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1-1-1995

## Financial Statements with Independent Auditors' Report, 1994

City of Festus

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CITY OF FESTUS, MISSOURI  
FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT  
September 30, 1994

B-S-W  
Brown • Smith • Wainate LLC

City of Festus, Missouri

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# B · S · W

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

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, 1994. 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 Total 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, 1994, 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.

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

St. Louis, Missouri  
December 15, 1994

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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

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, 1994, and have issued our report thereon dated December 15, 1994.

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, 1994, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

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 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.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Accounting Applications

Cash Receipts  
Purchasing and Receiving  
Cash Disbursements  
Payroll  
Property and Equipment  
Notes and Bonds Payable  
Financial Statements and Reports

Controls Used in Administering Compliance With Laws and Regulations

State Statutes  
Budgeting  
Political Activity  
Civil Rights  
Cash Management  
Relocation Assistance and Real Property Acquisition  
Federal Financial Reports  
Allowable Costs/Cost Principles  
Drug-Free Workplace Act  
Administrative Requirements

For all of the internal control structure categories listed above, 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.

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.



1. Control of Checks

In prior years, recommendations have been made concerning the inadequacy of controls to account for check numbers. During our audit, we noted that an independent custodian has not been appointed to maintain and control the blank check stock which continues to be stored in an unsecured area. The absence of proper controls for checks increases the risk of unauthorized use of the City's cash.

Recommendation:

We recommend that a custodian be appointed to control access to blank checks who is independent of the check writing and signing process. The custodian should maintain a record of all check numbers, unused and used, including voided, spoiled and manual checks.

2. Controls Over Cash Receipts

We noted the following areas in which cash receipts controls were inadequate:

- A) The individual who prepares the bank reconciliations has access to cash receipts and to the cash receipts accounting records.
- B) A cash receipts listing is not prepared to control cash received in the mail.

The absence of adequate controls for cash receipts may increase the risk of misuse or loss of cash.

Recommendation:

We recommend the following controls be established to help safeguard cash:

- A) The City should ensure that individuals having access to cash receipts are independent of the cash accounting and reconciliation process.
- B) A daily listing of cash and checks received in the mail should be prepared by an individual who is independent of the accounting for cash receipts.

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 the City comply 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 comply with Ordinance No. 2126 by establishing 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 15, 1994.

This report is intended for the information of management, members of the City Council, and the Federal Emergency Management Agency. However, this report is a matter of public record and its distribution is not limited.

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

St. Louis, Missouri  
December 15, 1994





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

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, 1994, and have issued our report thereon dated December 15, 1994.

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 indicate that, with respect to the items tested, the City complied, in all material respects, with the provisions referred to 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 provisions.

We noted certain immaterial instances of noncompliance that we have reported to the management of City of Festus in a separate letter dated December 15, 1994.

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This report is intended for the information of management, members of the City Council, and the Federal Emergency Management Agency. However, this report is a matter of public record and its distribution is not limited.

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

St. Louis, Missouri  
December 15, 1994



City of Festus, Missouri

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS

September 30, 1994

ASSETS	Governmental Fund Types	
	<u>General</u>	<u>Special Revenue</u>
Cash and investments	\$ 501,693	\$ 745,174
Receivables (net of allowance for uncollectible accounts)		
Taxes	228,198	76,798
Special assessments	13,028	169,859
Service charges	26,523	-
Federal and state assistance programs	-	153,764
Other	2,315	60,541
Interest	2,062	2,454
Inventory of supplies (at cost)	1,514	-
Prepaid expenses	33,696	12,332
Deposit on equipment	50,000	50,000
Due from other funds	257,780	103,378
Restricted cash and investments	219,816	116,177
Capital improvements sales tax receivable	-	476,056
Interest in joint venture (at cost)	-	-
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	-	-
Total assets	<u>\$1,336,625</u>	<u>\$1,966,533</u>

The accompanying notes are an integral part of this statement.

<u>Proprietary Fund Types</u>		<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>General Fixed Assets</u>	<u>General Long-term Debt</u>	
\$ 221,435	\$ 133	\$ -	\$ -	\$ 1,468,435
-	-	-	-	304,996
-	-	-	-	182,887
117,876	-	-	-	144,399
-	-	-	-	153,764
7,910	-	-	-	70,766
3,822	-	-	-	8,338
43,502	-	-	-	45,016
31,567	-	-	-	77,595
-	-	-	-	100,000
10,768	696	-	-	372,622
601,865	-	-	-	937,858
-	-	-	-	476,056
829,373	-	-	-	829,373
2,988,772	4,911	-	-	2,993,683
-	-	5,596,046	-	5,596,046
-	-	-	1,015,407	1,015,407
-	-	-	75,000	75,000
-	-	-	18,355	18,355
96,588	-	-	-	96,588
<u>\$4,953,478</u>	<u>\$ 5,740</u>	<u>\$5,596,046</u>	<u>\$1,108,762</u>	<u>\$14,967,184</u>



