

University of Missouri, St. Louis

IRL @ UMSL

UMSLCAB - UMSL's Political Science Millennial
Era Saint Louis Local Curated Area Budgets

Political Science Department

1-1-2000

Financial Report, 1999

City of Festus

Follow this and additional works at: <https://irl.umsl.edu/cab>

Recommended Citation

City of Festus, "Financial Report, 1999" (2000). *UMSLCAB - UMSL's Political Science Millennial Era Saint Louis Local Curated Area Budgets*. 377.

<https://irl.umsl.edu/cab/377>

This Book is brought to you for free and open access by the Political Science Department at IRL @ UMSL. It has been accepted for inclusion in UMSLCAB - UMSL's Political Science Millennial Era Saint Louis Local Curated Area Budgets by an authorized administrator of IRL @ UMSL. For more information, please contact marvinh@umsl.edu.



Hochschild, Bloom & Company LLP
Certified Public Accountants
Consultants and Advisors

January 12, 2000

Honorable Mayor and City Council
CITY OF FESTUS, MISSOURI

In planning and performing our audit of the general purpose financial statements of the **CITY OF FESTUS, MISSOURI** (the City) for the year ended September 30, 1999, we considered its internal control 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.

However, during the audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter entitled "Internal Control and Management Comments and Recommendations" summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated January 12, 2000 on the general purpose financial statements of the City.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel.

We wish to express our appreciation for the cooperation and courtesy extended to us by all personnel. We will be pleased to discuss these recommendations with you in greater detail at your convenience. Should you desire assistance in the implementation of these recommendations, please do not hesitate to contact us.

Hochschild, Bloom & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS



CITY OF FESTUS, MISSOURI
INTERNAL CONTROL AND MANAGEMENT
COMMENTS AND RECOMMENDATIONS

Findings at September 30, 1999:

1. COMMENT

The City is required under its Water and Sewer Fund debt issue covenants to charge a rate that will cover the debt service costs by 110%. We noted the City's rates did not exceed the requirement.

RECOMMENDATION

We recommend the City review its revenues and expenses in the Water and Sewer Funds to be in compliance with the debt covenants. We understand steps have been taken in this regard.

2. COMMENT

We noted the bank account and investments for Water and Sewer Fund in the customer deposits exceed the liability for customer deposits.

RECOMMENDATION

We recommend that amounts are reconciled and excess amounts be returned to the operating funds. Also, we recommend the deposit accounts be reconciled between cash, liability and general ledger monthly.

3. COMMENT

We noted the Water and Sewer Fund accounts receivable were not reconciled between cash collected and amounts that remain outstanding as a receivable to the general ledger.

RECOMMENDATION

We recommend these balances be reconciled monthly.

4. COMMENT

We noted that fixed assets listings were not maintained. Also, the City has not adopted written policies and procedures related to the maintenance of the fixed assets system.

RECOMMENDATION

We recommend that fixed asset records and control system be established and maintained. This would include a fixed assets listing, with each asset identified by department, location, responsible person, cost and date purchased. This listing should be reconciled to the financial reports and general ledger.

**CITY OF FESTUS, MISSOURI
INTERNAL CONTROL AND MANAGEMENT
COMMENTS AND RECOMMENDATIONS**

5. COMMENT

During testing of cash disbursements, we noted several invoices that were not cancelled when paid. The City's procedures require invoices to be stamped paid.

RECOMMENDATION

We recommend the City cancel or stamp invoices "paid" to avoid paying invoices more than once.

6. COMMENT

During our testing of payroll, we noted incorrect withholdings and allowances were setup in the payroll computer system for several employees.

RECOMMENDATION

We recommend the City enter allowances for withholding according to each employee's signed W-4 Form to be in compliance with IRS requirements.

7. COMMENT

We note the City has not prepared 1099's in accordance with IRS requirements.

RECOMMENDATION

We recommend the City prepare 1099's to be in compliance with the federal guidelines. We understand steps have been taken in this regard.

8. COMMENT

We noted purchase orders for large construction projects were prepared monthly after the invoice was received; therefore the total cost of the project was no encumbered when the project contract was approved.

RECOMMENDATION

We recommend the purchase orders be prepared for the total amount of the project, when the project contract is approved. This procedure would put the total amount of the project in encumbrance, showing a true picture of the commitments of the City.

9. COMMENT

The City does not have an accounting procedures manual. However, written procedures and instruction and internal controls will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, potential fraud possibilities and other situations that can result in inaccurate or untimely accounting records.



Hochschild, Bloom & Company LLP
Certified Public Accountants
Consultants and Advisors

CITY OF FESTUS, MISSOURI

FINANCIAL REPORT
(Audited)

Year Ended September 30, 1999

CITY OF FESTUS, MISSOURI
FINANCIAL REPORT

| | Page |
|---|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| GENERAL PURPOSE FINANCIAL STATEMENTS | |
| Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Unit | 2 |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Discretely Presented Component Unit | 3 |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types - Budget and Actual | 4 |
| Combined Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit) - Proprietary Fund Types | 5 |
| Combined Statement of Cash Flows - Proprietary Fund Types | 6 |
| Notes to Financial Statements | 7 |
| SUPPLEMENTAL INFORMATION | |
| Combining Financial Statements and Schedules: | |
| Special Revenue Funds: | |
| Combining Balance Sheet | 23 |
| Combining Statement of Revenues and Expenditures and Changes in Fund Balances (Deficit) - Budget and Actual | 25 |
| Enterprise Funds: | |
| Combining Balance Sheet | 29 |
| Combining Statement of Revenues, Expenses and Changes in Retained Earnings (Deficit) | 30 |
| Combining Statement of Cash Flows | 31 |
| Year 2000 Issue | 32 |
| COMPLIANCE AND INTERNAL CONTROL SECTION | |
| Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 34 |



Hochschild, Bloom & Company LLP
Certified Public Accountants
Consultants and Advisors

INDEPENDENT AUDITORS' REPORT

January 12, 2000

Honorable Mayor and City Council
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, 1999, as listed in the table of contents. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 as of September 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 12, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City. Such information 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.

Hochschild, Bloom & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

- 16100 Chesterfield Parkway West, Suite 125, Chesterfield, Missouri 63017-4829, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P.O. Box 225, Washington, Missouri 63090-0225, 636-239-4785, Fax 636-239-5448



Member: Independent Accountants International with Member Offices in Principal U.S. and International Cities.

CITY OF FESTUS, MISSOURI
COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNIT
SEPTEMBER 30, 1999

| | Governmental Fund Types | | Proprietary Fund Types | | Account Groups | | Totals (Memorandum Only) Primary Government | Component Unit | Totals (Memorandum Only) Reporting Entity |
|--|-------------------------|------------------|------------------------|------------------|----------------------|------------------------|---|----------------|---|
| | General | Special Revenue | Enterprise | Internal Service | General Fixed Assets | General Long-Term Debt | | | |
| ASSETS AND OTHER DEBITS | | | | | | | | | |
| Cash and investments | \$ 670,966 | 1,207,341 | 180,524 | - | - | - | 2,058,831 | - | 2,058,831 |
| Restricted cash and investments | - | - | 1,172,205 | - | - | - | 1,172,205 | 38,610 | 1,210,815 |
| Cash with fiscal agent | 49,266 | 18,456 | 18,248 | 1,411 | - | - | 87,381 | - | 87,381 |
| Receivables | | | | | | | | | |
| Sales tax | 292,873 | 701,809 | - | - | - | - | 994,682 | - | 994,682 |
| Taxes - other | 20,033 | 8,095 | - | - | - | - | 28,128 | - | 28,128 |
| Special assessments | 1,906 | 9,574 | 22,766 | - | - | - | 34,246 | - | 34,246 |
| Service charges | - | - | 163,631 | - | - | - | 163,631 | - | 163,631 |
| Intergovernmental | 44,643 | - | - | - | - | - | 44,643 | - | 44,643 |
| Interest | 980 | 2,489 | 2,579 | - | - | - | 6,048 | - | 6,048 |
| Other | 1,570 | 1,985 | 12,522 | - | - | - | 16,077 | - | 16,077 |
| Prepaid items | 72,807 | 17,912 | 14,646 | - | - | - | 105,365 | - | 105,365 |
| Due from other funds | 364,971 | 112,898 | 273,464 | - | - | - | 751,333 | - | 751,333 |
| Inventory | - | - | 61,563 | - | - | - | 61,563 | - | 61,563 |
| Investment in joint venture | - | - | 810,494 | - | - | - | 810,494 | - | 810,494 |
| Fixed assets | - | - | 4,002,383 | - | 9,773,998 | - | 13,776,381 | - | 13,776,381 |
| Debt issue costs | - | - | 84,643 | - | - | - | 84,643 | - | 84,643 |
| Amount to be provided for retirement of long-term debt | - | - | - | - | - | 947,671 | 947,671 | - | 947,671 |
| Total Assets And Other Debits | <u>\$ 1,520,015</u> | <u>2,080,559</u> | <u>6,819,668</u> | <u>1,411</u> | <u>9,773,998</u> | <u>947,671</u> | <u>21,143,322</u> | <u>38,610</u> | <u>21,181,932</u> |
| LIABILITIES, FUND EQUITY AND OTHER CREDITS | | | | | | | | | |
| Liabilities | | | | | | | | | |
| Accounts payable | \$ 111,779 | 112,076 | 201,530 | 5,150 | - | - | 430,535 | - | 430,535 |
| Payroll and compensated absences payable | 165,291 | 51,610 | 40,431 | 4,275 | - | - | 261,607 | - | 261,607 |
| Accrued payroll liabilities - other | 10,491 | 2,076 | - | 127 | - | - | 12,694 | - | 12,694 |
| Obligation under capital lease | - | - | - | - | - | 947,671 | 947,671 | - | 947,671 |
| Accrued interest | - | - | 70,301 | - | - | - | 70,301 | - | 70,301 |
| Deposits payable | - | - | 157,768 | - | - | - | 157,768 | - | 157,768 |
| Due to other funds | 256,791 | 441,962 | 9,728 | 42,852 | - | - | 751,333 | - | 751,333 |
| Deferred revenue | 8,519 | 584,301 | - | - | - | - | 592,820 | - | 592,820 |
| Other liabilities | 45,616 | 244 | 1,354 | - | - | - | 47,214 | - | 47,214 |
| Revenue bonds payable and certificates of participation, net | - | - | 4,381,669 | - | - | - | 4,381,669 | - | 4,381,669 |
| Notes payable | - | - | 402,546 | - | - | - | 402,546 | - | 402,546 |
| Total Liabilities | <u>598,487</u> | <u>1,192,269</u> | <u>5,265,327</u> | <u>52,404</u> | <u>-</u> | <u>947,671</u> | <u>8,056,158</u> | <u>-</u> | <u>8,056,158</u> |
| Fund Equity and Other Credits | | | | | | | | | |
| Contributed capital | - | - | 742,300 | - | - | - | 742,300 | - | 742,300 |
| Investment in general fixed assets | - | - | - | - | 9,773,998 | - | 9,773,998 | - | 9,773,998 |
| Retained earnings (deficit) | - | - | - | - | - | - | - | - | - |
| Reserved for debt reserve funds | - | - | 499,459 | - | - | - | 499,459 | - | 499,459 |
| Unreserved | - | - | 312,582 | (50,993) | - | - | 261,589 | - | 261,589 |
| Fund balances | | | | | | | | | |
| Reserved for prepaid items | 72,807 | 17,912 | - | - | - | - | 90,719 | - | 90,719 |
| Reserved for encumbrances | 99,770 | 77,000 | - | - | - | - | 176,770 | - | 176,770 |
| Unreserved | 748,951 | 793,378 | - | - | - | - | 1,542,329 | 38,610 | 1,580,939 |
| Total Fund Equity And Other Credits | <u>921,528</u> | <u>888,290</u> | <u>1,554,341</u> | <u>(50,993)</u> | <u>9,773,998</u> | <u>-</u> | <u>13,087,164</u> | <u>38,610</u> | <u>13,125,774</u> |
| Total Liabilities, Fund Equity And Other Credits | <u>\$ 1,520,015</u> | <u>2,080,559</u> | <u>6,819,668</u> | <u>1,411</u> | <u>9,773,998</u> | <u>947,671</u> | <u>21,143,322</u> | <u>38,610</u> | <u>21,181,932</u> |

