



CITY OF FENTON, MISSOURI

FINANCIAL REPORT (AUDITED)

Year Ended December 31, 2018



CITY OF FENTON, MISSOURI
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Alderman
City of Fenton, Missouri

Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the City of Fenton, Missouri's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and ratios and schedule of pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fenton's basic financial statements. The budgetary comparison information – Capital Projects Fund, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The budgetary comparison information – Capital Projects Fund and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information – Capital Projects Fund and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2019, on our consideration of the City of Fenton, Missouri's internal control over financial reporting and on 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 not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fenton, Missouri's internal control over financial reporting and compliance.

Fick, Eggemeyer & Williamson

Fick, Eggemeyer & Williamson, CPA
Saint Louis, Missouri
June 14, 2019

CITY OF FENTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2018

As management of the City of Fenton, we offer this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2018. 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, 2018, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$80,405,889. The City has unrestricted net position of \$18,780,165.
- Unrestricted cash and investment balances as of December 31, 2018 were \$17,256,227 and current liabilities were \$1,195,262.
- Net position increased by \$4,247,675 during fiscal year 2018.
- Fund balances, which are a measure of current financial resources in the governmental funds, increased by \$1,923,465 to an ending balance of \$18,872,210. \$2,040,807 is unassigned in governmental funds and is available for future appropriation by the Board of Aldermen. Per the financial policies of the City, \$2,625,568 in fund balance is held in the General Fund as committed for emergencies, and \$1,530,509 in fund balance is held in the Storm Water/Parks Fund as committed for emergencies. These funds can only be used by official action of the Board of Alderman and only in the event of a natural disaster that would require readily available funds to recover from the natural disaster. The City also has \$11,989,273 committed for capital projects in the Capital Projects Fund.
- Total fund balance in the General Fund was \$4,759,505, or about 91% of 2018 operating expenditures. \$34,234 is nonspendable fund balance to be used to pay 2019 expenditures that were prepaid in December 2018, \$58,896 is restricted for the dissolution of the Industrial Development Authority, \$2,625,568 is held for emergencies as noted above, and \$2,040,807 is unassigned.
- The City's long-term outstanding debt was \$33,149 for employees' compensated absences.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City'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 supplementary information in addition to the basic financial statements.

CITY OF FENTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2018

Government-wide Financial Statements

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

The Statement of Net Position - This statement presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including long-term debt and capital assets. The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities - This statement presents information showing how the government's net position changed during the year. All changes in net position 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 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, city clerk, police, and parks 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, 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 has two types of funds: 1) governmental and 2) fiduciary.

Governmental Funds - These 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, the statements for these types of funds only include short-term resources, such as cash, investments and receivables that will be collected within the first 60 days of 2019 and short-term liabilities that will be retired with these monies. This information is important for assessing the City's current financial resources.

Balance Sheet - This statement shows the assets, liabilities and fund balances of each of the City's major funds.

CITY OF FENTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2018

Statement of Revenues, Expenditures, and Changes in Fund Balance – This statement shows the revenues and expenditures of each of the City's major funds along with the impact annual operations had on fund balance.

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 each of the different statements. This report contains two reconciliations, one after each of the two fund statements, to explain the difference between the activity in governmental funds as presented in the fund statements and the governmental activities presented in the government-wide financial statements.

The City of Fenton used the following governmental funds during 2018:

1. General Fund
2. Storm Water/Parks Fund
3. Capital Projects Fund

All three funds are considered major funds and are reported separately in the fund financial statements.

The City adopts an annual budget for all governmental funds in accordance with Missouri Revised Statutes Section 67.010. The budget to actual comparisons are reported as required supplementary information and other supplementary information both of which follow the footnotes.

Fiduciary Funds - These funds are used to account for assets held by the City in a trustee capacity or as a collection agent for others. The City has one fiduciary fund - The Police Pension Trust Fund. The Police Pension Trust 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 position and a statement of changes in fiduciary net position. 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

The 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 and other supplementary information including budgetary schedules and information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required and other supplementary information can be found immediately after the notes to the financial statements.

CITY OF FENTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2018

ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$80,405,889 at the end of fiscal year 2018.

The largest portion of the City's net position (\$59,877,386) reflects the 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 uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that the resources needed to repay this debt must be provided from current resources due to the fact that the investment in capital assets is reported net of related debt. The capital assets themselves cannot be used to liquidate these particular liabilities. At the end of 2018, the City had no debt.

A condensed version of the statement of net position is as follows:

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 21,865,934	18,783,563	3,082,371	16.41 %
Capital assets	59,877,386	57,395,238	2,482,148	4.32
Total assets	<u>81,743,320</u>	<u>76,178,801</u>	<u>5,564,519</u>	7.30
Deferred outflows of resources	<u>206,778</u>	<u>495,754</u>	<u>(288,976)</u>	(58.29)
Current and other liabilities	1,195,262	477,924	717,338	150.09
Long-term liabilities	<u>33,149</u>	<u>38,193</u>	<u>(5,044)</u>	(13.21)
Total liabilities	<u>1,228,411</u>	<u>516,117</u>	<u>712,294</u>	138.01
Deferred inflows of resources	<u>315,798</u>	<u>224</u>	<u>315,574</u>	100.00
Net position				
Net investment in capital assets	59,877,386	57,395,238	2,482,148	4.32
Restricted	1,748,338	58,896	1,689,442	2,868.52
Unrestricted	<u>18,780,165</u>	<u>18,704,080</u>	<u>76,085</u>	0.41
Total net position	<u>\$ 80,405,889</u>	<u>76,158,214</u>	<u>4,247,675</u>	5.58 %

CITY OF FENTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2018

A condensed version of the statement of activities is as follows:

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program revenues:				
Charges for services	\$ 2,017,732	2,003,412	14,320	0.71 %
Operating grants & contributions	580,149	665,339	(85,190)	(12.80)
Capital grants & contributions	1,180,958	73,851	1,107,107	1,499.11
General revenues:				
Sales taxes	8,603,833	8,542,978	60,855	0.71
Utility taxes	1,391,665	1,428,682	(37,017)	(2.59)
Intergovernmental	83,214	73,247	9,967	13.61
Investment income	238,825	111,843	126,982	113.54
Grants & contributions not restricted	370,776	-	370,776	-
Gain on sale of capital assets	4,709	22,900	(18,191)	100.00
Other	551,141	96,054	455,087	473.78
Total revenues	<u>15,023,002</u>	<u>13,018,306</u>	<u>2,004,696</u>	15.40
Expenses				
General government	1,516,386	1,491,598	24,788	1.66
Community development	326,084	279,268	46,816	16.76
Parks and recreation	3,373,351	3,252,444	120,907	3.72
Public safety	2,695,162	2,631,801	63,361	2.41
Public works	2,842,627	2,634,815	207,812	7.89
Storm water	21,717	409,797	(388,080)	(94.70)
Total expenses	<u>10,775,327</u>	<u>10,699,723</u>	<u>75,604</u>	0.71
Change in net position	4,247,675	2,318,583	1,929,092	83.20
Net position at beginning of year	<u>76,158,214</u>	<u>73,839,631</u>	<u>2,318,583</u>	3.14
Net position at end of year	<u>\$ 80,405,889</u>	<u>76,158,214</u>	<u>4,247,675</u>	5.58 %

Some observations about 2018 revenues and expenses compared to 2017:

- Total revenues were up by \$2,004,696 or 15.4%. Revenues changed as follows:
 - Operating grants and contributions decreased \$85,190 mainly due to monies received from FEMA and the insurance company for the flood clean up in 2017.
 - Capital grants and contributions increased by \$1,107,107 mainly due to grants received for street projects.
 - Utility taxes decreased \$37,017 mainly due to varying weather conditions.

CITY OF FENTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2018

- Investment income increased \$126,982 due to higher interest rates and additional investments purchased.
- Grants and contributions not restricted increased \$370,776 due to monies received from the 2015 flood.
- Other general revenues increased \$455,087 mainly due to the receipt of \$395,503 for the closure of Fenton Crossing TDD.
- Total expenses increased by \$75,604 or .71%. This was due to the following items:
 - Parks and recreation increased \$74,320 due to additional maintenance costs, depreciation expense, and program costs since the parks were closed part of 2017 due to the flood.
 - Public safety increased \$63,361 due to the annual increase in the police contract with St. Louis County.
 - Storm water decreased \$388,080 due to expenses related to the flood of May 2017.

ANALYSIS OF THE FUND FINANCIAL STATEMENTS

The focus of the City'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's financing requirements. In particular, unassigned 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. At the end of 2018, the City's governmental funds reported combined ending fund balances of \$18,872,210. This was an increase of \$1,923,465 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$2,040,807, while total fund balance reached \$4,759,505. An amount equal to 50% of the annual operating expenditures, or \$2,625,568 of fund balance has been committed for emergencies per the City's financial policies. The fund balance of the General Fund decreased by \$367,969 during the current fiscal year.

The Storm Water/Parks Fund balance increased \$159,053 during the fiscal year to \$2,117,807. Intergovernmental revenue increased \$308,239 due to reimbursements from the 2015 and 2017 floods. Expenditures increased \$749,716 mainly because the City purchased several flood damaged properties and park properties to be used for greenspace to minimize future flood damage and add to the City's park network. There were transfers out of \$1,800,000 to the Capital Projects Fund in 2018 to finance planned park projects.

The Capital Projects Fund balance increased \$2,132,381 during the current year to \$11,994,898. The Capital Projects Fund received transfers from the General fund and the Storm Water/Parks fund in the amount of \$2,500,000 and \$1,800,000, respectively, to fund future projects. The City has implemented a five year capital improvement plan and intends to spend these funds accordingly.

CITY OF FENTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there were various budget amendments for the General Fund. Revenues were increased \$521,300 mainly due to increased utility taxes, road and bridge tax, and other revenues.

Expenditures were decreased \$201,823 mainly due to \$93,800 in decreases in the public works department and \$85,500 in decreases in the city clerk department. The public works department and the City clerk department had several vacant positions during 2018.

CAPITAL ASSETS

As of December 31, 2018, the City's investment in capital assets was \$59,877,386 (net of accumulated depreciation), an increase of \$2,482,148. Below is a summary of the capital assets. More detailed information on the City's capital assets is presented in Note 5 in the financial statements.

	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 17,280,450	15,915,566	1,364,884	8.58 %
Construction in progress	2,123,013	243,879	1,879,134	770.52
Buildings	10,269,267	10,771,913	(502,646)	(4.67)
Improvements	3,576,028	3,165,924	410,104	12.95
Machinery and equipment	1,331,585	1,199,688	131,897	10.99
Infrastructure	25,297,043	26,098,268	(801,225)	(3.07)
Total capital assets, net	<u>\$ 59,877,386</u>	<u>57,395,238</u>	<u>2,482,148</u>	4.32 %

LONG-TERM DEBT

At December 31, 2018, the total long-term debt of the City was as follows:

	<u>2018</u>	<u>2017</u>
Compensated absences	<u>\$ 33,149</u>	<u>38,193</u>

Total debt outstanding decreased by \$5,044 during 2018. More detailed information on the City's long-term debt is presented in Note 6 in the financial statements.

CITY OF FENTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended December 31, 2018

2019 BUDGET

General Fund

The 2019 budget, as adopted by the Board of Aldermen in December 2018, proposed revenues of \$6,746,250 and expenditures of \$6,095,512, with a projected operating income of \$650,738.

The 2019 budget calls for operating expenditures to increase by \$553,893 from the prior year's final budget. In November 2017, the City implemented the results of a compensation study that was performed. The study included significant increases for various full-time positions.

