,995,075	31,507	10,026,582
\$4,897,327	\$5,524	\$6,955,065	\$1,182,136	\$16,274,712	\$31,507	\$16,306,219

**CITY OF FESTUS, MISSOURI**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS - CONTINUED**

September 30, 1995

	Governmental Fund Types	
	General	Special Revenue
<b>LIABILITIES</b>		
Accounts payable	\$ 73,059	\$ 43,390
Accrued payroll and compensated absence payable	142,636	44,991
Accrued payroll taxes	9,964	4,372
Obligation under capital lease	-	-
Special assessment bonds with governmental commitment	-	-
Federal and state assistance program expenses payable	-	253,268
Accrued interest	4,102	792
Customer deposits	-	548
Due to other funds	-	93,949
Deferred revenue	12,584	599,238
Other liabilities	79,387	50,177
Revenue bonds payable, net of discount	-	-
Note payable	-	-
<b>Total liabilities</b>	<b>321,732</b>	<b>1,090,725</b>
<b>FUND EQUITY AND OTHER CREDITS</b>		
Contributed capital	-	-
Investment in general fixed assets	-	-
Retained earnings		
Reserved for revenue bonds	-	-
Unreserved	-	-
Fund balances		
Reserved for inventory of supplies	1,514	-
Reserved for prepaid expenses	42,635	17,024
Reserved for encumbrances	42,176	9,050
Unreserved	772,257	937,547
<b>Total fund equity and other credits</b>	<b>858,582</b>	<b>963,621</b>
<b>TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>	<b>\$1,180,314</b>	<b>\$2,054,346</b>

The accompanying notes are an integral part of this statement.

Proprietary Fund Types		Account Groups		Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
Enterprise	Internal Service	General Fixed Assets	General Long-term Debt.	Primary Government		Reporting Entity
\$ 364,719	\$ 696	\$ -	\$ -	\$1,941,950	\$ -	\$ 1,941,950
-	-	-	-	324,036	-	324,036
-	-	-	-	116,619	-	116,619
132,322	-	-	-	161,645	-	161,645
-	-	-	-	368,649	-	368,649
11,755	-	-	-	78,467	-	78,467
28,952	-	-	-	30,422	-	30,422
43,502	-	-	-	45,016	-	45,016
9,246	1,199	-	-	70,104	-	70,104
-	-	-	-	93,949	-	93,949
503,491	-	-	-	713,739	31,507	745,246
-	-	-	-	385,946	-	385,946
791,912	-	-	-	791,912	-	791,912
2,919,519	3,629	-	-	2,923,148	-	2,923,148
-	-	6,955,065	-	6,955,065	-	6,955,065
-	-	-	1,102,836	1,102,836	-	1,102,836
-	-	-	65,000	65,000	-	65,000
-	-	-	14,300	14,300	-	14,300
91,909	-	-	-	91,909	-	91,909
\$4,897,327	\$5,524	\$6,955,065	\$1,182,136	\$16,274,712	\$31,507	\$16,306,219

**CITY OF FESTUS, MISSOURI**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**

September 30, 1995

	Governmental Fund Types	
	General	Special Revenue
<b>ASSETS</b>		
Cash and investments	\$ 664,024	\$ 912,511
Receivables (net of allowance for uncollectible accounts)		
Taxes	240,073	83,963
Special assessments	8,028	108,591
Service charges	29,323	-
Federal and state assistance programs	17,426	351,223
Other	11,036	55,676
Interest	626	844
Inventory of supplies	1,514	-
Prepaid expenses	42,635	17,024
Due from other funds	93,949	-
Restricted cash and investments	71,680	138,568
Capital improvements sales tax receivable	-	385,946
Interest in joint venture	-	-
Property, plant and equipment, net of accumulated depreciation	-	-
Investment in general fixed assets	-	-
Amounts to be provided for		
Capital lease payments	-	-
Special assessment bonds with governmental commitment	-	-
Notes payable	-	-
Unamortized bond issue costs	-	-
<b>TOTAL ASSETS</b>	<b>\$1,180,314</b>	<b>\$2,054,346</b>

The accompanying notes are an integral part of this statement.

**CITY OF FESTUS, MISSOURI**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS -  
PROPRIETARY FUND TYPES**

Year ended September 30, 1995

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	Enterprise	Internal Service	
<b>Operating revenues</b>			
Water sales and sewer use charge	\$ 1,181,424	\$ -	\$ 1,181,424
Gas sales	66,350	-	66,350
Hanger rent	30,523	-	30,523
Service charges	-	86,544	86,544
Other	7,983	-	7,983
<b>Total operating revenues</b>	<b>1,286,280</b>	<b>86,544</b>	<b>1,372,824</b>
<b>Operating expenses</b>			
Personal services	279,210	30,541	309,751
Materials and supplies	117,743	19,525	137,268
Heat, light and power	110,852	-	110,852
Contractual services	244,876	-	244,876
Depreciation and amortization	156,186	1,282	157,468
Other	216,569	-	216,569
<b>Total operating expenses</b>	<b>1,125,436</b>	<b>51,348</b>	<b>1,176,784</b>
<b>Operating income</b>	<b>160,844</b>	<b>35,196</b>	<b>196,040</b>
<b>Non-operating income (expenses)</b>			
Interest income	51,661	-	51,661
Interest expense	(246,641)	-	(246,641)
Joint venture loss (net) - before adding back depreciation on assets financed by grants from other governments	(37,461)	-	(37,461)
<b>Net income (loss)</b>	<b>(71,597)</b>	<b>35,196</b>	<b>(36,401)</b>
<b>Add depreciation on assets financed by grants from other governments</b>	<b>27,523</b>	<b>-</b>	<b>27,523</b>
<b>Increase (decrease) in retained earnings</b>	<b>(44,074)</b>	<b>35,196</b>	<b>(8,878)</b>
<b>Retained earnings (deficit), beginning of year</b>	<b>407,761</b>	<b>(33,469)</b>	<b>374,292</b>
<b>Retained earnings, end of year</b>	<b>\$ 363,687</b>	<b>\$ 1,727</b>	<b>\$ 365,414</b>