See notes to financial statements

CITY OF FESTUS, MISSOURI
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 1999

| | General | Special Revenue | Totals (Memorandum Only) Primary Government | Component Unit | Totals (Memorandum Only) Reporting Entity |
|--|-------------------|--------------------|---|-------------------|---|
| REVENUES | | | | | |
| Property taxes | \$ 106,833 | 461,279 | 568,112 | - | 568,112 |
| Taxes - other | 2,513,795 | 1,181,782 | 3,695,577 | - | 3,695,577 |
| Intergovernmental | 9,801 | 55,026 | 64,827 | - | 64,827 |
| Special assessments | 10,205 | - | 10,205 | - | 10,205 |
| Licenses and permits | 140,263 | - | 140,263 | - | 140,263 |
| Fines and penalties | 209,152 | - | 209,152 | - | 209,152 |
| Investment income | 30,711 | 41,103 | 71,814 | 1,581 | 73,395 |
| Other | 48,055 | 71,329 | 119,384 | 690 | 120,074 |
| Service charges-trash collection | 389,488 | - | 389,488 | - | 389,488 |
| Total Revenues | <u>3,458,303</u> | <u>1,810,519</u> | <u>5,268,822</u> | <u>2,271</u> | <u>5,271,093</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Administration | 523,492 | - | 523,492 | - | 523,492 |
| Court | 111,929 | - | 111,929 | - | 111,929 |
| Building department | 117,904 | - | 117,904 | - | 117,904 |
| Police | 1,191,196 | 3,331 | 1,194,527 | - | 1,194,527 |
| Dispatch | 235,884 | - | 235,884 | - | 235,884 |
| Fire | 130,219 | - | 130,219 | - | 130,219 |
| Health | - | 68,739 | 68,739 | - | 68,739 |
| Library | - | 133,520 | 133,520 | - | 133,520 |
| Parks | - | 259,939 | 259,939 | - | 259,939 |
| Public works | - | 881,599 | 881,599 | - | 881,599 |
| Non-departmental | 608,835 | 8,961 | 617,796 | - | 617,796 |
| Capital outlay | 132,493 | 357,930 | 490,423 | - | 490,423 |
| Debt service: | | | | | |
| Principal | 171,261 | 42,069 | 213,330 | - | 213,330 |
| Interest | 27,521 | 148,980 | 176,501 | - | 176,501 |
| Total Expenditures | <u>3,250,734</u> | <u>1,905,068</u> | <u>5,155,802</u> | <u>-</u> | <u>5,155,802</u> |
| REVENUES OVER EXPENDITURES | <u>207,569</u> | <u>(94,549)</u> | <u>113,020</u> | <u>2,271</u> | <u>115,291</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | 68,460 | 68,460 | - | 68,460 |
| Transfers out | (68,460) | - | (68,460) | - | (68,460) |
| Total Other Financing Sources (Uses) | <u>(68,460)</u> | <u>68,460</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES) | <u>139,109</u> | <u>(26,089)</u> | <u>113,020</u> | <u>2,271</u> | <u>115,291</u> |
| FUND BALANCES, OCTOBER 1 | <u>782,419</u> | <u>914,379</u> | <u>1,696,798</u> | <u>36,339</u> | <u>1,733,137</u> |
| FUND BALANCES, SEPTEMBER 30 | <u>\$ 921,528</u> | <u>888,290</u> | <u>1,809,818</u> | <u>38,610</u> | <u>1,848,428</u> |

See notes to financial statements

CITY OF FESTUS, MISSOURI
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL
FUND TYPES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 1999

| | General Fund | | | Special Revenue Funds | | | Totals (Memorandum Only) | | |
|--|---------------------|-------------------|---------------------------|-----------------------|------------------|---------------------------|-----------------------------|------------------|---------------------------|
| | Budget | Actual | Over (Under) Budget | Budget | Actual | Over (Under) Budget | Budget | Actual | Over (Under) Budget |
| REVENUES | | | | | | | | | |
| Property taxes | \$ 108,050 | 106,833 | (1,217) | 384,600 | 461,279 | 76,679 | 492,650 | 568,112 | 75,462 |
| Taxes - other | 2,449,200 | 2,513,795 | 64,595 | 1,396,500 | 1,181,782 | (214,718) | 3,845,700 | 3,695,577 | (150,123) |
| Intergovernmental | 8,300 | 9,801 | 1,501 | 342,100 | 55,026 | (287,074) | 350,400 | 64,827 | (285,573) |
| Special assessments | 1,350 | 10,205 | 8,855 | - | - | - | 1,350 | 10,205 | 8,855 |
| Licenses and permits | 141,000 | 140,263 | (737) | - | - | - | 141,000 | 140,263 | (737) |
| Fines and penalties | 209,200 | 209,152 | (48) | - | - | - | 209,200 | 209,152 | (48) |
| Investment income | - | 30,711 | 30,711 | 42,500 | 41,103 | (1,397) | 42,500 | 71,814 | 29,314 |
| Other | 52,950 | 48,055 | (4,895) | 66,325 | 71,329 | 5,004 | 119,275 | 119,384 | 109 |
| Service charges-trash collection | 389,550 | 389,488 | (62) | - | - | - | 389,550 | 389,488 | (62) |
| Total Revenues | <u>3,359,600</u> | <u>3,458,303</u> | <u>98,703</u> | <u>2,232,025</u> | <u>1,810,519</u> | <u>(421,506)</u> | <u>5,591,625</u> | <u>5,268,822</u> | <u>(322,803)</u> |
| EXPENDITURES | | | | | | | | | |
| Current: | | | | | | | | | |
| Administration | 547,000 | 523,492 | (23,508) | - | - | - | 547,000 | 523,492 | (23,508) |
| Court | 114,350 | 111,929 | (2,421) | - | - | - | 114,350 | 111,929 | (2,421) |
| Building department | 121,850 | 117,904 | (3,946) | - | - | - | 121,850 | 117,904 | (3,946) |
| Police | 1,261,250 | 1,191,196 | (70,054) | 3,350 | 3,331 | (19) | 1,264,600 | 1,194,527 | (70,073) |
| Dispatch | 244,580 | 235,884 | (8,696) | - | - | - | 244,580 | 235,884 | (8,696) |
| Fire | 137,650 | 130,219 | (7,431) | - | - | - | 137,650 | 130,219 | (7,431) |
| Health | - | - | - | 70,650 | 68,739 | (1,911) | 70,650 | 68,739 | (1,911) |
| Library | - | - | - | 138,350 | 133,520 | (4,830) | 138,350 | 133,520 | (4,830) |
| Parks | - | - | - | 262,150 | 259,939 | (2,211) | 262,150 | 259,939 | (2,211) |
| Public works | - | - | - | 870,250 | 881,599 | 11,349 | 870,250 | 881,599 | 11,349 |
| Non-departmental | 565,650 | 608,835 | 43,185 | 9,150 | 8,961 | (189) | 574,800 | 617,796 | 42,996 |
| Capital outlay | 225,063 | 132,493 | (92,570) | 438,275 | 357,930 | (80,345) | 663,338 | 490,423 | (172,915) |
| Debt service: | | | | | | | | | |
| Principal | 171,309 | 171,261 | (48) | 60,100 | 62,075 | 1,975 | 231,409 | 233,336 | 1,927 |
| Interest | 27,553 | 27,521 | (32) | 129,025 | 128,974 | (51) | 156,578 | 156,495 | (83) |
| Total Expenditures | <u>3,416,255</u> | <u>3,250,734</u> | <u>(165,521)</u> | <u>1,981,300</u> | <u>1,905,068</u> | <u>(76,232)</u> | <u>5,397,555</u> | <u>5,155,802</u> | <u>(241,753)</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(56,655)</u> | <u>207,569</u> | <u>264,224</u> | <u>250,725</u> | <u>(94,549)</u> | <u>(345,274)</u> | <u>194,070</u> | <u>113,020</u> | <u>(81,050)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Transfers in | - | - | - | 68,460 | 68,460 | - | 68,460 | 68,460 | - |
| Transfers out | (68,460) | (68,460) | - | - | - | - | (68,460) | (68,460) | - |
| Total Other Financing Sources (Uses) | <u>(68,460)</u> | <u>(68,460)</u> | <u>-</u> | <u>68,460</u> | <u>68,460</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES) | <u>\$ (125,115)</u> | <u>139,109</u> | <u>264,224</u> | <u>319,185</u> | <u>(26,089)</u> | <u>(345,274)</u> | <u>194,070</u> | <u>113,020</u> | <u>(81,050)</u> |
| FUND BALANCES, OCTOBER 1 | | <u>782,419</u> | | | <u>914,379</u> | | | <u>1,696,798</u> | |
| FUND BALANCES, SEPTEMBER 30 | | <u>\$ 921,528</u> | | | <u>888,290</u> | | | <u>1,809,818</u> | |

