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Annual Financial Report, 2006

City of Fenton

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09-096-0030

SUSAN MONTEE, CPA
Missouri State Auditor

June 28, 2007

Art DeWitt, CPFO, Finance Director
City of Fenton
St. Louis County
625 New Smizer Mill Road
Fenton, MO 63026-3597

Fiscal Period: One Year Ended December 31, 2006 ✓

Dear Mr. DeWitt:

In accordance with Section 105.145, RSMo, we acknowledge receipt of the financial report of your political subdivision for the above-described fiscal period.

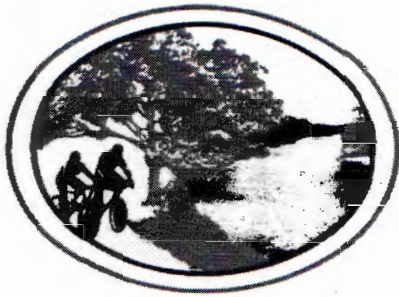
Thank you for your cooperation in sending this information.

Sincerely,

SUSAN MONTEE, CPA
STATE AUDITOR

A handwritten signature in cursive script that reads "Judy Buerky".

Judy Buerky
Local Government Analyst



FENTON

CITY OF PARKS

625 New Smizer Mill Road

Fenton MO 63026-3597

Phone 636-343-2080

Fax 636-343-1183

June 19, 2007

Ms. Susan Montee, CPA
Missouri State Auditor
P O Box 869
Jefferson City MO 65102

Re: 2006 Audited Financial Report

Dear Ms. Montee:

Please find enclosed a copy of the audited financial reports for the City of Fenton for fiscal year 2006. These reports are filed pursuant to Section 105.145 RSMo.

Please feel free to contact me with any questions over this matter.

Sincerely,

Art DeWitt

Art DeWitt, CPFO
Finance Director
City of Fenton, Missouri

CITY OF FENTON, MISSOURI

Annual Financial Report



SCHOWALTER & JABOURI, P.C.

CERTIFIED PUBLIC ACCOUNTANTS



CITY OF FENTON, MISSOURI

Annual Financial Report

For the fiscal year ended

December 31, 2006

Prepared By The Finance Department
Art DeWitt, CPFO
Finance Director

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INTRODUCTORY SECTION



FENTON
CITY OF PARKS
625 New Smizer Mill Road
Fenton MO 63026-3597
Phone 636-343-2080
Fax 636-343-1183

April 13, 2007

To the Honorable Mayor, Members of the Board of Aldermen, and the Citizens of the City of Fenton, Missouri:

Missouri Revised Statutes Section 67.1978 requires that every local government annually publish a complete set of audited financial statements. This report is published to fulfill that requirement for the year ended December 31, 2006.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Schowalter & Jabouri, P.C., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Fenton's financial statements for the year ended December 31, 2006. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD & A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD & A complement this letter of transmittal and should be read in conjunction with it.

Profile of The City of Fenton

The City of Fenton was founded on the banks of the Meramec River in 1874 and is the fourth oldest community in St. Louis County. The original town consisted of eight square blocks, which are currently known as Olde Towne. The City was formally organized as a fourth class city in 1959. The current permanent population is 4,300 with a daytime average population of almost 25,000 due to the influx of workers in the industrial park and commercial areas of Fenton.

A Mayor and eight Aldermen govern the City. The Mayor is elected at large and serves a two-year term. The City is divided into 4 wards, with each ward electing two Aldermen. Aldermen serve alternating two year terms such that one alderman from each ward stands for election each year. Board meetings are held on the third Monday of each month; with committee meetings held on the first Thursday and last Wednesday of each month. The Board appoints the City Administrator and City Clerk. The City Administrator, with the advice and consent of the Board, appoints the various department heads.

The City of Fenton operates on a calendar year budget cycle. The Board of Aldermen adopts a budget for the upcoming year in December of each year through the passage of a budget resolution. The budget then becomes effective on January 1. The budget is developed based on fund, function (e.g., Administration) and department (e.g., City Clerk). Any changes to the budget require formal action by the Board of Aldermen through a budget amendment resolution.

The City of Fenton provides a wide range of services, including maintenance of streets and roads, recreational and cultural activities and planning and zoning functions. Police services are provided through a contract with St. Louis County. The City of Fenton provides its residents with a broad spectrum of free services. The City pays for trash, yard waste and bulk pickups, curbside recycling and street lighting as well as paying \$10 per month toward each resident's sewer bill. These services save the average homeowner about \$700 per year.

The City of Fenton is known as the "City of Parks" because of its extensive park and recreation system. The City has eight fully developed parks on over 350 acres that include soccer fields, ball diamonds, sand volleyball courts, basketball courts, tennis courts, playgrounds, fishing ponds and over eight miles of bike/pedestrian paths. In addition, the City is developing plans for the Fabick Nature Preserve located in the heart of Fenton. These plans include nature trails and passive recreational uses.

Economic Factors

The City of Fenton is located in Southern St. Louis County bounded by Interstate 44 on the North and State Highway 141 on the South. In addition, Interstate 270 is just east of the City and State Highway 30 runs through the City. This provides Fenton with excellent access to the entire St. Louis metropolitan area.

The City enjoys a solid financial position due to its industrial park and the Gravois Bluffs and Fenton Crossing shopping centers. Government operations are funded primarily by a 1% countywide sales tax, a ½% Storm Water/Parks sales tax and a 5% commercial gross receipts tax on utilities. The City does not charge businesses with a merchants or manufacturers tax nor with a municipal real estate or personal property tax. Residents pay no municipal real estate or personal property taxes, nor is the gross receipts tax on utilities levied on residential use.

The industrial expansion in Fenton began in 1959 with the construction of the Daimler Chrysler Assembly Plant located along Interstate 44. The current industrial park encompasses 12,205,000 square feet of space and is home to 594 companies. The occupancy rate in the industrial park was 93.2% in 2003, 93.6% in 2004 and 2005, and 93.8% in 2006.

Fenton's diverse housing base is relatively new with most of the 1,400 plus homes having been built within the last 20 years.

As a result of redevelopment efforts undertaken over the last 10 years, Fenton finds itself home to the Fenton Crossing and Gravois Bluffs shopping centers. The two centers together have 1,565,000 square feet of retail space open as December 31, 2006.

Long-Term Planning

Unreserved, undesignated fund balance in the General Fund was approximately \$2,723,000 at the end of 2006, which represents 50% of year 2006 operating expenditures. This is in keeping with the fund balance policy adopted by the Board in 2003 wherein 50% of annual operating expenditures are to be kept for emergency uses. Any money above this 50% level is placed into the capital reserve account to be used for capital projects as designated by the Board. At the end of 2006, the capital reserve account balance in General Fund was approximately \$4,174,000.

Reserved fund balance in the Storm Water/Parks Fund was approximately \$1,362,000, which is also 50% of 2006 operating expenditures. In addition, the capital reserve account in this fund was approximately \$314,000 at the end of 2006.

The Board of Aldermen has developed a master redevelopment plan for the Olde Towne section of Fenton and the City is currently seeking developer proposals to revitalize this historical downtown area. Since this area is adjacent to the Gravois Bluffs and Fenton Crossing developments, any new development should complement and enhance the retail section of Fenton.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated service of city employees. We wish to extend our appreciation and thanks to all employees who assisted in the preparation of this document. Credit must also be given to the Mayor and Board of Aldermen for their dedication in establishing sound financial policies and for the time they spend in reviewing all financial reports to insure that all policies are being carried out.

Respectfully submitted,

Mark Sartors
City Administrator

Arthur H. DeWitt CPFO
Finance Director

City of Fenton, Missouri
Principal Elected & Appointed Officials
As of December 31, 2006

ELECTED OFFICIALS

TITLE	NAME
Mayor	Dennis Hancock
Alderman – Ward 1	Michael Polizzi Kevin Yarbrough
Alderman – Ward 2	Joe Maurath Mike Beiser
Alderman – Ward 3	Tim Trego Chris Clauss
Alderman – Ward 4	Lisa Horn James Mauller
City Collector	Sharon Moss

APPOINTED OFFICIALS

TITLE	NAME
City Attorney	Jerome Wallach
Municipal Court Judge	Michael McAvoy
Prosecuting Attorney	Stan Wallach
City Administrator	Mark Sartors
City Clerk	Diane Monteleone
Community Development Director	Gary Crabtree
Court Clerk	Laura Beardslee
Finance Director	Arthur DeWitt
Human Resources Manager	Janet Skelton
Information Systems Manager	Leigh Dohack
Parks & Recreation Director	Nancy Battersby
Project Manager	Dan Howard
Public Works – Operations Superintendent	Dale Oberhaus
St. Louis County Police – Precinct Captain	Jack Webb

FINANCIAL SECTION

SCHOWALTER & JABOURI, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
11878 GRAVOIS ROAD
ST. LOUIS, MISSOURI 63127
(314) 849-4999
FAX (314) 849-3486

FINANCIAL SERVICES
COMPUTER SOLUTIONS
ADMINISTRATIVE OFFICES

11777 GRAVOIS ROAD
ST. LOUIS, MISSOURI 63127
(314) 842-2929
FAX (314) 842-3483

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The City of Fenton, Missouri, as of and for the year ended December 31, 2006, which collectively comprise The City of Fenton, Missouri's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The City of Fenton, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Fenton, Missouri's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of The City of Fenton, Missouri, as of December 31, 2006 and the respective changes in financial position and the respective budgetary comparison for the General and Parks/Storm Water funds 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 a report dated May 23, 2007 on our consideration of The City of Fenton, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, during year 2004, The City of Fenton, Missouri, adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosure, and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

The management's discussion and analysis on pages 7 through 15 and the Schedule of Funding Progress on page 46 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The City of Fenton, Missouri's basic financial statements. The accompanying additional supplementary information on pages 47 through 49 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
May 23, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 – UNAUDITED

As management of the City of Fenton, we offer this narrative overview and analysis of the financial activities of the City of Fenton for the year ended December 31, 2006. We have prepared this discussion and analysis of the city's financial activities to add additional information to the basic financial statements presented in the next section of this report.

