

CITY OF FENTON, MISSOURI

Annual Financial Report
For the fiscal year ended
December 31, 2010



BOTZ, DEAL & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

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INTRODUCTORY SECTION



FENTON

CITY OF PARKS
625 New Smizer Mill Road
Fenton, Missouri 63026-3597
Phone: 636-343-2080
Fax: 636-343-1183

June 13, 2011

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, 2010.

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.

Botz, Deal and Company, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Fenton's financial statements for the year ended December 31, 2010. The independent auditors report is located at the front of the financial section of this report.

Management's discussion and analysis (MD & A) immediately follows the independent auditors report and provides a narrative introduction, overview and analysis of the basic financial statements. MD & A complements 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 fourth Thursday of each month. Committee meetings are held on the first and second Thursday of each month. The Board appoints the City Administrator, City Clerk and each department head upon recommendation of the Mayor.

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, which includes, but is not limited to, 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 residents of the City of Fenton are provided with a broad spectrum of services, which include free trash and yard waste services, curbside recycling and street lighting.

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 consisting of over 350 acres, which include soccer fields, ball diamonds, sand volleyball courts, basketball courts, playgrounds, fishing ponds and over eight miles of bike/pedestrian paths.

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. Interstate 270 is just east of the City and State Highway 30 runs throughout the City. This highway infrastructure provides Fenton with excellent access to the entire St. Louis metropolitan area.

Due to the industrial park, Gravois Bluffs, and Fenton Crossing shopping centers, the City enjoys a solid financial position. 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 any merchants, manufacturers, municipal real estate or personal property tax. Residents pay no municipal real estate or personal property taxes. The gross receipt tax on utilities is not levied on residential use.

The Countywide sales tax is distributed based on two methods – (1) The point of sale method and (2) the pool method. Most of the stores located on the east side of Highway 141 are considered point of sale stores and those sales taxes are distributed 58% to the City of Fenton and 42% to the County. All stores located on the west side of Highway 141 (which includes all of the Fenton Crossing shopping center and more than half of the Gravois Bluffs shopping center) are considered pool stores. Those receipts are distributed 4% to the City of Fenton and 96% to St Louis County for redistribution to other cities within the county. In total, 63% of sales tax receipts generated within Fenton are redistributed to St Louis County and other cities within the county.

The industrial expansion in Fenton began in 1959 with the construction of the Daimler Chrysler Assembly Plant located along Interstate 44. Home to 594 companies, the current industrial park encompasses 12,205,000 square feet of space. The occupancy rate in the industrial park was at 92% in 2007, but dropped to 82% in 2008 and then to 80% in 2009. The industrial base in Fenton has declined since 2007 because of the closure of the two Chrysler assembly plants. As a result of this closure, several companies whose main business was supplying parts or services to Chrysler closed their Fenton operations.

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 past 10 years, Fenton is home to Fenton Crossing and Gravois Bluffs shopping centers. As of December 31, the two centers together total 1.5 million square feet of retail space.

Long Term Financial Planning

General Fund

As of December 31, 2010, total fund balance in the General Fund was approximately \$9.2 million, which was comprised of the following categories:

<u>Description</u>	<u>Amount</u>
Operating Revenues	\$ 4,768,827
Restricted Revenues	91,230
Grant Revenue	503,267
Total Revenues Per Statement of Revenues and Expenditures	<u>\$ 5,363,324</u>
Operating Expenditures	\$ 2,627,095
Debt Service Expenditures	2,165,047
Capital Expenditures	671,521
2009 Expenditures Carried Over to 2010	30,000
Total Expenditures Per Statement of Revenues and Expenditures	<u>\$ 5,493,663</u>
Operating Surplus (Deficit)	\$ (23,315)
Restricted Revenues	91,230
Capital Expenditures (Over) Under Capital Revenues	(168,254)
2009 Expenditures Carried Over to 2010	(30,000)
Total Revenues (Under) Over Total Expenditures	<u>\$ (130,339)</u>

As of January 1, 2011 the Board has established a new Capital Projects Fund to account for capital expenditures separately from operating expenditures. The \$5.9 million balance in the Capital Projects Account will be transferred to the new fund.

The \$607,000 in undesignated fund balance is available for whatever purpose the Board of Aldermen chooses to use it for.

The \$2,589,000 in operating reserve represents 50% of 2010 operating expenditures and, per Board policy, may only be used in the case of an emergency. This account decreased by \$214,000 during 2010 because operating expenditures decreased in 2010 compared to 2009.