See notes to financial statements

**CITY OF FESTUS, MISSOURI
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS (DEFICIT)-
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1999**

| | <u>Enterprise</u> | <u>Internal Service</u> | <u>Totals (Memorandum Only)</u> |
|---|-------------------|-----------------------------|---|
| OPERATING REVENUES | | | |
| Fuel sales | \$ 171,835 | - | 171,835 |
| Hanger rent | 16,358 | - | 16,358 |
| Water and sewer charges | 1,425,411 | - | 1,425,411 |
| Service charges | - | 50,223 | 50,223 |
| Other | 28,763 | - | 28,763 |
| Total Operating Revenues | <u>1,642,367</u> | <u>50,223</u> | <u>1,692,590</u> |
| OPERATING EXPENSES | | | |
| Personnel services | 507,510 | 35,051 | 542,561 |
| Materials and supplies | 56,776 | 34,996 | 91,772 |
| Utilities and maintenance | 206,729 | - | 206,729 |
| Depreciation | 175,736 | 158 | 175,894 |
| Treatment plant | 249,849 | - | 249,849 |
| Fuel costs | 127,736 | - | 127,736 |
| Other | 241,549 | 10,081 | 251,630 |
| Total Operating Expenses | <u>1,565,885</u> | <u>80,286</u> | <u>1,646,171</u> |
| OPERATING INCOME (LOSS) | 76,482 | (30,063) | 46,419 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | 35,919 | - | 35,919 |
| Interest expense | (189,451) | - | (189,451) |
| Joint venture loss, net | (40,943) | - | (40,943) |
| Total Nonoperating Revenues (Expenses) | <u>(194,475)</u> | <u>-</u> | <u>(194,475)</u> |
| NET LOSS | (117,993) | (30,063) | (148,056) |
| ADD DEPRECIATION ON ASSETS FINANCED BY GRANTS FROM OTHER GOVERNMENTS | 27,523 | - | 27,523 |
| RETAINED EARNINGS (DEFICIT), OCTOBER 1 | <u>902,511</u> | <u>(20,930)</u> | <u>881,581</u> |
| RETAINED EARNINGS (DEFICIT), SEPTEMBER 30 | <u>\$ 812,041</u> | <u>(50,993)</u> | <u>761,048</u> |

**CITY OF FESTUS, MISSOURI
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1999**

| | <u>Enterprise</u> | <u>Internal Service</u> | <u>Totals (Memorandum Only)</u> |
|--|---------------------|-----------------------------|---|
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| Cash flows from operating activities: | | | |
| Operating income (loss) | \$ 76,482 | (30,063) | 46,419 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 180,310 | 158 | 180,468 |
| (Increase) decrease in: | | | |
| Cash with fiscal agent | (18,248) | (1,411) | (19,659) |
| Accounts receivable | (3,695) | - | (3,695) |
| Prepaid items | (1,681) | 1,254 | (427) |
| Due from other funds | (190,433) | - | (190,433) |
| Inventory | (18,034) | - | (18,034) |
| Increase (decrease) in: | | | |
| Accounts payable | 171,464 | 4,266 | 175,730 |
| Accrued liabilities | (3,006) | 630 | (2,376) |
| Customer deposits | (3,671) | - | (3,671) |
| Due to other funds | - | 25,166 | 25,166 |
| Other liabilities | 19 | - | 19 |
| Total Adjustments | 113,025 | 30,063 | 143,088 |
| Net Cash Provided By Operating Activities | 189,507 | - | 189,507 |
| Cash flows from capital and financing activities: | | | |
| Proceeds from certificates of participation | 1,234,800 | - | 1,234,800 |
| Proceeds from notes payable | 300,000 | - | 300,000 |
| Debt issue costs paid | (26,710) | - | (26,710) |
| Payments of long-term debt | (147,453) | - | (147,453) |
| Interest on debt | (178,723) | - | (178,723) |
| Acquisition and construction of capital assets | (973,424) | - | (973,424) |
| Net Cash Provided By Capital And Financing Activities | 208,490 | - | 208,490 |
| Cash flows from investing activities: | | | |
| Interest on investments | 35,919 | - | 35,919 |
| Investment in joint venture | (22,230) | - | (22,230) |
| Net Cash Provided By Investing Activities | 13,689 | - | 13,689 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 411,686 | - | 411,686 |
| CASH AND CASH EQUIVALENTS, OCTOBER 1 | 941,043 | - | 941,043 |
| CASH AND CASH EQUIVALENTS, SEPTEMBER 30 | <u>\$ 1,352,729</u> | <u>-</u> | <u>1,352,729</u> |

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the **CITY OF FESTUS, MISSOURI** (the City) in the preparation of the accompanying general purpose financial statements are summarized below:

1. Reporting Entity

The general purpose financial statements of the City include the financial activities of the City and any component units. The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14. The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's Board or because the component unit will provide a financial benefit or impose a financial burden on the City.

Festus Public Library Foundation, Inc. -- The component unit column in the combined financial statements include the financial data of this component unit. It is reported in a separate column to emphasize that it is legally separate from the City. The component unit's governing body is appointed by the City's Board. 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.

2. Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the general purpose financial statements as follows:

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Accounting (Continued)

PROPRIETARY FUND TYPES

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

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. The City's Internal Service Fund is the Vehicle Maintenance Fund.

ACCOUNT GROUPS

General Fixed Assets -- The general fixed assets used in the City's operations are to be accounted for in the General Fixed Assets Account Group rather than in the governmental funds.

General Long-Term Debt -- Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

3. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the general purpose financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The modified accrual basis of accounting is used by the governmental fund types. Under the modified accrual basis of accounting, revenues are recognized 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. Significant revenues which are considered susceptible to accrual include sales taxes, utility gross receipts taxes and certain intergovernmental revenues. Expenditures are recorded when the related fund liability is incurred, except for interest on obligations in the General Long-Term Debt Account Group which is recorded in the governmental fund types when paid. Licenses and permits, fines and court costs, special assessments and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Basis of Accounting (Continued)

All proprietary funds are accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations.

4. Budgets and Budgetary Accounting

Budgets are adopted on an accrual 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.

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 general purpose 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.

5. Cash, Cash Equivalents and Investments

For statement of cash flows purposes, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. State statutes authorize the City to invest in obligations of the U.S. Treasury, federal agencies, commercial paper, corporate bonds and repurchase agreements. Investments are stated at fair value.

CITY OF FESTUS, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid items. For governmental fund types, prepaid items are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

7. Fixed Assets

General fixed assets acquired for general governmental purposes are recorded as expenditures in the governmental funds. Assets are valued at original or estimated original cost. Contributed fixed assets are stated at estimated fair market value at the date of contribution.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets, sidewalks and drainage systems, have not been capitalized. Such assets normally are immovable and of value only to the City. Therefore, the purpose of stewardship for capital expenditures is satisfied without recording these assets.

No depreciation has been provided on general fixed assets. Assets acquired under lease/purchase agreements are recorded at the inception of the agreement.