The accompanying notes are an integral part of this statement.

**CITY OF FESTUS, MISSOURI**  
**COMBINED STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUND TYPES**

Year ended September 30, 1995

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	Enterprise	Internal Service	
<b>Cash flows from operating activities:</b>			
Operating income	\$ 160,844	\$ 35,196	\$ 196,040
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	156,191	1,282	157,473
Change in assets and liabilities:			
Increase in service charges receivable	(14,446)	-	(14,446)
Increase in accrued interest receivable	(25,130)	-	(25,130)
Increase in other accounts receivable	(3,845)	-	(3,845)
(Increase) decrease in prepaid expenses	22,321	(1,199)	21,122
Decrease in interfund receivable	10,768	696	11,464
Increase in accounts payable	13,778	87	13,865
Increase in accrued liabilities	1,500	562	2,062
Increase in customer deposits	12,190	-	12,190
Decrease in interfund payable	(5,443)	(35,913)	(41,356)
Decrease in other liabilities	(6,593)	(148)	(6,741)
<b>Net cash provided by operating activities</b>	<b>322,135</b>	<b>563</b>	<b>322,698</b>

The accompanying notes are an integral part of this statement.

**CITY OF FESTUS, MISSOURI**

**COMBINED STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND TYPES - CONTINUED**

Year ended September 30, 1995

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	Enterprise	Internal Service	
<b>Cash flows from financing activities:</b>			
Principal paid on notes payable and capitalized lease obligations	(2,770)	-	(2,770)
Interest on debt	(246,641)	-	(246,641)
<b>Net cash used in financing activities</b>	<b>(249,411)</b>	<b>-</b>	<b>(249,411)</b>
<b>Cash flows from investing activities:</b>			
Acquisition and construction of capital assets	(79,475)	-	(79,475)
Net proceeds from maturity of investments	98,374	-	98,374
Interest on investments	51,661	-	51,661
<b>Net cash provided by investing activities</b>	<b>70,560</b>	<b>-</b>	<b>70,560</b>
<b>INCREASE IN CASH</b>	<b>143,284</b>	<b>563</b>	<b>143,847</b>
<b>Cash and restricted cash, beginning of year</b>	<b>221,435</b>	<b>133</b>	<b>221,568</b>
<b>Cash and restricted cash, end of year</b>	<b>364,719</b>	<b>696</b>	<b>365,415</b>
<b>ADD: Investments and restricted investments</b>	<b>503,491</b>	<b>-</b>	<b>503,491</b>
<b>Total cash and investments - restricted and unrestricted</b>	<b>\$ 868,210</b>	<b>\$ 696</b>	<b>\$ 868,906</b>

The accompanying notes are an integral part of this statement.

## CITY OF FESTUS, MISSOURI

### NOTES TO FINANCIAL STATEMENTS

September 30, 1995

#### Note A - Summary of Significant Accounting Policies

The financial statements of the City of Festus, Missouri (the "City") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

#### Financial Reporting Entity

The City is a municipality governed by an elected eight member council. As required by generally accepted accounting principles, these financial statements present the primary government of the City. In evaluating the financial reporting entity, management has considered all potential component units.

Included in the reporting entity:

Festus Public Library Foundation, Inc. - a component unit of the City of Festus. 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 available for this component unit.

Excluded from the reporting entity:

Festus R-6 School District and the Jefferson Junior College District - These potential component units are separate legal entities and have separate elected boards. These potential component units are excluded from the reporting entity because the City is not financially accountable for their actions.

#### Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.



**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note A - Summary of Significant Accounting Policies (Continued)**

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate "fund types".

**Governmental Fund Types**

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

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes.

**Proprietary Fund Types**

**Enterprise Fund** - The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to a commercial enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Internal Service Fund** - The Internal Service Fund is used to account for financing of services provided by one department to other departments of the City on a cost-plus basis.

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note A - Summary of Significant Accounting Policies (Continued)**

**Account Groups**

General Fixed Assets Account Group - The General Fixed Assets Account Group is used to account for all fixed assets of the City, except those accounted for in the Enterprise Funds. No depreciation is recorded on general fixed assets.

General Long-Term Debt Account Group - The General Long-Term Debt Account Group is used to account for all unmatured long-term obligations of the City, except for debt accounted for in the Enterprise Funds.

**Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note A - Summary of Significant Accounting Policies (Continued)**

current period. The City considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the General Fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the City also are recognized as revenue. Fines and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim on them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**Budgets and Encumbrances**

Budgets are adopted on a cash basis. An annual appropriated budget is adopted for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year-end.