FINANCIAL HIGHLIGHTS

- As of December 31, 2006, the city's assets exceeded liabilities by approximately \$7,075,000. Included in this amount is approximately \$18,743,000 of resources that are restricted by law to specific projects or purposes. The city has a deficit in unrestricted net assets of approximately \$43,484,000 due to \$56,435,000 in TIF Bonds outstanding at year end that were issued for economic development costs on property not owned by the City.
- Cash and investment balances as of December 31, 2006 were approximately \$22,481,000 and current liabilities were approximately \$1,783,000. Federal and State laws restrict approximately \$14,635,000 of the cash and investments on hand to the repayment of outstanding debt.
- Net assets increased by approximately \$5,744,000 during fiscal year 2006. The major reason for this increase was an approximately \$5,074,000 reduction in the amount of long-term debt outstanding.
- Fund balances, which is a measure of current financial resources, in the governmental funds decreased by approximately \$(471,000) to an ending total of approximately \$26,838,000. Approximately \$2,723,000 is unreserved in the governmental funds and is available for future appropriation by the Board of Aldermen.
- The General Fund fund balance was approximately \$7,154,000, or about 131% of 2006 operating expenditures. Approximately \$4,174,000 of this balance has been shown as designated by the Board of Aldermen to be used for future capital projects while another \$88,000 is shown as designated for 2007 budget items prepaid in 2006. Another \$169,000 is shown as designated for 2006 projects not completed by year-end that will be carried over to the 2007 budget. The General Fund unreserved, undesignated fund balance was therefore approximately \$2,723,000 or 50% of 2006 operating expenditures.
- The city's gross outstanding debt was \$75,090,000. Of this amount \$56,435,000 is due on TIF bonds that are repayable only from sales tax revenues generated by the TIF District and are not a claim on general resources of the City of Fenton. \$4,890,000 is due on the PFA Bonds issued to buy the Fabick Nature Preserve while \$13,765,000 is due on Certificates of Participation used to build RiverChase, remodel City Hall and make storm water improvements. Net long-term liabilities were approximately \$70,344,000. Net long-term liabilities takes into account \$4,899,000 in deferred charges on bonds that will be amortized over the remaining life of the bonds as well as \$153,000 in compensated absences outstanding at year end.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006 – UNAUDITED

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide our readers with an overview of the City of Fenton's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the city's assets and liabilities, including long-term debt and capital assets as part of the governmental funds. The difference between assets and liabilities is reported as *Net Assets*. Over time, increases or decrease in net assets may serve as a useful indicator of whether the financial position of the City of Fenton is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the year ended 2006. All changes in net assets are reported as soon as transactions occur, *regardless of when the related cash flows are reported*. Therefore, some revenues and expenses included in this statement may reflect cash flows that will actually occur in future periods.

Government-wide statements are separated into two major categories: (1) *governmental activities* that are principally supported by taxes and intergovernmental revenues, and (2) *business type activities* that are supported mainly by user fees and charges. The City of Fenton has no business type activities and so the government-wide statements only reflect governmental activities. Governmental activities include such services as administration, finance, planning, economic development, municipal court, public works, human resources, city clerk, police and recreation.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been designated for specific programs or activities. The City of Fenton, like other state and local governments, uses fund accounting to demonstrate compliance with the laws, regulations and contractual agreements that establish the authority for the city's programs and services. The City of Fenton has two types of funds: 1) governmental and 2) fiduciary.

Governmental funds are used to account for the city's basic services, which are the same services that are included in the governmental activities on the government-wide financial statements. However, the information contained in the fund statements is measured differently. Government funds focus on current financial resources rather than economic resources. Therefore, these statements only include short-term resources, such as cash, investments and receivables that will be collected in the first two months of 2007 and short-term liabilities that will be retired with these monies. This information is important for assessing the city's current financial resources.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the two statements. A reconciliation is presented after each of the two fund statements to explain the difference between the *governmental funds* as presented in the fund statements and the *governmental activities* presented in the government-wide financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006 – UNAUDITED

The City of Fenton used the following governmental funds during 2006:

1. General Fund
2. Storm Water/Parks Fund
3. Gravois Bluffs TIF Bonds Debt Service Fund
4. Fenton Crossing TIF Bonds Debt Service Fund
5. Olde Towne Capital Improvements Fund

These five funds are considered major funds and are reported separately in the fund financial statements.

The City of Fenton adopts an annual budget for all governmental funds in accordance with Missouri Revised Statutes Section 67.010. The fund financial statements include budget to actual comparisons for the General Fund and the Parks/Storm Water Fund as part of the basic financial statements.

Fiduciary funds are used to account for assets held by the City of Fenton in a trustee capacity or as a collection agent for others. The City of Fenton has one fiduciary fund - The Police Pension Fund. The Police Pension Fund accounts for the retirement accounts held for former Police Department employees that have not yet retired. All of the fiduciary activities of the city are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are excluded from the government-wide financial statements because these assets cannot be used to finance city operations.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Fenton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements.

Immediately after the required supplementary information are presented budget to actual comparisons for the Gravois Bluffs TIF Fund, the Fenton Crossing TIF Fund and the Olde Towne Capital Improvements Fund. These schedules are considered as *additional supplemental information*.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006 – UNAUDITED

ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Fenton, assets exceeded liabilities by \$7,075,000 at the end of fiscal year 2006.

The largest portion of the City of Fenton's net assets (64%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Fenton uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from current resources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the Statement of Net Assets:

	Governmental Activities	
	2006	2005
Current assets	\$ 27,680,175	\$ 28,075,991
Deferred charges - bond issue and refunding costs	1,051,113	293,170
Capital assets	50,471,097	50,346,366
Total Assets	79,202,385	78,715,527
Long-term debt outstanding (Net of Deffered Charges)	70,344,466	75,418,876
Other liabilities	1,782,772	1,965,625
Total Liabilities	72,127,238	77,384,501
Net assets:		
Invested in capital assets, net of related debt	31,816,097	30,281,366
Restricted	18,743,282	18,739,588
Unrestricted	(43,484,232)	(47,689,928)
Total Net Assets	\$ 7,075,147	\$ 1,331,026

Provisions of various laws, regulations and contractual agreements restrict approximately \$18,743,000 of net assets to only being used for storm water or parks activities (approximately \$1,908,000), capital projects (approximately \$1,875,000) or future debt service payments (approximately \$14,960,000). Another \$31,816,000 of net assets is invested in capital assets, net of related debt. This means that unrestricted net assets are a *negative* \$43,484,000 because of \$56,000,000 in outstanding TIF bonds that were issued to provide resources for the Gravois Bluffs and Fenton Crossing shopping centers, but that did not result in capital assets being provided to the City as a result of the investment.

Net assets increased by \$5,744,000 during 2006 as a result of debt service payments made during 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006 – UNAUDITED

The next government-wide statement is the Statement of Activities. The following table outlines the major components of this statement:

	Governmental Activities - 2006	Governmental Activities - 2005	Differences	Percentage
REVENUES				
Program Revenues:				
Charges For Services	\$ 2,412,933	\$ 2,282,080	\$ 130,853	6%
Capital Grants & Contributions	189,257	497,234	(307,977)	-62%
General Revenues:				
Sales Taxes	11,070,440	12,824,086	(1,753,646)	-14%
Gross Receipts Tax	1,857,572	1,900,745	(43,173)	-2%
Intergovernmental	3,635,386	3,103,341	532,045	17%
Investment Earnings	1,038,892	610,697	428,195	70%
Other General Revenues	130,453	312,148	(181,695)	-58%
Total Revenues	20,334,933	21,530,331	(1,195,398)	-6%
PROGRAM EXPENSES				
General Government	1,940,822	1,920,060	20,762	1%
Community Development	441,228	419,232	21,996	5%
Storm Water/ Parks	3,225,339	3,083,834	141,505	5%
Police Services	2,085,059	2,017,281	67,778	3%
Public Works	2,907,203	2,263,292	643,911	28%
Interest on Long-Term Debt	4,003,048	4,707,274	(704,226)	-15%
Total Expenses	14,602,699	14,410,973	191,726	1%
Excess (deficiency) Before Transfers and Special Items	5,732,234	7,119,358	(1,387,124)	
Insurance Proceeds	11,887	27,398	(15,511)	
Increase In Net Assets	5,744,121	7,146,756	(1,402,635)	
Net Assets - Beginning of Year	1,331,026	(5,930,204)	7,261,230	
Prior Period Adjustments	-	114,474	(114,474)	
Adjustment Net Assets - Beginning	1,331,026	(5,815,730)	7,146,756	
Net Assets - End of Year	\$ 7,075,147	\$ 1,331,026	\$ 5,744,121	

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006 – UNAUDITED

Some observations about 2006 revenues and program expenses compared to 2005:

- Revenues were down by \$(1,195,000) or (6)%. Revenues changed as follows:
 - Sales tax revenues decreased by \$(1,754,000) or (14)%. This decrease is caused by three factors: 1) Refunding of the Gravois Bluffs TIF Bonds in April 2006. As part of the refunding, the bottom half of the TDD sales tax revenues now goes to the developer to retire TDD Bonds issued to construct the Summit Road extension project. Previously these monies had been deposited into the Gravois Bluffs TIF Fund to retire the TIF bonds. 2) Timing differences wherein December sales tax receipts from several large retailers was not collected until March 2007 instead of February 2007. Since only those revenues collected within 60 days of year-end are accrued, these monies went into the 2007 fiscal year. 3) Sales taxes collected from utilities were down due to an error on the part of one utility company. An amended return will be filed in 2007 and these monies will be received during fiscal year 2007.
 - Grants and contributions decreased by \$(308,000) due to one time receipts during 2005 of a \$200,000 grant received for the construction of the Meramec River Greenway Trail and \$296,000 received for the construction of the Heroes Memorial.
 - Intergovernmental revenues increased by \$532,000 due to property tax protests filed in 2005 that were not resolved until 2006.
 - Investment earnings increase by \$428,000 due to an increase in interest rates that saw such rates increase from 2% in 2005 to 5% in 2006.
 - Other general revenues decreased by \$182,000 due to one-time revenues received in 2005 related to issuance of the Chrysler IDA bonds.
- Program expenses were up by only \$192,000 or 1%. This was due to the following items:
 - Storm water/parks expenditures increased by \$141,000 mainly due to \$50,000 in property insurance costs charged to this Fund for the first time. In previous years the cost of property insurance had been paid for out of the General Fund.
 - Police service costs increased by \$68,000 per the terms of the contract with St Louis County wherein such costs may increase by up to 5% per year.
 - Public Works costs increased by \$644,000 due to \$262,000 for replacement of a storm water culvert on Yarnell Road and \$403,000 in storm water improvements made as part of the Old Highway 141 street improvement project.
 - Debt service costs decreased by \$704,000 due to the refunding of the Gravois Bluffs TIF bonds in April 2006.