Property, plant and equipment owned by proprietary fund types are stated at cost or, in the case of contributed fixed assets, at the estimated fair market value at the date of contribution. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

| Asset | Years |
|--|---------|
| Buildings and improvements | 15 - 40 |
| Water and sewer systems and improvements | 5 - 50 |
| Equipment and fixtures | 5 - 12 |

Depreciation expense for the year ended September 30, 1999 was \$175,736 and \$158 for the Enterprise and Internal Service Funds, respectively.

8. Compensated Absences

Vested or accumulated vacation and sick 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 and sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrued to employees.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not available for appropriation or legally segregated for a specific future use.

10. Debt Issuance Costs

Original issuance costs are recorded as deferred charges and are amortized on the straight-line method over the terms of the debt. Amortization of original issuance costs charged to operations for the year ending September 30, 1999 amounted to \$4,575.

11. Debt Discounts

Discounts on debt issues are presented as a reduction in the face amount and are amortized on the straight-line method over the terms of the debt. Amortization of discounts charged to operations for the year ending September 30, 1999 amounted to \$3,147.

12. Deferred Debt Issue Charges

Deferred debt issue charges have resulted due to the advance refunding of the debt issues. The unamortized portion is presented as a reduction in the face amount of debt payable and is being amortized on the straight-line method. Amortization of deferred debt issue charges charged to operations for the year ending September 30, 1999 amounted to \$11,067.

13. Inventories

Inventories are stated at lower of cost or market on the first-in, first-out method.

14. Interest Capitalization

In accordance with Financial Accounting Standards Board Statement No. 34, the City capitalizes interest expense on major construction while in progress. Interest capitalized during the year ended September 30, 1999 amounted to \$27,519.

15. Restricted Assets

Certain funds generated by the water and sewer systems are classified as restricted assets on the balance sheet because their use is limited by the water and sewer systems revenue debt ordinances. The "reserve account" is to be used only to pay bonds at maturity or interest as it accrues when and to the extent other funds are not available for this purpose.

CITY OF FESTUS, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. Total Columns on Combined Statements - Overview

Total columns on the combined statements - overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

17. Allowance for Uncollectible Accounts

Allowance for uncollectible accounts is as follows:

| | |
|------------------|----------------|
| Enterprise Funds | <u>\$4,619</u> |
|------------------|----------------|

NOTE B - CASH AND INVESTMENTS

1. Deposits

The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo. 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation. As of September 30, 1999, the City's bank deposits were fully insured or collateralized with securities held by the City or its agent in the City's name.

2. Investments

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end as: (1) insured or registered with 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.

| | September 30, 1999 | | | Carrying Amount/ Fair Value |
|---|--------------------|----------------|----------|--------------------------------|
| | Categories | | | |
| | <u>1</u> | <u>2</u> | <u>3</u> | |
| U.S. Government Agency securities (FNMA and FHLB) | \$2,315,034 | - | - | 2,315,034 |
| Repurchase agreements | <u>-</u> | <u>623,000</u> | <u>-</u> | <u>623,000</u> |
| Total | <u>\$2,315,034</u> | <u>623,000</u> | <u>-</u> | <u>2,938,034</u> |

CITY OF FESTUS, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - FIXED ASSETS

A summary of changes in general fixed assets is as follows:

| | For The Year Ended September 30, 1999 | | | Balance September 30 1999 |
|----------------------------|--|------------------|-------------------|--|
| | Balance September 30 1998 | Additions | Reductions | |
| | Land | \$1,061,057 | - | |
| Buildings and improvements | 5,068,393 | 23,494 | - | 5,091,887 |
| Equipment | <u>3,162,232</u> | <u>511,973</u> | <u>53,151</u> | <u>3,621,054</u> |
| | <u>\$9,291,682</u> | <u>535,467</u> | <u>53,151</u> | <u>9,773,998</u> |

A summary of proprietary fund types fixed assets is as follows:

| | September 30, 1999 | | | Internal Ser- vice Fund Vehicle Maintenance |
|---------------------------------|---------------------------|------------------|------------------|--|
| | Enterprise Funds | | | |
| | Airport | Water | Total | |
| Land and buildings | \$ 55,353 | 165,452 | 220,805 | - |
| Systems and improvements | 325,052 | 4,877,714 | 5,202,766 | - |
| Equipment and fixtures | - | 413,433 | 413,433 | 6,408 |
| Construction in progress | - | <u>997,200</u> | <u>997,200</u> | - |
| Total Cost | 380,405 | 6,453,799 | 6,834,204 | 6,408 |
| Less - Accumulated depreciation | <u>299,732</u> | <u>2,532,089</u> | <u>2,831,821</u> | <u>6,408</u> |
| Net Book Value | <u>\$ 80,673</u> | <u>3,921,710</u> | <u>4,002,383</u> | <u>-</u> |

NOTE D - LONG-TERM DEBT

General long-term debt consisted of the following:

| | September 30 1999 |
|--|------------------------------|
| Capital lease \$1,031,014 for new City Hall, 1998, refinanced in 1994, due in annual installments through June 30, 2002, interest payable at 5.842%. | \$399,913 |
| Capital lease \$357,226 for fire trucks, 1999, due in annual installments through March 2001, interest payable at 4.62%. | 222,608 |

CITY OF FESTUS, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

| | September 30 1999 |
|--|------------------------------|
| Capital lease \$358,000 for public works building, 1997, due in annual installments through February 1, 2002, interest payable at 5.25%. | 184,802 |
| Capital lease \$123,035 for police cars, 1999, due in annual installments through May 2001, interest payable at 4.85%. | 76,420 |
| Capital lease \$136,418 for athletic field lights, 1998, due in monthly installments through February 2002, interest payable at 5.25%. | <u>63,928</u> |
| | <u>\$947,671</u> |

A schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments as of September 30, 1999 is as follows:

| For The Years Ended September 30 | City Hall | Fire Trucks | Public Works Building | Police Cars | Athletic Field Lights | Total |
|--|----------------------|------------------------|--------------------------------------|------------------------|--------------------------------------|----------------|
| 2000 | \$157,770 | 119,075 | 81,564 | 41,012 | 28,225 | 427,646 |
| 2001 | 157,770 | 119,075 | 81,564 | 41,012 | 28,225 | 427,646 |
| 2002 | <u>118,327</u> | - | <u>34,052</u> | - | <u>11,759</u> | <u>164,138</u> |
| Total Minimum Lease Payments | 433,867 | 238,150 | 197,180 | 82,024 | 68,209 | 1,019,430 |
| Less - Amount representing interest | <u>33,954</u> | <u>15,542</u> | <u>12,378</u> | <u>5,604</u> | <u>4,281</u> | <u>71,759</u> |
| Present Value Of Future Minimum Lease Payments | <u>\$399,913</u> | <u>222,608</u> | <u>184,802</u> | <u>76,420</u> | <u>63,928</u> | <u>947,671</u> |

A summary of changes in general long-term debt is as follows:

| | For The Year Ended September 30, 1999 | | | Balance September 30 1999 |
|----------------|--|------------------|-------------------|--|
| | Balance September 30 1998 | Additions | Reductions | |
| Capital leases | \$865,666 | 459,115 | 377,110 | 947,671 |
| Other | <u>20,226</u> | - | <u>20,226</u> | - |
| | <u>\$885,892</u> | <u>459,115</u> | <u>397,336</u> | <u>947,671</u> |

CITY OF FESTUS, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

Enterprise Funds long-term debt consisted of the following:

| | <u>September 30</u> <u>1999</u> |
|--|------------------------------------|
| Revenue Bonds Payable and Certificates of Participation | |
| \$3,520,000 Refunding Revenue Bonds, Series 1997, due in annual installments through July 2015, interest payable at 4% to 5.4%. | \$3,350,000 |
| \$1,260,000 Certificates of Participation, Series 1999, due in annual installments through July 1, 2019, interest payable at 4.15% to 5.75%. | <u>1,260,000</u> |
| Total | 4,610,000 |
| Less - Unamortized deferred loss and debt discounts | <u>228,331</u> |
| | <u>\$4,381,669</u> |

Notes Payable

| | |
|---|-------------------------|
| \$150,000 notes payable for belt filter, due in monthly installments through September 2001, interest payable at 5.15%. | \$102,546 |
| \$300,000 notes payable for pounds sewer project, due in monthly installments through February 2009, interest payable at 5.32%. | <u>300,000</u> |
| | <u>\$402,546</u> |

The debt maturity of the bonds (principal and interest), excluding amounts maturing after September 30, 1999, which were remitted prior to the current fiscal year-end, are as follows:

| <u>For The</u> <u>Years Ended</u> <u>September 30</u> | <u>Series</u> <u>1997</u> | <u>Series</u> <u>1999</u> | <u>Note Payables</u> | | <u>Total</u> |
|---|------------------------------|------------------------------|------------------------------|--------------------------------|-------------------------|
| | | | <u>Belt</u> <u>Filter</u> | <u>Sewer</u> <u>Project</u> | |
| 2000 | \$ 287,958 | 107,518 | 54,069 | 39,457 | 489,002 |
| 2001 | 307,798 | 105,858 | 54,069 | 39,457 | 507,182 |
| 2002 | 306,418 | 104,098 | - | 39,457 | 449,973 |
| 2003 | 309,668 | 107,258 | - | 39,457 | 456,383 |
| 2004 | 312,308 | 105,143 | - | 39,457 | 456,908 |
| Remaining to maturity | <u>2,588,745</u> | <u>1,581,753</u> | <u>-</u> | <u>197,288</u> | <u>4,367,786</u> |
| | <u>\$4,112,895</u> | <u>2,111,628</u> | <u>108,138</u> | <u>394,573</u> | <u>6,727,234</u> |

During the year the City was not in compliance with the debt covenants that require the City to provide for 110% of the debt service requirement.