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note A - Summary of Significant Accounting Policies (Continued)**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance 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 Deposits and Investments**

Deposits and investments are stated at cost, which approximates market.

Cash balances for all the City's funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the fund's average cash and investments balance.

State statutes authorize the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest-bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or of the City, or time certificates of deposit; provided however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the City's name at third-party banking institutions.

**Inventory**

Inventory of materials and supplies included in the Enterprise Fund, consisting principally of items held for consumption, are stated at the lower of cost or market, cost determined on the first-in, first-out method.

Purchases of materials and supplies in the Governmental Fund Types are charged to expenditures as incurred. Amounts of inventories in the Governmental Fund Types are immaterial.

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note A - Summary of Significant Accounting Policies (Continued)**

**Interfund**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Fees for services or equipment rental charged by one fund to another are included in other revenue.

**Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond September 30, 1995 are recorded as prepaid expenses.

**Restricted Assets**

Special Revenue Funds - Certain capital improvements sales tax receivables are classified as restricted assets on the balance sheet because their use and availability is limited by the sales tax agreement with Jefferson County. The funds are to be used for capital improvements to maintain roads and become available upon the City's request for reimbursement of expenditures on an approved project.

Enterprise Fund - Certain proceeds of 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. The "Construction Fund" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "Debt Service Reserve Fund" account is used only for the payment of principal and interest on the revenue bonds and paying agent fees. The bond covenants also require the City to set aside an amount sufficient to pay the estimated cost of operating and maintaining the water and sewer system for one month.

## CITY OF FESTUS, MISSOURI

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1995

#### Note A - Summary of Significant Accounting Policies (Continued)

The Water and Sewer Fund maintains separate cash and investment accounts for the purpose of segregating funds received for customer security deposits. Funds received in payment of customer deposits are recorded in these accounts. Refunds of customer deposits are paid from these accounts. Liabilities payable from restricted assets are reported separately to indicate that the source of payment is the restricted assets.

Restricted asset accounts are maintained in the General Fund and City Transportation Tax Fund for local use tax revenues received. The City has chosen to restrict the tax proceeds in anticipation of an appeal of the Supreme Court decision on the constitutionality of the statewide tax. The outcome of the appeal is not presently determinable; however, the City has acknowledged its responsibility to the State to refund the revenues in the event a decision is brought against the State that would require repayment of some or all of the taxes collected.

#### Fixed Assets

General fixed assets are recorded as expenditures in the Governmental Fund Types and, except for roads, bridges, curbs, gutters, drainage systems, lighting systems and similar public domain City improvements, are capitalized in the General Fixed Assets Account Group. Assets in this account group are recorded at cost, estimated historical cost where original historical cost is not available, or, in the case of contributed assets, at estimated fair market value at the time of acquisition. No depreciation is provided on general fixed assets.

Fixed assets of the Proprietary Funds are recorded generally at cost. Contributed assets are carried at estimated fair market value at the date of contribution, except assets contributed by other funds, which are recorded at the contributing fund's cost. For retirements or other dispositions of assets, the assets and related accumulated depreciation accounts are eliminated and the difference between the net carrying value and any proceeds received is included in income.

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note A - Summary of Significant Accounting Policies (Continued)**

Depreciation is provided on the straight-line basis over the following estimated useful lives:

Building and improvements	15 - 40 years
Water and sewer systems and improvements	5 - 50 years
Machinery and equipment	5 - 12 years

**Property Taxes**

Property taxes are recorded as revenue in the fiscal year in which they are levied. Taxes levied and uncollected are carried as an asset of the applicable fund. An allowance has been established for the estimated uncollectible property taxes. The tax rate of \$.70 per one hundred dollars of assessed valuation is allocated as follows - \$.41 for general revenue purposes, \$.11 for maintaining and operating the City's park, \$.11 for maintaining and operating a public library and \$.07 for public health purposes.

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. A lien is placed on any property which has delinquent taxes.

**Compensated Absences**

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.

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note A - Summary of Significant Accounting Policies (Continued)**

**Long-Term Obligations**

Long-term debt related to capital lease obligations is reported in the General Long-term Debt Account Group. Revenue bonds which have been issued to fund capital projects of the Enterprise Funds are to be repaid from revenues of the Enterprise Funds and are recorded in the Enterprise Funds.

**Fund Equity**

Contributed capital recorded in the Enterprise Funds represents capital grants or contributions received from other City funds or other governmental units. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**Bond Discounts/Issuance Costs**

Bond discounts and issuance costs of the Enterprise Funds are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable.

**Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.



**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note A - Summary of Significant Accounting Policies (Continued)**

**Total Columns on Combined Financial Statements**

Total columns on the combined financial statements are captioned "Memorandum Only" to indicate that the totals are presented only to facilitate financial analysis. Data in these columns are not intended to present financial position, results of operations, or changes in financial position in conformity with GAAP. Such data are not comparable to a consolidation and no interfund eliminations were made in its aggregation.

**Note B - Legal Compliance - Budgets**

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 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.

