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Financial Statements With Supplementary Information and Independent Auditors' Report, 2003

City of Fenton

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CITY OF FENTON, MISSOURI

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITORS' REPORT**

December 31, 2003



SCHOWALTER & JABOURI, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF FENTON, MISSOURI

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Board of Aldermen
City of Fenton, Missouri

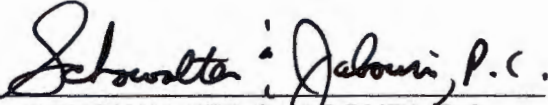
We have audited the accompanying general purpose financial statements of the City of Fenton, Missouri (the "City"), as of and for the year ended December 31, 2003, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

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 December 31, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2004, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information 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.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
April 9, 2004

CITY OF FENTON, MISSOURI

**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2003**

	Government Fund Types				Fiduciary	Account Groups		Total (Memorandum Only)
	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Trust and Agency Fund	General Fixed Assets	General Long-Term Debt	
-- ASSETS AND OTHER DEBITS --								
ASSETS:								
Cash and investments.....	\$ 7,419,366	\$ 1,191,512	\$ 2,830,662	\$ 1,484,213	\$ 44,930	\$ -	\$ -	\$ 12,970,683
Investments - restricted.....	-	-	1,197,837	11,487,203	-	-	-	12,685,040
Accrued interest.....	15,154	-	897	45,654	-	-	-	61,705
Deposits held with trustees.....	-	-	-	-	23,605	-	-	23,605
Taxes receivable.....	915,053	443,560	-	1,630,948	-	-	-	2,989,561
Due from other funds.....	-	-	-	-	70	-	-	70
Prepaid items.....	96,411	8,385	-	-	-	-	-	104,796
Fixed assets.....	-	-	-	-	-	38,193,968	-	38,193,968
OTHER DEBITS:								
Amount to be provided for retirement of general long term debt.....	-	-	-	-	-	-	72,856,771	72,856,771
Amount available for debt service.....	-	-	-	-	-	-	12,971,415	12,971,415
TOTAL ASSETS AND OTHER DEBITS.....	\$ 8,445,984	\$ 1,643,457	\$ 4,029,396	\$ 14,648,018	\$ 68,605	\$ 38,193,968	\$ 85,828,186	\$ 152,857,614
-- LIABILITIES, FUND EQUITY AND OTHER CREDITS --								
LIABILITIES:								
Accounts payable.....	\$ 183,427	\$ 13,530	\$ 12,572	-	\$ -	\$ -	\$ -	\$ 209,529
Accrued payroll.....	20,456	5,252	-	-	-	-	-	25,708
Accrued compensated absences.....	8,048	1,051	-	-	-	-	113,186	122,285
Due to other funds.....	70	-	-	-	-	-	-	70
Deposits/bonds payable.....	40,962	-	-	-	45,000	-	-	85,962
Tax increment revenue bonds payable.....	-	-	-	-	-	-	63,915,000	63,915,000
Certificates of participation payable.....	-	-	-	-	-	-	15,815,000	15,815,000
Leasehold revenue bonds payable.....	-	-	-	-	-	-	5,985,000	5,985,000
Total Liabilities.....	252,963	19,833	12,572	-	45,000	-	85,828,186	86,158,554
-- COMMITMENTS AND CONTINGENCIES --								
FUND EQUITY AND OTHER CREDITS:								
Investment in general fixed assets.....	-	-	-	-	-	38,193,968	-	38,193,968
Fund Balances:								
Reserved:								
Prepaid items.....	96,411	8,385	-	-	-	-	-	104,796
Police Retirement System.....	-	-	-	-	23,605	-	-	23,605
Capital projects.....	5,486,583	-	4,016,824	-	-	-	-	9,503,407
Debt service.....	-	-	-	14,648,018	-	-	-	14,648,018
parks.....	-	1,615,239	-	-	-	-	-	1,615,239
Unreserved/undesignated.....	2,610,027	-	-	-	-	-	-	2,610,027
Total Fund Equity and Other Credits.....	8,193,021	1,623,624	4,016,824	14,648,018	23,605	38,193,968	-	66,699,060
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS.....	\$ 8,445,984	\$ 1,643,457	\$ 4,029,396	\$ 14,648,018	\$ 68,605	\$ 38,193,968	\$ 85,828,186	\$ 152,857,614

The accompanying Notes to General Purpose Financial Statements are an integral part of these financial statements

CITY OF FENTON, MISSOURI

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total (Memorandum Only)
REVENUES:					
Licenses and permits.....	\$ 134,955	\$ -	\$ -	\$ -	\$ 134,955
Public utility gross receipts tax.....	1,807,375	-	-	44,488	1,851,863
Sales taxes.....	2,624,504	2,697,274	-	5,132,666	10,454,444
County road and bridge tax.....	280,012	-	-	-	280,012
Gasoline and motor vehicle tax.....	177,371	-	-	-	177,371
Cigarette tax.....	16,543	-	-	-	16,543
Police services.....	63,922	-	-	-	63,922
Intergovernmental.....	-	131,980	-	1,849,723	1,981,703
Municipal court fines and fees.....	293,824	-	-	-	293,824
Parks and recreation.....	-	1,659,042	-	-	1,659,042
Investment income.....	139,094	12,387	41,072	286,131	478,684
Miscellaneous.....	130,930	-	-	551,346	682,276
Total Revenues.....	5,668,530	4,500,683	41,072	7,864,354	18,074,639
EXPENDITURES:					
Current Expenditures:					
General government.....	1,704,061	-	-	-	1,704,061
Planning and zoning.....	339,477	-	-	-	339,477
Public safety.....	1,794,040	-	-	-	1,794,040
Public works.....	1,181,152	-	-	-	1,181,152
Parks and recreation.....	-	2,407,155	-	-	2,407,155
Intergovernmental.....	-	-	-	110,000	110,000
Capital outlay.....	201,324	141,868	2,469,297	-	2,812,489
Debt service.....	-	552,046	-	9,209,406	9,761,452
Total Expenditures.....	5,220,054	3,101,069	2,469,297	9,319,406	20,109,826
REVENUES OVER (UNDER) EXPENDITURES.....	448,476	1,399,614	(2,428,225)	(1,455,052)	(2,035,187)
OTHER FINANCING SOURCES (USES):					
Transfers in.....	-	145,000	-	1,538,875	1,683,875
Transfers out.....	(145,000)	(1,538,875)	-	-	(1,683,875)
Refunding bond proceeds.....	-	-	-	5,865,300	5,865,300
Payment to refunded bond escrow agent.....	-	-	-	(6,846,585)	(6,846,585)
Total Other Financing Sources (Uses).....	(145,000)	(1,393,875)	-	557,590	(981,285)
REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES.....	303,476	5,739	(2,428,225)	(897,462)	(3,016,472)
FUND BALANCE, BEGINNING OF YEAR.....	7,889,545	1,617,885	6,445,049	15,545,480	31,497,959
FUND BALANCE, END OF YEAR.....	\$ 8,193,021	\$ 1,623,624	\$ 4,016,824	\$ 14,648,018	\$ 28,481,487