Storm Water/Parks Fund

As of December 31, 2009, total fund balance in the Storm Water/Parks Fund was approximately \$4.1 million, which was comprised of the following categories:

<u>Item</u>	<u>2010 Final</u>
50% Operating Reserve	\$ 1,300,000
Designated For Debt Service	2,532,104
Designated For Capital Projects	13,547
Building Maintenance Reserve	197,747
Prepaid Expenditures	40,845
Undesignated Fund Balance	19,999
	<u>\$ 4,104,242</u>

As of January 1, 2011, the Board of Aldermen have established two new debt service funds to track debt expenditures separately from operating expenditures. The \$2,532,000 in the Debt Service Reserve will be transferred to the two new debt service funds during 2011. \$1,372,000 will go to the RiverChase Debt Service Fund and \$1,160,000 will go into the Fabick Debt Service Fund.

The \$13,000 in the Capital Projects Account will also be transferred to the new Capital Projects Fund.

The \$20,000 in undesignated fund balance is available for whatever purposes the Board wishes to use it for.

The \$1,300,000 in operating reserve represents 50% of 2010 operating expenditures and, per Board policy, may only be used in the case of an emergency. This account decreased by \$103,700 during 2010 because operating expenditures decreased in 2010 compared to 2009.

Overall, the City of Fenton has weathered both the economic downturn and the loss of the two Chrysler plants fairly well because of prudent financial management on the part of the Board of Aldermen. Over \$700,000 in expenditures has been cut from the budget over the last two years in order to match expenditures with lower revenues.

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 ensure that all policies are being carried out.

Respectfully submitted,



Mark Sartors
City Administrator

City of Fenton, Missouri
Principal Elected and Appointed Officials
As of December 31, 2010

ELECTED OFFICIALS

<u>TITLE</u>	<u>NAME</u>
Mayor	Dennis Hancock
Alderman – Ward 1	Harold Bade Paul Seemayer
Alderman – Ward 2	Joe Maurath Mike Beiser
Alderman – Ward 3	Tim Trego Chris Clauss
Alderman – Ward 4	Lisa Horn James Mauller

APPOINTED OFFICIALS

<u>TITLE</u>	<u>NAME</u>
City Attorney	Jerome Wallach
Municipal Court Judge	Charles Billings
Prosecuting Attorney	Stan Wallach
City Administrator	Mark Sartors
City Clerk	Diane Monteleone
Community Development Director	Gary Crabtree
Court Clerk	Jan Fischer
Finance Director	Arthur DeWitt
Human Resources Manager	Janet Skelton
Information Systems Manager	Leigh Dohack
Parks & Recreation Director	Thomas Diven
Project Manager	Dan Howard
Public Works – Operations Superintendent	Dale Oberhaus
St. Louis County Police – Precinct Captain	Jeff Bader

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members
of the Board of Aldermen
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 June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 June 30, 2010, and the respective changes in the financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2011, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 through 20 and 53 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fenton, Missouri's financial statements as a whole. The introductory section and nonmajor fund budget schedule, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The nonmajor fund budget schedule 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Boj Deal + Company

June 13, 2011

CITY OF FENTON, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010. 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, 2010, the city's assets exceeded liabilities by approximately \$46.4 million. Included in this amount are approximately \$19 million of resources that are restricted by law to specific projects or purposes. The city has a deficit in unrestricted net assets of approximately \$20.3 million due to approximately \$33.2 million 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, 2010 were approximately \$23.6 million and current liabilities were approximately \$1.06 million. Federal and State laws restrict approximately \$13.4 million of the cash and investments on hand to the repayment of outstanding debt.
- Net assets increased by approximately \$9.8 million during fiscal year 2010. This increase was due to paying off approximately \$13.7 million in long-term debt during 2010.
- Fund balances, which are a measure of current financial resources in the governmental funds, increased by approximately \$416,000 to an ending balance of \$29 million. \$607,000 is unassigned in governmental funds and is available for future appropriation by the Board of Aldermen. Per the financial policies of the City, \$2.6 million in fund balance is held in General Fund and \$1.3 million is held in the Storm Water/Parks Fund for future 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.
- Total fund balance in the General Fund was approximately \$9.2 million, or about 170% of 2010 operating expenditures. The Board of Aldermen has committed \$5.9 million of this balance to be for future capital projects, \$88,000 is non-spendable fund balance to be used to pay 2011 expenditures that were prepaid in December 2010, \$2.6 million is held for emergencies as noted above, and \$607,000 is undesignated.
- The city's gross outstanding debt was approximately \$45.6 million. Of this amount \$33.2 million 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. Another \$3.1 million is due on the PFA Bonds issued to buy Fabick Nature Preserve, while \$9.3 million is due on Certificates of Participation used to build RiverChase, remodel City Hall and make storm water improvements. Net long-term liabilities were \$42.3. Net long-term liabilities take into account \$3.5 in deferred charges on bonds that will be amortized over the remaining life of the bonds as well as \$184,000 in compensated absences outstanding at year-end.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 - This statement 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 - This statement presents information showing how the government's net assets changed during the year. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

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 - 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 2011 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 equity of each of the major city funds.