Storm Water/Parks Fund

The 2019 budget proposes revenues in this fund to be \$5,860,350 while expenditures will be \$3,519,628, with a projected operating income of \$2,340,722. Available revenue from sales tax has increased significantly in the last few years due to the payoff of the Gravois Bluffs TIF bonds in 2013 and the Fenton Crossing TIF bonds in 2014. The Fabick bonds were paid off in 2014 and the RiverChase bonds were paid off in 2016 allowing more resources to be spent on different expenditures. The City is reviewing options on how to handle the surplus of future revenues in the Storm Water/Park Fund. The City is also working on a more detailed capital projects plan for the parks.

Capital Projects Fund

The 2019 budget proposes \$10,536,500 in various equipment purchases and projects throughout the City. A long-awaited project is for Old Gravois Road – Phase Two for \$1,600,000, which is expected to receive grant funds for 80% reimbursement. The City budgeted to resurface various parking lots throughout the City including the public works facility and the RiverChase recreation center, various park improvements, equipment, and street and sidewalk repairs throughout the City. The City has approved a five-year capital improvements plan which includes many projects throughout the City as well as an equipment replacement schedule.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City'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:

Financial Consultant
City of Fenton, Missouri
625 New Smizer Mill Road
Fenton, Missouri 63026
Phone 636-343-2080 Ext. 1106

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CITY OF FENTON, MISSOURI
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 17,256,227
Taxes receivable:	
Sales	1,604,060
Utility	129,088
Road and bridge	205,186
Other receivables	715,866
Interest receivable	57,969
Prepaid items	90,676
Restricted cash	8,400
Net pension asset	1,798,462
Capital assets:	
Land and construction in progress	19,403,463
Other capital assets, net of accumulated depreciation	40,473,923
Total assets	<u>81,743,320</u>
Deferred outflows of resources	
Deferred amounts related to pensions	<u>206,778</u>
Liabilities	
Accounts payable	895,752
Accrued payroll	53,017
Deposits payable	29,400
Unearned revenue	217,093
Noncurrent liabilities:	
Due within one year	13,514
Due in more than one year	19,635
Total liabilities	<u>1,228,411</u>
Deferred inflows of resources	
Deferred amounts related to pensions	<u>315,798</u>
Net position	
Net investment in capital assets	59,877,386
Restricted for:	
Industrial Development Authority	58,896
Pensions	1,689,442
Unrestricted	<u>18,780,165</u>
Total net position	<u><u>\$ 80,405,889</u></u>

See notes to financial statements.

CITY OF FENTON, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program revenues</u>		<u>Net revenues (expenses) and change in net position</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities				
General government	\$ 1,516,386	-	-	(1,516,386)
Community development	326,084	73,511	-	(252,573)
Parks and recreation	3,373,351	1,756,569	5,360	(1,545,498)
Public safety	2,695,162	187,652	-	(2,507,510)
Public works	2,842,627	-	574,789	(1,152,804)
Storm water	21,717	-	-	(21,717)
Total governmental activities	<u>\$ 10,775,327</u>	<u>2,017,732</u>	<u>580,149</u>	<u>(6,996,488)</u>
General revenues				
Sales taxes				8,603,833
Utility taxes				1,391,665
Intergovernmental				83,214
Investment income				238,825
Grants and contributions not restricted to specific programs				370,776
Gain on sale of assets				4,709
Other				551,141
Total general revenues				<u>11,244,163</u>
Change in net position				4,247,675
Net position at beginning of year				<u>76,158,214</u>
Net position at end of year				<u>\$ 80,405,889</u>

See notes to financial statements.

CITY OF FENTON, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General Fund	Storm Water/Parks Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash and investments	\$ 3,607,602	1,542,526	12,106,099	17,256,227
Taxes receivable:				
Sales	868,856	735,204	-	1,604,060
Utility	129,088	-	-	129,088
Road and bridge	205,186	-	-	205,186
Other receivables	31,366	61,799	622,701	715,866
Interest receivable	21,600	8,674	27,695	57,969
Prepaid items	34,234	50,817	5,625	90,676
Restricted cash	8,400	-	-	8,400
	<u>\$ 4,906,332</u>	<u>2,399,020</u>	<u>12,762,120</u>	<u>20,067,472</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 77,275	51,255	767,222	895,752
Accrued payroll	39,152	13,865	-	53,017
Deposits payable	29,400	-	-	29,400
Unearned revenues	1,000	216,093	-	217,093
Total liabilities	<u>146,827</u>	<u>281,213</u>	<u>767,222</u>	<u>1,195,262</u>
Fund balances				
Nonspendable:				
Prepaid items	34,234	50,817	5,625	90,676
Restricted for:				
Industrial Development Authority	58,896	-	-	58,896
Committed for:				
Capital projects	-	-	11,989,273	11,989,273
Emergencies	2,625,568	1,530,509	-	4,156,077
Assigned for:				
Storm water and parks	-	536,481	-	536,481
Unassigned	2,040,807	-	-	2,040,807
Total fund balances	<u>4,759,505</u>	<u>2,117,807</u>	<u>11,994,898</u>	<u>18,872,210</u>
	<u>\$ 4,906,332</u>	<u>2,399,020</u>	<u>12,762,120</u>	<u>20,067,472</u>
Total liabilities and fund balances	<u>\$ 4,906,332</u>	<u>2,399,020</u>	<u>12,762,120</u>	<u>20,067,472</u>

See notes to financial statements.

CITY OF FENTON, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Total fund balances - governmental funds	\$ 18,872,210
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	59,877,386
Certain items are not financial resources and, therefore, are not reported in the governmental funds.	
Net pension asset	1,798,462
Deferred outflows related to pensions	206,778
Deferred inflows related to pensions	(315,798)
Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:	
Compensated absences	<u>(33,149)</u>
Net position of governmental activities	<u><u>\$ 80,405,889</u></u>

See notes to financial statements.