The accompanying Notes to General Purpose Financial Statements are
an integral part of these financial statements

CITY OF FENTON, MISSOURI

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES FOR WHICH OFFICIAL BUDGETS HAVE BEEN ADOPTED
FOR THE YEAR ENDED DECEMBER 31, 2003**

	General Fund			Special Revenue Fund			Capital Projects Fund			Debt Service Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:												
Licenses and permits.....	\$ 131,800	\$ 134,955	\$ 3,155	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public utility gross receipts taxes.....	1,845,200	1,807,375	(37,825)	-	-	-	-	-	-	45,100	44,488	(612)
Sales taxes.....	2,685,800	2,624,504	(61,296)	2,664,800	2,697,274	32,474	-	-	-	4,973,600	5,132,666	159,066
County road and bridge tax.....	275,000	280,012	5,012	-	-	-	-	-	-	-	-	-
Gasoline and motor vehicle tax.....	162,000	177,371	15,371	-	-	-	-	-	-	-	-	-
Cigarette tax.....	16,600	16,543	(57)	-	-	-	-	-	-	-	-	-
Police services.....	56,000	63,922	7,922	-	-	-	-	-	-	-	-	-
Intergovernmental.....	-	-	-	352,600	131,980	(220,620)	-	-	-	1,569,500	1,849,723	280,223
Municipal court fines and fees.....	295,800	293,824	(1,976)	-	-	-	-	-	-	-	-	-
Parks and recreation.....	-	-	-	1,771,600	1,659,042	(112,558)	-	-	-	-	-	-
Investment income.....	150,000	139,094	(10,906)	25,000	12,387	(12,613)	-	41,072	41,072	190,600	286,131	95,531
Miscellaneous.....	112,800	130,930	18,130	-	-	-	-	-	-	212,200	551,346	339,146
Total Revenues.....	5,731,000	5,668,530	(62,470)	4,814,000	4,500,683	(313,317)	-	41,072	41,072	6,991,000	7,864,354	873,354
EXPENDITURES:												
Current Expenditures:												
General governmental.....	1,771,225	1,704,061	67,164	-	-	-	-	-	-	-	-	-
Planning and zoning.....	372,175	339,477	32,698	-	-	-	-	-	-	-	-	-
Public safety.....	1,783,400	1,794,040	(10,640)	-	-	-	-	-	-	-	-	-
Public works.....	1,282,900	1,181,152	101,748	-	-	-	-	-	-	-	-	-
Parks and recreation.....	-	-	-	2,579,100	2,407,155	171,945	-	-	-	-	-	-
Intergovernmental.....	-	-	-	-	-	-	-	-	-	-	110,000	(110,000)
Capital outlay.....	997,275	201,324	795,951	556,200	141,868	414,332	136,000	2,469,297	(2,333,297)	-	-	-
Debt service.....	-	-	-	212,700	552,046	(339,346)	-	-	-	8,908,300	9,209,406	(301,106)
Total Expenditures.....	6,206,975	5,220,054	986,921	3,348,000	3,101,069	246,931	136,000	2,469,297	(2,333,297)	8,908,300	9,319,406	(411,106)
REVENUES OVER (UNDER) EXPENDITURES.....	(475,975)	448,476	924,451	1,466,000	1,399,614	(66,386)	(136,000)	(2,428,225)	(2,292,225)	(1,917,300)	(1,455,052)	462,248
OTHER FINANCING SOURCES (USES):												
Transfers in.....	-	-	-	145,000	145,000	-	-	-	-	1,661,000	1,538,875	(122,125)
Transfers out.....	(145,000)	(145,000)	-	(1,611,000)	(1,538,875)	72,125	-	-	-	-	-	-
Refunding bond proceeds.....	-	-	-	-	-	-	-	-	-	-	5,865,300	5,865,300
Payment to refunded bond	-	-	-	-	-	-	-	-	-	-	-	-
Escrow agent.....	-	-	-	-	-	-	-	-	-	-	(6,846,585)	(6,846,585)
Total Other Financing Sources (Uses).....	(145,000)	(145,000)	-	(1,466,000)	(1,393,875)	72,125	-	-	-	1,661,000	557,590	(1,103,410)
REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES.....	\$ (620,975)	303,476	\$ 924,451	\$ -	5,739	\$ 5,739	\$ (136,000)	(2,428,225)	\$ (2,292,225)	\$ (256,300)	(897,462)	\$ (641,162)
FUND BALANCE, BEGINNING OF YEAR.....		7,889,545			1,617,885			6,445,049			15,545,480	
FUND BALANCE, END OF YEAR.....		\$ 8,193,021			\$ 1,623,624			\$ 4,016,824			\$ 14,648,018	