**Note C - Cash and Investments**

The City maintains a cash and investment pool that is available for use by all funds. Each fund's or fund type's share of the pool balance is reported in the financial statements as "cash and investments". Earnings from the pooled accounts are allocated monthly to each participating fund based on a formula that takes into consideration each fund's average balance in the pool. For purposes of reporting cash flows, the City considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note C - Cash and Investments (Continued)**

At September 30, 1995, cash and investments consisted of the following:

	<u>Total</u>	<u>Unrestricted</u>	<u>Restricted</u>
Petty cash	\$ 900	\$ 900	\$ -
Cash in banks	92,601	62,797	29,804
Money market accounts and repurchase agreements	1,124,516	932,301	192,215
U.S. government securities	<u>1,437,672</u>	<u>919,208</u>	<u>518,464</u>
	<u>\$2,655,689</u>	<u>\$1,915,206</u>	<u>\$740,483</u>

**Deposits**

At year-end, the carrying amount of the City's deposits was \$1,217,117 and the bank balance was \$381,001. Of the bank balance \$100,000 was covered by federal depository insurance and \$281,001 was covered by collateral held in the pledging bank's trust department in the City's name.

In addition, investments in repurchase agreements totaling \$1,068,000 are included in the carrying value of the City's pooled money market deposits. The carrying amount of these deposits approximates market value.

**Investments**

The City's investments are categorized as either (1) insured or registered or securities held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the City's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

All investments held by the City and its component unit at September 30, 1995, including repurchase agreements, were classified as Category 1 investments and consisted of U.S. government securities. Investments of the City, other than repurchase agreements, are carried at a cost of \$1,437,672 and having a total market value of \$1,471,286. Investments held by the component unit at September 30, 1995 are carried at market, which approximates cost.

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note C - Cash and Investments (Continued)**

Statutes require collateral pledged for deposits to be held in the City's name by the bank's trust department.

**Note D - Receivables**

Receivables at September 30, 1995 consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:				
Taxes	\$ 240,073	\$ 83,963	\$ -	\$ 324,036
Special assessments	8,028	108,591	-	116,619
Service charges	29,760	-	136,941	166,701
Federal and state assistance programs	17,426	351,223	-	368,649
Other	11,036	55,676	11,755	78,467
Interest	<u>626</u>	<u>844</u>	<u>28,952</u>	<u>30,422</u>
Gross receivables	306,949	600,297	177,648	1,084,894
 Less allowance for uncollectibles	 <u>437</u>	 <u>-</u>	 <u>4,619</u>	 <u>5,056</u>
 Net total receivables	 <u>\$306,512</u>	 <u>\$600,297</u>	 <u>\$173,029</u>	 <u>\$1,079,838</u>

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note E - Fixed Assets**

The following is a summary of changes in the components of the General Fixed Assets Account Group for the year ended September 30, 1995:

	<u>Balances</u> October 1, 1994	<u>Additions</u>	<u>Retire-</u> <u>ments</u>	<u>Balances</u> September 30, 1995
Land	\$ 565,292	\$ 443,910	\$ -	\$1,009,202
Buildings and improvements	2,229,457	33,806	-	2,263,263
Improvements other than buildings	225,125	77,475	-	302,600
Equipment	<u>2,576,172</u>	<u>803,828</u>	<u>-</u>	<u>3,380,000</u>
Total	<u>\$5,596,046</u>	<u>\$1,359,019</u>	<u>\$ -</u>	<u>\$6,955,065</u>

The following is a summary of proprietary fund-type fixed assets at September 30, 1995:

	<u>Water and</u> <u>Sewer Fund</u>	<u>Airport</u> <u>Fund</u>	<u>Vehicle</u> <u>Maintenance</u> <u>Fund</u>	<u>Totals</u>
Land	\$ 64,724	\$ 45,600	\$ -	\$ 110,324
Water system	2,817,458	-	-	2,817,458
Sewer system	1,563,131	-	-	1,563,131
Buildings and improvements	63,155	9,753	-	72,908
Tools and equipment	76,578	-	6,408	82,986
Automobiles and trucks	115,952	-	-	115,952
Furniture and fixtures	15,873	-	-	15,873
Airport improvements	-	286,892	-	286,892
Construction in process	<u>73,892</u>	<u>-</u>	<u>-</u>	<u>73,892</u>
	4,790,763	342,245	6,408	5,139,416
Less: accumulated depreciation	<u>1,916,844</u>	<u>296,645</u>	<u>2,779</u>	<u>2,216,268</u>
Net fixed assets	<u>\$2,873,919</u>	<u>\$ 45,600</u>	<u>\$3,629</u>	<u>\$2,923,148</u>

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note F - Risk Management**

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 workers' compensation coverages to its participating members in a single comprehensive multi-line 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 has a June 30 anniversary date.

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. The City paid an assessment totaling \$93,342 for MIRMA's fiscal year ended June 30, 1995 and has paid an assessment totaling \$90,057 for the year ending June 30, 1996.