CITY OF FENTON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Storm Water/Parks Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Sales taxes	\$ 4,455,748	4,148,085	-	8,603,833
Utility taxes	1,391,665	-	-	1,391,665
Road and bridge tax	412,846	-	-	412,846
Intergovernmental	245,157	442,060	1,115,034	1,802,251
Fines and court costs	187,652	-	-	187,652
Licenses and permits	73,511	-	-	73,511
Charges for services	-	1,756,569	-	1,756,569
Investment income	83,697	27,037	128,091	238,825
Other	479,820	2,838	-	482,658
Total revenues	<u>7,330,096</u>	<u>6,376,589</u>	<u>1,243,125</u>	<u>14,949,810</u>
Expenditures				
Current:				
General government	1,409,410	-	-	1,409,410
Community development	273,975	-	-	273,975
Parks and recreation	-	2,693,860	-	2,693,860
Public safety	2,342,221	352,802	-	2,695,023
Public works	1,225,530	-	-	1,225,530
Storm water	-	21,717	-	21,717
Capital outlay	-	1,368,319	3,410,744	4,779,063
Total expenditures	<u>5,251,136</u>	<u>4,436,698</u>	<u>3,410,744</u>	<u>13,098,578</u>
Revenues over (under) expenditures	<u>2,078,960</u>	<u>1,939,891</u>	<u>(2,167,619)</u>	<u>1,851,232</u>
Other financing sources (uses)				
Transfers in	-	-	4,300,000	4,300,000
Transfers out	(2,500,000)	(1,800,000)	-	(4,300,000)
Insurance recoveries	49,321	19,162	-	68,483
Sale of capital assets	3,750	-	-	3,750
Total other financing sources (uses)	<u>(2,446,929)</u>	<u>(1,780,838)</u>	<u>4,300,000</u>	<u>72,233</u>
Net change in fund balance	(367,969)	159,053	2,132,381	1,923,465
Fund balance at beginning of year	<u>5,127,474</u>	<u>1,958,754</u>	<u>9,862,517</u>	<u>16,948,745</u>
Fund balance at end of year	<u>\$ 4,759,505</u>	<u>2,117,807</u>	<u>11,994,898</u>	<u>18,872,210</u>

See notes to financial statements.

CITY OF FENTON, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Net change in fund balances - governmental funds \$ 1,923,465

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays over the capitalization threshold (\$4,756,319) exceeded depreciation expense (\$2,273,630) in the current period. 2,482,689

The net effect of various transactions involving capital assets:
 Cost of disposals, net of accumulated depreciation (541)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Accrued compensated absences	5,044
Pension expense	(162,982)

\$ 4,247,675

CITY OF FENTON, MISSOURI
STATEMENT OF FIDUCIARY NET POSITION
POLICE PENSION TRUST FUND
DECEMBER 31, 2018

Assets

Deposits held with trustees

\$ 21,864

Net position

Restricted for pensions

\$ 21,864

See notes to financial statements.

CITY OF FENTON, MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
POLICE PENSION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

Additions	
Investment earnings	\$ 847
Deductions	
Administrative fees	<u>291</u>
Change in net position	556
Net position restricted for pensions at beginning of year	<u>21,308</u>
Net position restricted for pensions at end of year	<u><u>\$ 21,864</u></u>

See notes to financial statements.

CITY OF FENTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and Board of Aldermen form of government, which consists of the Mayor and eight 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.

Generally accepted accounting principles require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these criteria, the City has one component unit as noted below.

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

Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the City and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange 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 BASIC FINANCIAL STATEMENTS

The statement of activities demonstrates the degree to which the direct expenses for a given function or segment is 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.

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

Fund Financial Statements

The fund financial statements of the City are organized into funds, each of which is considered a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The emphasis is placed on major funds. Each major fund is presented in a separate column while nonmajor funds, if applicable, are aggregated and presented in a single column. 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. The major funding source for this fund is a one-half percent sales tax that is restricted by law to only be used for parks operations or storm water improvements.

The Capital Projects Fund is used to account for resources accumulated for the purchase of capital items.

Additionally, the City reports the following fiduciary fund:

Police 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 have been reported at an amount that represents contributions to the plan plus investment income credited less benefit and termination payments and administration charges.

CITY OF FENTON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

Measurement Focus and Basis of Accounting

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 within 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, utility taxes, road and bridge taxes, intergovernmental revenues, and interest associated with the current period are all considered to be susceptible to accrual and 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.

Cash and Investments

The City's investment policies conform to Missouri Statute 30.260 that authorize the deposit of funds in banks or investment in United States Treasury and United States agencies, repurchase agreements collateralized by government securities, time certificates of deposit, and certain commercial paper.

Investments are stated at their fair value based on quoted market prices.

The City maintains a cash and investment pool that is available for use by all funds. Investment income earned is allocated to contributing funds based on each fund's proportionate share of invested funds.

Prepaid Items

Payments made to vendors for services that will benefit future accounting periods are reported as prepaid items in both the government-wide and fund financial statements.

CITY OF FENTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

Restricted Assets

Restricted assets consist of cash and investments that are legally restricted as to their use and include bonds received from defendants in Municipal Court pending a hearing before the Municipal Court judge.

Capital Assets

Capital assets include land and improvements, buildings and building improvements, machinery and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items). 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. Such assets are reported at cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated acquisition value at the date of donation. The cost of normal maintenance and repairs that do not increase the capacity or efficiency of the asset or materially extend its useful life are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building and improvements	5 – 50
Land improvements	10 – 35
Machinery and equipment	4 – 20
Infrastructure	7 – 50

Compensated Absences

As of May 1, 2010, City policy was changed to eliminate vacation and sick leave and replace them with paid time off (PTO). PTO expires at the end of the fiscal year and cannot be carried over from year-to-year.