City of Festus, Missouri

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS - CONTINUED

September 30, 1994

LIABILITIES AND FUND EQUITY	Governmental Fund Types	
	<u>General</u>	<u>Special Revenue</u>
LIABILITIES		
Accounts payable	\$ 21,937	\$ 26,025
Accrued payroll and compensated absence payable	102,846	32,769
Accrued payroll taxes	17,055	7,234
Obligation under capital lease	-	-
Special assessment bonds with governmental commitment	-	-
Accrued interest	-	792
Customer deposits	5,952	1,930
Due to other funds	-	331,266
Deferred revenue	19,131	511,180
Other liabilities	84,626	171,903
Revenue bonds payable, net of discount	-	-
Notes payable	-	-
Total liabilities	251,547	1,083,099
FUND EQUITY (DEFICIT) AND OTHER CREDITS		
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	33,696	12,332
Reserved for encumbrances	2,310	5,043
Unreserved	1,047,558	866,059
Total fund equity (deficit) and other credits	1,085,078	883,434
Total liabilities, fund equity and other credits	\$1,336,625	\$1,966,533

The accompanying notes are an integral part of this statement.

<u>Proprietary Fund Types</u>		<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>General Fixed Assets</u>	<u>General Long-term Debt</u>	
\$ 20,064	\$ 1,962	\$ -	\$ -	\$ 69,988
17,545	1,158	-	-	154,318
7,216	176	-	-	31,681
2,770	-	-	1,015,407	1,018,177
-	-	-	75,000	75,000
61,660	-	-	-	62,452
120,189	-	-	-	128,071
5,443	35,913	-	-	372,622
-	-	-	-	530,311
8,450	-	-	-	264,979
3,422,464	-	-	-	3,422,464
-	-	-	18,355	18,355
3,665,801	39,209	-	1,108,762	6,148,418
879,916	-	-	-	879,916
-	-	5,596,046	-	5,596,046
346,000	-	-	-	346,000
61,761	( 33,469)	-	-	28,292
-	-	-	-	1,514
-	-	-	-	46,028
-	-	-	-	7,353
-	-	-	-	1,913,617
1,287,677	( 33,469)	5,596,046	-	8,818,766
<u>\$4,953,478</u>	<u>\$ 5,740</u>	<u>\$5,596,046</u>	<u>\$1,108,762</u>	<u>\$14,967,184</u>



City of Festus, Missouri

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

Year ended September 30, 1994

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Totals (Memorandum Only)</u>
<b>Revenues</b>			
Property taxes			
Real estate	\$ 184,669	\$ 132,244	\$ 316,913
Personal property	43,658	27,445	71,103
Replacement tax	12,105	8,765	20,870
Other taxes			
Franchise - utilities and railroads	437,336	8,014	445,350
Sales taxes	1,644,812	930,782	2,575,594
Intangible taxes	9,025	6,536	15,561
Intergovernmental revenues			
State gasoline taxes	176,439	-	176,439
State library aid	-	2,722	2,722
Federal, state and local program advances and reimbursements	2,697	462,932	465,629
Special sewer assessments	-	19,236	19,236
Licenses and permits	139,052	-	139,052
Fines and penalties	136,086	22,794	158,880
Interest	13,447	15,851	29,298
Miscellaneous	29,388	25,887	55,275
Services charges			
Dispatching service	9,350	69,649	78,999
Trash collection	279,610	-	279,610
Total revenues	<u>3,117,674</u>	<u>1,732,857</u>	<u>4,850,531</u>
<b>Expenditures</b>			
Current			
General government	397,023	357,945	754,968
Public safety	1,512,528	3,603	1,516,131
Streets and sewers	123,355	808,287	931,642
Non-departmental	262,548	124,391	386,939
Health and sanitation	-	41,130	41,130
Library	-	98,793	98,793
Parks	-	270,285	270,285
Principal debt service	134,359	13,466	147,825
Interest debt service	74,989	8,265	83,254
Total expenditures	<u>2,504,802</u>	<u>1,726,165</u>	<u>4,230,967</u>

The accompanying notes are an integral part of this statement.

City of Festus, Missouri

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

Year ended September 30, 1994

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Totals (Memorandum Only)</u>
Excess of revenues over expenditures	\$ 612,872	\$ 6,692	\$ 619,564
Other financing sources (uses):			
Operating transfers in	-	192,571	192,571
Operating transfers out	( 192,571)	-	( 192,571)
	( 192,571)	192,571	-
Excess of revenues and other sources over expenditures and other uses	420,301	199,263	619,564
Total fund equity and other credits at beginning of year	<u>664,777</u>	<u>684,171</u>	<u>1,348,948</u>
Total fund equity and other credits at end of year	\$ <u>1,085,078</u>	\$ <u>883,434</u>	\$ <u>1,968,512</u>

The accompanying notes are an integral part of this statement.