The accompanying Notes to General Purpose Financial Statements are an integral part of these financial statements

CITY OF FENTON, MISSOURI

STATEMENT OF CHANGES IN PLAN NET ASSETS -
PENSION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

ADDITIONS:		
Investment income.....	\$	916
DEDUCTIONS:		
Administrative.....		<u>(357)</u>
NET INCREASE.....		559
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, JANUARY 1.....		<u>23,046</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, DECEMBER 31.....	\$	<u><u>23,605</u></u>

The accompanying Notes to General Purpose Financial Statements
are an integral part of these financial statements

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fenton, Missouri (the "City") was incorporated as a town within St. Louis County, Missouri on December 28, 1874. In April 1959, the residents voted to approve the town becoming a fourth-class city as provided by Missouri state statutes. The City operates under a Mayor - Board of Aldermen form of government which consists of the Mayor and eight members serving on the Board of Aldermen. The City's major operations include street maintenance and improvements, parks and recreation and general administrative services. Police protection is provided on a contract basis. The following is a summary of the more significant accounting policies:

Principles Determining the Scope of Reporting Entity

The financial statements of the reporting entity include those of the City (the primary government) and the City of Fenton, Missouri, Public Facilities Authority (the "Authority"). Criteria for including a potential component unit within the reporting entity includes the governing body's ability to exercise financial accountability. Financial accountability includes control or dependence over budget adoption, taxing authority, funding and appointment of the respective board. Based upon the application of these criteria, the Authority has been determined to be a component unit of the City. Its purpose is to act on behalf of the City in its acquisition, construction, improvement, extension, repair, remodeling, renovation, and financing of capital improvement projects. The financial information of the Authority has been incorporated into the City's financial statements using the blending method. Under the blending method, transactions of a component unit are presented as if they were executed directly by the primary government.

Fund Accounting

The accounts of the City are organized on the basis of legally established funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. 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 financial statements in this report, as follows:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income. The following are the City's governmental fund types:

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Fund

This 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 Fund

The Special Revenue Fund is used to account for the proceeds of a specific revenue source (other than special assessments) that are restricted to expenditures for specific purposes. The City's Special Revenue Fund consists of the Parks Fund used to account for the one-half cent sales tax collected for parks.

Capital Projects Funds

The Capital Projects Funds are used to account for financial resources to be used for the acquisition, improvement or construction of capital assets.

Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for the retirement (payment of principal and interest) of the outstanding bond debt of the City and the usual and customary expenses of the paying agent incurred to retire the bond debt.

Fiduciary Funds Types

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals and/or private organizations, or other governmental units and/or other funds. The City's fiduciary funds consist of the Police Pension Trust Fund and Municipal Court Bond Fund. The Agency Funds are custodial in nature and do not involve measurement of results of operations.

Account Groups

Account groups are used to establish accounting control and accountability for the City's general long-term fixed assets and general long-term debt. The City's account groups are listed below:

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Account Groups (continued)

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for fixed assets of the City. Fixed assets used in governmental fund type operations (general fixed assets) are reported as fund expenditures in the General Fund, Special Revenue Fund and the Capital Projects Funds in the year of acquisition.

General Long-Term Debt Account Group

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. This account group is not a "fund." It is concerned only with the measurement of financial position, not with the measurement of the results of operations. It accounts for the unmatured principal of general obligation bonds and other general long-term obligations.

Basis of Accounting

Basis of accounting refers to the point at which 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.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, are recognized when due.

The City's revenues susceptible to accrual include, among other taxes, property taxes, sales tax collected and held by the intermediary collecting governments, gross receipts taxes and interest revenue. The City considers property taxes, sales tax collected and held by the intermediary collecting governments, and gross receipts taxes as available if they are collected within 60 days after year end. Licenses, permits, fines, and other miscellaneous revenues are not considered to be susceptible to accrual.

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

The pension trust fund is accounted for using the accrual basis of accounting. Revenue is recognized on City held investments when earned. Benefits and refunds are recognized when due and payable in accordance with terms of the plan.

Deposit Administration Contract with Insurance Company

The assets of the police pension trust are maintained in a deposit administration contract with the Equitable Life Assurance Society of the United States. The value of the assets and changes therein have been reported at an amount which represents contributions to the plan plus investment income credited, less benefit and termination payments and administrative charges.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City department heads prepare departmental operating budgets and the Finance Officer makes revenue projections on or before September 1. The finance department edits and assembles the data for review.
2. The Mayor and Finance Officer review and revise departmental operating budgets based upon budgeted revenue projections.
3. By October 1, the Finance Officer submits a proposed operating budget to the Finance Committee.
4. The Finance Committee, consisting of four aldermen, along with the Mayor and the Finance Officer review the proposed operating budget and make recommendations to the Board of Aldermen.
5. A public hearing to obtain taxpayer comments on the budget is held by the Board of Aldermen during the month of December.

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

6. Prior to January 1, the budget is legally enacted. Projected expenditures cannot exceed estimated revenues plus available balances at the beginning of the year.

Budgetary control is exercised by the Board of Aldermen at the departmental line item level of expenditures grouped by character. For financial statement presentation purposes, the budget-to-actual comparison for expenditures is by department.

The budgeted amounts included in the general purpose financial statements are as originally adopted or amended by the Board of Aldermen pursuant to state statutes. Actual expenditures exceeded those budgeted in the Debt Service and Capital Projects Funds.

Investments

The City's investment policies conform to Missouri Statute 30.260 which authorize the deposit of funds in banks and trust companies or to invest in United States Treasury-bills, notes, bonds, government agency and instrumentality obligations, repurchase agreements collateralized by government securities, time certificates of deposit, bankers' acceptances issued by domestic commercial banks, and commercial paper issued by domestic corporations.