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note G - Long-term Debt**

The following is a summary of the changes in long-term debt for the year ended September 30, 1995:

	<u>Balances October 1, 1994</u>	<u>Additions</u>	<u>Retire- ments</u>	<u>Balances September 30, 1995</u>
General Long-term Debt Account Group:				
Special assessment bonds payable	\$ 75,000	\$ -	\$ 10,000	\$ 65,000
Capitalized lease obligations	1,015,407	359,392	271,964	1,102,836
Note payable	<u>18,355</u>	<u>-</u>	<u>4,055</u>	<u>14,300</u>
	1,108,762	359,392	286,019	1,182,136
Enterprise Funds:				
Revenue bonds payable	3,480,000	-	-	3,480,000
Capitalized lease obligations	<u>2,770</u>	<u>-</u>	<u>2,770</u>	<u>-</u>
	3,482,770	-	2,770	3,480,000
Less: unamortized discount on revenue bonds payable	<u>(57,536)</u>	<u>-</u>	<u>(2,784)</u>	<u>(54,752)</u>
	<u>3,425,234</u>	<u>-</u>	<u>(14)</u>	<u>3,425,248</u>
<b>Total</b>	<b>\$ <u>4,533,996</u></b>	<b>\$ <u>359,392</u></b>	<b>\$ <u>286,005</u></b>	<b>\$ <u>4,607,384</u></b>

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note G - Long-term Debt (Continued)**

**Bonds**

On June 1, 1990, the City issued \$3,480,000 of Combined Waterwork and Sewerage Refunding and Improvement Revenue Bonds with interest ranging from 6.7% to 8.7% per annum to advance refund \$2,225,000 of outstanding 1988 series bonds with annual interest ranging from 6.0% to 7.6% and to extend and improve the combined waterworks and sewerage system of the City. Proceeds of \$2,096,000 plus other monies contributed by the City in the amount of \$203,000 were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1988 series bonds. Proceeds of \$640,000 were designated for construction of the combined waterworks and sewerage system. Proceeds of \$346,000 are included in the debt service reserve account. Remaining proceeds of \$133,000 were used to finance the bond issue.

The 1988 series bonds are considered to be defeased and the liability for those bonds has been removed from the proprietary fund type - enterprise fund and replaced by the 1990 series bonds. As of September 30, 1995 \$185,000 of the defeased 1988 series bonds were outstanding.

Bonds payable at September 30, 1995 are comprised of the individual issues described in the following paragraphs:

**Special Assessments Combined Waterworks and Sewerage Systems Bonds, Series 1984:**

These special assessment bonds are supported by a pledge of the City's full faith and credit. However, the related bond ordinance requires that as soon as any contract for extending or improving the combined waterworks and sewerage system has been completed, the City shall levy and assess all of the cost of such improvements on the property benefitted by such improvement. The amounts so levied and assessed shall be collected by the City and used to reimburse itself for the amount paid or to be paid by it on the bonds. The ordinance does not require establishing and maintaining a sinking fund or reserve account.

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note G - Long-term Debt (Continued)**

Principal payments are payable annually on March 1 and are not subject to early redemption. Interest payments, payable semi-annually on March 1 and September 1, are at the interest rate of 10% per annum.

Combining Waterworks and Sewerage System Refunding and Improvement Revenue Bonds, Series 1990:

These revenue bonds mature serially through July 2015 and are subject to optional redemption beginning in 1996. Interest is payable semi-annually on January 1 and July 1 at rates ranging from 6.7% to 8.7% per annum.

The bonds are payable solely from the revenue derived by the City from the operation of its combined waterworks and sewerage system and are not a general obligation of the City.

Under the terms of the City ordinance authorizing the bond issue, monthly allocations of monies held in the Water and Sewer Enterprise Fund are required to be made to certain accounts of the fund as follows:

- To the Operation and Maintenance Account, an amount sufficient to pay the estimated cost of operating and maintaining the system during the ensuing 30-day period.
- To the Debt Service Fund Account, specified pro rata portions of principal and interest on the bonds becoming due at the next succeeding payment dates, plus agent fees.
- To the Construction Fund Account, proceeds of revenue bond issuances that are restricted for use in extending and improving the combined waterworks and sewerage system.
- To the Debt Service Reserve Fund Account, resources set aside to make up potential future deficiencies.



**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note G - Long-term Debt (Continued)**

The ordinance authorizing the bond issue also requires all revenues derived from the waterworks and sewerage system be segregated and kept separate from all other monies, revenues, funds and accounts of the City. The City does not have separate funds to segregate system earnings and funds from other City funds.

Also, under the rate covenant, the City must maintain and collect rates and charges for its services that will produce revenue sufficient to pay, among other things, operating costs, principal and interest and provide reasonable and adequate reserves. The City realized a net loss of \$27,979 from its waterworks sewerage system for the year ended September 30, 1995.

The covenant also requires that insurance be obtained to cover all system property. The system was insured at September 30, 1995.

The ordinance provides an acceleration of maturity in event of default which may be declared by owners of 25% in principal amount of the bonds then outstanding.

Revenue Bonds and Special Assessment Bonds debt service requirements to maturity as of September 30, 1995 are as follows:

	<u>Revenue bonds</u>	<u>Special assessment bonds</u>	<u>Total</u>
1996	\$ 20,000	\$15,000	\$ 35,000
1997 - 2001	380,000	50,000	430,000
2002 - 2006	750,000	-	750,000
2007 - 2011	1,080,000	-	1,080,000
2012 - 2015	<u>1,250,000</u>	<u>-</u>	<u>1,250,000</u>
	3,480,000	65,000	3,545,000
Less: unamortized discount	<u>(54,752)</u>	<u>-</u>	<u>(54,752)</u>
Net bonds outstanding	\$ <u>3,425,248</u>	\$ <u>65,000</u>	\$ <u>3,490,248</u>

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note G - Long-term Debt (Continued)**

**Capital Leases**

During fiscal 1987 the City entered into a fifteen-year lease purchase agreement to finance the construction of a new City Hall building. The proceeds from the lease agreement were deposited into an escrow account and used by the City to pay for construction costs of the project. During fiscal 1994, the City refinanced the lease, resulting in a reduction of the interest rate from 7.85% per annum to 5.842% per annum on the unpaid balance over the remainder of the original lease period. The capital lease obligation is repaid from the General Fund in monthly installments. At the end of the lease term, ownership of the leased property will transfer to the City. The building has been recorded in the General Fixed Assets Account Group at a cost of \$1,474,409.