Unused vacation time was frozen at the balance in an employee’s account on April 30, 2010. The employee may use this time or be paid for the balance in the account upon termination from employment. The amount to be paid at termination was frozen at the rate of pay in effect on April 30, 2010. Thus, there will be no increase in the dollar value of the unused vacation time. The liability for unused vacation time as of December 31, 2018 has been recorded as a liability in the government-wide financial statements.

Unused sick leave was also frozen at the balance that existed on April 30, 2010. An employee may use the balance in their sick leave account or be paid for part of the unused sick leave upon termination of employment with the City. An employee who has completed five years of service as of April 30, 2010 will be paid for one-half of their unused sick leave, up to a maximum of 480 hours. The rate of pay was frozen at the employee’s rate as of April 30, 2010 so the value of future payouts will not increase. Accordingly, one-half of the accrued leave for employees with five or more years of continuous service as of April 30, 2010 has been recorded as a liability in the government-wide financial statements.

CITY OF FENTON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

Fund Balance

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows.

Non-spendable fund balance represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Both the General Fund and the Storm Water/Parks Fund report prepaid items as non-spendable fund balance.

Restricted fund balance represents amounts that are restricted to being spent only for specific purposes because of constraints placed on the use of these resources from one of two sources: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through enabling legislation. The General Fund reports restricted fund balance for the Industrial Development Authority (IDA). On May 26, 2016, the IDA dissolved and distributed the remaining IDA funds to the City. The City is required to hold the funds in a restricted account to be used for the City's administrative expenditures related to the dissolution of the IDA and to satisfy any claims of unknown creditors, if any, for a period of up to two years.

Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board. As of December 31, 2018, the City reported the following items as committed fund balance:

Per Section 100 of the Financial Policies Manual, which was adopted by ordinance, 50% of annual operating expenditures will be kept in committed fund balance to be used only in case of a natural disaster that would require cash flow to be used during recovery from the natural disaster. All amounts above this 50% amount are to be kept in unassigned or assigned fund balance and used as directed by the Board through the budget process. As of December 31 2018, General Fund and Storm Water/Parks Fund committed fund balances for emergency use were \$2,625,568 and \$1,530,509, respectively.

Committed Fund balance in the Capital Projects Fund has a balance of \$11,989,273. This represents the amount designated by the Board to be used for capital projects.

Assigned fund balance represents amounts that the City intends to use for specific purposes, but are neither restricted nor committed. As of December 31, 2018, the Storm Water/Parks Fund reported an assigned fund balance of \$536,481 for future operations. Per the City's fund balance policy, the Financial Consultant shall determine the assigned fund balance.

Unassigned fund balance is the residual classification of fund balance for the General Fund only. As of December 31, 2018 this account had a balance of \$2,040,807.

CITY OF FENTON, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

Net Position

In the government-wide financial statements, net position is displayed in three components as follows:

Net investment in capital assets – This consists of capital assets, net of accumulated depreciation, less any long-term debt attributable to those assets.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Unearned Revenues

Unearned revenues consist of 2018 rental income, receipts from RiverChase customers for 2018 classes and memberships, and grant revenues that were received in advance of the grant project.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has deferred outflows of resources related to the pension reported on the statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has deferred inflows of resources related to the pension reported on the statement of net position.

CITY OF FENTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

Pensions

For purposes of measuring the net pension asset, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS' fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. LAGERS' investments are reported at fair value.

NOTE 2 - CASH AND INVESTMENTS

Bank Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation (FDIC).

As of December 31, 2018, the City's bank balances totaled \$4,646,690. Of the City's bank balances, \$750,000 was covered by FDIC insurance, \$3,735,046 was covered by collateral pledged by the bank, and \$161,644 was uninsured or uncollateralized. The bank balance was fully collateralized on January 4, 2019.

CITY OF FENTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

Cash and Investments

As of December 31, 2018, the City had the following cash and investments:

Cash and investments	Fair value	Maturities		Credit risk
		Less than one year	1 - 5 years	
Primary Government				
Certificates of deposit	\$ 4,662,841	3,068,956	1,593,885	N/A
Government securities:				
U.S. Treasury Bill	246,626	246,626	-	AAA
U.S. Treasury Note	1,589,084	244,723	1,344,361	AAA
Federal Farm Credit Bank	1,975,246	-	1,975,246	AAA
Federal Home Loan Bank	3,539,686	-	3,539,686	AAA
Federal Home Loan Mortgage Corporation	1,085,758	495,706	590,052	AAA
Federal National Mortgage Association	838,526	593,480	245,046	AAA
Total investments	13,937,767	<u>4,649,491</u>	<u>9,288,276</u>	
Bank deposits	3,322,960			
Cash on hand	3,900			
Total primary government cash and investments	<u>\$ 17,264,627</u>			
Fiduciary Fund				
Money market funds	\$ 21,864	<u>21,864</u>	<u>-</u>	Not rated

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City’s policy states that they minimize credit risk by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business and diversifying the portfolio to reduce potential losses on individual securities.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City’s policy states that they minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing primarily in shorter term securities.

CITY OF FENTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City’s investment in a single issuer. The City’s policy states that they minimize concentration of credit risk by diversifying the investment portfolio.

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). At December 31, 2018, the City had the following investments that were more than 5% of the City’s total investments:

Investments	Fair Value	Percent of Total Investments
Federal Farm Credit Bank	\$ 1,975,246	14.2 %
Federal Home Loan Bank	3,539,686	25.4
Federal Home Loan Mortgage Corporation	1,085,758	7.8
Federal National Mortgage Association	838,526	6.0

Custodial Credit Risk is the risk that in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. In accordance with its policy, the City addresses custodial credit risk by prequalifying institutions with which the City places investments, diversifying the investment portfolio, and maintaining a standard of quality for investments.