Investments are recorded at their fair values, which are determined based on the last reported sales price as noted on the national exchange.

General Fixed Assets

All fixed assets are valued at historical cost. Donated assets are valued at their estimated fair value on the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Repairs and maintenance are recorded as expenditures. Public domain ("infrastructure") general fixed assets such as roads, bridges, curbs and gutters, sidewalks, draining systems, and lighting systems are not capitalized as these assets are immovable and of value only to the City. No depreciation is provided on general fixed assets.

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates in Financial Statements

The preparation of the general purpose financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the general purpose financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Total Columns on Combined Statements

Total columns on the Combined Statements 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 changes in financial position in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Pending Accounting Pronouncements

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis -for State and Local Governments. This Statement establishes financial reporting standards for state and local governments. Under the revised requirements, governmental financial statements will include management's discussion and analysis (MD&A), basic financial statements that present both government-wide and fund financial statements, and required supplementary information.

MD&A introduces the financial statements by giving readers a brief, objective and easily readable analysis of the City's financial performance for the year and its financial position at year-end, including an analysis of budgetary change and results.

The government-wide financial statements will provide information about the primary government and its component units without displaying fund or fund types. The financial statements will distinguish between the governmental and business-type activities of the primary government. All information will be reported using the economic resources measurement focus and the accrual basis of accounting.

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pending Accounting Pronouncements (continued)

The fund financial statements will provide information about the primary government's fund types, including fiduciary funds and blended component units. Governments will present separate financial statements for each fund category - governmental, proprietary and fiduciary - and will no longer present a combined balance sheet. General capital assets and general long-term liabilities will be reported only in the government-wide financial statements as assets and liabilities of governmental activities. Governmental fund financial statements will focus on fiscal accountability and will report the flows and balances of current financial resources using the modified accrual basis of accounting. Proprietary and fiduciary fund financial statements will report operating results and financial position using the economic resources measurement focus and the accrual basis of accounting. A single set of notes will apply to both governmental-wide and fund financial statements.

The model also includes required reporting for infrastructure assets. Reporting alternatives include historical cost-based depreciation and modified approach if the government maintains such assets at or above an established condition level. Retroactive infrastructure reporting will also become effective on a phase-in approach.

GASB No. 34 is required to be implemented based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. The City will be required to implement GASB No. 34 for the fiscal year ending December 31, 2004.

The City has elected not to implement GASB No. 34 early and has not determined its effects on the City's financial statements.

2. CASH AND INVESTMENTS

As required by law, the depository bank is to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance at least equal to the amount on deposit at all times. At December 31, 2003, the carrying amount of bank deposits was \$1,551,580 and the bank balance was \$1,597,038. The bank balance was fully secured by FDIC insurance and pledged securities held by the City's agent in the name of the City.

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

2. CASH AND INVESTMENTS (continued)

The City has entered into a repurchase agreement with a financial institution whereby available funds are used each business day to purchase a fractionalized and/or whole interest in an obligation(s) of the United States Government or any agency thereof. The repurchase agreement continues in effect until terminated by the City and yields the U.S. Money Center Commercial Bank's rate. The balance at December 31, 2003 was \$3,500,000. The securities underlying the repurchase agreement are held by the City's agent in the City's name.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year-end as: (1) insured or registered, or securities held by the City or its agent in the City's name, (2) uninsured or unregistered for which the securities are held by the financial institution's trust department or agent in the City's name, or (3) uninsured and unregistered for which the securities are held by financial institution's trust department, the broker-dealer, but not in the City's name.

	December 31, 2003				
	Categories			Not Applicable	Carrying Amount
	1	2	3		
U.S. agency securities	\$ 9,955,925	\$ --	\$ --	\$ --	\$ 9,955,925
Certificates of deposit	--	--	--	1,904,919	1,904,919
Mutual funds.....	--	--	--	8,743,299	8,743,299
Total.....					<u>\$20,604,143</u>

The use of some investments is restricted to certain capital projects and servicing debt of the City.

3. GENERAL FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group by major class:

	For the Year Ended December 31, 2003			
	Balance December 31, 2002	Additions	Deletions	Balance December 31, 2003
Land and improvements	\$ 13,233,785	\$ 129,241	\$ --	\$ 13,363,026
Buildings and improvements..	22,173,034	3,329	--	22,176,363
Equipment, furniture and fixtures.....	<u>2,673,648</u>	<u>29,054</u>	<u>48,123</u>	<u>2,654,579</u>
	<u>\$ 38,080,467</u>	<u>\$ 161,624</u>	<u>\$ 48,123</u>	<u>\$ 38,193,968</u>

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

4. PENSION PLANS

A. Employee Pension Plan

Plan Description

The City participates in the Missouri Local Government Employees 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 is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

Funding Status

The City's full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 9.3% (general), 14.6% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

For 2003, the political subdivision's annual pension cost of \$606,325 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2002 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 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

4. PENSION PLANS (continued)

A. Employee Pension Plan (continued)

Funding Status (continued)

from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on the 1983 Group Annuity Mortality table, and e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back one year for men and seven years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2003 was 15 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/01	\$ 185,400	100%	\$0
06/30/02	\$ 326,956	100%	\$0
06/30/03	\$ 606,325	100%	\$0

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability</u>	<u>(b-a) Unfunded Accrued Liability (UAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>UAL as a Percentage of Covered Payroll</u>
02/28/01	1,928,576	2,245,544	316,968	86%	1,879,686	17%
02/29/02	2,380,733	2,715,765	335,032	88%	2,036,352	16%
02/28/03	2,911,327	2,727,924	(183,403)	107%	1,969,848	(9)%

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

4. PENSION PLANS (continued)

A. Employee Pension Plan (continued)

Funding Status (continued)

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.