NOTE E - EMPLOYEE RETIREMENT SYSTEMS AND PLANS

1. Plan Description

The City participates in LAGERS, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, Section RSMo. 70.600 - 70.755. 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 401(a) and it is tax exempt.

LAGERS 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.

2. Funding Policy

The City's full-time employees do not contribute to the pension plan. The City is required by state statute to contribute at an actuarially determined rate; the current rate is 4.4% (general) and 4.9% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by state statute.

3. Annual Pension Cost

For 1999, the City's annual pension cost of \$100,937 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 1997 and/or 1998 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% 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% to 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. 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 a closed basis. The amortization period at February 28, 1999 was 25 years.

Three-year trend information follows:

CITY OF FESTUS, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE E - EMPLOYEE RETIREMENT SYSTEMS AND PLANS (Continued)

3. Annual Pension Cost (Continued)

| <u>For The Years Ended June 30</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage Of APC Contributed</u> |
|--|--------------------------------------|--|
| 1999 | \$100,937 | 100% |
| 1998 | 97,658 | 100 |
| 1997 | 83,509 | 100 |

Schedule of funding progress follows:

| <u>For The Valuation Years Ended February 28</u> | <u>Actuarial Value Of Assets</u> | <u>Entry Age Actuarial Accrued Liability</u> | <u>Excess Assets</u> |
|--|--|--|--------------------------|
| 1999 | \$3,264,349 | \$2,744,599 | \$519,750 |
| 1998 | 3,024,092 | 2,593,055 | 431,037 |
| 1997 | 2,675,331 | 2,329,130 | 346,201 |

| <u>For The Valuation Years Ended February 28</u> | <u>Funded Ratio</u> | <u>Annual Covered Payroll</u> | <u>Excess Assets As A Percentage Of Covered Payroll</u> |
|--|-------------------------|---------------------------------------|---|
| 1999 | 119% | \$2,099,654 | 25% |
| 1998 | 117 | 2,015,128 | 21 |
| 1997 | 115 | 2,054,343 | 17 |

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 29, 1996 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

NOTE F - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

CITY OF FESTUS, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - DEFERRED COMPENSATION PLAN (Continued)

The plan has been amended to comply with amendments to Section 457 of the Internal Revenue Code. Trust provisions were incorporated so that plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. As a result, as of September 30, 1999, the assets and liabilities of the deferred compensation plan are no longer included in the accompanying general purpose financial statements.

NOTE G - ENTERPRISE FUNDS

The City maintains two Enterprise Funds which is intended to be self-supporting through user fees charged for services to the public. Financial segment information is presented below:

| | For The Year Ended September 30, 1999 | |
|---|--|-----------------------|
| | Airport Fund | Water Fund |
| Operating revenues | \$188,443 | 1,453,924 |
| Depreciation and amortization expense | 1,211 | 179,099 |
| Operating income | 5,893 | 48,359 |
| Net income (loss) | 5,893 | (146,116) |
| Current capital contributions | 134,423 | 607,877 |
| Fixed assets additions | - | 973,424 |
| Net working capital | 33,425 | 393,174 |
| Total assets | 130,942 | 7,109,990 |
| Revenue bonds payable and certificates of participation, net of bond discounts | - | 4,381,669 |
| Total equity | 114,098 | 1,418,013 |

NOTE H - PROPERTY TAXES

The City's property tax calendar is as follows:

- a. Property is assessed by the County on January 1 each year.
- b. The tax levy ordinance is adopted and filed with the county clerk on or before September 1.
- c. Property taxes are due to be collected on or before December 31.
- d. Property taxes attach as an enforceable lien on property as of January 1.

NOTE I - INSURANCE

The City is a member of the Missouri Intergovernmental Risk Management Association (MIRMA), a state-wide governmental self-insurance pool which provides property, liability and workers' compensa-

NOTE I - INSURANCE (Continued)

tion coverages to its participating members in a single comprehensive multiline package. The various lines of coverage are not available individually and the membership is limited to municipalities and municipally owned utilities. The City's policy covers all real and personal property owned by the City except sewer lines. The policy is for replacement cost and 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. Should actual insurance losses exceed MIRMA's estimates, the City could be required to contribute additional funds. Management believes the risk of additional loss is minimal and any additional contributions that may be required would not materially impact the overall operations of the City. Settled claims resulting from these risks have not exceeded coverage in any of the past three years. The City paid assessments totaling \$140,486 and \$126,732 for the years ended September 30, 1999 and 1998, respectively.

NOTE J - DEFICIT BALANCES

The Park Fund, Flood Fund, CDBG Fund, Airport Fund and Vehicle Maintenance Fund had deficit fund balances/retained earnings of \$336; \$83,849; \$682; \$20,325; and \$50,993, respectively. The fund deficit will be offset by future revenues.

NOTE K - CONTRIBUTED CAPITAL

The Enterprise Fund's contributed capital changed as follows:

| <u>Source</u> | <u>For The Year Ended September 30 1999</u> |
|---|---|
| Contributed capital, September 30, 1998 | \$769,823 |
| Additional contributions | - |
| Depreciation | (27,523) |
| Contributed capital, September 30, 1999 | <u>\$742,300</u> |

NOTE L - COMMITMENTS

The City has commitments related to construction contracts for the expansion of sewer facilities amounting to \$335,000 at September 30, 1999.

CITY OF FESTUS, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE M - PRIOR PERIOD ADJUSTMENTS

The previously stated fund balances/retained earnings have been adjusted as follows:

NOTE N - 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 its 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, 1999 is \$810,494 and its share of the Commission's net loss before adding back depreciation on assets financed by grants from other governments is \$40,943. 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, 1999, the City's cost for sewerage treatment services provided by the Commission was \$241,769.

The following paragraph is unaudited:

The Commission maintains its accounts on the cash basis. Total assets and equity of the Commission at September 30, 1999 were both \$1,310,102. Commission management stated that no long-term liabilities were outstanding at September 30, 1999. For the year ended September 30, 1999, total receipts, disbursements and depreciation were \$447,408; \$447,408; and \$68,238, respectively, and total capital contributions were \$10,200, resulting in a net decrease in the Commission's equity of \$58,038.

CITY OF FESTUS, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE N - PRIOR PERIOD ADJUSTMENTS (Continued)

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | | | | <u>Enter- prise Fund</u> Water And Sewer | <u>Compo- nent Unit</u> |
|---|-------------------------|------------------------------|-----------------|----------------------|--------------------------|--|---------------------------------|
| | | <u>Park</u> | <u>City Tax</u> | <u>Levee Tax</u> | <u>Special Sewer</u> | | |
| Fund balance/retained earnings, October 1, 1998, as previously reported | \$749,511 | 43,195 | 175,984 | 141,676 | 250,404 | 532,621 | 35,034 |
| Restatement for: | | | | | | | |
| Sales tax receivable and payable | 33,670 | 27,357 | 16,835 | (18,701) | - | - | - |
| Grant receivable | (3,360) | - | - | - | - | - | - |
| Deferred tax revenue | 2,598 | - | - | - | - | - | - |
| Combined Special Sewer Fund with Water and Sewer Fund | - | - | - | - | (250,404) | 250,404 | - |
| Debt issue discounts and deferred charges | - | - | - | - | - | 170,965 | - |
| Bond issue costs | - | - | - | - | - | (77,892) | - |
| Deferred assessments | - | - | - | - | - | 52,631 | - |
| Cash account | - | - | - | - | - | - | <u>1,305</u> |
| Fund balance/retained earnings, October 1, 1998, as restated | <u>\$782,419</u> | <u>70,552</u> | <u>192,819</u> | <u>122,975</u> | <u>-</u> | <u>928,729</u> | <u>36,339</u> |