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, 1994

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Property taxes			
Real estate	\$ 186,695	\$ 184,669	\$( 2,026)
Personal property	45,745	43,658	( 2,087)
Replacement tax	11,100	12,105	1,005
Special sewer assessments	-	-	-
Other taxes			
Franchise - utilities and railroads	394,860	437,336	42,476
Sales taxes	1,409,500	1,644,812	235,312
Intangible taxes	6,250	9,025	2,775
Intergovernmental revenues			
State gasoline taxes	145,000	176,439	31,439
State library aid	-	-	-
Federal, state and local program advances and reimbursements	15,000	2,697	( 12,303)
Licenses and permits	113,500	139,052	25,552
Fines and penalties	122,100	136,086	13,986
Interest	16,000	13,447	( 2,553)
Miscellaneous	64,200	29,388	( 34,812)
Services charges			
Dispatching service	-	9,350	9,350
Trash collection	250,000	279,610	29,610
Total revenues	<u>2,779,950</u>	<u>3,117,674</u>	<u>337,724</u>
<b>Expenditures</b>			
Current			
General government	415,850	397,023	18,827
Public safety	1,609,475	1,512,528	96,947
Streets and sewers	151,000	123,355	27,645
Non-departmental	273,000	262,548	10,452
Health and sanitation	-	-	-
Library	-	-	-
Parks	-	-	-
Principal debt service	319,241	134,359	184,882
Interest debt service	83,104	74,989	8,115
Reserve prior encumbrance	150	-	150
Total expenditures	<u>2,851,820</u>	<u>2,504,802</u>	<u>347,018</u>

The accompanying notes are an integral part of this statement.



<u>Special Revenue Fund</u>			<u>Totals - (Memorandum Only)</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 135,160	\$ 132,244	\$ ( 2,916)	\$ 321,855	\$ 316,913	\$ ( 4,942)
30,575	27,445	( 3,130)	76,320	71,103	( 5,217)
8,055	8,765	710	19,155	20,870	1,715
5,500	19,236	13,736	5,500	19,236	13,736
9,040	8,014	( 1,026)	403,900	445,350	41,450
906,130	930,782	24,652	2,315,630	2,575,594	259,964
4,585	6,536	1,951	10,835	15,561	4,726
-	-	-	145,000	176,439	31,439
3,200	2,722	( 478)	3,200	2,722	( 478)
150,450	462,932	312,482	165,450	465,629	300,179
-	-	-	113,500	139,052	25,552
22,875	22,794	( 81)	144,975	158,880	13,905
11,325	15,851	4,526	27,325	29,298	1,973
26,592	25,887	( 705)	90,792	55,275	( 35,517)
-	69,649	69,649	-	78,999	78,999
-	-	-	250,000	279,610	29,610
<u>1,313,487</u>	<u>1,732,857</u>	<u>419,370</u>	<u>4,093,437</u>	<u>4,850,531</u>	<u>757,094</u>
450,000	357,945	92,055	865,850	754,968	110,882
5,500	3,603	1,897	1,614,975	1,516,131	98,844
825,131	808,287	16,844	976,131	931,642	44,489
-	124,391	(124,391)	273,000	386,939	(113,939)
42,500	41,130	1,370	42,500	41,130	1,370
102,091	98,793	3,298	102,091	98,793	3,298
275,000	270,285	4,715	275,000	270,285	4,715
14,478	13,466	1,012	333,719	147,825	185,894
4,641	8,265	( 3,624)	87,745	83,254	4,491
-	-	-	150	-	150
<u>1,719,341</u>	<u>1,726,165</u>	<u>( 6,824)</u>	<u>4,571,161</u>	<u>4,230,967</u>	<u>340,194</u>

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, 1994

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Excess (deficiency) of revenues over expenditures	\$( 71,870)	\$ 612,872	\$ 684,742
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfers out	( 192,571)	( 192,571)	-
	( 192,571)	( 192,571)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	( 264,441)	420,301	684,742
Total fund equity and other credits at beginning of year	<u>90,241</u>	<u>664,777</u>	<u>574,536</u>
Total fund equity and other credits at end of year	\$( <u>174,200</u> )	\$ <u>1,085,078</u>	\$ <u>1,259,278</u>

The accompanying notes are an integral part of this statement.