B. Police Department Pension Plan

Plan Description

The City has a defined contribution retirement plan funded through the Equitable Life Assurance Society of the United States (Equitable). The plan was established by resolution of the Board of Aldermen of the City on August 18, 1980. The plan year-end is August 31. Due to discontinuance of local police salaries, no contributions have been made for 2003.

Contributions

Formerly, full-time employees of the police department were eligible to participate in the plan. Pursuant to the plan's provisions, the City was obligated to contribute 4% of each eligible employee's covered wages. Employees did not contribute to the plan.

Contributions were fully vested after four years of continuous service. Distributions of vested plan benefits begin after the employee attains normal retirement age (55 years) or separates from service.

5. COMPENSATED ABSENCES

All permanent employees with 12 continuous months of service are entitled to paid vacation based on their continuous length of service to the City and their employment status as follows:

<u>Years of Continuous Service</u>	<u>Weeks of Vacation</u>
1 to 4	2
5 to 14	3
15 to 19	4
20 or more	5

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

5. COMPENSATED ABSENCES (continued)

Vacation time must be taken in the 12 months following the year in which it was earned. Therefore, unused earned vacation time is reflected as a liability of the Governmental Fund Types.

The purpose of sick leave is to prevent the loss of an eligible employee's wages as the result of an illness or injury. Sick leave accrues at the rate of 80 hours per year of continuous service. An employee with less than one year of continuous service is entitled to sick leave prorated at the rate of 6.66 hours per month. Sick leave may accrue to a maximum of 960 hours. Employees with two or more continuous years of employment with the City shall be paid on or about December 1 one-third the value of all unused sick leave for that calendar year. These hours will then be subtracted from the number of hours accrued. An employee who retires, resigns or is terminated after five years of continuous service is compensated at the person's rate of pay at the time of separation for one-half of the accrued, unused sick leave up to a 480-hour maximum reimbursement. Accordingly, one-half of the accrued sick leave for employees having five or more years of continuous service has been recorded as a liability in the General Long-Term Debt Account Group.

6. INSURANCE PROGRAMS

The City, along with various other local municipal governments, participates in an insurance trust (for workers' compensation, St. Louis Area Insurance Trust - SLAIT). The purpose of this trust is to distribute the cost of self-insurance over similar entities. The trust requires an annual premium payment and prorated expenses to cover estimated claims payable and reserves for claims from each entity. The members of the trust have no legal interest in the assets, liabilities or fund balances of the insurance trust. However, the City has a contingent liability to fund its prorata share of any deficit incurred by the trust, should the trust cease operations at some future date. The trust has contracted with The Daniel and Henry Company to handle all administrative matters, including processing of claims filed. Settled claims have not exceeded the City's commercial coverages in any of the past three years. The City's 2003 premium payments to the trustees totaled \$125,774.

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

7. PROPERTY TAXES

Taxes are levied on September 1 and are payable by December 31. Property taxes attach as an enforceable lien on property as of January 1. St. Louis County (the "County") assesses, bills and collects the property tax and remits it to the City.

The assessed valuation of the tangible taxable property included within the City's boundaries for the calendar year 2003, for purposes of local taxation was:

Real estate.....	\$239,362,052
Personal property	<u>59,491,348</u>
	<u>\$298,853,400</u>

During 2003 the Board of Aldermen approved a zero (0) tax levy of the assessed valuation of tangible taxable property for the calendar year 2003, for purposes of local taxation.

Under Article VI, Sections 26(b) and 26(c) of the Constitution of the State of Missouri, the City, by vote of the qualified electors thereof voting thereon, may incur general obligation bonded indebtedness for City purposes in an amount not to exceed ten percent (10%) of the assessed valuation of taxable tangible property within the City ascertained by the last completed assessment for State or County purposes. A computation of the legal debt margin at December 31, 2003 is as follows:

Assessed valuation (January 1, 2003)	<u>\$298,853,400</u>
Debt limit - 10% of assessed value.....	\$ 29,885,340
General obligation bonds payable	--
Amount available in Debt Service Fund	<u>14,648,018</u>
Legal debt margin.....	<u>\$ 44,533,358</u>

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

8. LONG-TERM DEBT

The following is a summary of the changes in the City's long-term debt:

	For the Year Ended December 31, 2003				Balance December 31, 2003
	Balance December 31, 2002	Additions	Retired	Defeased	
Tax Increment Refunding and Improvement					
Revenue Bonds	\$ 66,690,000	\$ --	\$ 2,775,000	\$ --	\$ 63,915,000
Certificates of Participation..	16,590,000	--	775,000	--	15,815,000
Leasehold Revenue Bonds..	6,350,000	--	190,000	6,160,000	--
Leasehold Revenue Refunding Bonds	--	5,985,000	--	--	5,985,000
Accrued compensated absences	70,083	43,103	--	--	113,186
	<u>\$ 89,700,083</u>	<u>\$ 6,028,103</u>	<u>\$ 3,740,000</u>	<u>\$ 6,160,000</u>	<u>\$ 85,828,186</u>

Tax Increment Refunding and Improvement Bonds

On October 1, 2002, the City issued \$19,035,000 in Tax Increment Refunding and Improvement Revenue Bonds, Series 2002 to construct certain public improvements for the Gravois Bluffs Redevelopment Project. The bonds were issued pursuant to the plan for the Olde Towne Redevelopment Area approved by the Board of Alderman in October 1998 and amended in August 1999 and February 2001. The bonds bear interest rates ranging from 5.000% to 6.125% and are due in installments each April 1 and October 1. The term bonds mature on October 1, 2012 and October 1, 2021. The bonds are payable from the Series 2002 bond proceeds, payments in lieu of taxes and economic activity tax revenues, Transportation Development District revenues and securities held under the indenture. The Bonds are authorized to (1) refund the remaining outstanding tax increment revenue notes of the City issued to finance improvements, (2) finance certain road improvements in the City, (3) fund an account in the Debt Service Reserve Fund and (4) pay certain costs associates with the issuance of the Bonds. The Bonds do not constitute a general obligation of the City.