SUPPLEMENTAL INFORMATION SECTION

CITY OF FESTUS, MISSOURI
SUPPLEMENTAL INFORMATION -
SPECIAL REVENUE FUNDS - COMBINING BALANCE SHEET
SEPTEMBER 30, 1999

| | <u>Health</u> | <u>Library</u> | <u>Park</u> | <u>Fire Equipment</u> | <u>Law Enforcement</u> | <u>Building Rehabilitation</u> | <u>City Transportation</u> |
|--|------------------|----------------|---------------|---------------------------|----------------------------|------------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| Cash and investments | \$ 57,564 | 20,942 | 24,870 | 32,499 | 891 | 137,154 | 219,967 |
| Cash with fiscal agent | 1,802 | 2,830 | 4,445 | - | - | - | 9,379 |
| Receivables: | | | | | | | |
| Sales tax | - | - | 22,312 | - | - | - | 89,258 |
| Taxes - other | 2,489 | 3,072 | 2,534 | - | - | - | - |
| Special assessments | 9,574 | - | - | - | - | - | - |
| Interest | 87 | 8 | 43 | 176 | - | 502 | 464 |
| Other | - | - | 1,875 | - | - | - | - |
| Prepaid items | 1,370 | 2,950 | 2,107 | - | - | - | 11,485 |
| Due from other funds | 5,281 | 5,168 | - | - | - | - | 6,126 |
| | <u>5,281</u> | <u>5,168</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,126</u> |
| Total Assets | <u>\$ 78,167</u> | <u>34,970</u> | <u>58,186</u> | <u>32,675</u> | <u>891</u> | <u>137,656</u> | <u>336,679</u> |
| LIABILITIES AND FUND EQUITY | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ 291 | 2,047 | 9,321 | - | - | - | 78,362 |
| Payroll and compensated absences payable | 4,682 | 4,024 | 12,697 | - | - | - | 30,207 |
| Accrued payroll liabilities - other | 156 | 255 | 313 | - | - | - | 1,352 |
| Due to other funds | - | 11,367 | 33,857 | - | - | 12,980 | 1,700 |
| Deferred revenue | 11,692 | 2,590 | 2,090 | - | - | - | - |
| Other liabilities | - | - | 244 | - | - | - | - |
| Total Liabilities | <u>16,821</u> | <u>20,283</u> | <u>58,522</u> | <u>-</u> | <u>-</u> | <u>12,980</u> | <u>111,621</u> |
| Fund Equity (Deficit) | | | | | | | |
| Fund balances: | | | | | | | |
| Reserved for prepaid items | 1,370 | 2,950 | 2,107 | - | - | - | 11,485 |
| Reserved for encumbrances | - | - | - | - | - | - | 77,000 |
| Unreserved | 59,976 | 11,737 | (2,443) | 32,675 | 891 | 124,676 | 136,573 |
| Total Fund Equity (Deficit) | <u>61,346</u> | <u>14,687</u> | <u>(336)</u> | <u>32,675</u> | <u>891</u> | <u>124,676</u> | <u>225,058</u> |
| | <u>61,346</u> | <u>14,687</u> | <u>(336)</u> | <u>32,675</u> | <u>891</u> | <u>124,676</u> | <u>225,058</u> |
| Total Liabilities And Fund Equity (Deficit) | <u>\$ 78,167</u> | <u>34,970</u> | <u>58,186</u> | <u>32,675</u> | <u>891</u> | <u>137,656</u> | <u>336,679</u> |

(Continued)

CITY OF FESTUS, MISSOURI
SUPPLEMENTAL INFORMATION -
SPECIAL REVENUE FUNDS - COMBINING BALANCE SHEET
SEPTEMBER 30, 1999 (Continued)

| | <u>County Transportation</u> | <u>Levee Tax</u> | <u>Flood</u> | <u>CDBG</u> | <u>Federal Forfeiture</u> | <u>LETTF Computer</u> | <u>Totals</u> |
|--|----------------------------------|----------------------|-----------------|--------------|-------------------------------|---------------------------|------------------|
| ASSETS | | | | | | | |
| Cash and investments | 185,267 | 227,563 | 201,094 | - | 98,928 | 602 | 1,207,341 |
| Cash with fiscal agent | - | - | - | - | - | - | 18,456 |
| Receivables: | | | | | | | |
| Sales tax | 567,929 | 22,310 | - | - | - | - | 701,809 |
| Taxes - other | - | - | - | - | - | - | 8,095 |
| Special assessments | - | - | - | - | - | - | 9,574 |
| Interest | 312 | 336 | - | - | 560 | 1 | 2,489 |
| Other | - | - | - | 110 | - | - | 1,985 |
| Prepaid items | - | - | - | - | - | - | 17,912 |
| Due from other funds | - | 41,470 | 54,853 | - | - | - | 112,898 |
| | <u>753,508</u> | <u>291,679</u> | <u>255,947</u> | <u>110</u> | <u>99,488</u> | <u>603</u> | <u>2,080,559</u> |
| LIABILITIES AND FUND EQUITY | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | 13,611 | 8,250 | - | - | 194 | - | 112,076 |
| Payroll and compensated absences payable | - | - | - | - | - | - | 51,610 |
| Accrued payroll liabilities - other | - | - | - | - | - | - | 2,076 |
| Due to other funds | 41,470 | - | 339,796 | 792 | - | - | 441,962 |
| Deferred revenue | 567,929 | - | - | - | - | - | 584,301 |
| Other liabilities | - | - | - | - | - | - | 244 |
| Total Liabilities | <u>623,010</u> | <u>8,250</u> | <u>339,796</u> | <u>792</u> | <u>194</u> | <u>-</u> | <u>1,192,269</u> |
| Fund Equity (Deficit) | | | | | | | |
| Fund balances: | | | | | | | |
| Reserved for prepaid items | - | - | - | - | - | - | 17,912 |
| Reserved for encumbrances | - | - | - | - | - | - | 77,000 |
| Unreserved | 130,498 | 283,429 | (83,849) | (682) | 99,294 | 603 | 793,378 |
| Total Fund Equity (Deficit) | <u>130,498</u> | <u>283,429</u> | <u>(83,849)</u> | <u>(682)</u> | <u>99,294</u> | <u>603</u> | <u>888,290</u> |
| | <u>753,508</u> | <u>291,679</u> | <u>255,947</u> | <u>110</u> | <u>99,488</u> | <u>603</u> | <u>2,080,559</u> |

CITY OF FESTUS, MISSOURI
SUPPLEMENTAL INFORMATION -
SPECIAL REVENUE FUNDS - COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 1999

| | Health | | | Library | | | Park | | | Fire Department Equipment | | |
|--|-----------------|------------------|---------------------------|-----------------|-----------------|---------------------------|-----------------|-----------------|---------------------------|---------------------------|------------------|---------------------------|
| | Budget | Actual | Over (Under) Budget | Budget | Actual | Over (Under) Budget | Budget | Actual | Over (Under) Budget | Budget | Actual | Over (Under) Budget |
| | REVENUES | | | | | | | | | | | |
| Property taxes | \$ 73,700 | 73,435 | (265) | 92,350 | 94,362 | 2,012 | 88,550 | 87,721 | (829) | - | - | - |
| Taxes - other | - | - | - | - | - | - | 230,000 | 205,762 | (24,238) | - | - | - |
| Intergovernmental | - | - | - | 4,500 | 4,479 | (21) | - | - | - | - | - | - |
| Investment income | 2,750 | 2,741 | (9) | 1,400 | 1,406 | 6 | 5,850 | 5,741 | (109) | 3,900 | 3,893 | (7) |
| Other | 3,475 | 7,206 | 3,731 | 19,750 | 19,665 | (85) | 27,600 | 29,114 | 1,514 | - | - | - |
| Total Revenues | <u>79,925</u> | <u>83,382</u> | <u>3,457</u> | <u>118,000</u> | <u>119,912</u> | <u>1,912</u> | <u>352,000</u> | <u>328,338</u> | <u>(23,662)</u> | <u>3,900</u> | <u>3,893</u> | <u>(7)</u> |
| EXPENDITURES | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | |
| Health | 70,650 | 68,739 | (1,911) | - | - | - | - | - | - | - | - | - |
| Library | - | - | - | 138,350 | 133,520 | (4,830) | - | - | - | - | - | - |
| Parks | - | - | - | - | - | - | 262,150 | 259,939 | (2,211) | - | - | - |
| Police | - | - | - | - | - | - | - | - | - | - | - | - |
| Public works | - | - | - | - | - | - | - | - | - | - | - | - |
| Non-departmental | - | - | - | - | - | - | - | - | - | - | - | - |
| Capital outlay | 4,000 | 3,972 | (28) | 15,100 | 15,052 | (48) | 114,100 | 111,062 | (3,038) | 25,325 | 25,281 | (44) |
| Debt service | | | | | | | | | | | | |
| Principal | - | - | - | - | - | - | 22,100 | 24,115 | 2,015 | - | - | - |
| Interest | - | - | - | - | - | - | 4,150 | 4,109 | (41) | 119,075 | 119,075 | - |
| Total Expenditures | <u>74,650</u> | <u>72,711</u> | <u>(1,939)</u> | <u>153,450</u> | <u>148,572</u> | <u>(4,878)</u> | <u>402,500</u> | <u>399,225</u> | <u>(3,275)</u> | <u>144,400</u> | <u>144,356</u> | <u>(44)</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>5,275</u> | <u>10,671</u> | <u>5,396</u> | <u>(35,450)</u> | <u>(28,660)</u> | <u>6,790</u> | <u>(50,500)</u> | <u>(70,887)</u> | <u>(20,387)</u> | <u>(140,500)</u> | <u>(140,463)</u> | <u>37</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | |
| Transfers in | - | - | - | 43,460 | 43,460 | - | - | - | - | 25,000 | 25,000 | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>43,460</u> | <u>43,460</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>25,000</u> | <u>25,000</u> | <u>-</u> |
| REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES | <u>\$ 5,275</u> | <u>10,671</u> | <u>5,396</u> | <u>8,010</u> | <u>14,800</u> | <u>6,790</u> | <u>(50,500)</u> | <u>(70,887)</u> | <u>(20,387)</u> | <u>(115,500)</u> | <u>(115,463)</u> | <u>37</u> |
| FUND BALANCES (DEFICIT), OCTOBER 1 | | <u>50,675</u> | | | <u>(113)</u> | | | <u>70,551</u> | | | <u>148,138</u> | |
| FUND BALANCES (DEFICIT), SEPTEMBER 30 | | <u>\$ 61,346</u> | | | <u>14,687</u> | | | <u>(336)</u> | | | <u>32,675</u> | |

(Continued)