Fair Value Measurements

The City classifies its fair value measurements within the fair value hierarchy established by accounting principles generally in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The inputs and methodologies used for valuing investment securities are not necessarily an indication of risk associated with investing in those securities.

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

CITY OF FENTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

The City has the following recurring fair value level measurements as of December 31, 2018:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Primary Government				
Investments by fair value level:				
Government securities:				
U.S. Treasury Bill	\$ 246,626	-	246,626	-
U.S. Treasury Note	1,589,084	-	1,589,084	-
Federal Farm Credit Bank	1,975,246	-	1,975,246	-
Federal Home Loan Bank	3,539,686	-	3,539,686	-
Federal Home Loan Mortgage Corporation	1,085,758	-	1,085,758	-
Federal National Mortgage Association	838,526	-	838,526	-
Total investments by fair value level	<u>9,274,926</u>	<u>-</u>	<u>9,274,926</u>	<u>-</u>
Investments not subject to fair value level classification:				
Certificates of deposit	<u>4,662,841</u>			
Total investments	<u>\$ 13,937,767</u>			

For the Fiduciary Fund, money market funds are not subject to fair value level classification.

NOTE 3 – PROPERTY TAXES

The City’s property tax is levied each October 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. As of January 1 of each year, property taxes attach as an enforceable lien. The City has historically voluntarily reduced the property tax rate to zero. Therefore, there are no outstanding taxes receivable levied by the City as of December 31, 2018.

NOTE 4 – INSURANCE PROGRAMS

The City managed risks of loss related to employee life, health and disability, workers’ compensation, property, and liability by purchasing commercial insurance for the year ended December 31, 2018.

There was no significant reduction in insurance coverage during the year ended December 31, 2018 and settlement amounts have not exceeded insurance coverage for the current or three prior years.

CITY OF FENTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance December 31 2017	Increases	Decreases	Balance December 31 2018
	<u>2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>2018</u>
Capital assets not being depreciated:				
Land	\$ 15,915,566	1,364,884	-	17,280,450
Construction in progress	243,879	1,898,744	19,610	2,123,013
Total capital assets not being depreciated	<u>16,159,445</u>	<u>3,263,628</u>	<u>19,610</u>	<u>19,403,463</u>
Capital assets being depreciated:				
Buildings	21,557,187	-	-	21,557,187
Improvements	5,094,863	625,869	-	5,720,732
Machinery and equipment	2,531,812	314,651	70,857	2,775,606
Infrastructure	<u>57,723,551</u>	<u>571,781</u>	<u>-</u>	<u>58,295,332</u>
Total capital assets being depreciated	<u>86,907,413</u>	<u>1,512,301</u>	<u>70,857</u>	<u>88,348,857</u>
Less - Accumulated depreciation for:				
Buildings	10,785,274	502,646	-	11,287,920
Improvements	1,928,939	215,765	-	2,144,704
Machinery and equipment	1,332,124	182,213	70,316	1,444,021
Infrastructure	<u>31,625,283</u>	<u>1,373,006</u>	<u>-</u>	<u>32,998,289</u>
Total accumulated depreciation	<u>45,671,620</u>	<u>2,273,630</u>	<u>70,316</u>	<u>47,874,934</u>
Total capital assets being depreciated, net	<u>41,235,793</u>	<u>(761,329)</u>	<u>541</u>	<u>40,473,923</u>
Capital assets, net	<u>\$ 57,395,238</u>	<u>2,502,299</u>	<u>20,151</u>	<u>59,877,386</u>

Depreciation expense was charged to functions/programs of the City as follows for the year ended December 31, 2018:

General government	\$ 82,905
Community development	38,004
Public safety	139
Public works	1,513,967
Parks and recreation	<u>638,615</u>
	<u>\$ 2,273,630</u>

CITY OF FENTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM DEBT

As of December 31, 2018, the City has the following outstanding long-term liabilities:

	Balance December 31 2017	Additions	Deletions	Balance December 31 2018	Due within one year
Compensated absences	\$ 38,193	146,736	151,780	33,149	13,514

State statutes limit the amount of general obligation bonds a governmental entity may issue to 10% of its total assessed value. Based on a 2018 assessed value of \$378,666,933, the City’s legal debt limit is \$37,866,693. The City has no general obligation debt.

NOTE 7 – PENSION PLAN

Plan Description

The City’s defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo 70.600-70.755. As such, it is LAGERS’ responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS’ Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplemental information. This report may be obtained by accessing the LAGERS’ website at www.molagers.org.

Benefits Provided

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police) and receive a reduced allowance.

CITY OF FENTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

2018 Valuation

Benefit multiplier	1.5% for life, plus 0.5% to age 65
Final average salary	3 years
Member contributions	Noncontributory for employees

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	56
Inactive employees entitled to but not yet receiving benefits	37
Active employees	<u>33</u>
Total	<u>126</u>

Contributions

The City is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the City do not contribute to the pension plan. The City contribution rates are 5.2% (General), and 10.0% (Police) of annual covered payroll. The City outsources the police department to St. Louis County and does not have any current police employees.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of February 28, 2018.

Actuarial Assumptions

The total pension liability in the February 28, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% price inflation
Salary increase	3.25% to 6.55% including wage inflation
Investment rate of return	7.25%, net of investment expenses

CITY OF FENTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

The healthy retiree mortality tables for post-retirement mortality were RP-2014 Healthy Annuitant mortality tables for males and females. The disabled retiree mortality tables for post-retirement mortality were the RP-2014 disabled mortality tables for males and females. The pre-retirement mortality tables used were the RP-2014 employees' mortality tables for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The assumptions used in the February 28, 2018 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate Of Return</u>
Equity	43.00%	5.16%
Fixed income	26.00	2.86
Real assets	21.00	3.23
Strategic assets	10.00	5.59

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

CITY OF FENTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at June 30, 2017	\$ 8,937,386	10,294,280	(1,356,894)
Changes for the year:			
Service cost	129,257	-	129,257
Interest	634,830	-	634,830
Difference between expected and actual experience	180,118	-	180,118
Contributions - employer	-	78,137	(78,137)
Net investment income	-	1,291,310	(1,291,310)
Benefit payments, including refunds	(497,945)	(497,945)	-
Administrative expense	-	(9,217)	9,217
Other changes	-	25,543	(25,543)
Net changes	<u>446,260</u>	<u>887,828</u>	<u>(441,568)</u>
Balances at June 30, 2018	<u>\$ 9,383,646</u>	<u>11,182,108</u>	<u>(1,798,462)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability (asset) would be using a discount rate that is 1% point lower (6.25%) or 1% point higher (8.25%) than the current rate.