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

8. LONG-TERM DEBT (continued)

Tax Increment Refunding and Improvement Bonds (continued)

On March 1, 2001, the City issued \$39,610,000 in Tax Increment Refunding and Improvement Revenue Bonds to construct certain public improvements for the Gravois Bluffs Redevelopment Project. The bonds were issued pursuant to the plan for the Olde Towne Redevelopment Area approved by the Board of Aldermen of the City on October 1998. Interest on the bonds is due in installments on April 1 and October 1, with a final maturity date of October 1, 2021. Interest rate range from 4.85% to 7%. The bonds and the interest thereon are special limited obligations of the City payable solely from payments in lieu of taxes attributable to the increase in assessed value of real property, incremental increases in economic activity taxes in the project area and monies on deposit in the Debt Service Reserve Fund. The bonds do not constitute a general obligation of the City.

On November 1, 2000, the City issued \$10,205,000 in Tax Increment Refunding and Improvement Revenue Bonds to construct certain public improvements for the Dierbergs Fenton Crossing Project. The bonds were issued pursuant to the plan for the Olde Towne Redevelopment Area approved by the Board of Aldermen of the City on October 1998. Interest on the bonds is due in installments on April 1 and October 1, with a final maturity date of October 1, 2016. Interest rates range from 5.375% to 7.250%. The bonds and the interest thereon are special limited obligations of the City, payable solely from payments in lieu of taxes attributable to the increase in assessed value of real property, incremental increases in economic activity taxes in the project area and monies on deposit in the Debt Service Reserve Fund. The bonds do not constitute a general obligation of the City.

Outstanding Tax Increment Refunding and Improvement Revenue Bonds payable and interest requirements to maturity are as follows:

<u>Years Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004.....	\$ 1,090,000	\$ 4,462,438	\$ 5,552,438
2005.....	1,185,000	4,407,999	5,592,999
2006.....	1,460,000	4,346,152	5,806,152
2007.....	1,690,000	4,267,802	5,957,802
2008.....	1,935,000	4,171,564	6,106,564
2009-2013....	13,740,000	18,722,734	32,462,734
2014-2018....	19,280,000	13,059,890	32,339,890
2019-2023....	<u>23,535,000</u>	<u>3,670,350</u>	<u>27,205,350</u>
	<u>\$ 63,915,000</u>	<u>\$ 57,108,929</u>	<u>\$121,023,929</u>

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

8. LONG-TERM DEBT (continued)

Certificates of Participation

In 1997, the City issued \$19,765,000 Certificates of Participation to be used for constructing a recreational complex; improving park facilities and City Hall; extending and improving streets, curbs, gutters and sidewalks. Interest is due in installments each March 1 and September 1, maturing September 1, 2017. Interest rates range from 3.850% to 5.125%. Outstanding Certificates of Participation payable and interest requirements to maturity are as follows:

<u>Years Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004.....	\$ 815,000	\$ 792,520	\$ 1,607,520
2005.....	850,000	755,030	1,605,030
2006.....	890,000	715,080	1,605,080
2007.....	935,000	672,805	1,607,805
2008.....	980,000	627,925	1,607,925
2009-2013....	5,670,000	2,353,655	8,023,655
2014-2018....	<u>5,675,000</u>	<u>745,174</u>	<u>6,420,174</u>
	<u>\$ 15,815,000</u>	<u>\$ 6,662,189</u>	<u>\$ 22,477,189</u>

Leasehold Refunding Revenue Bonds

In 1997, the City entered into a lease agreement equal to the debt service payments with the City of Fenton, Missouri, Public Facilities Authority for acquiring park property and improving public works facilities. In 2003, the lease was amended when the Authority issued Leasehold Revenue Refunding Bonds of \$5,985,000 with interest rates of 1.2% - 4.35% to advance refund and defease the Authority's outstanding Leasehold Revenue Bonds as described below. Interest on the Leasehold Revenue Refunding Bonds is due in installments each January 1, and July 1, maturing January 1, 2016. Interest ranges from 1.2% to 4.35%. Outstanding Leasehold Refunding Revenue Bonds payable and interest requirements to maturity are as follows:

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

8. LONG-TERM DEBT (continued)

Leasehold Refunding Revenue Bonds (continued)

<u>Years Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004.....	\$ 310,000	\$ 82,670	\$ 392,670
2005.....	380,000	187,058	567,058
2006.....	405,000	181,357	586,357
2007.....	430,000	174,068	604,068
2008.....	460,000	164,177	624,177
2009-2013....	2,445,000	599,515	3,044,515
2014-2018....	<u>1,555,000</u>	<u>129,890</u>	<u>1,684,890</u>
	<u>\$ 5,985,000</u>	<u>\$ 1,518,735</u>	<u>\$ 7,503,735</u>

Defeased Debt

During the year ended December 31, 2003, the Authority issued Leasehold Revenue Refunding Bonds of \$5,985,000 with interest rates of 1.2% - 4.35% to advance refund and defease the Authority's outstanding Leasehold Revenue Bonds Series 1997, maturing in the years 2004 through 2018, with an outstanding principal balance of \$6,160,000 with interest rates of 4.6% to 5.25%. The Defeased bonds will be called for redemption on January 1, 2008. The Leasehold Revenue Refunding Bonds were issued at a discount of \$119,700 and, after paying issuance costs of \$57,707, the net proceeds were \$5,807,593.

The net proceeds from the issuance of the Leasehold Revenue Refunding Bonds were used to purchase state and local government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called on January 1, 2008. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the Authority's General Long-Term Debt Account Group.