ANALYSIS OF THE FUND FINANCIAL STATEMENTS

The focus of the City of Fenton's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Fenton's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Financial information for the governmental funds is summarized in two statements: 1) The Balance Sheet and 2) The Statement of Revenues, Expenditures and Changes in Fund Balance. As of December 31, 2006, the City of Fenton's governmental funds reported combined ending fund balances of approximately \$26,838,000, a decrease of approximately \$(471,000), with approximately \$(217,000) of that decrease being in the General Fund. The decrease is due to the planned use of fund balance for specific capital projects undertaken in 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006 – UNAUDITED

While ending fund balance in the General Fund decreased by approximately \$(217,000), compared to the budgeted fund balance General Fund was approximately \$1,169,000 above budget expectations. Approximately \$566,000 of this was due to capital projects that finished under budget or were carried over to the 2007 fiscal year. In terms of operating performance, operating revenues in General Fund exceeded budget expectations by approximately \$275,000 while operating expenditures were approximately \$(312,000) under budgeted amounts.

As a result of the above budget performance, the balance of \$4,174,000 in the capital reserve account at the end of 2006 is approximately \$756,000 above the amount that was projected during development of the 2007 budget in November. These funds will be available at the 2007 mid-year budget review for appropriation by the Board of Aldermen.

The Storm Water/Parks Fund capital reserve balance was \$313,000, which was \$313,000 above the amount projected during the development of the 2007 budget. These funds will also be available for appropriation by the Board of Aldermen during the 2007 mid-year budget review process.

REVENUE ANALYSIS

Citywide revenues were \$20,137,000 in 2006, a decrease of \$(1,096,000) or (5)%.

Fund	2005 Revenues	2006 Revenues	Dollar Change	% Change
General Fund	\$ 6,470,427	\$ 6,351,614	\$ (118,813)	-2%
Storm Water/Parks Fund	5,063,348	5,362,467	299,119	6%
Gravois Bluffs TIF Fund	8,359,767	7,064,793	-1,294,974	-15%
Fenton Crossing TIF Fund	1,266,556	1,282,654	16,098	1%
Olde Towne Improvement Fund	73,830	75,766	1,936	3%
Total Revenues	\$ 21,233,928	\$ 20,137,294	\$ (1,096,634)	-5%

The largest decrease was in the Gravois Bluffs TIF Fund, which decreased by \$(1,295,000) or 15%. This reflects the loss of TDD sales tax revenue as a condition of the bond refunding that occurred in April 2006. As part of this refunding, the bottom half of TDD sales taxes now goes to the developer to pay off TDD bonds issued to construct the Summit Road extension project.

General Fund revenues decreased by \$(119,000) or (2)% due to one-time revenues received in 2005 that related to the Chrysler IDA bond issuance.

Storm Water/Parks Fund revenues increased by \$299,000 or 6% due to: 1) An increase of \$126,000 in investment income, and 2) A \$103,000 increase in revenues from the RiverChase recreation complex. This increase was caused by both increased memberships and increased participation in recreation programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006 – UNAUDITED

EXPENDITURE ANALYSIS

Fund	2005 Expenditures	2006 Expenditures	Dollar Change	% Change
General Fund	\$ 5,650,086	\$ 6,589,213	\$ 939,127	17%
Storm Water/Parks Fund	4,821,571	5,279,648	458,077	10%
Gravois Bluffs TIF Fund	7,438,234	6,067,558	-1,370,676	-18%
Fenton Crossing TIF Fund	1,254,517	1,274,105	19,588	2%
Olde Towne Improvement Fund	719,597	689,896	-29,701	-4%
Total Revenues	\$ 19,884,005	\$ 19,900,420	\$ 16,415	0.08%

Citywide expenditures were \$19,900,000, an increase of \$16,000 or less than 1/10 of one percent when compared to 2005 expenditures.

General Fund expenditures increased by \$939,000 or 17% compared to 2005 due to \$1,143,000 spent for major capital projects constructed during 2006. The two major projects completed during 2006 were the Somerset subdivision street improvement project and the Woodway subdivision street improvement project.

Storm Water/Parks Fund expenditures increased by \$458,000 or 10%. This increase was due to storm water improvements made as part of the Old Highway 141 street improvement project and the replacement of a storm water culvert on Yarnell Road.

Expenditures for the Gravois Bluffs TIF Fund decreased by \$(1,371,000) or (18)% because of the decrease in revenues. Since less revenue was earned, less was available to pay on debt service needs.

Expenditures in the Fenton Crossing TIF fund increased in 2006 because of the increase in revenues. Per the terms of the bond agreements, all revenues for this fund must be spent on debt reduction. Thus, as revenues increase, so do expenditures.

BUDGETARY HIGHLIGHTS

The fund financial statements for 2006 include information about both the original budget as adopted by the Board of Aldermen and the final budget as amended during the year. During 2006, the Board amended the budget on four occasions for the following purposes:

1. To appropriate money for capital projects originally included in the 2005 budget that would not be completed until 2006. Resolution 06-04 increased citywide budgeted expenditures by \$2,530,700.
2. To adjust the budget at mid-year to update estimates based on the results of operations for the first six months of 2006. Resolution 06-11 increased budgeted citywide revenues by \$47,772,200 while increasing budgeted expenditures by \$50,161,200. The majority of the mid-year budget amendments were required in order to account for the proceeds and uses of the \$48,000,000 in TIF Revenue Refunding bonds issued on April 13, 2006.
3. To provide funding for the Old Highway 141 street improvement project. Resolution 06-12 increased budgeted expenditures by \$445,100.
4. To adjust the final year-end budget to account for unplanned expenditures and revenues. Resolution 07-02 increased citywide budgeted revenues by \$257,600 and increased citywide budgeted expenditures by \$283,500.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 – UNAUDITED

CAPITAL ASSET AND DEBT ADMINISTRATION

As of December 31, 2006, the City of Fenton's investment in capital assets was approximately \$50,471,000 (net of accumulated depreciation), an increase of \$124,000 or less than 1%.

City of Fenton, Missouri			
Capital Assets (Net of Depreciation)			
	Governmental Activities		
	2006	2005	
Land	\$ 15,839,053	\$ 15,838,853	
Land Improvements	1,218,646	1,316,615	
Buildings	16,484,739	17,055,179	
Building Improvements	151,139	156,355	
Machinery and equipment	452,845	467,874	
Infrastructure	14,144,025	14,053,475	
Construction in progress	2,180,650	1,458,015	
Total Net Assets	<u>\$ 50,471,097</u>	<u>\$ 50,346,366</u>	

At December 31, 2006, the total long-term debt of the city was \$75,090,000:

City of Fenton, Missouri			
Outstanding Debt			
	Governmental Activities		
	2006	2005	
Fenton Crossing TIF Bonds - Series 2000	\$ 7,800,000	\$ 8,460,000	
Gravois Bluffs TIF Bonds - Series 2001	-	31,490,000	
Gravois Bluffs TIF Bonds - Series 2002	-	16,015,000	
Gravois Bluffs TIF Refunding Bonds - Series 2006	48,635,000	-	
PFA Bonds - Series 2003	4,890,000	5,295,000	
Certificates of Participation - Series 1997	935,000	1,825,000	
Certificates of Participation - Refunding Series 2003	12,830,000	12,945,000	
Total Net Assets	<u>\$ 75,090,000</u>	<u>\$ 76,030,000</u>	

State statutes limit the amount of general obligation bonds a governmental entity may issue to 10% of its total assessed value. Based on a 2006 assessed value of approximately \$347,643,000, the City of Fenton's legal debt limit is \$34,764,000. None of the above listed debt is included in the calculation of the city's legal debt margin because none of the above debt is general obligation debt. All of the above debt is payable solely from specific revenue sources such as sales taxes.

Total debt outstanding decreased by \$940,000 during 2006.

During 2006, the City issued \$48,635,000 in Gravois Bluffs TIF refunding revenue bonds to advance refund the Series 2001 and Series 2002 Gravois Bluffs TIF bonds. This refunding was done to remove restrictive bond covenants that required all Gravois Bluffs TDD sales tax receipts be dedicated to repayment of TIF debt. Under the 2006 Series, only the top 50% of TDD sales tax receipts goes toward repayment of TIF debt, while the bottom 50% goes to the TDD to pay off bonds to be issued to construct the Summit Road extension project. This refunding resulted in an economic loss of \$1,332,000, but removed the requirement that the City build Summit Road at an estimated cost of \$18,000,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006 – UNAUDITED

2007 BUDGET

The 2007 budget as approved in December 2006 designated \$3,418,000 from the General Fund capital reserve account to be used for one-time capital projects within the next three fiscal years. This leaves approximately \$756,000 in the General Fund capital reserve account for future capital projects. The 2007 budget projects ending unreserved, undesignated fund balance in General Fund will be approximately \$2,890,000.