<u>Special Revenue Funds</u>			<u>Totals - (Memorandum Only)</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ ( 405,854)	\$ 6,692	\$ 412,546	\$ ( 477,724)	\$ 619,564	\$ 1,097,288
192,571	192,571	-	192,571	192,571	-
-	-	-	( 192,571)	( 192,571)	-
<u>192,571</u>	<u>192,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
( 213,283)	199,263	412,546	( 477,724)	619,564	1,097,288
<u>36,172</u>	<u>684,171</u>	<u>647,999</u>	<u>126,413</u>	<u>1,348,948</u>	<u>1,222,535</u>
\$ ( <u>177,111</u> )	\$ <u>883,434</u>	\$ <u>1,060,545</u>	\$ ( <u>351,311</u> )	\$ <u>1,968,512</u>	\$ <u>2,319,823</u>



City of Festus, Missouri

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

Year ended September 30, 1994

	<u>Proprietary Fund Types</u>		<u>Totals</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>(Memorandum Only)</u>
Operating revenues			
Water sales and sewer use charge	\$ 1,017,102	\$ -	\$ 1,017,102
Gas sales	73,554	-	73,554
Hanger rent	27,534	-	27,534
Service charges	-	40,264	40,264
Miscellaneous	-	120	120
Other	<u>2,914</u>	<u>-</u>	<u>2,914</u>
Total operating revenues	<u>1,121,104</u>	<u>40,384</u>	<u>1,161,488</u>
Operating expenses			
Personal services	299,554	32,193	331,747
Materials and supplies	112,625	26,604	139,229
Heat, light and power	119,562	1,429	120,991
Contractual services	190,445	-	190,445
Depreciation and amortization	154,180	1,122	155,302
Other	<u>105,396</u>	<u>-</u>	<u>105,396</u>
Total operating expenses	<u>981,762</u>	<u>61,348</u>	<u>1,043,110</u>
Operating income (loss)	139,342	( 20,964)	118,378
Non-operating income (expenses)			
Interest income	18,204	-	18,204
Interest expense	( 246,641)	-	( 246,641)
Joint venture loss (net) - before adding back depreciation on assets financed by grants from other governments	<u>( 40,812)</u>	<u>-</u>	<u>( 40,812)</u>
Net income (loss)	( 129,907)	( 20,964)	( 150,871)
Add depreciation on assets financed by grants from other governments	<u>27,523</u>	<u>-</u>	<u>27,523</u>
Increase (Decrease) in Retained Earnings	( 102,384)	( 20,964)	( 123,348)
Retained earnings (deficit), beginning of year	<u>510,145</u>	<u>( 12,505)</u>	<u>497,640</u>
Retained earnings (deficit), end of year	\$ <u>407,761</u>	\$ <u>( 33,469)</u>	\$ <u>374,292</u>

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, 1994

	<u>Proprietary Fund Types</u>		<u>Totals</u>
			<u>(Memorandum</u>
	<u>Enterprise</u>	<u>Internal</u>	<u>Only)</u>
		<u>Service</u>	
Cash flows from operating activities:			
Operating income (loss)	\$ 139,342	\$ ( 20,964)	\$ 118,378
Adjustments to reconcile			
operating income (loss) to			
net cash provided by operating			
activities:			
Depreciation	146,722	1,122	147,844
Amortization	7,458	-	7,458
Change in assets and			
liabilities:			
Decrease in service			
charges receivable	22,674	-	22,674
Increase in tax penalties			
receivable	( 1,129)	-	( 1,129)
Decrease in accrued			
interest receivable	7,924	-	7,924
Decrease in other accounts			
receivable	9,750	-	9,750
Increase in prepaid expenses	( 698)	-	( 698)
Increase in interfund			
receivable	( 2,716)	-	( 2,716)
Increase (decrease) in			
accounts payable	( 14,212)	113	( 14,099)
Decrease in accrued payroll	( 1,508)	( 192)	( 1,700)
Increase (decrease) in			
accrued payroll taxes	3,758	( 183)	3,575
Increase in customer deposits	18,653	-	18,653
Increase (decrease) in			
interfund payable	( 55,522)	23,432	( 32,090)
Decrease in other liabil-			
ities	( 4,569)	-	( 4,569)
Net cash provided by			
operating activities	275,927	3,328	279,255

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, 1994

	<u>Proprietary Fund Types</u>		<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>Enterprise</u>	<u>Internal</u> <u>Service</u>	
Cash flows from capital and financing activities:			
Acquisition and construction of capital assets	(150,162)	( 3,195)	(153,357)
Principal paid on notes payable and capitalized lease obligations	( 4,104)	-	( 4,104)
Interest on debt	<u>(246,641)</u>	<u>-</u>	<u>(246,641)</u>
Net cash used in capital and financing activities	(400,907)	( 3,195)	(404,102)
Cash flows from investing activities:			
Purchase of investment securities	(345,851)	-	(345,851)
Proceeds from maturities of investment securities	359,648	-	359,648
Interest on investments	<u>18,204</u>	<u>-</u>	<u>18,204</u>
Net cash provided by investing activities	<u>32,001</u>	<u>-</u>	<u>32,001</u>
INCREASE (DECREASE) IN CASH	( 92,979)	133	( 92,846)
Cash and restricted cash at beginning of year	<u>570,428</u>	<u>-</u>	<u>570,428</u>
Cash and restricted cash at end of year	477,449	133	447,582
ADD: Investments not included in cash equivalents	<u>345,851</u>	<u>-</u>	<u>345,851</u>
Total cash and investements	\$ <u>823,300</u>	\$ <u>133</u>	\$ <u>823,433</u>

The accompanying notes are an integral part of this statement.