	Current Single		
	1% Decrease	Discount	1% Increase
	Rate Assumption		
Net pension liability (asset)	(\$472,265)	(1,798,462)	(2,881,136)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2018, the City recognized pension expense of \$244,616. Reported deferred outflows and inflows of resources are related to pensions from the following sources:

CITY OF FENTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

	Outflows	Inflows	Net Outflows
Differences in experience	\$ 125,683	(133)	125,550
Assumption changes	41,267	-	41,267
Excess (deficit) investment returns	-	(315,665)	(315,665)
Contributions subsequent to the measurement date*	39,828	-	39,828
Total	\$ 206,778	(315,798)	(109,020)

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability (asset) for the next fiscal year.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30		
2019		\$ 194,393
2020		(705)
2021		(190,839)
2022		(111,869)
		\$ (109,020)

Payable to the Pension Plan

At December 31, 2018, the City reported a payable of \$5,841 for the outstanding amount of contributions to the pension plan.

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 on August 18, 1980. Due to discontinuance of local police salaries, no contributions were made for 2018.

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.

CITY OF FENTON, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8 – INTERFUND TRANSACTIONS

The following transfers were made during the year ended December 31, 2018:

Transfers In	Transfers Out	Amount
Capital Projects Fund	General Fund	\$ 2,500,000
Capital Projects Fund	Storm Water/Parks Fund	<u>1,800,000</u>
		<u><u>\$ 4,300,000</u></u>

Interfund transfers were used to: 1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them, 2) use unrestricted revenues collected in the General Fund to finance capital improvements and other funds in accordance with budgetary authorization, or 3) move revenues in excess of current year expenditures to other funds.

NOTE 9 – POLICE SERVICES

The City contracts with the St. Louis County Police Department for police services. For the year ended December 31, 2018, the City paid a total of \$2,636,542 for such services which included \$4,741 for court bailiff services. The contract was renewed during 2016 for a five-year period ending on December 31, 2021.

NOTE 10 – CONTINGENCIES AND COMMITMENTS

As of December 31, 2018, 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.

At December 31, 2018, the City had construction commitments for road replacements in the amount of \$70,408. The City also had commitments in the amount of \$178,135 for renovations of the RiverChase recreation facility.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 14, 2019 the date which the financial statements were available for issue, and noted no reportable events.

CITY OF FENTON, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Over (under) budget</u>
Revenues				
Sales taxes	\$ 4,500,000	4,456,000	4,455,748	(252)
Utility taxes	1,342,000	1,391,000	1,391,665	665
Road and bridge tax	350,000	412,500	412,846	346
Intergovernmental	225,500	244,500	245,157	657
Fines and court costs	209,000	187,800	187,652	(148)
Licenses and permits	72,500	72,500	73,511	1,011
Investment income	40,000	83,500	83,697	197
Other	68,040	480,540	479,820	(720)
Total revenues	<u>6,807,040</u>	<u>7,328,340</u>	<u>7,330,096</u>	<u>1,756</u>
Expenditures				
Current:				
General government:				
City administration	855,022	872,099	866,438	(5,661)
Board of Aldermen	37,685	37,685	37,657	(28)
City clerk	137,897	52,397	51,347	(1,050)
Municipal court	125,679	122,279	121,098	(1,181)
Prosecutor	30,097	17,397	13,651	(3,746)
Finance	183,402	180,702	177,731	(2,971)
Information services	135,800	142,500	141,488	(1,012)
Community development	305,607	278,107	273,975	(4,132)
Public safety	2,342,221	2,342,221	2,342,221	-
Public works	1,324,832	1,231,032	1,225,530	(5,502)
Total expenditures	<u>5,478,242</u>	<u>5,276,419</u>	<u>5,251,136</u>	<u>(25,283)</u>
Revenues over expenditures	<u>1,328,798</u>	<u>2,051,921</u>	<u>2,078,960</u>	<u>27,039</u>
Other financing sources (uses)				
Transfers out	-	(2,500,000)	(2,500,000)	-
Sale of capital assets	-	3,300	3,750	450
Insurance recoveries	-	49,200	49,321	121
Total other financing sources (uses)	<u>-</u>	<u>(2,447,500)</u>	<u>(2,446,929)</u>	<u>571</u>
Net change in fund balance	<u>\$ 1,328,798</u>	<u>(395,579)</u>	<u>(367,969)</u>	<u>27,610</u>
Fund balance at beginning of year			<u>5,127,474</u>	
Fund balance at end of year			<u>\$ 4,759,505</u>	