CITY OF FESTUS, MISSOURI
SUPPLEMENTAL INFORMATION -
SPECIAL REVENUE FUNDS - COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 1999 (Continued)

| | Law Enforcement | | | Public Works Building | | | City Transportation | | | County Transportation | | |
|--|-----------------|--------------|---------------------------|-----------------------|----------------|---------------------------|---------------------|----------------|---------------------------|-----------------------|-----------------|---------------------------|
| | Budget | Actual | Over (Under) Budget | Budget | Actual | Over (Under) Budget | Budget | Actual | Over (Under) Budget | Budget | Actual | Over (Under) Budget |
| REVENUES | | | | | | | | | | | | |
| Property taxes | - | - | - | - | - | - | - | - | - | - | - | - |
| Taxes - other | - | - | - | - | - | - | 846,500 | 814,060 | (32,440) | 320,000 | 161,960 | (158,040) |
| Intergovernmental | 2,600 | 2,920 | 320 | - | - | - | - | - | - | - | - | - |
| Investment income | - | 20 | 20 | 6,500 | 5,005 | (1,495) | 9,000 | 8,968 | (32) | 4,000 | 3,700 | (300) |
| Other | - | - | - | - | - | - | 4,500 | 4,249 | (251) | - | - | - |
| Total Revenues | <u>2,600</u> | <u>2,940</u> | <u>340</u> | <u>6,500</u> | <u>5,005</u> | <u>(1,495)</u> | <u>860,000</u> | <u>827,277</u> | <u>(32,723)</u> | <u>324,000</u> | <u>165,660</u> | <u>(158,340)</u> |
| EXPENDITURES | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | |
| Health | - | - | - | - | - | - | - | - | - | - | - | - |
| Library | - | - | - | - | - | - | - | - | - | - | - | - |
| Parks | - | - | - | - | - | - | - | - | - | - | - | - |
| Police | 3,350 | 3,331 | (19) | - | - | - | - | - | - | - | - | - |
| Public works | - | - | - | - | - | - | 749,450 | 747,247 | (2,203) | 120,800 | 134,352 | 13,552 |
| Non-departmental | - | - | - | - | - | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | 2,400 | 2,313 | (87) | 81,050 | 4,040 | (77,010) | 46,700 | 46,668 | (32) |
| Debt service | | | | | | | | | | | | |
| Principal | - | - | - | - | - | - | 38,000 | 37,960 | (40) | - | - | - |
| Interest | - | - | - | - | - | - | 5,800 | 5,790 | (10) | - | - | - |
| Total Expenditures | <u>3,350</u> | <u>3,331</u> | <u>(19)</u> | <u>2,400</u> | <u>2,313</u> | <u>(87)</u> | <u>874,300</u> | <u>795,037</u> | <u>(79,263)</u> | <u>167,500</u> | <u>181,020</u> | <u>13,520</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(750)</u> | <u>(391)</u> | <u>359</u> | <u>4,100</u> | <u>2,692</u> | <u>(1,408)</u> | <u>(14,300)</u> | <u>32,240</u> | <u>46,540</u> | <u>156,500</u> | <u>(15,360)</u> | <u>(171,860)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES | <u>(750)</u> | <u>(391)</u> | <u>359</u> | <u>4,100</u> | <u>2,692</u> | <u>(1,408)</u> | <u>(14,300)</u> | <u>32,240</u> | <u>46,540</u> | <u>156,500</u> | <u>(15,360)</u> | <u>(171,860)</u> |
| FUND BALANCES (DEFICIT), OCTOBER 1 | | <u>1,282</u> | | | <u>121,984</u> | | | <u>192,818</u> | | <u>145,858</u> | | |
| FUND BALANCES (DEFICIT), SEPTEMBER 30 | | <u>891</u> | | | <u>124,676</u> | | | <u>225,058</u> | | <u>130,498</u> | | |

(Continued)

CITY OF FESTUS, MISSOURI
SUPPLEMENTAL INFORMATION -
SPECIAL REVENUE FUNDS - COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 1999 (Continued)

| | Levee Tax | | | Flood | | | CDBG | | | Federal Forfeiture | | |
|--|----------------|----------------|---------------------------|----------------|-----------------|---------------------------|----------|--------------|---------------------------|--------------------|----------------|---------------------------|
| | Budget | Actual | Over (Under) Budget | Budget | Actual | Over (Under) Budget | Budget | Actual | Over (Under) Budget | Budget | Actual | Over (Under) Budget |
| REVENUES | | | | | | | | | | | | |
| Property taxes | 130,000 | 205,761 | 75,761 | - | - | - | - | - | - | - | - | - |
| Taxes - other | - | - | - | - | - | - | - | - | - | - | - | - |
| Intergovernmental | - | - | - | 335,000 | 47,627 | (287,373) | - | - | - | - | - | - |
| Investment income | 5,000 | 4,859 | (141) | - | - | - | - | - | - | 4,100 | 4,769 | 669 |
| Other | - | - | - | 10,000 | 10,419 | 419 | - | - | - | 1,000 | 673 | (327) |
| Total Revenues | 135,000 | 210,620 | 75,620 | 345,000 | 58,046 | (286,954) | - | - | - | 5,100 | 5,442 | 342 |
| EXPENDITURES | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | |
| Health | - | - | - | - | - | - | - | - | - | - | - | - |
| Library | - | - | - | - | - | - | - | - | - | - | - | - |
| Parks | - | - | - | - | - | - | - | - | - | - | - | - |
| Police | - | - | - | - | - | - | - | - | - | - | - | - |
| Public works | - | - | - | - | - | - | - | - | - | - | - | - |
| Non-departmental | 350 | 167 | (183) | - | - | - | - | - | - | 8,800 | 8,794 | (6) |
| Capital outlay | 50,000 | 50,000 | - | 99,500 | 99,467 | (33) | - | - | - | - | - | - |
| Debt service | | | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 50,350 | 50,167 | (183) | 99,500 | 99,467 | (33) | - | - | - | 8,800 | 8,794 | (6) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 84,650 | 160,453 | 75,803 | 245,500 | (41,421) | (286,921) | - | - | - | (3,700) | (3,352) | 348 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - | - | - | - | - | - | - | - | - |
| REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES | 84,650 | 160,453 | 75,803 | 245,500 | (41,421) | (286,921) | - | - | - | (3,700) | (3,352) | 348 |
| FUND BALANCES (DEFICIT), OCTOBER 1 | | 122,976 | | | (42,428) | | | (682) | | 102,646 | | |
| FUND BALANCES (DEFICIT), SEPTEMBER 30 | | 283,429 | | | (83,849) | | | (682) | | 99,294 | | |

(Continued)

CITY OF FESTUS, MISSOURI
SUPPLEMENTAL INFORMATION -
SPECIAL REVENUE FUNDS - COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 1999 (Continued)

| | LETF Computer | | | Totals | | |
|--|---------------|-------------|---------------------------|------------------|------------------|---------------------------|
| | Budget | Actual | Over (Under) Budget | Budget | Actual | Over (Under) Budget |
| REVENUES | | | | | | |
| Property taxes | - | - | - | 384,600 | 461,279 | 76,679 |
| Taxes - other | - | - | - | 1,396,500 | 1,181,782 | (214,718) |
| Intergovernmental | - | - | - | 342,100 | 55,026 | (287,074) |
| Investment income | - | 1 | 1 | 42,500 | 41,103 | (1,397) |
| Other | - | 3 | 3 | 66,325 | 71,329 | 5,004 |
| Total Revenues | <u>-</u> | <u>4</u> | <u>4</u> | <u>2,232,025</u> | <u>1,810,519</u> | <u>(421,506)</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Health | - | - | - | 70,650 | 68,739 | (1,911) |
| Library | - | - | - | 138,350 | 133,520 | (4,830) |
| Parks | - | - | - | 262,150 | 259,939 | (2,211) |
| Police | - | - | - | 3,350 | 3,331 | (19) |
| Public works | - | - | - | 870,250 | 881,599 | 11,349 |
| Non-departmental | - | - | - | 9,150 | 8,961 | (189) |
| Capital outlay | 100 | 75 | (25) | 438,275 | 357,930 | (80,345) |
| Debt service | | | | | | |
| Principal | - | - | - | 60,100 | 62,075 | 1,975 |
| Interest | - | - | - | 129,025 | 128,974 | (51) |
| Total Expenditures | <u>100</u> | <u>75</u> | <u>(25)</u> | <u>1,981,300</u> | <u>1,905,068</u> | <u>(76,232)</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(100)</u> | <u>(71)</u> | <u>29</u> | <u>250,725</u> | <u>(94,549)</u> | <u>(345,274)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | - | 68,460 | 68,460 | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>68,460</u> | <u>68,460</u> | <u>-</u> |
| REVENUES AND OTHER SOURCES (USES) OVER (UNDER) EXPENDITURES | <u>(100)</u> | <u>(71)</u> | <u>29</u> | <u>319,185</u> | <u>(26,089)</u> | <u>(345,274)</u> |
| FUND BALANCES (DEFICIT), OCTOBER 1 | | <u>674</u> | | | <u>914,379</u> | |
| FUND BALANCES (DEFICIT), SEPTEMBER 30 | | <u>603</u> | | | <u>888,290</u> | |