During fiscal 1993, the City entered into a lease purchase agreement for radio equipment. Repayments for the lease are monthly installments over a three-year period repaid out of the general fund with interest at 6.61% on the unpaid balance. The equipment has been capitalized in the General Fixed Asset Account Group at a cost of \$38,832.

On March 15, 1994, the City entered into a lease-purchase agreement for fire equipment contingent upon acceptance of delivery of the equipment in fiscal 1995. Delivery of the equipment was accepted in December 1994. Repayments for the lease consist of five equal payments, one upon delivery and four annual installments beginning March 1995, paid out of the general fund with interest at 4.1% on the unpaid balance. The equipment has been capitalized in the General Fixed Asset Account Group at a cost of \$427,506.

During fiscal 1995, the City entered into a lease purchase agreement for ballfield lights. Repayments for the lease are annual installments over a four-year period paid out of the general fund with interest at 6.0% on the unpaid balance. The equipment has been capitalized in the General Fixed Asset Account Group at a cost of \$31,886.

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note G - Long-term Debt (Continued)**

Future minimum lease payments under the agreements at September 30, 1995 are as follows:

	<u>Building lease</u>	<u>Equipment leases</u>	<u>Total</u>
Year ending September 30:			
1996	\$ 157,770	\$ 86,377	\$ 244,147
1997	157,770	80,449	238,219
1998	157,770	80,449	238,219
1999	157,770	-	157,770
2000	157,770	-	157,770
Thereafter	<u>276,097</u>	<u>-</u>	<u>276,097</u>
 Total minimum lease payments	 1,064,947	 247,275	 1,312,222
 Less: amounts representing interest	 <u>186,635</u>	 <u>22,751</u>	 <u>209,386</u>
 Present value of minimum lease payments	 <u>\$ 878,312</u>	 <u>\$224,524</u>	 <u>\$1,102,836</u>

**Note Payable**

On September 8, 1993, the City entered into an agreement to purchase land for \$27,100. The terms of the agreement required a \$5,000 cash deposit to be paid to the sellers on October 1, 1993, with the remaining balance of \$22,100 plus interest at 8% per year to be paid to the sellers in 60 monthly installments of \$448 beginning October 1, 1993. The note is paid out of the General Fund and is secured by land.

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note H - Deficit Fund Equity**

At September 30, 1995, the following funds had deficit fund equity:

Deficit Fund Equity

Special Revenue Funds:	
Park	\$ 8,595
FEMA 404	\$ 216
Emergency (flood)	\$80,596
Community Development Block Grant	\$ 737

These unreserved deficit fund equities are expected to be absorbed by appropriation of future city revenues or by future federal and state program advances.

**Note I - Excess of Expenditures and Expenses Over Appropriations**

Expenditures on the budgetary basis exceeded appropriations for the following governmental and proprietary funds:

	<u>Expenditures on cash/ budget basis</u>	<u>Appropriations</u>
Special Revenue Funds:		
Park	\$ 319,485	\$ 307,000
Community Development Block Grant Phase II	\$ 468,796	\$ 72,640
City T-tax	\$ 797,510	\$ 795,000
Fire Department Equipment	\$ 65,308	\$ 15,310
Community Development Block Grant Phase II Utilities	\$ 141,898	\$ -
Enterprise Fund: Airport	\$ 106,841	\$ 105,700

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note J - Interfund Assets/Liabilities**

Interfund receivable/payable balances at September 30, 1995, were as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$93,949	\$ -
Special Revenue Funds -		
Emergency (flood)	-	93,090
Community Development Block Grant	-	673
Community Development Block Grant Phase II	<u>-</u>	<u>186</u>
	<u>\$93,949</u>	<u>\$93,949</u>

**Note K - Festus-Crystal City Sewerage Treatment Commission**

The City of Festus and the City of Crystal City, Missouri participate in the Festus-Crystal City Sewerage Treatment Commission (the "Commission") which was formed for the purpose of operating and maintaining a sewerage 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 60% of the previous month's costs of operation and maintenance of the shared facility and repairs and replacements of equipment as well as to contribute an additional \$500 per month. Crystal City is committed to pay the remaining 40% of described costs and additional contribution of \$350 per month. Complete financial statements of the Commission can be obtained directly from their administrative offices. The City accounts for its participation in this joint venture under the equity method of accounting to reflect its 60% ownership of the Commission. The City's interest in the joint venture at September 30, 1995 is \$791,912 and its share of the Commission's net loss before adding

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note K - Festus-Crystal City Sewerage Treatment Commission (Continued)**

back depreciation on assets financed by grants from other governments is \$37,461. Depreciation on assets financed by grants from other governments, \$27,523, is reflected in the Statement of Revenues, Expenses and Changes in Retained Earnings and is due to depreciation expense for fixed assets maintained by the Commission which were purchased with Commission assets. Depreciation expense is charged against contributed capital. For the year ended September 30, 1995, the City's cost for sewerage treatment services provided by the Commission was \$175,370.