The 2007 budget did not appropriate any money from the Storm Water/Parks Fund capital reserve account. This leaves approximately \$313,000 in the Storm Water/Parks capital reserve account for future capital projects. The 2007 budget projects ending fund balance reserved for Storm Water/Parks usage will be approximately \$1,527,000.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Fenton's finances for those with an interest in the finances of the city. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to:

Art DeWitt CPFO
Finance Director
City of Fenton, Missouri
625 New Smizer Mill Road
Fenton, Missouri 63026
Phone 636-343-2080 Ext. 1106

BASIC FINANCIAL STATEMENTS

CITY OF FENTON, MISSOURI

Statement of Net Assets
December 31, 2006

	Governmental Activities
ASSETS	
Cash	\$ 229,931
Investments	7,615,987
Receivables	1,829,691
Prepaid items	127,096
Restricted assets	
Cash	2,588,716
Investments	12,046,111
Receivables	3,242,643
Deferred charges - bond issue costs	1,051,113
Capital assets not subject to depreciation	
Land	15,839,053
Construction in progress	2,180,650
Capital assets - net of accumulated depreciation	
Land improvements	1,218,646
Buildings	16,484,739
Building improvements	151,139
Machinery and equipment	452,845
Infrastructure	14,144,025
Total Assets	\$ 79,282,385
LIABILITIES	
Accounts payable and other current liabilities	\$ 337,183
Deposits	102,017
Accrued interest payable	940,643
Unearned revenue	402,929
Non-current liabilities:	
Due within one year	5,913,750
Due in more than one year	64,430,716
Total Liabilities	\$ 72,127,238
NET ASSETS	
Invested in capital assets, net of related debt	\$ 31,816,097
Net assets restricted for:	
Storm water/parks and recreation	1,908,473
Debt service	14,959,456
Capital projects	1,875,353
Unrestricted	(43,484,232)
Total Net Assets	\$ 7,075,147

The notes to the financial statements are an integral part of this statement

CITY OF FENTON, MISSOURI

Statement of Activities
For The Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Total
					Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 1,940,822	\$ 35,466	\$ -	\$ 189,057	\$ (1,716,299)
Community Development	441,228	67,499	-	-	(373,729)
Police Services	2,085,059	342,980	-	-	(1,742,079)
Public Works	2,907,203	-	-	-	(2,907,203)
Storm Water/Parks and Recreation	3,225,339	1,966,988	-	200	(1,258,151)
Debt Service Expenditures	4,003,048	-	-	-	(4,003,048)
Total Governmental Activities	<u>\$ 14,602,699</u>	<u>\$ 2,412,933</u>	<u>\$ -</u>	<u>\$ 189,257</u>	<u>\$ (12,000,509)</u>
General Revenues:					
					25,530
					11,070,440
					1,857,572
					3,635,386
					1,038,892
					104,923
					11,887
					<u>17,744,630</u>
					5,744,121
					<u>1,331,026</u>
					\$ 7,075,147

The notes to the financial statements are an integral part of this statement

CITY OF FENTON, MISSOURI

Balance Sheet
Governmental Funds
As of December 31, 2006

	General Fund	Storm Water/Parks Fund	Gravois Bluffs TIF Fund	Fenton Crossing TIF Fund	Olde Towne Improvements Fund	Total Governmental Funds
ASSETS & OTHER DEBITS						
Cash & Investments	\$ 6,055,836	\$ 1,790,082	\$ -	\$ -	\$ -	\$ 7,845,918
Cash & Investments - Restricted	97,774	2,492,074	8,843,676	1,325,950	1,875,353	14,634,827
Accrued Interest	41,168	14,484	31,247	-	-	86,899
Accounts Receivable	1,246,682	541,841	2,704,792	492,120	-	4,985,435
Prepaid Items	88,120	38,976	-	-	-	127,096
TOTAL ASSETS	\$ 7,529,580	\$ 4,877,457	\$ 11,579,715	\$ 1,818,070	\$ 1,875,353	\$ 27,680,175
LIABILITIES & FUND EQUITY						
Liabilities						
Accounts Payable	\$ 141,329	\$ 150,605	\$ -	\$ -	\$ -	\$ 291,934
Accrued Payroll	34,976	10,273	-	-	-	45,249
Deposits Payable	97,774	4,243	-	-	-	102,017
Deferred Revenue	101,380	301,549	-	-	-	402,929
Total Liabilities	375,459	466,670	-	-	-	842,129
Fund Equity						
Fund Balances:						
Reserved:						
Prepaid Items	88,120	38,976	-	-	-	127,096
Storm Water/Parks	-	1,362,260	-	-	-	1,362,260
Debt Service	-	2,502,314	11,579,715	1,818,070	-	15,900,099
Capital Projects	-	-	-	-	1,875,353	1,875,353
Designated:						
Capital Projects	4,174,049	313,537	-	-	-	4,487,586
Projects to be Carried to 2007	169,000	193,700	-	-	-	362,700
Unreserved/Undesignated	2,722,952	-	-	-	-	2,722,952
Total Fund Balance	7,154,121	4,410,787	11,579,715	1,818,070	1,875,353	26,838,046
TOTAL LIABILITIES & FUND EQUITY	\$ 7,529,580	\$ 4,877,457	\$ 11,579,715	\$ 1,818,070	\$ 1,875,353	\$ 27,680,175

The notes to the financial statements are an integral part of this statement

CITY OF FENTON, MISSOURI

Reconciliation of the Balance Sheet
of Governmental Funds to the
Statement of Net Assets
As of 12/31/2006

Total Fund Balance of All Governmental Funds	\$	26,838,046
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Amounts Reported on The Statement of Net Assets Differ Because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds balance sheet. The cost of capital assets was \$75,995,098 and the accumulated depreciation was \$25,524,001.		50,471,097
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Deferred charges for bond issue costs are not current financial resources and, therefore, are not reported in the funds balance sheet. These charges will be amortized as interest expense over the life of the bonds.		1,051,113
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Deferred charges for bond refunding costs are not current financial resources and, therefore, are not reported in the funds balance sheet. These costs will be amortized as interest expense over the life of the debt.		4,898,700
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Compensated Absences are not due and payable in the current period and, therefore, are not reported as liabilities in the funds balance sheet.		(153,166)
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Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds balance sheet.

Long-term liabilities at the end of 2006 consisted of:

Accrued interest payable		(940,643)
TIF bonds payable		(56,435,000)
Certificated of participation payable		(13,765,000)
PFA bonds payable		(4,890,000)
		(19,762,899)

Net Adjustments		(19,762,899)
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Net Assets of Governmental Activities Per Statement of Net Assets	\$	7,075,147
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The notes to the financial statements are an integral part of this statement

CITY OF FENTON, MISSOURI

Statement of Revenues, Expenditures and Changes In Fund Balance
Governmental Funds
For The Year Ended December 31, 2006

	General Fund	Storm Water/Parks Fund	Gravois Bluffs TIF Fund	Fenton Crossing TIF Fund	Olde Towne Improvements Fund	Total Governmental Funds
REVENUES						
Licenses & Permits	\$ 93,029	\$ -	\$ -	\$ -	\$ -	\$ 93,029
Gross Receipts Taxes	1,820,689	-	29,224	7,659	-	1,857,572
Sales Taxes	2,839,574	3,184,662	4,218,525	827,679	-	11,070,440
County Road & Bridge Tax	488,944	-	-	-	-	488,944
Gasoline & Motor Vehicle Tax	155,839	-	-	-	-	155,839
Cigarette Tax	15,430	-	-	-	-	15,430
Police Services	106,232	-	-	-	-	106,232
Intergovernmental	27,493	-	2,455,982	385,467	-	2,868,942
Grants	673	-	-	-	-	673
Municipal Court Fines & Fees	342,980	-	-	-	-	342,980
Charges For Services	35,466	1,966,988	-	-	-	2,002,454
Investment Income	329,398	210,817	361,062	61,849	75,766	1,038,892
Miscellaneous	95,867	-	-	-	-	95,867
Total Revenues	6,351,614	5,362,467	7,064,793	1,282,654	75,766	20,137,294
EXPENDITURES						
Current Expenditures						
General Governmental	1,686,476	-	82,000	30,000	300	1,798,776
Community Development	402,221	-	-	-	-	402,221
Public Safety	2,085,059	-	-	-	-	2,085,059
Public Works	1,009,763	-	-	-	-	1,009,763
Storm Water Improvements	262,384	403,552	-	-	-	665,936
Storm Water Maintenance	-	55,195	-	-	-	55,195
Parks & Recreation	-	2,669,324	-	-	-	2,669,324
Debt Service						
Principal	-	1,410,000	3,390,000	660,000	-	5,460,000
Interest	-	717,665	2,589,622	580,656	-	3,887,943
Trustee Fees	-	13,770	5,936	3,449	-	23,155
Capital Outlay	1,143,310	10,142	-	-	689,596	1,843,048
Total Expenditures	6,589,213	5,279,648	6,067,558	1,274,105	689,896	19,900,420
Excess (Deficiency) of Revenues Over (Under) Expenditures	(237,599)	82,819	997,235	8,549	(614,130)	236,874
OTHER FINANCING SOURCES (USES)						
Sale of Assets	9,056	-	-	-	-	9,056
Insurance Reimbursements	11,886	-	-	-	-	11,886
Bond Refunding	-	-	48,635,000	-	-	48,635,000
Bond Premium	-	-	470,483	-	-	470,483
Bond Issue Costs	-	-	(823,551)	-	-	(823,551)
Advance Refunding Escrow	-	-	(49,010,785)	-	-	(49,010,785)
Total Other Financing Sources and Uses	20,942	-	(728,853)	-	-	(707,911)

CITY OF FENTON, MISSOURI

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For The Year Ended 12/31/2006

Net Changes In Fund Balance Per Statement of Revenues and Expenditures \$ (471,037)

Amounts reported for governmental activities in the state of activities differ because:

Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of these assets is allocated over their estimated useful life and reported as depreciation expense. This is the amount by which depreciation (\$1,849,798) exceeded capital outlay costs (\$1,843,048) in the current period. (6,750)

Bond issue costs are reported in governmental funds as expenditures. However, in the statement of activities, the cost of this action is allocated over the life of the bonds and reported as interest expense. This is the difference between between 2006 bond issue costs reported in government funds (\$823,552) and the amount reported as interest expense in the statement of activities (\$262,443) 561,109

Bond issue costs are reported in governmental funds as expenditures in the year the bonds are issued. In the statement of activities, the cost of this action is allocated over the life of the bonds and reported annually as interest expense. This is the amount of reported as interest expense in 2006 that relates to bond issue costs related to prior years. (87,584)

Governmental funds report bond refunding receipts as other financing sources and the deposit of the receipts into an advance refunding account as other financing uses, but the statement of activities does not take these items into account. This is the difference between bond refunding receipts (\$49,105,483) and the amount deposited into an escrow account (\$49,010,785) (94,698)

Donated assets are not reported in governmental funds. However, the statement of activities treats them as revenue from capital donations. 188,584

Assets that were retired before the end of their useful lives have no impact on the governmental funds. However, this action is reported as a loss on disposal of assets in the statement of activities. (57,103)

Compensated absences are reported in the Statement of Activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds (6,474)

The repayment of debt consumes the current financial resources of governmental funds, however, it has no effect on net assets. The net effect of these transactions is:

Accrued interest payable	258,074
Bond principal payments	5,460,000
Net Adjustments	<u>6,215,158</u>

Changes In Net Assets Per The Statement of Activities \$ 5,744,121

The notes to the financial statements are an integral part of this statement

CITY OF FENTON, MISSOURI

General Fund
Statement of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual
For The Year Ended December 31, 2006