City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS

September 30, 1994

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.

1. 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.

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.

2. 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.

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".

City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.



City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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 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.



City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

4. 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.

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.

City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. 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.

6. 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.

7. 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.



City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond September 30, 1994 are recorded as prepaid expenses.

9. 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.

The Water and Sewer Fund maintains a separate account for the purpose of segregating funds received for customer security deposits. Funds received in payment of customer deposits are recorded in this account. Refunds of customer deposits are paid from this account. 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



City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Restricted Assets (Continued)

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.

10. 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 costs. 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.

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

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

City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. 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:

1. Property is assessed by the county on January 1 each year.
2. The tax levy ordinance is adopted and filed with the county clerk on or before September 1.
3. Property taxes are due to be collected on or before December 31. A lien is placed on any property which has delinquent taxes.

12. 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, 1994

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. 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 Fund are to be repaid from revenues of the Enterprise Fund. Such debt is recorded in the Enterprise Fund.

14. 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.

15. 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.

16. 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, 1994

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

17. 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 investment". 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, 1994

NOTE C - CASH AND INVESTMENTS (Continued)

At September 30, 1994, cash and investments consisted of the following:

	<u>Total</u>	<u>Unre- stricted</u>	<u>Restricted</u>
Petty cash	\$ 900	\$ 900	\$ -
Cash in banks	44,023	11,835	32,188
Money market accounts	89,666	89,666	-
Certificates of deposit	53,196	13,887	39,309
U.S. government securities	1,818,508	1,149,176	669,332
Repurchase agreements	<u>400,000</u>	<u>202,971</u>	<u>197,029</u>
	<u>\$2,406,293</u>	<u>\$1,468,435</u>	<u>\$ 937,858</u>

Deposits

At year-end, the carrying amount of the City's deposits was \$186,885 and the bank balance was \$345,911. Of the bank balance \$100,000 was covered by federal depository insurance and \$245,911 was covered by collateral held in the pledging bank's trust department in the City's name.

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.

	<u>Categories</u>			<u>Carrying amount</u>	<u>Market value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. government securities	1,818,516	-	-	1,818,516	1,876,812
Repurchase agreements	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>400,000</u>
Totals	<u>\$2,218,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,218,516</u>	<u>\$2,276,812</u>



City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

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.

Repurchase agreement securities are held in a special account at the Federal Reserve by a third party. The securities are not held in the City's name, but are collateralized by the bank at 102% of market value, revalued daily.

NOTE D - RECEIVABLES

Receivables at September 30, 1994 consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:				
Taxes	\$229,100	\$ 77,480	\$ -	\$306,580
Special assessments	13,028	169,859	-	182,887
Service charges	27,243	-	123,156	150,399
Federal and state assistance programs	-	153,764	-	153,764
Other	2,315	60,541	7,910	70,766
Interest	<u>2,062</u>	<u>2,454</u>	<u>3,822</u>	<u>8,338</u>
Gross receivables	273,748	464,098	134,888	872,734
Less allowance for uncollectibles	<u>1,622</u>	<u>682</u>	<u>5,280</u>	<u>7,584</u>
Net total receivables	<u>\$272,126</u>	<u>\$463,416</u>	<u>\$129,608</u>	<u>\$865,150</u>



City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

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, 1994:

	Balances October 1, 1993	Additions	Retire- ments	Balances September 30, 1994
Land	\$ 544,524	\$ 20,768	-	\$ 565,292
Buildings and improvements	2,229,457	-	-	2,229,457
Improvements other than buildings	225,125	-	-	225,125
Equipment	<u>2,440,260</u>	<u>135,912</u>	<u>-</u>	<u>2,576,172</u>
Total	<u>\$5,439,366</u>	<u>\$156,680</u>	<u>\$ -</u>	<u>\$5,596,046</u>

The following is a summary of proprietary fund-type fixed assets at September 30, 1994:

	Water and Sewer Fund	Airport Fund	Vehicle Maintenance Fund	Totals
Land	\$ 64,724	\$ 45,600	-	\$ 110,324
Water system	2,739,595	-	-	2,739,595
Sewer system	1,557,324	-	-	1,557,324
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>78,087</u>	<u>-</u>	<u>-</u>	<u>78,087</u>
	4,711,288	342,245	6,408	5,059,941
Less: accumulated depreciation	<u>1,768,116</u>	<u>296,645</u>	<u>1,497</u>	<u>2,066,258</u>
Net fixed assets	<u>\$2,943,172</u>	<u>\$ 45,600</u>	<u>\$4,911</u>	<u>\$2,993,683</u>

City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

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 \$93,080 for MIRMA's fiscal year ended June 30, 1994 and has paid an assessment totaling \$93,342 for the year ending June 30, 1995.