CITY OF FENTON, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STORM WATER/PARKS FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Over (under) budget</u>
Revenues				
Sales taxes	\$ 4,075,000	4,148,000	4,148,085	85
Intergovernmental	-	441,990	442,060	70
Charges for services:				
RiverChase	1,553,436	1,498,636	1,498,592	(44)
Parks and recreation	304,489	257,665	257,977	312
Investment income	32,000	27,000	27,037	37
Other	-	2,500	2,838	338
Total revenues	<u>5,964,925</u>	<u>6,375,791</u>	<u>6,376,589</u>	<u>798</u>
Expenditures				
Current:				
Parks and recreation:				
RiverChase	2,093,757	1,991,257	1,979,422	(11,835)
Parks and recreation	820,390	727,790	714,438	(13,352)
Police services	352,802	352,802	352,802	-
Storm water:				
Storm water maintenance	20,000	14,800	14,355	(445)
Flood expenditures	-	7,500	7,362	(138)
Capital outlay:				
Land	-	1,369,000	1,368,319	(681)
Total expenditures	<u>3,286,949</u>	<u>4,463,149</u>	<u>4,436,698</u>	<u>(26,451)</u>
Revenues over expenditures	<u>2,677,976</u>	<u>1,912,642</u>	<u>1,939,891</u>	<u>27,249</u>
Other financing sources (uses)				
Transfers out	-	(1,800,000)	(1,800,000)	-
Insurance recoveries	-	19,160	19,162	2
Total other financing sources (uses)	<u>-</u>	<u>(1,780,840)</u>	<u>(1,780,838)</u>	<u>(2)</u>
Net change in fund balance	<u>\$ 2,677,976</u>	<u>131,802</u>	159,053	<u>27,251</u>
Fund balance at beginning of year			<u>1,958,754</u>	
Fund balance at end of year			<u>\$ 2,117,807</u>	

CITY OF FENTON, MISSOURI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Information

Annual budgets are adopted on a basis consistent with 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 at the department level.

CITY OF FENTON, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 129,257	127,563	115,045	120,043
Interest on the total pension liability	634,830	623,940	585,123	569,438
Difference between expected and actual experience	180,118	(129,784)	36,950	30,803
Assumption changes	-	-	286,781	-
Benefit payments	(497,945)	(447,648)	(539,995)	(464,328)
Net change in total pension liability	446,260	174,071	483,904	255,956
Total pension liability at beginning of year	8,937,386	8,763,315	8,279,411	8,023,455
Total pension liability at end of year (a)	<u>\$ 9,383,646</u>	<u>8,937,386</u>	<u>8,763,315</u>	<u>8,279,411</u>
Plan fiduciary net position				
Contributions - employer	\$ 78,137	64,652	59,316	71,417
Net investment income (loss)	1,291,310	1,135,847	(25,782)	200,310
Benefit payments	(497,945)	(447,648)	(539,995)	(464,328)
Administrative expense	(9,217)	(9,354)	(8,998)	(9,973)
Other changes	25,543	(101,199)	110,620	(218,862)
Net change in plan fiduciary net position	887,828	642,298	(404,839)	(421,436)
Plan fiduciary net position at beginning of year	10,294,280	9,651,982	10,056,821	10,478,257
Plan fiduciary net position at end of year (b)	<u>\$ 11,182,108</u>	<u>10,294,280</u>	<u>9,651,982</u>	<u>10,056,821</u>
Net pension liability (asset) at end of year (a-b)	<u>\$ (1,798,462)</u>	<u>(1,356,894)</u>	<u>(888,667)</u>	<u>(1,777,410)</u>
Plan fiduciary net position as a percentage of the total pension liability	119.17 %	115.18	110.14	121.47
Covered payroll	\$ 1,524,479	1,388,077	1,406,178	1,226,371
Net pension liability (asset) as a percentage of covered payroll	(117.97) %	(97.75)	(63.20)	(144.93)

Notes:

Information is not available for fiscal years prior to 2015.

The amounts noted above are as of the measurement date which is June 30 prior to the end of the fiscal year.

CITY OF FENTON, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

	For the fiscal years ended December 31									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined pension contribution	\$ 81,172	73,111	58,078	53,426	97,253	117,346	177,995	188,678	205,934	132,153
Contributions in relation to the actuarially determined contribution	81,172	73,111	58,078	53,426	97,253	117,346	172,490	158,489	147,953	132,153
Contribution deficiency	\$ -	-	-	-	-	-	5,505	30,189	57,981	-
Covered payroll	\$ 1,560,988	1,555,557	1,451,941	1,335,656	1,332,230	1,364,485	1,834,997	1,886,776	1,999,354	2,064,890
Contributions as a percentage of covered payroll	5.20%	4.70	4.00	4.00	7.30	8.60	9.40	8.40	7.40	6.40

Notes to schedule:

Valuation date:

Actuarial determined contribution rates are calculated as of February 28/29 prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method
Amortization method

Entry age normal and modified terminal funding
A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period or (ii) 15 years.

Remaining amortization period
Asset valuation method
Inflation
Salary increases
Investment rate of return
Retirement age
Mortality

Multiple bases from 13 to 15 years
5 year smoothed market; 20% corridor
3.25% wage inflation; 2.50% price inflation
3.25% to 6.55% including wage inflation
7.25%, net of investment expenses
Experience-based table of rates that are specific to the type of eligibility condition
The healthy retiree mortality table for post-retirement mortality were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables for post-retirement mortality were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees' mortality tables for males and females. Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Other information:

There were no benefit changes during the year.

CITY OF FENTON, MISSOURI
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Over (under) budget</u>
Revenues				
Intergovernmental	\$ 2,448,000	1,114,980	1,115,034	54
Investment income	80,000	128,000	128,091	91
Total revenues	<u>2,528,000</u>	<u>1,242,980</u>	<u>1,243,125</u>	<u>145</u>
 Expenditures				
Capital outlay	<u>7,290,000</u>	<u>3,411,785</u>	<u>3,410,744</u>	<u>(1,041)</u>
 Revenues under expenditures	(4,762,000)	(2,168,805)	(2,167,619)	1,186
 Other financing sources				
Transfers in	<u>-</u>	<u>4,300,000</u>	<u>4,300,000</u>	<u>-</u>
 Net change in fund balance	<u>\$ (4,762,000)</u>	<u>2,131,195</u>	2,132,381	<u>1,186</u>
 Fund balance at beginning of year			<u>9,862,517</u>	
 Fund balance at end of year			<u>\$ 11,994,898</u>	