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Licenses & Permits	\$ 69,100	\$ 69,100	\$ 93,029	\$ 23,929
Gross Receipts Taxes	1,807,400	1,807,400	1,820,689	13,289
Sales Taxes	2,878,900	2,878,900	2,839,574	(39,326)
County Road & Bridge Tax	404,000	404,000	488,944	84,944
Gasoline & Motor Vehicle Tax	152,500	152,500	155,839	3,339
Cigarette Tax	15,800	15,800	15,430	(370)
Police Services	126,300	126,300	106,232	(20,068)
Intergovernmental	31,600	31,600	27,493	(4,107)
Municipal Court Fines & Fees	348,800	348,800	342,980	(5,820)
Investment Income	100,000	100,000	329,398	229,398
Charges For Services	35,900	35,900	35,466	(434)
Miscellaneous	87,000	82,000	95,867	13,867
Grants	63,700	24,000	673	(23,327)
Total Revenues	6,121,000	6,076,300	6,351,614	275,314
EXPENDITURES				
General Government				
Board of Aldermen	43,700	55,700	53,672	2,028
City Administrator	1,152,300	1,112,300	984,965	127,335
City Clerk	73,500	73,500	68,137	5,363
Human Resources	102,400	102,400	82,583	19,817
Municipal Court	181,300	184,300	177,050	7,250
Finance	157,800	159,800	159,192	608
Information Services	182,900	197,900	160,877	37,023
Total General Government	1,893,900	1,885,900	1,686,476	199,424
Community Development				
Community Development	294,800	322,800	288,171	34,629
Economic Development	83,600	51,000	50,752	248
Project Manager	66,200	71,200	63,298	7,902
Total - Community Development	444,600	445,000	402,221	42,779
Police Services	2,095,500	2,097,500	2,085,059	12,441
Public Works	1,481,800	1,329,400	1,009,763	319,637
Storm Water Improvements	-	-	262,384	(262,384)
Total Operating Expenditures	5,915,800	5,757,800	5,445,903	311,897
Capital Expenditures	1,557,000	1,709,500	1,143,310	566,190
Total Expenditures	7,472,800	7,467,300	6,589,213	878,087
Excess of Revenues Over (Under) Expenditures	(1,351,800)	(1,391,000)	(237,599)	1,153,401
Other Financing Sources (Uses)				
Sale of Assets	-	5,000	9,056	4,056
Insurance Proceeds	-	-	11,886	11,886
Total - Other Financing Sources (Uses)	-	5,000	20,942	15,942
Net Change in Fund Balance	(1,351,800)	(1,386,000)	(216,657)	1,169,343
Fund Balance - Beginning	7,370,778	7,370,778	7,370,778	-
Fund Balance - Ending	\$ 6,018,978	\$ 5,984,778	\$ 7,154,121	\$ 1,169,343

The notes to the financial statements are an integral part of this statement

CITY OF FENTON, MISSOURI

Storm Water/Parks Fund

Statement of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual
For The Year Ended December 31, 2006

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Sales Taxes	\$3,159,000	\$ 3,159,000	\$3,184,662	\$ 25,662
Parks and Recreation Fees	265,000	313,100	313,156	56
RiverChase Revenues	1,584,000	1,643,100	1,643,178	78
Special Events	10,000	10,000	10,654	654
Investment Income	73,000	149,000	210,817	61,817
Grants	33,700	-	-	-
Total Revenues	5,124,700	5,274,200	5,362,467	88,267
EXPENDITURES				
Parks and Recreation	767,000	788,100	785,102	2,998
RIverChase	1,937,000	1,916,900	1,834,965	81,935
Building Maintenance	65,000	67,500	3,756	63,744
Special Events	54,000	54,000	45,501	8,499
Storm Water Maintenance	27,000	55,400	55,195	205
Total Operating Expenditures	2,850,000	2,881,900	2,724,519	157,381
Debt Service Payments	2,139,000	2,145,900	2,141,435	4,465
Storm Water Improvements	-	461,600	403,552	58,048
Capital Expenditures	75,400	75,000	10,142	64,858
Total Non Operating Expenditures	75,400	536,600	413,694	122,906
Total Expenditures	5,064,400	5,564,400	5,279,648	284,752
Excess of Revenues Over (Under) Expenditures	60,300	(290,200)	82,819	373,019
Fund Balance - Beginning	4,327,968	4,327,968	4,327,968	-
Fund Balance - Ending	<u>\$4,388,268</u>	<u>\$ 4,037,768</u>	<u>\$4,410,787</u>	<u>\$ 373,019</u>

The notes to the financial statements are an integral part of this statement

CITY OF FENTON, MISSOURI

Statement of Net Assets - Fiduciary Fund Types
Police Pension Trust Fund
As Of December 31,2006

	Police Pension Fund
ASSETS	
Deposits Held With Trustees	\$ 25,254
TOTAL ASSETS	<u>\$ 25,254</u>
NET ASSETS	
Held in trust for police pension benefits	<u>\$ 25,254</u>

The notes to the financial statements are an integral part of this statement

CITY OF FENTON, MISSOURI

Statement of Changes In Fiduciary Net Assets
Police Pension Trust Fund
For The Year Ended December 31, 2006

<u>ADDITIONS</u>	
Investment Earnings	<u>\$ 1,082</u>
 DEDUCTIONS	
Administrative Fees	<u>\$ 452</u>
 Changes in Net Assets	 \$ 630
Net assets - beginning	<u>\$ 24,624</u>
Net assets - ending	<u><u>\$ 25,254</u></u>

The notes to the financial statements are an integral part of this statement

CITY OF FENTON, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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 the 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 activities and general administrative services. St. Louis County provides police protection on a contract basis.

The financial statements of the City have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles.

The 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 # 14 and Statement # 39. The City is the primary government unit. Component units are those entities, which are financially accountable to the primary government, either because the component unit will provide a financial benefit to, or impose a financial burden on, the primary government. The City of Fenton has one component unit as noted below.

Blended Component Unit: The City of Fenton, Missouri Public Facilities Authority is included in the financial statements of the City of Fenton as a blended component unit. Criteria for including an entity as a blended component unit 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 Public Facilities Authority has been determined to be a component unit of the City of Fenton. Its purpose is to act on behalf of the City in its acquisition, construction, improvement, extension, repair, remodeling 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.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., *the statement of net assets and the statement of changes in net assets*) report information on all of the non-fiduciary activities of the City of Fenton and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support.

CITY OF FENTON, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2006

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Sales taxes, franchise taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the city.

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

CITY OF FENTON, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

The city reports the following major governmental funds:

The General Fund is the city's primary operating fund. It accounts for all financial resources of the city, except for those that are required to be accounted for in another fund.

The Storm Water/Parks Fund is a special revenue fund and accounts for the resources accumulated for the operations and capital needs of the city's parks and storm water systems as well the financial resources accumulated to make the debt service payments on the Certificates of Participation and PFA bonds issued by the City. The major funding source for this fund is a ½% sales tax that is restricted by law to only be used for parks operations or storm water improvements.

The Gravois Bluffs TIF Debt Service Fund accounts for the resources accumulated and the payments made for principal and interest on the TIF bonds that were issued for the Gravois Bluffs shopping center project.

The Fenton Crossing TIF Debt Service Fund accounts for the resources accumulated and the payments made for principal and interest on the TIF bonds that were issued for the Fenton Crossing shopping center project.

The Olde Towne Capital Improvements Fund accounts for the proceeds of the TIF bonds issued to pay for improvements to the Olde Towne road system and the extension of Summit Road.

Additionally, the city reports the following fund types:

Police Employees Pension Trust Fund – This fund is used to account for a deposit administration contract with the Equitable Life Assurance Society of the United States. The value of the assets and changes therein has been reported at an amount that represents contributions to the plan plus investment income credited, less benefit and termination payments and administration charges.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

The effect of inter-fund activity has been eliminated from the government-wide financial statements.

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

CITY OF FENTON, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less.

The City's investment policies conform to Missouri Statute 30.260 that authorize the deposit of funds in banks and trust companies or investment 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 market value, which is determined based on the last reported sales price as noted on the national exchange.

There is additional information regarding deposits and investments under Footnote Section III A of this report.

2. Due To/From Other Funds

All outstanding balances between funds outstanding at the end of the year are referred to as "due to/from other funds". As of December 31, 2006, the City had no outstanding balances between funds.

3. Inventories and Prepaid Items

Certain payments made to vendors during 2006 reflect costs that are applicable to future accounting periods and recorded as prepaid items in both the government-wide and fund financial statements.

The City had no material inventory of supplies on hand as of December 31, 2006.

4. Restricted Assets

Certain proceeds and resources of the City are classified as restricted assets on the balance sheet because these resources are maintained in separate bank accounts or their use is restricted by applicable bond covenants. The General Fund reports restricted resources that represent bonds received from defendants in Municipal Court pending a hearing before the Municipal Court judge and for deposits received from developers for permits that will be refunded upon completion of the construction covered by the permit. The Storm Water/Parks Fund reports restricted resources that are set aside for debt service payments on the series 1997 and series 2004 certificates of participation and the series 2003 PFA bonds. The Gravois Bluffs TIF Fund is used to account for resources set aside for debt service payments on the series 2006 Gravois Bluffs TIF refunding bonds. The Fenton Crossing TIF Fund is used to account for resources set aside for debt service payments on the series 2000 Fenton Crossing TIF bonds. The Olde Towne Capital Project Fund is used to account for the proceeds of TIF bonds issued that are restricted to only being used for capital improvements to the Olde Towne road system and the extension of Summit Road.

CITY OF FENTON, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The City defines capital assets as assets with initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. During 2006 the City made a prior period adjustment to add the value of bridges. This adjustment increased assets by \$131,000 and increased accumulated depreciation by \$131,000. There was therefore no net change in assets from prior period adjustments.

In the case of the initial capitalization of general infrastructure assets the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriated price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

In the case of donations, the City values these capital assets at the estimated fair value of the item at the date of donation. During 2006, the City accepted Fenton Meadows Court from the developer of Fenton Meadows as a new street at an estimated cost of \$188,000.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	50
Building Improvements	5 - 25
Land Improvements	10 - 25
Machinery & Equipment	4 - 20
Infrastructure	7 - 50

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits.