NOTE G - LONG-TERM DEBT

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.



City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE G - LONG-TERM DEBT (Continued)

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, 1994 \$1,510,000 of the defeased 1988 series bonds were outstanding.

The following is a summary of the changes in long-term debt for the year ended September 30, 1994:

	<u>Balances October 1, 1993</u>	<u>Additions</u>	<u>Retire- ments</u>	<u>Balances September 30, 1994</u>
General Long-term Debt Account Group: Special assessment bonds payable	\$ 85,000	-	10,000	75,000
Capitalized lease obligations	1,131,185	1,031,014	1,146,792	1,015,407
Note payable	<u>27,100</u>	<u>-</u>	<u>8,745</u>	<u>18,355</u>
	1,243,285	1,031,014	1,165,537	1,108,762
Enterprise Funds: Revenue bonds payable	3,480,000	-	-	3,480,000
Capitalized lease obligations	<u>6,874</u>	<u>-</u>	<u>4,104</u>	<u>2,770</u>
	3,486,874	-	4,104	3,482,770
Less unamortized discount on revenue bonds payable	( <u>60,320</u> )	<u>-</u>	( <u>2,784</u> )	( <u>57,536</u> )
Total	\$ <u>3,426,554</u> <u>4,669,839</u>	<u>-</u> <u>1,031,014</u>	<u>1,320</u> <u>1,166,857</u>	<u>3,425,234</u> <u>4,533,996</u>



City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE G - LONG-TERM DEBT (Continued)

Bonds payable at September 30, 1994 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 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.

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 at 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:

City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE G - LONG-TERM DEBT (Continued)

- 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.

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 \$84,417 from its waterworks sewerage system for the year ended September 30, 1994.

The covenant also requires that insurance be obtained to cover all system property. The system was insured at September 30, 1994.

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.



City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE G - LONG-TERM DEBT (Continued)

Revenue Bonds and Special Assessment Bonds debt service requirements to maturity as of September 30, 1994 are as follows:

	<u>Revenue bonds</u>	<u>Special assessment bonds</u>	<u>Total</u>
1995	\$ -	\$ 10,000	\$ 10,000
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	75,000	3,555,000
Less: unamor- tized discount	( <u>57,536</u> )	<u>-</u>	( <u>57,536</u> )
Net bonds out- standing	<u>\$3,422,464</u>	<u>\$ 75,000</u>	<u>\$3,497,464</u>

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. 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 1990, the City entered into a lease purchase agreement for equipment. Repayments for the lease are monthly installments shared between a special revenue fund and an enterprise fund over a five year period with interest at 7.5% on the unpaid balance. This equipment has been capitalized in the General Fixed Asset Account Group and in the enterprise fund at a cost of \$20,335 in each.

City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE G - LONG-TERM DEBT (Continued)

During fiscal 1991, the City entered into a lease purchase agreement for computer hardware and software. Repayments for the lease are monthly installments over a four-year period paid out of the general fund with interest at 7.5% on the unpaid balance. The equipment has been capitalized in the General Fixed Asset Account Group at a cost of \$85,037.

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.

Future minimum lease payments under the agreements at September 30, 1994 are as follows:

	<u>Building lease</u>	<u>Equipment leases</u>	<u>Total</u>
Year ending			
September 30:			
1995	\$ 157,770	\$ 32,137	\$ 189,907
1996	157,770	5,928	163,698
1997 - 2001	788,850	-	788,850
2002	<u>118,327</u>	<u>-</u>	<u>118,327</u>
Total minimum lease payments	1,222,717	38,065	1,260,782
Less: amounts representing interest	<u>241,240</u>	<u>1,367</u>	<u>242,607</u>
Present value of minimum lease payments	<u>\$ 981,477</u>	<u>\$ 36,698</u>	<u>\$1,018,175</u>



City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE G - LONG-TERM DEBT (Continued)

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 \$448.11 beginning October 1, 1993. The note is paid out of the general fund and is secured by land.