As a result of the advancing refunding, the Authority reduced its total debt service requirements by \$1,459,489 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt and the effects of changes in debt service reserve investments and the effects of changes in credit enhancement expenses) of \$647,372. As of December 31, 2003, the amount of defeased debt outstanding but removed from the General Long-Term Debt Account Group amounted to \$6,160,000.

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

9. COMMITMENTS AND CONTINGENCIES

Police Services

The City contracts with the St. Louis County Police Department for police services. For the year ended December 31, 2003, the City paid a total of \$1,957,420. The contract expires May 31, 2003 with annual options to renew through May 31, 2005. The annual contract cost may be adjusted each year to reflect the annual increase or decrease in the County's personnel and administrative costs, but no annual adjustment may increase more than 5% over the previous year's contract unless the City's boundaries have been altered so as to materially increase the amount of County staffing necessary to provide police services.

Legal Proceedings

The City is involved in various legal proceedings, and the City's management, based upon consultation with outside legal counsel, believes these items will be resolved with no material adverse effect to the City.

10. ECONOMIC DEPENDENCY

The City has estimated that one retail business has generated retail sales tax revenue greater than ten percent of the City's total retail sales tax revenue.

11. CONCENTRATION OF CREDIT RISK

The City does not grant credit of any kind; however, at December 31, 2003, the City has various taxes due from various taxing entities.

12. FUND EQUITY

The City reserves those portions of fund equity legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves have been established for prepaid items, parks, police retirement system, capital projects and debt service balances.

CITY OF FENTON, MISSOURI

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2003

13. SUBSEQUENT EVENT

Subsequent to December 31, 2003, the City purchased real property totaling approximately \$2,800,000 for the purpose of the Summit Road expansion. The expansion is part of the Gravois Bluffs Redevelopment Project described more fully in Note 8.

SUPPLEMENTARY INFORMATION

CITY OF FENTON, MISSOURI

SCHEDULE OF REVENUES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Licenses and Permits:			
Building permits.....	\$ 75,000	\$ 58,303	\$ (16,697)
Beer and liquor licenses.....	14,500	15,727	1,227
Cable franchise fees.....	21,000	20,836	(164)
Other.....	21,300	40,089	18,789
Total Licenses and Permits.....	<u>131,800</u>	<u>134,955</u>	<u>3,155</u>
Public Utility Gross Receipts Taxes:			
Electric.....	1,275,800	1,235,477	(40,323)
Gas.....	304,400	319,320	14,920
Water.....	72,000	62,064	(9,936)
Telephone.....	193,000	190,514	(2,486)
Total Public Utility Gross Receipts Taxes.....	<u>1,845,200</u>	<u>1,807,375</u>	<u>(37,825)</u>
Sales taxes.....	2,685,800	2,624,504	(61,296)
County road and bridge tax.....	275,000	280,012	5,012
Gasoline and motor vehicle tax.....	162,000	177,371	15,371
Cigarette tax.....	16,600	16,543	(57)
Police services.....	56,000	63,922	7,922
Intergovernmental.....	-	-	-
Municipal court fines and fees.....	295,800	293,824	(1,976)
Parks and recreation.....	-	-	-
Investment income.....	150,000	139,094	(10,906)
Miscellaneous.....	112,800	130,930	18,130
TOTAL REVENUES.....	<u><u>\$ 5,731,000</u></u>	<u><u>\$ 5,668,530</u></u>	<u><u>\$ (62,470)</u></u>

CITY OF FENTON, MISSOURI

SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES:			
General Governmental:			
Salaries.....	\$ 539,925	\$ 492,715	\$ 47,210
Benefits.....	140,350	153,157	(12,807)
Contractual services.....	795,500	727,384	68,116
Commodities and other.....	295,450	330,805	(35,355)
Total General Governmental.....	<u>1,771,225</u>	<u>1,704,061</u>	<u>67,164</u>
Planning and Zoning:			
Salaries.....	275,925	261,699	14,226
Benefits.....	76,225	69,329	6,896
Commodities and other.....	20,025	8,449	11,576
Total Planning and Zoning.....	<u>372,175</u>	<u>339,477</u>	<u>32,698</u>
Public Safety:			
Contractual services.....	1,773,900	1,792,158	(18,258)
Commodities and other.....	9,500	1,882	7,618
Total Public Safety.....	<u>1,783,400</u>	<u>1,794,040</u>	<u>(10,640)</u>
Public Works:			
Salaries.....	546,800	558,477	(11,677)
Benefits.....	357,600	332,016	25,584
Contractual services.....	142,200	99,931	42,269
Commodities and other.....	236,300	190,728	45,572
Total Public Works.....	<u>1,282,900</u>	<u>1,181,152</u>	<u>101,748</u>
Parks and recreation.....	-	-	-
Capital outlay.....	997,275	201,324	795,951
Debt service.....	-	-	-
TOTAL EXPENDITURES.....	<u>6,206,975</u>	<u>5,220,054</u>	<u>986,921</u>
REVENUES OVER (UNDER) EXPENDITURES.....	<u>\$ (475,975)</u>	<u>\$ 448,476</u>	<u>\$ 924,451</u>