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

<u>Years of 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 THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2006

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 in the government-wide financial statements. A liability for these amounts is reported in the government funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick leave accrues at the rate of 80 hours per year of continuous service. As 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 be accrued to a maximum of 960 hours. On December 1 of each year employees with two or more years of continuous service may sell back to the City up to one third of their unused sick leave for the period of November 30 to December 1. These hours are then subtracted from the accrued sick leave balance for that employee. An employee who retires, resigns or is terminated after five years of continuous service is paid for one-half of their accrued sick leave (computed at the employee's current rate of pay), up to a maximum of 480 hours. Accordingly, one-half of the accrued sick leave for employees with five or more years of continuous service has been recorded as a liability in the government-wide financial statements.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as any bond issue costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issue costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. In addition, payments made to an escrow agent for advance refunding of bonds is reported as other financing uses. Bond issue costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent management plans that are subject to change.

CITY OF FENTON, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. All annual appropriations lapse at the end of each year.

Department heads prepare the appropriated budget by fund, function, and department. Department heads are responsible for keeping expenditures within the confines of the total department budget although individual line items may exceed budget so long as the total appropriations for the department are not exceeded. The legal level of budgetary control is the fund level.

During 2006, the Board of Aldermen made the following budget amendments:

Resolution # 06-04 - Increased the expenditure budget by \$2,530,700 for projects originally included in the 2005 budget that were not completed by the end of 2005.

Resolution # 06-11 – Increased citywide revenues by \$47,772,200 and increased citywide expenditures by \$50,161,200 in order to modify the 2006 budget based on the mid-year review of activity through June 30. This is an annual process that the Board of Aldermen performs to try and match budget expectations with on-going performance.

Resolution 06-12 – Increased citywide expenditures by \$445,100 to provide funding for the Old Highway 141 street improvement project.

Resolution 07-02 increased citywide revenues by \$257,600 and increased citywide expenditures by \$283,500 in order to account for revenues and expenditures not included in the original budget. This is an annual year-end process the Board of Aldermen performs to insure that revenues and expenditures remain in balance based on actual results of operations.

Encumbrance accounting is employed in all funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end lapse and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

B. Excess of Expenditures Over Appropriations

Because of Resolution 07-02 expenditures did not exceed appropriations in any fund during 2006.

CITY OF FENTON, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Missouri state law governs the deposit and investment limitations of the City of Fenton. As allowed under state law, the City's written investment policy authorizes the following type of investments:

- a. United States Treasury Securities for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- b. United States Government Agency Obligations, including:
 - U.S. Government Agency Discount Notes purchased at a discount with maximum maturities of ten (10) years.
 - U.S. Government Agency Callable Securities with maximum maturities of ten (10) years.
- c. Repurchase agreements with commercial banks or government securities dealers. The purchaser in a repurchase agreement enters into a contractual agreement to purchase U.S. Treasury and government agency securities while simultaneously agreeing to resell the securities at predetermined dates and prices.
- d. Collateralized public deposits (Certificates of Deposit) issued by financial institutions, which state that specified sums have been deposited for specified periods of time, and at specified rates of interest. The certificates of deposit are required to be backed by acceptable collateral securities as dictated by state statute.
- e. Insured money market accounts that are collateralized by acceptable collateral as dictated by state statute.
- f. Bank Acceptances issued by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc or Standard and Poor's Corporation and that do not exceed ninety (90) days in length.
- g. Governmental Mutual Funds that invest solely in government backed securities and that have an average short-term investment horizon of less than one year. Investment in such funds cannot exceed 25% of the total investment portfolio.

CITY OF FENTON, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

The deposits and investments held at December 31, 2006, and reported at fair value, are as follows:

Deposits:

Demand Deposits	\$ 335,399
Cash on Hand	3,460
Money Market Accounts	1,878,983
Overnight REPO Account	400,000
Nonnegotiable Certificates of Deposit	569,360
	<u>3,187,202</u>

Investments:

Federal Home Loan Bank (FHLB)	2,936,829
Fidelity Treasury Fund	4,824,415
Federal Home Loan Mortgage Corporation (FHLMC)	7,145,406
Guaranteed Investment Contract (GIC)	1,708,400
Federal National Mortgage Association (FNMA)	1,783,716
Goldman Sachs Ultra Short Duration Government Mutual Fund	529,399
Federal Farm Credit Bank (FFCB)	282,550
Financial Square Treasury Trust Fund	82,828
	<u>19,293,543</u>

Total Deposits and Investments	<u><u>\$ 22,480,745</u></u>
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Reconciliation to the Financial Statements:

Statement of Net Assets	
Cash and Investments	\$ 7,845,918
Restricted Cash	2,588,716
Restricted Investments	<u>12,046,111</u>

Total Deposits and Investments Per The Statement of Net Assets	<u><u>\$ 22,480,745</u></u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Per state law and the City investment policy, all demand deposits or certificates of deposit must be collateralized by government securities for all amounts in excess of the FDIC insurance limit. As of December 31, 2006 all City deposits were either insured or collateralized.

Custodial Credit Risk – Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or the collateral securities that are in the possession of the outside party. The City's policy to minimize credit risk is to pre-qualify the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business. The City's investments were not exposed to custodial credit risk this year

CITY OF FENTON, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

Investment Interest Rate Risk – As of December 31, 2006 the City had the following investments and maturities:

Investment Type	Fair Value	Less Than 3 Yrs	4 -7 Yrs	Over 8 Yrs
Government and Agency Securities	\$ 12,148,501	\$ 11,201,744	\$ -	\$ 946,757
Mutual Funds	5,436,642	5,436,642		
Guaranteed Investment Contract	1,708,400		1,708,400	
Totals	\$ 19,293,543	\$ 16,638,386	\$ 1,708,400	\$ 946,757
Percentage	100.00%	86.24%	8.85%	4.91%

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the maturities of operating fund investments in the portfolio as follows:

Maturity	Minimum	Maximum
One to Three Years	25.00%	100.00%
Four to Seven Years	0.00%	50.00%
More Than Eight Years	0.00%	25.00%

Investment Credit Risk – The City's investment policy and state law limit its investment choices, as documented above. At December 31, 2006, the City's investments in U.S. Agency obligations not directly guaranteed by the U.S. Government and investments in money market accounts were rated as follows:

Investment Type	Credit Rating	Amount
Government Agency Securities	AAA	\$ 12,148,501
Fidelity Treasury Mutual Fund	AAA	4,824,415
Goldman Sachs Mutual Fund	AAA	529,399
Financial Square Treasury Mutual Fund	Aaa	82,828

Concentration of Investment Credit Risk – Concentration of credit risk is required to be disclosed by the City for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments).

The City places no limits on the amount it may invest in any one issuer; however, it is the City's policy to diversify the portfolio so that potential losses on individual securities will be minimized. At December 31, 2006, the City had the following investments that were more than 5% of the City's total investments:

Investment	Amount	Percent
Guaranteed Investment Contract	\$ 1,708,400	8.85%
Federal Home Loan Mortgage Corp	\$ 1,192,743	6.18%
Federal Home Loan Mortgage Corp	\$ 1,116,574	5.79%
Federal National Mortgage Assoc	\$ 1,010,940	5.24%
Federal Home Loan Mortgage Corp	\$ 993,810	5.15%
Federal Home Land Bank Note	\$ 993,170	5.15%
Federal Home Land Bank Note	\$ 985,499	5.11%

CITY OF FENTON, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

B. Receivables and Deferred Revenue

As of December 31, 2006 citywide receivables are as follows:

Receivable	Fenton				Total
	General Fund	Parks/Storm Water Fund	Gravois Bluffs TIF Fund	Crossing TIF Fund	
Miscellaneous	\$ 131,682	\$ 545	\$ -	\$ -	\$ 132,227
Sales Taxes	677,141	528,745	693,489	141,998	2,041,373
Road & Bridge Taxes	284,118	-	-	-	284,118
Grants	672	-	-	-	672
Gross Receipts Taxes	153,069	-	-	-	153,069
Accrued Interest	41,168	14,484	31,247	-	86,899
Customer Accounts	-	12,551	-	-	12,551
Property Taxes	-	-	2,011,303	350,122	2,361,425
Total	\$ 1,287,850	\$ 556,325	\$ 2,736,039	\$ 492,120	\$ 5,072,334

Governmental funds report *deferred revenue* in connection with resources that have been received, but not yet earned. As of December 31, 2006 the General Fund reported \$101,000 as money that has been received for: 1) \$1,000 of rent received in December 2006 from Nextel for tower rental for January 2007 and 2) \$100,000 received from Daimler Chrysler Corporation for gross receipts revenue that will be foregone during 2007 when the two auto plants in Fenton are shut down for several months in connection with the planned plant upgrades described more fully under the footnote of conduit debt later in this report. The Storm Water/Parks Fund reported \$301,000 in money that had been received from customers for classes to be held in 2007 and for memberships that will be used during 2007.

C. Property Taxes

The City's property tax is levied each September based on the assessed value listed by St. Louis County as of the prior January 1 for all real and personal property located in the City. Property taxes attach as an enforceable lien as of January 1 of each year. The City has historically voluntarily reduced the property tax rate to zero. Therefore, there are no outstanding taxes receivable as of December 31, 2006.

D. Insurance Programs

The City, along with various other local municipal governments, participates in an insurance trust – the 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 the estimated costs of claims and establish reserves for claims from each participant in the trust. 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 pro-rata 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 coverage in any of the last three years.