NOTE H - DEFICIT FUND EQUITY

At September 30, 1994, the following funds had deficit fund equity:

	<u>Deficit Fund Equity</u>	
Special Revenue Funds:		
Park	5,930	
Special assessment	22,597	
Emergency (flood)	61,220	
Community development block grant	1,002	
Enterprise Fund:		
Vehicle maintenance	33,469	

These unreserved deficit fund equities are expected to be absorbed by appropriation of future city revenues or by future federal 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</u>	<u>Appropriations</u>
Special Revenue Funds:		
Special sewer/assessment	18,000	15,250
Community development block grant	71,101	0
FEMA 404 grant	59,639	0
Enterprise Fund:		
Airport	119,845	102,020
Internal Service Fund:		
Vehicle maintenance	61,612	59,398

City of Festus, Missouri  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 1994

NOTE J - INTERFUND ASSETS/LIABILITIES

Due from/to Other Funds balances at September 30, 1994, were as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$257,780	\$ -
Special Revenue Funds -		
Law Enforcement	-	1,039
Health	1,399	-
Park	3,267	261
Fire department equipment	-	14,690
City transportation tax	75,949	-
County transportation tax	-	132,069
Special sewer	22,763	-
Special assessments	-	22,763
Emergency (flood)	-	159,771
Community development block grant	-	673
Enterprise Funds -		
Airport	-	5,443
Water and sewer	10,768	-
Internal Service Fund -		
Vehicle maintenance	<u>696</u>	<u>35,913</u>
	<u>\$372,622</u>	<u>\$372,622</u>



City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE K - FESTUS-CRYSTAL CITY SEWERAGE TREATMENT COMMISSION

The City of Festus and 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, 1994 is \$829,373 and its share of the Commission's net loss before adding back depreciation on assets financed by grants from other governments is \$40,812. 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, 1994, the City's cost for sewerage treatment services provided by the Commission was \$157,704.

**(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, 1994 were both \$1,574,391. Commission management stated that no long-term liabilities were outstanding at September 30, 1994. For the year ended September 30, 1994, total receipts, disbursements and depreciation were \$256,880; \$262,839 and \$62,060, respectively, and total capital contributions were \$10,200, resulting in a net decrease in the Commission's equity of \$57,820.



City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

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.

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	\$ 1,012,091	\$ 101,089	\$ 1,113,180
Depreciation and amortization	154,180	-	154,180
Operating income (loss)	157,688	( 18,346)	139,342
Net income (loss)	( 111,941)	( 17,966)	( 129,907)
Property, plant and equipment additions	150,162	-	150,162
Net working capital	554,570	15,119	569,689
Total assets	4,885,610	67,868	4,953,478
Bonds payable - net of bond discount	3,422,464	-	3,422,464
Total equity	\$ 1,226,976	\$ 60,701	\$ 1,287,677

NOTE M - EMPLOYEE RETIREMENT BENEFIT PLAN

Plan Description - The City contributes to the Missouri Local Government Employee Retirement System (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 was created and is governed by State statute. 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.



City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE M - EMPLOYEE RETIREMENT BENEFIT PLAN (Continued)

All full-time employees are eligible to participate in LAGERS. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program then in effect. The allowance is equal to a benefit factor multiplied by the final average salary multiplied by the number of years of service. LAGERS also provides early retirement, death and disability benefits.

The City selected a noncontributory option for its membership thereby requiring the city to contribute the full amount required by statute necessary to finance the coverage of its employees. The contribution level is actuarially determined annually and is expressed as a percentage of covered payroll.

Funding Status and Progress - The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and allow for comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the plan.

The pension benefit obligation was determined as part of an actuarial valuation of the plan performed as of February 28, 1994. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 7% per year compounded annually, before retirement, and 4% per year, compounded annually, after retirement, (b) projected salary increases of 4% 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) pre- and post-retirement mortality based on the 1984 Group Annuity Mortality Table set back no years for men and 6 years for women.

City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE M - EMPLOYEE RETIREMENT BENEFIT PLAN (Continued)

At February 28, 1994, the assets in excess of the pension benefit obligation were \$362,269 determined as follows:

Pension benefit obligation:

Terminated employees not yet receiving benefits	\$ 24,372
Current employees:	
Employer financed - vested	1,191,179
Employer financed - nonvested	<u>129,805</u>
Total pension benefit obligation	1,345,356
Total assets available for benefits, at cost	<u>1,707,625</u>
Assets in excess of the pension benefit obligation	\$ <u>362,269</u>

The obligation for the retirees and beneficiaries has been transferred to LAGERS as a whole.

Funding Policy - The City is obligated by State statute to make all required contributions to the plan. The required contributions are actuarially determined using the individual entry-age actuarial cost method. The prior service costs are amortized over an initial amortization period of 40 years and the amounts of additional unfunded obligations created due to increases in plan benefits over 30 years. Any refunds of member contributions as elected by the City are amortized over a 15 year period.

The significant actuarial assumptions used to determine the actuarially determined employer contribution requirements are the same as those used to compute the pension benefit obligation.

The City's contribution for 1994 of \$76,763 was made in accordance with actuarially determined requirements computed through an actuarial valuation. This amount consisted of normal cost only, which is 4.5% of covered payroll.