**(The following paragraph is unaudited)**

The Festus-Crystal City Sewerage Commission maintains its accounts on the cash basis. Total assets and equity of the Commission at September 30, 1995 were both \$1,574,391. Commission management stated that no long-term liabilities were outstanding at September 30, 1995. For the year ended September 30, 1995, total receipts, disbursements and depreciation were \$292,283; \$292,283 and \$62,435, respectively, and total capital contributions were \$10,200, resulting in a net decrease in the Commission's equity of \$52,235.

**Note L - Enterprise Fund Segment Information**

Operations accounted for in the Enterprise Fund are financed and operated in a manner similar to private business enterprises. It is generally intended that the costs of providing goods or services to the general public on a continuing basis be financed and recovered primarily through user charges.

**Water and Sewer Fund** - The Water and Sewer Fund provides basic water and sewage services to the citizens of Festus, Missouri.

The assets of the Fund are applicable to both the water and the sewer utilities and the combined revenues of the utilities are pledged to all outstanding debt of the Fund.

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note L - Enterprise Fund Segment Information (Continued)**

**Airport Fund** - The Airport Fund provides airport facilities to the citizens of Festus, Missouri to include the sale of gasoline and oil and hanger space.

	<u>Water and Sewer Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Operating revenues	\$1,158,180	\$ 96,872	\$1,255,052
Depreciation and amortization	153,402	-	153,402
Operating income (loss)	157,710	(15,574)	142,136
Net income (loss)	(27,979)	(16,089)	(44,068)
Property, plant and equipment additions	157,561	-	157,566
Net working capital	419,163	(987)	418,176
Total assets	4,843,287	54,046	4,897,333
Bonds payable - net of bond discount	3,425,248	-	3,425,648
Total equity	1,192,563	44,613	1,237,176

**Note M - Employee Retirement Benefit Plan**

**Plan Description** - The City of Festus participates in the Missouri Local Government Employees Retirement Systems (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 - 70.755. 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 401a 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.

CITY OF FESTUS, MISSOURI

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1995

Note M - Employee Retirement Benefit Plan (Continued)

**Funding Policy** - The City of Festus' full-time employees do not contribute to the pension plan. The political subdivision is required by state statute to contribute at an actuarially determined rate; the current rate is 3.7% (general) and 4.0% (police) 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.

**Annual Pension Cost** - For 1995, the political subdivision's annual pension cost of \$71,548 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 1993 and/or 1994 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.0% per year, compounded annually, before retirement and 4.0% per year, compounded annually, after retirement, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 3.4% per year, depending on age, attributable to seniority/merit, and (d) per- and post-retirement mortality based on the 1984 Group Annuity Mortality table set back no years for men and 6 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 at February 28, 1995 was 15 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/93	\$53,995	100%	\$0
06/30/94	\$74,013	100%	\$0
06/30/95	\$71,548	100%	\$0



**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note M - Employee Retirement Benefit Plan (Continued)**

**Required Supplementary Information  
Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability</u>	<u>(b-a) Unfunded Accrued Liability (UAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>[(b-a)/c] UAL as a Percentage of Covered Payroll</u>
02/28/93	\$1,673,424	\$1,382,432	\$(290,992)	121%	\$1,530,594	
02/28/94	1,880,265	1,671,410	(208,855)	112	1,735,762	
02/28/95	2,117,722	1,865,355	(252,367)	114	1,732,251	

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.

**Note N - Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**CITY OF FESTUS, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

September 30, 1995

**Note O - Budgetary Data**

The City's budgetary basis of accounting differs from generally accepted accounting principles (GAAP), as used in presenting actual data for comparative purposes. For budgetary purposes, taxes are recognized as revenue in the year in which they become an enforceable lien on property. For GAAP purposes, taxes are recognized as revenue when both measurable and available. For budgetary purposes, expenditures are recognized when paid, while for GAAP purposes, expenditures are recognized when incurred.

The effects upon the 1995 financial statements from the different bases of revenue and expenditure recognition are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Revenues, GAAP basis -		
September 30, 1995	\$ 3,308,609	\$ 2,404,875
Increase in receivables, net	(33,759)	(156,881)
Increase (decrease) in deferred revenue	(6,546)	88,058
Decrease in customer deposits	<u>(5,952)</u>	<u>(1,382)</u>
Revenues-budgetary basis -		
September 30, 1995	<u>3,262,352</u>	<u>2,334,670</u>
 Expenditures, GAAP basis-		
September 30, 1995	3,207,315	2,648,637
Increase in prepaid expenses	8,666	4,692
Increase in accounts payable	(51,121)	(17,366)
Increase in accrued payroll	(39,790)	(13,365)
Decrease in accrued payroll taxes	7,092	4,005
(Increase) decrease in other liabilities	<u>5,239</u>	<u>(131,542)</u>
Expenditures-budgetary basis -		
September 30, 1995	<u>3,137,401</u>	<u>2,495,061</u>
 Excess (deficiency) of revenues over expenditures on budgetary basis -		
September 30, 1995	\$ <u>124,951</u>	\$ <u>(160,391)</u>

**FEDERAL FINANCIAL ASSISTANCE**



Brown • Smith • Wallace, L.L.C.