CITY OF FENTON, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2006

E. Capital Assets

Capital asset activity for the year ended December 31, 2006 was as follows:

Account	Balance 01/01/2006	Prior Period Adjustments	Balance 01/01/2006	2006 Additions	2006 Deletions	Ending Balance
Land	\$ 15,838,853	\$ -	\$ 15,838,853	\$ 200	\$ -	\$ 15,839,053
Construction In Progress	1,458,015	-	1,458,015	1,998,672	(1,276,037)	2,180,650
Land Improvements	2,509,049	-	2,509,049	-	-	2,509,049
Buildings	21,509,418	-	21,509,418	-	-	21,509,418
Building Improvements	190,219	-	190,219	-	-	190,219
Machinery & Equipment	1,620,385	-	1,620,385	108,492	(75,905)	1,652,972
Infrastructure	31,487,056	131,010	31,618,066	1,961,047	(1,465,376)	32,113,737
Total Assets	\$ 74,612,995	\$ 131,010	\$ 74,744,005	\$ 4,068,411	\$ (2,817,318)	\$ 75,995,098
Acc Deprec - Land Improvements	\$ (1,192,434)	\$ -	\$ (1,192,434)	\$ (97,969)	\$ -	\$ (1,290,403)
Acc Deprec - Buildings	(4,454,239)	-	(4,454,239)	(570,440)	-	(5,024,679)
Acc Deprec - Bldg Improvements	(33,864)	-	(33,864)	(5,215)	-	(39,079)
Acc Deprec - M & E	(1,152,511)	-	(1,152,511)	(121,790)	74,174	(1,200,127)
Acc Deprec - Infrastructure	(17,433,581)	(131,010)	(17,564,591)	(1,054,384)	649,262	(17,969,713)
	\$ (24,266,629)	\$ (131,010)	\$ (24,397,639)	\$ (1,849,798)	\$ 723,436	\$ (25,524,001)
Net Assets	\$ 50,346,366	\$ -	\$ 50,346,366	\$ 2,218,613	\$ (2,093,882)	\$ 50,471,097

Depreciation expense was charged to functions/programs of the primary government as follows:

	2006
Function	Depreciation
General Government	\$ 78,467
Community Development	39,007
Public Works	1,176,309
Parks and Recreation	556,015
	<u>\$ 1,849,798</u>

GASB Statement 34 requires the City to report and depreciate new infrastructure assets, effective with fiscal year 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. As of December 31, 2006, the retroactive reporting has been completed for all infrastructure assets.

F. Construction Commitments

The City has active construction projects as of December 31, 2006. The projects include reconstruction of existing streets and bridges. The City's commitments with contractors at the end of 2006 are as follows:

Old Highway 141 Street Improvements	\$ 168,200
Yarnell/Larkin Williams Intersection	<u>\$ 1,800</u>
Total Contract Commitments	<u>\$ 170,000</u>

All of the above commitments are being financed from reserves set aside by the Board of Aldermen for the express purpose of making capital improvements in the City.

CITY OF FENTON, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

G. Lease Commitments

The City leases two office copiers under non-cancelable operating leases. The lease for the copier located at City Hall costs \$216 per month and runs from May 19, 2003 to May 19, 2008. The lease for the copier at RiverChase costs \$216 per month and runs from March 15, 2004 to March 15, 2009.

In addition, the City leases a postage meter and scale for \$187 per month, with the agreement running through April 1, 2006. A new lease was entered into in February 2006 for \$179 per month with the agreement running from April 1, 2006 to March 31, 2011.

Total costs for such leases were \$7,356 for the year ended December 31, 2006. The future minimum lease payments on these leases is as follows:

Year Ending December 31	Amount
2007	\$ 7,332
2008	\$ 5,820
2009	\$ 2,796
2010	\$ 2,148
2011	\$ 537

H. Long-Term Debt

As of December 31, 2006 the City has the following outstanding long-term liabilities:

CITY OF FENTON, MISSOURI
RECAP OF LONG-TERM LIABILITIES
AS OF 12/31/2006

Name	Balance 01/01/2006	Additions	Retirements	Balance 12/31/2006	Due Within One Year
Gravois Bluffs TIF - Series 2002	\$ 16,015,000	\$ -	\$ 16,015,000	\$ -	\$ -
Gravois Bluffs TIF - Series 2001	31,490,000	-	31,490,000	-	-
Gravois Bluffs TIF - Series 2006	-	48,635,000	-	48,635,000	4,090,000
Fenton Crossing TIF - Series 2000	8,460,000	-	660,000	7,800,000	470,000
Total - TIF Debt	55,965,000	48,635,000	48,165,000	56,435,000	4,560,000
PFA Bonds	5,295,000	-	405,000	4,890,000	430,000
Certificates of Participation	14,770,000	-	1,005,000	13,765,000	1,055,000
Total - Other Debt	20,065,000	-	1,410,000	18,655,000	1,485,000
Unamortized Premium, net	-	470,484	23,524	446,960	23,524
Deferred Amount on Refunding, net	(757,815)	(4,895,785)	(307,940)	(5,345,660)	(307,940)
Compensated Absences	146,691	157,538	151,063	153,166	153,166
Total - Other Liabilities	(611,124)	(4,267,763)	(133,353)	(4,745,534)	(131,250)
TOTAL - LONG-TERM LIABILITIES	\$ 75,418,876	\$ 44,367,237	\$ 49,441,647	\$ 70,344,466	\$ 5,913,750

State statutes limit the amount of general obligation bonds a governmental entity may issue to 10% of its total assessed value. Based on a 2006 assessed value of \$347,643,000, the City of Fenton's legal debt limit is \$34,764,000. None of the above listed debt is included in the calculation of the city's legal debt margin because none of the above debt is general obligation debt.

CITY OF FENTON, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

Tax Increment Financing (TIF) Bonds

The City has issued three series of TIF bonds. These bonds provided funds for infrastructure improvements for the Gravois Bluffs and Fenton Crossing shopping centers. The bonds are secured by a pledge of 50% of the sales tax revenues generated by the two shopping centers and the incremental property taxes generated and do not constitute a general obligation of the City of Fenton. In addition, a transportation development district (TDD) has been formed for each shopping center and the sales tax revenues generated by the two districts is also pledged to the repayment of these bonds.

Series 2000 Bonds – On November 1, 2000, the City issued \$10,205,000 of serial and term bonds with principal repayment beginning October 1, 2003. Final maturity of the serial bonds is October 1, 2011 while the term bonds are due on October 1, 2015 and October 1, 2021. Interest rates on the bonds range from 5.375% to 7.25% and interest payments are due on April 1 and October 1. Term bonds due in 2015 and 2021 are subject to early redemption, as revenues will permit.

Series 2001 Bonds – On March 1, 2001, the City issued \$39,610,000 of serial and term bonds with principal repayment beginning October 1, 2003.

Series 2002 Bonds – On October 1, 2002 the City issued \$19,035,000 of term bonds with a final maturity of October 1, 2012 and October 1, 2021.

On April 13, 2006, the City issued \$48,635,000 in TIF revenue refunding bonds to advance refund both the series 2001 and Series 2002 Gravois Bluffs TIF bonds. More details are described later in this section under the heading of “Defeased Debt”.

Annual debt service requirements to maturity on all current outstanding TIF bonds are as follows:

Year Ending December 31	Principal	Interest	Total
2007	\$ 4,560,000	\$ 2,658,102	\$ 7,218,102
2008	2,585,000	2,502,864	5,087,864
2009	2,795,000	2,390,758	5,185,758
2010	3,085,000	2,266,890	5,351,890
2011	3,320,000	2,115,260	5,435,260
2012 - 2016	19,375,000	7,671,325	27,046,325
2017 - 2021	20,715,000	2,697,188	23,412,188
Totals	\$ 56,435,000	\$ 22,302,387	\$ 78,737,387

Public Facility Authority (PFA) Bonds

In 1997, the City entered into a lease agreement with the Fenton, Missouri Public Facilities Authority for the purpose of acquiring parkland for the Fabick Nature Preserve. The annual lease payments on the property were set an amount equal to the annual principal and interest payments due on the bonds issued in 1997. In 2003, the lease was amended when the Authority issued Leasehold Revenue Refunding Bonds in the face amount of \$5,985,000 with interest rates that range from 1.2% to 4.35%. The proceeds of the refunding bonds were used to defease the outstanding 1997 bonds issued by the Authority. Interest on the 2003 bonds is due on January 1 and July 1, with final maturity of the bonds occurring on January 1, 2016.

CITY OF FENTON, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

Annual debt service requirements to maturity on the PFA Bonds are as follows:

Year Ending December 31	Principal	Interest	Total
2007	\$ 430,000	\$ 169,122	\$ 599,122
2008	460,000	157,968	617,968
2009	470,000	144,590	614,590
2010	475,000	129,347	604,347
2011	485,000	112,542	597,542
2012 -2016	2,570,000	267,046	2,837,046
Totals	<u>\$ 4,890,000</u>	<u>\$ 980,615</u>	<u>\$ 5,870,615</u>

Certificates of Participation

On July 1, 1997, the City issued \$19,765,000 of Certificates of Participation to be used for construction the recreational complex known as RiverChase, making improvements to the City Hall building and making storm water improvements in the city. On December 1, 2004 the City issued \$13,170,000 to defease those 1997 bonds due on and after September 1, 2008 that were subject to early redemption on September 1, 2007. More details are described later in this section under the heading of "Defeased Debt".

The 2004 Refunding Certificates have interest rates ranging from 1.95% to 4.10% with interest due on March 1 and September 1 of each year. Final maturity of the Certificates is on September 1, 2017. The remaining 1997 Certificates have interest rates ranging from 4.7% to 4.8%, with final maturity due on September 1, 2007.

Annual debt service requirements to maturity on the certificates are as follows:

Year Ending December 31	Principal	Interest	Total
2007	\$ 1,055,000	\$ 495,148	\$ 1,550,148
2008	1,100,000	447,448	1,547,448
2009	1,125,000	419,398	1,544,398
2010	1,160,000	387,335	1,547,335
2011	1,195,000	351,375	1,546,375
2012 -2016	6,645,000	1,090,653	7,735,653
2017	1,485,000	60,885	1,545,885
Totals	<u>\$ 13,765,000</u>	<u>\$ 3,252,242</u>	<u>\$ 17,017,242</u>

CITY OF FENTON, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS DECEMBER 31, 2006

Defeased Debt

On April 13, 2006, the City issued \$25,400,000 in term TIF refunding bonds and \$23,235,000 in serial TIF refunding bonds for the purpose of advance refunding the Series 2001 and Series 2002 TIF revenue bonds. The refunding bonds have interest rates ranging from 4% to 5 %, with a final payment date of April 1, 2021. The term bonds are subject to mandatory early redemption beginning on April 1, 2007 as revenues permit. The defeased bonds had an outstanding balance of \$44,115,000 at the date of defeasance with interest rates ranging from 5% to 7%. The refunding proceeds were used to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of paying off the old bonds as they come due. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The defeased bonds will be called for full redemption on October 1, 2011 and October 1, 2012. The reacquisition price exceeded the net carrying amount of the old bonds by \$4,895,785. This amount is being netted against the new debt and is being amortized over the remaining 15 years of the new debt, which is the same life as the defeased debt. The advance refunding was undertaken to remove restrictive bond covenants associated with the old debt whereby all TDD sales tax revenues had to be applied to retire TIF debt. Under the new covenants, only the top 50% of TDD sales taxes will go to retire TIF debt while the bottom 50% of TDD sales taxes will now go to pay off TDD debt issued to construct the Summit Road street extension project. The refunding resulted in a net economic loss of \$1,332,000.