City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE M - EMPLOYEE RETIREMENT BENEFIT PLAN (Continued)

The value of vested benefits was not determined in connection with the actuarial valuation of the plan. At February 28, 1994 (the date of the most recent actuarial valuation), the assets (at cost) exceeded the aggregate accrued actuarial liabilities by \$36,215. A copy of the actuarial valuation is forwarded to the City on an annual basis.

Trend Information - For the three years ended February 28, 1992, 1993 and 1994, respectively, available net assets were sufficient to fund 144, 144 and 127 percent of the pension benefit obligation. The assets in excess of pension benefit obligation represented 26.4, 30.0 and 20.9 percent of annual covered payroll for 1992, 1993 and 1994, respectively. Employer contributions as a percent of annual covered payroll was 4.5, 4.2 and 3.8 percent for 1992, 1993 and 1994 respectively. Expressing assets in excess of pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes.

Ten-year historical trend information presenting the progress in accumulating sufficient assets to pay benefits when due is presented in the June 30, 1994 comprehensive annual financial report.

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.

On March 15, 1994, the City entered into a lease-purchase agreement for fire equipment with a total acquisition cost of \$429,913 contingent upon acceptance of delivery of the equipment in early 1995. A down payment of \$100,000 was made in April of 1994, and is recorded as an asset (deposit on equipment) of \$50,000 in the General Fund and \$50,000 in the Special Revenue Funds. If delivery of the equipment is accepted, future payments under the lease will be:

City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE N - CONTINGENT LIABILITIES (Continued)

<u>Year ended September 30:</u>	<u>Payments</u>
1995	\$141,946
1996	70,972
1997	70,972
1998	70,972

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.

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 1994 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, 1994	\$ 3,117,674	\$ 1,732,857
(Increase) decrease in receivables, net	( 23,470)	( 85,943)
Increase (decrease) in deferred revenue	( 21,614)	57,336
Increase (decrease) in customer deposits	<u>5,138</u>	<u>195</u>
Revenues-budgetary basis- September 30, 1994	<u>3,077,728</u>	<u>1,704,445</u>



City of Festus, Missouri

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 1994

NOTE 0 - BUDGETARY DATA (Continued)

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Expenditures, GAAP basis- September 30, 1994	2,504,802	1,726,165
Increase (decrease) in prepaid expenses	( 4,367)	803
(Increase) decrease in accounts payable	45,789	17,934
(Increase) decrease in accrued payroll	13,514	11,839
(Increase) decrease in accrued payroll taxes	( 8,515)	6,572
(Increase) decrease in other liabilities	<u>36,388</u>	( <u>113,366</u> )
Expenditures-budgetary basis- September 30, 1994	<u>2,587,611</u>	<u>1,649,947</u>
Excess (deficiency) of revenues over expenditures on budgetary basis-September 30, 1994	\$ <u>490,117</u>	\$ <u>54,498</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

We have audited the general-purpose financial statements of the City of Festus, Missouri (the City), as of September 30, 1994 and for the year then ended, and have issued our report thereon dated December 15, 1994. 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.*

St. Louis, Missouri  
December 15, 1994

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City of Festus, Missouri

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

For the Year Ended September 30, 1994

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Receipts</u>	<u>Disburse- ments</u>
<u>Federal Emergency Management Agency</u>				
Passed through Missouri State Emergency Management Agency Disaster Assistance Program	83.516	*	\$161,528	\$215,462
Section 404		*	59,639	59,639
<u>Housing and Urban Development</u>				
Passed through Missouri Department of Economic Development: Community Development Block Grant Program		*	<u>70,549</u>	<u>71,551</u>
			<u>\$291,716</u>	<u>\$346,652</u>

\*Final amount not determinable





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

We have audited the general-purpose financial statements of the City of Festus, Missouri (the City), for the year ended September 30, 1994, and have issued our report thereon dated December 15, 1994.

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 federal financial assistance program.

In planning and performing our audits for the year ended September 30, 1994, 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 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 15, 1994.

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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

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, 1994, the City had no major federal financial assistance programs and expended 100% of its total federal financial assistance under its nonmajor 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 nonmajor federal financial assistance program, which are 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 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 15, 1994.

This report is intended for the information of management, members of the City Council, and the Federal Emergency Management Agency. However, this report is a matter of public record and its distribution is not limited.

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

St. Louis, Missouri  
December 15, 1994



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

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, 1994, and have issued our report thereon dated December 15, 1994.

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, 1994: political activity, civil rights, cash management, 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 Federal Emergency Management Agency. However, this report is a matter of public record and its distribution is not limited.

St. Louis, Missouri  
December 15, 1994

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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

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 1994, and have issued our report thereon dated December 15, 1994.

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, 1994. 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 Federal Emergency Management Agency. However, this report is a matter of public record and its distribution is not limited.

St. Louis, Missouri  
December 15, 1994

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