Accountants and Business Advisors

**INDEPENDENT AUDITORS' REPORT ON  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

To the Honorable Mayor and  
Members of the City Council  
of the City of Festus, Missouri  
Festus, Missouri

We have audited the general-purpose financial statements of the City of Festus, Missouri (the City), as of September 30, 1995 and for the year then ended, and have issued our report thereon dated December 1, 1995. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements of the City of Festus, Missouri taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

*Brown Smith Wallace, L.L.C.*

December 1, 1995

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**CITY OF FESTUS, MISSOURI**

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

For the Year Ended September 30, 1995

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Recognized</u>	<u>Expendi- tures</u>
<u>Federal Emergency Management Agency</u>				
Passed through Missouri State Emergency Management Agency Disaster Assistance Program	83.516	\$ *	\$160,380	\$ 63,259
Section 404		*	54,010	54,226
<u>Housing and Urban Development</u>				
Passed through Missouri Department of Economic Development: Community Development Block Grant Program	(1)	*	711,481	710,738
<u>Other Federal Assistance</u>				
Drug Enforcement Agency		95,921	95,921	-
Department of Justice		*	22,122	26,820

\*Final amount not determinable  
(1)Major program



**Brown • Smith • Wallace, L.L.C.**

Accountants and Business Advisors

**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL  
CONTROL STRUCTURE USED IN ADMINISTERING  
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

To the Honorable Mayor and  
Members of the City Council  
of the City of Festus, Missouri  
Festus, Missouri

We have audited the general-purpose financial statements of the City of Festus, Missouri (the City), for the year ended September 30, 1995, and have issued our report thereon dated December 1, 1995. We have also audited the compliance of the City with requirements applicable to major federal financial assistance programs and have issued our report thereon dated December 1, 1995.

We conducted our audits in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement and whether the City complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the year ended September 30, 1995, we considered the City's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the general-purpose financial statements of the City and on the compliance of the City with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated December 1, 1995.

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The management of the City of Festus, Missouri, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general-purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

General Requirements

Political Activities  
Civil Rights  
Cash Management  
Relocation Assistance and Real Property Acquisition  
Federal Financial Reports  
Allowable Costs/Cost Principles  
Drug-free Workplace Act  
Administrative Requirements

Specific Requirements

Types of Service Allowed or Unallowed  
Matching  
Special Tests and Provisions  
Claims for Advances and Reimbursement

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended September 30, 1995, the City expended 86% of its total federal financial assistance under major federal financial assistance programs as reported in the Schedule of Federal Financial Assistance.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we have considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the City's major federal financial assistance program, which is identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we also noted other matters involving the internal control structure and its operation that we have reported to the management of the City of Festus, Missouri, in a separate letter dated December 1, 1995.

This report is intended for the information of management, members of the City Council, and the Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

*Brown Smith Wallace, L.L.C.*

December 1, 1995





Brown • Smith • Wallace, L.L.C.

Accountants and Business Advisors

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH THE GENERAL REQUIREMENTS APPLICABLE  
TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

To the Honorable Mayor and  
Members of the City Council  
of the City of Festus, Missouri  
Festus, Missouri

We have audited the general-purpose financial statements of the City of Festus, Missouri (the City), as of and for the year ended September 30, 1995, and have issued our report thereon dated December 1, 1995.

We have applied procedures to test the City's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended September 30, 1995: political activity, civil rights, cash management, relocation assistance and real property acquisition, federal financial reports, allowable costs/cost principles, Drug-free Workplace Act and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material or immaterial instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe the City had not complied, in all material respects, with those requirements.

This report is intended for the information of management, members of the City Council, and the Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

*Brown Smith Wallace, L.L.C.*

December 1, 1995

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Brown • Smith • Wallace, L.L.C.

Accountants and Business Advisors

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR  
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

To the Honorable Mayor and  
Members of the City Council  
of the City of Festus, Missouri  
Festus, Missouri

We have audited the general-purpose financial statements of the City of Festus, Missouri, as of and for the year ended September 30 1995, and have issued our report thereon dated December 1, 1995.

We have also audited the City of Festus, Missouri's compliance with the requirements governing types of services allowed or not allowed; matching, special tests and provisions; and claims for advances and reimbursements that are applicable to its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the year ended September 30, 1995. The management of the City of Festus is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about City of Festus' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the City of Festus, Missouri, complied, in all material respects, with the requirements governing types of services allowed or not allowed; matching, special tests and provisions; and claims for advances and reimbursements; that are applicable to its major federal financial assistance programs for the year ended September 30, 1995.

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*Rosen Smith Wallace, L.L.C.*

December 1, 1995



Brown • Smith • Wallace, L.L.C.

Accountants and Business Advisors

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR  
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

To the Honorable Mayor and  
Members of the City Council  
of the City of Festus, Missouri  
Festus, Missouri

We have audited the general-purpose financial statements of the City of Festus, Missouri (the City), as of and for the year ended September 30 1995, and have issued our report thereon dated December 1, 1995.

In connection with our audit of the City's general-purpose financial statements and with our consideration of the City's internal control structure used to administer federal financial programs as required by Office of Management and Budget Circular A-128, "Audits of State and Local Government's," we selected certain transactions applicable to certain non-major federal programs for the year ended September 30, 1995. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; and any special tests and provisions, claims for advancements and reimbursements and amounts claimed or used for matching that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the city had not complied, in all material respects, with those requirements.

This report is intended for the information of management, members of the City Council, and the Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

*Brown Smith Wallace, L.L.C.*

December 1, 1995

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