As of December 31, 2006 the amount of defeased debt outstanding, but removed from the long-term debt of the City amounted to \$28,905,000 for the Series 2001 bonds and \$14,600,000 for the Series 2002 bonds.

In December of 2004, the City issued \$13,170,000 of Refunding Certificates of Participation with interest rates ranging from 1.95% to 4.10% to advance refund the Series 1997 certificates maturing in the years 2008 through 2017. The defeased certificates had an outstanding balance of \$12,325,000 at the time of defeasance with interest rates ranging from 5.00% to 5.12%. The defeased certificates will be called for redemption on September 1, 2007. Certificates maturing in 2005, 2006 and 2007 in the amount of \$2,675,000 were not eligible for early redemption and remained outstanding as of the date of defeasance. As of December 31, 2006 the amount of defeased debt outstanding, but removed from the long-term debt of the City amounted to \$12,325,000.

During the year ended December 31, 2003, the Fenton Missouri Public Facilities Authority issued \$5,985,000 of Leasehold Revenue Refunding Bonds with interest rates ranging from 1.2% to 4.35% to advance refund and defease the Authority's outstanding Series 1997 Leasehold Revenue Bonds maturing in the years 2004 through 2018. The Series 1997 bonds had an outstanding balance of \$6,160,000 at the time of defeasance with interest rates ranging from 4.6% to 5.25%. The defeased bonds will be called for redemption on January 1, 2008. As of December 31, 2006, the amount of defeased debt outstanding, but removed from the long-term debt of the City amounted to \$5,425,000.

I. Pension Plans

A. General City Employee Pension Plan

1. 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.

CITY OF FENTON, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

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 70.655 – 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. This plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

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

2. Funding Status

The City's full-time employees do not contribute to LAGERS. The City is required to contribute at an actuarially determined rate; the rate for 2006 was 8.1% for general employees and 10% for police employees based on annual covered payroll. Since police services are contracted for with the St. Louis County Police Department, the City has no current LAGERS liability for police employees. The Board of Aldermen of the City determines the contribution requirements of plan members. The contribution provisions of the City are established by state statute.

3. Annual Pension Cost

For 2006, the City's annual pension cost of \$166,858 was equal to the required and actual contributions. The required contribution was determined as part of the February 29, 2004 and/or February 28, 2005 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2006 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 from 0.0% to 6.0% per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-200 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 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 expense on an open basis. The amortization period at February 28, 2006 was 15 years. A schedule of funding progress is included on page 45 of this report as required supplementary information.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	\$ 171,850	100%	\$ -
6/30/2005	\$ 171,820	100%	\$ -
6/30/2006	\$ 166,858	100%	\$ -

CITY OF FENTON, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

B. Police Department Pension Plan

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 on August 18, 1980. Due to discontinuance of local police salaries, no contributions were made for 2006.

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. Distribution of vested plan benefits begins after the employee attains the normal retirement age of 55 or separates from service.

IV. OTHER INFORMATION

A. Police Services

The City contracts with the St. Louis County Police Department for police services. For the year ended December 31, 2006, the City paid a total of \$2,269,107 for such services. During 2005 the contract was renewed for a five-year period to end on December 31, 2010.

B. Legal Proceedings

As of December 31, 2006 the City is involved with several legal proceedings. The City's management, based upon consultation with outside legal counsel, believes that these matters will be resolved with no material adverse effect to the City.

C. Economic Dependency

The City estimates that one retail business has generated retail sales tax revenues greater than ten percent of the City's total retail sales tax revenue. In addition, one industrial business accounts for over half of the gross receipts taxes generated annually.

D. Conduit Debt

On November 16, 2005, \$1,000,000,000 in City of Fenton, Missouri Series 2005 Taxable Industrial Revenue Bonds was issued for the Daimler Chrysler Corporation. These bonds will be used to remodel the two plants located in Fenton and upgrade the equipment contained in these plants. As part of the agreement, Daimler Chrysler paid the City of Fenton \$100,000 for gross receipts taxes that will be lost during 2007 when the two plants shut down for a three month period while the improvements are made.

On December 22, 2004, \$112,000,000 in City of Fenton, Missouri Series 2004 Taxable Industrial Revenue Bonds was issued for the Daimler Chrysler Corporation. These bonds were used to purchase equipment to upgrade the auto assembly plant located in Fenton.

CITY OF FENTON, MISSOURI

NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

These bonds are limited obligations of the City payable solely out of certain lease revenues derived by the City from the lease agreement with Daimler Chrysler. The bonds and interest thereon do not constitute general obligations of the City or the State of Missouri and neither the City nor the State is liable for the payment of these bonds. The bonds do not constitute indebtedness within the meaning of any statutory debt limitations or restriction, and are not payable in any manner by taxation. As such, the bonds are considered conduit debt of the City and neither the assets that will be acquired from the proceeds of the bonds nor the long-term liabilities for the bonds are reflected in the financial statements of the City. As of December 31, 2006, the amount issued and payable on these two series was \$112,000,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FENTON, MISSOURI

Required Supplementary Information
Schedule of Funding Progress
Employee Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded Accrued Liability (UAL)	Funded Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
2/29/2004	\$ 3,348,037	\$ 3,063,063	\$ (284,974)	109%	\$ 1,911,623	-15%
2/28/2005	\$ 3,700,127	\$ 3,249,816	\$ (450,311)	114%	\$ 1,830,906	-25%
2/28/2006	\$ 4,025,731	\$ 3,456,585	\$ (569,146)	116%	\$ 1,945,529	-29%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City, Missouri or call 1-800-447-4334.

ADDITIONAL SUPPLEMENTARY INFORMATION

CITY OF FENTON, MISSOURI

Additional Supplemental Information

Gravois Bluffs TIF Fund

Statement of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual

For The Year Ended December 31, 2006

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Sales Taxes	\$ 4,924,000	\$ 3,568,500	\$ 4,218,525	\$ 650,025
Property Taxes	1,821,000	1,821,000	2,455,982	634,982
Gross Receipts Taxes	37,000	37,000	29,224	(7,776)
Investment Income	225,000	225,000	361,062	136,062
Total Revenues	7,007,000	5,651,500	7,064,793	1,413,293
EXPENDITURES				
Current Expenditures:				
Administrative Costs	80,000	82,000	82,000	-
Debt Service:				
Principal	3,795,000	4,755,200	3,390,000	1,365,200
Interest	3,119,600	2,589,600	2,589,622	(22)
Trustee Fees	12,400	12,400	5,936	6,464
Total Expenditures	7,007,000	7,439,200	6,067,558	1,371,642
Excess of Revenues Over (Under) Expenditures	-	(1,787,700)	997,235	2,784,935
Other Financing Sources (Uses)				
Debt Issuance	-	48,635,000	48,635,000	-
Bond Premiums	-	470,500	470,483	(17)
Bond Issue Costs	-	(824,000)	(823,551)	449
Advance Refunding Escrow	-	(49,010,800)	(49,010,785)	15
Total - Other Financing Sources (Uses)	-	(729,300)	(728,853)	447
Net Change in Fund Balance	-	(2,517,000)	268,382	2,785,382
Fund Balance - Beginning	11,311,333	11,311,333	11,311,333	-
Fund Balance - Ending	\$11,311,333	\$ 8,794,333	\$11,579,715	\$ 2,785,382

CITY OF FENTON, MISSOURI

Additional Supplemental Information

Fenton Crossing TIF Fund

Statement of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual

For The Year Ended December 31, 2006

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Sales Taxes	\$ 840,400	\$ 840,400	\$ 827,679	\$ (12,721)
Property Taxes	309,000	385,000	385,467	467
Gross Receipts Taxes	6,600	6,600	7,659	1,059
Investment Income	25,000	54,000	61,849	7,849
Total Revenues	<u>1,181,000</u>	<u>1,286,000</u>	<u>1,282,654</u>	<u>(3,346)</u>
EXPENDITURES				
Current Expenditures:				
Administrative Costs	30,000	30,000	30,000	-
Debt Service:				
Principal	555,000	660,000	660,000	-
Interest	592,700	592,700	580,656	12,044
Trustee Fees	3,300	3,300	3,449	(149)
Total Expenditures	<u>1,181,000</u>	<u>1,286,000</u>	<u>1,274,105</u>	<u>11,895</u>
Excess of Revenues Over (Under) Expenditures	-	-	8,549	8,549
Fund Balance - Beginning	1,809,521	1,809,521	1,809,521	-
Fund Balance - Ending	<u>\$ 1,809,521</u>	<u>\$ 1,809,521</u>	<u>\$ 1,818,070</u>	<u>\$ 8,549</u>

CITY OF FENTON, MISSOURI

Additional Supplemental Information
 Olde Towne Capital Improvements Fund
 Statement of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual
 For The Year Ended December 31, 2006

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Investment Income	-	65,000	75,766	10,766
Total Revenues	-	65,000	75,766	10,766
EXPENDITURES				
Gravois Bluffs Blvd East Improvements	-	202,000	189,472	12,528
Old Highway 141 Improvements	-	1,105,000	500,124	604,876
Summit Road Improvements	-	1,247,000	300	1,246,700
Total Expenditures	-	2,554,000	689,896	1,864,104
Excess of Revenues Over (Under) Expenditures	-	(2,489,000)	(614,130)	1,874,870
Fund Balance - Beginning	2,489,483	2,489,483	2,489,483	-
Fund Balance - Ending	<u>\$ 2,489,483</u>	<u>\$ 483</u>	<u>\$ 1,875,353</u>	<u>\$ 1,874,870</u>

SCHOWALTER & JABOURI, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
11878 GRAVOIS ROAD
ST. LOUIS, MISSOURI 63127
(314) 849-4999
FAX (314) 849-3486

FINANCIAL SERVICES
COMPUTER SOLUTIONS
ADMINISTRATIVE OFFICES

11777 GRAVOIS ROAD
ST. LOUIS, MISSOURI 63127
(314) 842-2929
FAX (314) 842-3483

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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Fenton, Missouri (the "City"), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered the deficiencies described in a separate letter issued to management dated May 23, 2007, to be significant deficiencies in internal control over financial reporting.

Internal Control Over Financial Reporting

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use 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
May 23, 2007