CITY OF FESTUS MISSOURI
SUPPLEMENTAL INFORMATION -
ENTERPRISE FUNDS - COMBINING BALANCE SHEET
SEPTEMBER 30, 1999

| | <u>Airport</u> | <u>Water and Sewer</u> | <u>Totals</u> |
|---|-------------------|--------------------------------|-------------------|
| ASSETS | | | |
| Cash and investments | \$ 14,081 | 166,443 | 180,524 |
| Restricted cash and investments | - | 1,172,205 | 1,172,205 |
| Cash with fiscal agent | 672 | 17,576 | 18,248 |
| Receivables: | | | |
| Special assessments | - | 22,766 | 22,766 |
| Service charges | 2,936 | 160,695 | 163,631 |
| Interest | - | 2,579 | 2,579 |
| Other | - | 12,522 | 12,522 |
| Prepaid items | 2,634 | 12,012 | 14,646 |
| Due from other funds | 29,946 | 243,518 | 273,464 |
| Inventory | - | 61,563 | 61,563 |
| Investment in joint venture | - | 810,494 | 810,494 |
| Fixed assets | 80,673 | 3,921,710 | 4,002,383 |
| Debt issue costs | - | 84,643 | 84,643 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 130,942</u> | <u>6,688,726</u> | <u>6,819,668</u> |
| LIABILITIES AND FUND EQUITY | | | |
| Liabilities | | | |
| Accounts payable | \$ 6,155 | 195,375 | 201,530 |
| Payroll and compensated absences payable | 961 | 39,470 | 40,431 |
| Accrued interest | - | 70,301 | 70,301 |
| Deposits payable | - | 157,768 | 157,768 |
| Due to other funds | 9,728 | - | 9,728 |
| Other liabilities | - | 1,354 | 1,354 |
| Revenue bonds payable and certificates of participation, net | - | 4,381,669 | 4,381,669 |
| Notes payable | - | 402,546 | 402,546 |
| Total Liabilities | <u>16,844</u> | <u>5,248,483</u> | <u>5,265,327</u> |
| Fund Equity | | | |
| Contributed capital | <u>134,423</u> | <u>607,877</u> | <u>742,300</u> |
| Retained earnings (deficit): | | | |
| Reserved for debt reserve funds | - | 499,459 | 499,459 |
| Unreserved | <u>(20,325)</u> | <u>332,907</u> | <u>312,582</u> |
| Total Retained Earnings (Deficit) | <u>(20,325)</u> | <u>832,366</u> | <u>812,041</u> |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Fund Equity | <u>114,098</u> | <u>1,440,243</u> | <u>1,554,341</u> |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities And Fund Equity | <u>\$ 130,942</u> | <u>6,688,726</u> | <u>6,819,668</u> |

**CITY OF FESTUS, MISSOURI
SUPPLEMENTAL INFORMATION -
ENTERPRISE FUNDS - COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT)
FOR THE YEAR ENDED SEPTEMBER 30, 1999**

| | <u>Airport</u> | <u>Water and Sewer</u> | <u>Totals</u> |
|---|--------------------|--------------------------------|------------------|
| OPERATING REVENUES | | | |
| Fuel sales | \$ 171,835 | - | 171,835 |
| Hanger rent | 16,358 | - | 16,358 |
| Water and sewer charges | - | 1,425,411 | 1,425,411 |
| Other | 250 | 28,513 | 28,763 |
| Total Operating Revenues | <u>188,443</u> | <u>1,453,924</u> | <u>1,642,367</u> |
| OPERATING EXPENSES | | | |
| Personnel services | 17,726 | 489,784 | 507,510 |
| Materials and supplies | - | 56,776 | 56,776 |
| Utilities and maintenance | 17,983 | 188,746 | 206,729 |
| Depreciation | 1,211 | 174,525 | 175,736 |
| Treatment plant | - | 249,849 | 249,849 |
| Fuel costs | 127,736 | - | 127,736 |
| Other | 17,894 | 223,655 | 241,549 |
| Total Operating Expenses | <u>182,550</u> | <u>1,383,335</u> | <u>1,565,885</u> |
| OPERATING INCOME | <u>5,893</u> | <u>70,589</u> | <u>76,482</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest income | - | 35,919 | 35,919 |
| Interest expense | - | (189,451) | (189,451) |
| Joint venture loss, net | - | (40,943) | (40,943) |
| Total Nonoperating Revenues (Expenses) | <u>-</u> | <u>(194,475)</u> | <u>(194,475)</u> |
| NET INCOME (LOSS) | 5,893 | (123,886) | (117,993) |
| ADD DEPRECIATION ON ASSETS FINANCED BY GRANTS FROM OTHER GOVERNMENTS | - | 27,523 | 27,523 |
| RETAINED EARNINGS (DEFICIT), OCTOBER 1 | <u>(26,218)</u> | <u>928,729</u> | <u>902,511</u> |
| RETAINED EARNINGS (DEFICIT), SEPTEMBER 30 | <u>\$ (20,325)</u> | <u>832,366</u> | <u>812,041</u> |

**CITY OF FESTUS, MISSOURI
SUPPLEMENTAL INFORMATION
ENTERPRISE FUNDS - COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 1999**

| | <u>Airport</u> | <u>Water and Sewer</u> | <u>Totals</u> |
|---|-------------------------|--------------------------------|-------------------------|
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| Cash flows from operating activities: | | | |
| Operating income | \$ 5,893 | 70,589 | 76,482 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 1,211 | 179,099 | 180,310 |
| (Increase) decrease in: | | | |
| Cash with fiscal agent | (672) | (17,576) | (18,248) |
| Accounts receivable | 4,277 | (7,972) | (3,695) |
| Prepaid items | (1,918) | 237 | (1,681) |
| Due from other funds | - | (190,433) | (190,433) |
| Inventory | - | (18,034) | (18,034) |
| Increase (decrease) in: | | | |
| Accounts payable | 5,203 | 166,261 | 171,464 |
| Accrued liabilities | 87 | (3,093) | (3,006) |
| Customer deposits | - | (3,671) | (3,671) |
| Other liabilities | - | 19 | 19 |
| Total Adjustments | <u>8,188</u> | <u>104,837</u> | <u>113,025</u> |
| Net Cash Provided By Operating Activities | <u>14,081</u> | <u>175,426</u> | <u>189,507</u> |
| Cash flows from capital and financing activities: | | | |
| Proceeds from certificates of participation | - | 1,234,800 | 1,234,800 |
| Proceeds from note payable | - | 300,000 | 300,000 |
| Debt issue costs paid | - | (26,710) | (26,710) |
| Payments of long-term debt | - | (147,453) | (147,453) |
| Interest on debt | - | (178,723) | (178,723) |
| Acquisition and construction of capital assets | - | (973,424) | (973,424) |
| Net Cash Provided By Capital And Financing Activities | <u>-</u> | <u>208,490</u> | <u>208,490</u> |
| Cash flows from investing activities: | | | |
| Interest on investments | - | 35,919 | 35,919 |
| Investment in joint venture | - | (22,230) | (22,230) |
| Net Cash Provided By Investing Activities | <u>-</u> | <u>13,689</u> | <u>13,689</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 14,081 | 397,605 | 411,686 |
| CASH AND CASH EQUIVALENTS, OCTOBER 1 | <u>-</u> | <u>941,043</u> | <u>941,043</u> |
| CASH AND CASH EQUIVALENTS, SEPTEMBER 30 | <u>\$ 14,081</u> | <u>1,338,648</u> | <u>1,352,729</u> |

YEAR 2000 COMPLIANCE

The City is currently addressing year 2000 issues relating to its computer systems and other electronic equipment. The year 2000 issue refers to the fact that many computer systems use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00". Computer systems have to be adjusted to recognize the difference between those two years or the system may fail or cause errors. Also, some systems may not be programmed to recognize that 2000 is a leap year. Further, the year 2000 issue could affect electronic equipment -- such as traffic signals, elevators and vehicles -- containing computer chips that have date recognition features.

The City began addressing its year 2000 project during 1998 focusing on various computer systems that are critical to conducting the City's operations. Compliance efforts of the various departments are reported on a periodic basis. Individual departments have been delegated the responsibility for the year 2000 compliance of systems and equipment that are not mission-critical to the City.

The City has identified the computer systems and electronic equipment groups that are mission-critical (that is, critical to conducting operations). These systems and equipment groups affect public safety, public health, financial and personnel aspects of the City's operations. The City is subjecting those systems and equipment to the following stages of work to address year 2000 issues:

Awareness state -- Establishing a budget and project plan for dealing with the year 2000 issue.

Assessment stage -- Identifying the systems and components for which year 2000 compliance work is needed.

Remediation stage -- Making changes to systems and equipment to address year 2000 compliance.

Validation/testing stage -- Validating and testing the changes that were made during the remediation stage.

The City has substantially completed the awareness and assessment and remediation stages for all of its mission-critical systems and electronic equipment groups. The validation/testing stage is in the process of being completed for all systems and equipment groups considered mission-critical.

As of year-end the City has no significant commitments with outside vendors for assistance in addressing year 2000 issues.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the City is or will remain year 2000 compliant, that the City's remediation efforts have been successful in whole or in part or that parties with whom the City does business will remain year 2000 compliant.

COMPLIANCE AND INTERNAL CONTROL SECTION



Hochschild, Bloom & Company LLP

Certified Public Accountants
Consultants and Advisors

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

January 12, 2000

Honorable Mayor and City Council
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, 1999, and have issued our report thereon dated January 12, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting 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 over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be

- 16100 Chesterfield Parkway West, Suite 125, Chesterfield, Missouri 63017-4829, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P.O. Box 225, Washington, Missouri 63090-0225, 636-239-4785, Fax 636-239-5448



Member: Independent Accountants International with Member Offices in Principal U.S. and International Cities.

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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated January 12, 2000.

This report is intended for the information of management and all applicable regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Hochschild, Bloom + Company LLP

CERTIFIED PUBLIC ACCOUNTANTS