CITY OF FENTON, MISSOURI

COMBINING BALANCE SHEET - DEBT SERVICE FUND
DECEMBER 31, 2003

	<u>Certificates of Participation Fund</u>	<u>Public Facilities Authority Leasehold Revenue Bonds Fund</u>	<u>Gravois Bluffs Tax Increment Financing Fund</u>	<u>Fenton Crossing Tax Increment Financing Fund</u>	<u>Total</u>
-- ASSETS --					
Cash and investments.....	\$ -	\$ -	\$ 1,401,991	\$ 82,222	\$ 1,484,213
Investments - restricted.....	1,656,349	995,238	7,582,755	1,252,861	11,487,203
Accrued interest.....	31,731	-	13,923	-	45,654
Taxes receivable.....	-	-	1,286,542	344,406	1,630,948
TOTAL ASSETS.....	<u>\$ 1,688,080</u>	<u>\$ 995,238</u>	<u>\$ 10,285,211</u>	<u>\$ 1,679,489</u>	<u>\$ 14,648,018</u>
 -- LIABILITIES AND FUND EQUITY --					
LIABILITIES:					
Accounts payable.....	\$ -	\$ -	\$ -	\$ -	\$ -
FUND EQUITY:					
Reserved for debt service.....	1,688,080	995,238	10,285,211	1,679,489	14,648,018
TOTAL LIABILITIES AND FUND EQUITY.....	<u>\$ 1,688,080</u>	<u>\$ 995,238</u>	<u>\$ 10,285,211</u>	<u>\$ 1,679,489</u>	<u>\$ 14,648,018</u>

CITY OF FENTON, MISSOURI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Certificates of Participation Fund	Public Facilities Authority Leasehold Revenue Bonds Fund	Gravois Bluffs Tax Increment Financing Fund	Fenton Crossing Tax Increment Financing Fund	Total
REVENUES:					
Public utility gross receipts tax.....	\$ -	\$ -	\$ 37,392	\$ 7,096	\$ 44,488
Sales taxes.....	-	-	4,430,998	701,668	5,132,666
Intergovernmental.....	-	-	1,563,962	285,761	1,849,723
Investment income.....	96,229	22,212	155,427	12,263	286,131
Miscellaneous.....	-	551,346	-	-	551,346
Total Revenues.....	96,229	573,558	6,187,779	1,006,788	7,864,354
EXPENDITURES:					
Intergovernmental.....	-	-	80,000	30,000	110,000
Debt Service:					
Principal redemption.....	775,000	190,000	2,350,000	425,000	3,740,000
Interest.....	828,170	319,318	3,547,115	674,306	5,368,909
Bond issue costs.....	-	53,901	-	-	53,901
Fees.....	31,485	2,338	9,324	3,449	46,596
Total Debt Service.....	1,634,655	565,557	5,906,439	1,102,755	9,209,406
Total Expenditures.....	1,634,655	565,557	5,986,439	1,132,755	9,319,406
REVENUES OVER (UNDER) EXPENDITURES.....	(1,538,426)	8,001	201,340	(125,967)	(1,455,052)
OTHER FINANCING SOURCES:					
Transfers in.....	1,538,875	-	-	-	1,538,875
Refunding bond proceeds.....	-	5,865,300	-	-	5,865,300
Payment to refunded bond escrow agent.....	-	(6,846,585)	-	-	(6,846,585)
Total Other Financing Sources.....	1,538,875	(981,285)	-	-	557,590
REVENUES OVER FINANCING SOURCES OVER EXPENDITURES.....	449	(973,284)	201,340	(125,967)	(897,462)
FUND BALANCE, BEGINNING OF YEAR.....	1,687,631	1,968,522	10,083,871	1,805,456	15,545,480
FUND BALANCE, END OF YEAR.....	\$ 1,688,080	\$ 995,238	\$ 10,285,211	\$ 1,679,489	\$ 14,648,018

CITY OF FENTON, MISSOURI

COMBINING BALANCE SHEET - TRUST AND AGENCY FUNDS
DECEMBER 31, 2003

	<u>Trust Fund</u> Police Pension Fund	<u>Agency Fund</u> Municipal Court Bond Fund	<u>Total</u>
-- ASSETS --			
Cash	\$ -	\$ 44,930	\$ 44,930
Due from other funds.....	-	70	70
Deposits held with trustees.....	<u>23,605</u>	-	<u>23,605</u>
TOTAL ASSETS.....	<u>\$ 23,605</u>	<u>\$ 45,000</u>	<u>\$ 68,605</u>
-- LIABILITIES AND FUND EQUITY --			
LIABILITIES:			
Due to other funds.....	\$ -	\$ -	\$ -
Bonds payable.....	-	45,000	45,000
Total Liabilities.....	<u>-</u>	<u>45,000</u>	<u>45,000</u>
FUND EQUITY:			
Reserved - Police Retirement System.....	<u>23,605</u>	-	<u>23,605</u>
TOTAL LIABILITIES AND FUND EQUITY.....	<u>\$ 23,605</u>	<u>\$ 45,000</u>	<u>\$ 68,605</u>

CITY OF FENTON, MISSOURI

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 AGENCY FUNDS
 DECEMBER 31, 2003

	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003
ASSETS:				
Cash.....	\$ 41,960	\$ 94,100	\$ 91,130	\$ 44,930
Due from other funds.....	-	70	-	70
TOTAL ASSETS.....	<u>\$ 41,960</u>	<u>\$ 94,170</u>	<u>\$ 91,130</u>	<u>\$ 45,000</u>
 LIABILITIES:				
Bonds payable.....	\$ 41,930	\$ 94,170	\$ 91,100	\$ 45,000
Due to other funds.....	30	-	30	-
TOTAL LIABILITIES.....	<u>\$ 41,960</u>	<u>\$ 94,170</u>	<u>\$ 91,130</u>	<u>\$ 45,000</u>

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and
Board of Aldermen
City of Fenton, Missouri

We have audited the general purpose financial statements of the City of Fenton, Missouri (the "City"), as of and for the year ended December 31, 2003, and have issued our report thereon dated April 9, 2004. 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 material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated April 9, 2004.

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 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 certain immaterial matters involving the internal control over financial reporting that we have reported to management in a separate letter dated April 9, 2004.

This report is intended for the information of the Board of Alderman, the Mayor and the City's management and is not intended to be and should not be used by anyone other than these specified parties.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
April 9, 2004