Statement of Revenues, Expenditures, and Changes in Fund Balance - This statement shows the revenues and expenditures of each of the major city 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 2010:

1. General Fund
2. Storm Water/Parks Fund
3. Gravois Bluffs TIF Bonds Debt Service Fund
4. Fenton Crossing TIF Bonds Debt Service Fund

The first three funds are considered major funds and are reported separately in the fund financial statements. The remaining fund does not meet the normal criteria for a major fund, but is reported simply to provide a more complete picture of the finances of the City.

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.

CITY OF FENTON, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

Fiduciary Funds - These 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 - These notes 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, a budget to actual comparison for the Gravois Bluffs TIF Fund is presented. This schedule is considered as additional supplemental information not subject to audit review.

CITY OF FENTON, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

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 approximately \$46.4 million at the end of fiscal year 2010.

The largest portion of the City of Fenton's net assets (65%) 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 of Fenton 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.

The following table summarizes the Statement of Net Assets:

	<u>Governmental Activities</u>	
	2010	2009
Current assets	\$ 30,449,553	\$ 29,242,544
Deferred charges - bond issue and refunding costs	907,417	813,111
Capital assets	59,306,199	58,552,312
Total Assets	<u>90,663,169</u>	<u>88,607,967</u>
Long-term debt outstanding (net of deferred charges)	42,272,610	50,692,781
Other liabilities	1,976,553	1,316,378
Total Liabilities	<u>44,249,163</u>	<u>52,009,159</u>
Net assets:		
Invested in capital assets, net of related debt	46,926,199	44,537,312
Restricted	19,819,719	18,770,026
Unrestricted	(20,331,912)	(26,708,530)
Total Net Assets	<u>\$ 46,414,006</u>	<u>\$ 36,598,808</u>

Provisions of various laws, regulations and contractual agreements restrict approximately \$19.8 million of net assets for use solely on storm water or parks activities (\$1.6 million) or future debt service payments (\$17.5 million). \$46.9 million of net assets are invested in capital assets, net of related debt. This means that unrestricted net assets are a negative \$20.3 million because of \$33.1 million in outstanding TIF bonds that were issued providing resources for the Gravois Bluffs and Fenton Crossing shopping centers. This debt did not result in capital assets being provided to the City as a result of the investment.

CITY OF FENTON, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

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

	Governmental Activities - 2010	Governmental Activities - 2009	\$ Change	% Change
REVENUES				
Program Revenues:				
Charges For Services	\$ 2,462,158	\$ 2,520,527	\$ (58,369)	-2.32%
Capital Grants & Contributions	2,267,923	397,791	1,870,132	470.13%
General Revenues:				
Sales Taxes	10,424,573	10,245,486	179,087	1.75%
Intergovernmental	4,857,886	4,147,481	710,405	17.13%
Utility Taxes	1,559,566	1,664,415	(104,849)	-6.30%
Investment Earnings	444,173	199,953	244,220	122.14%
Other General Revenues	516,873	59,230	457,643	772.65%
Total Revenues	<u>22,533,152</u>	<u>19,234,883</u>	<u>3,298,269</u>	<u>17.15%</u>
PROGRAM EXPENSES				
Storm Water/ Parks	3,151,788	3,321,549	(169,761)	-5.11%
Debt Service Expenditures	2,744,511	3,107,224	(362,713)	-11.67%
Public Works	2,403,192	2,766,129	(362,937)	-13.12%
Public Safety	2,380,724	2,457,014	(76,290)	-3.10%
General Government	1,705,413	1,971,977	(266,564)	-13.52%
Community Development	332,326	366,749	(34,423)	-9.39%
Total Expenses	<u>12,717,954</u>	<u>13,990,642</u>	<u>(1,272,688)</u>	<u>-9.10%</u>
Excess (Deficiency) Before Transfers and Special Items	9,815,198	5,244,241	4,570,957	
Special Item - Donated Assets	-	13,582,456	(13,582,456)	
Increase In Net Assets	<u>9,815,198</u>	<u>18,826,697</u>	<u>(9,011,499)</u>	
Net Assets - Beginning of Year	<u>36,598,808</u>	<u>17,772,111</u>	<u>18,826,697</u>	
Net Assets - End of Year	<u>\$ 46,414,006</u>	<u>\$ 36,598,808</u>	<u>\$ 9,815,198</u>	

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

Some observations about 2010 revenues and expenditures compared to 2009:

- Total revenues were up by \$3.3 million or 17%. Revenues changed as follows:
 - Utility taxes were down by \$105,000 (6.3%) because of the closure of the two Chrysler plants and several companies that were suppliers to Chrysler.
 - Sales taxes increased by \$179,000 (1.7%) because of general economic improvement that occurred during 2010.
 - Investment earnings increased by \$244,000 (122%) because of capital improvement dollars held in reserve and not spent as planned.
 - Grants and contributions increased by \$1.9 million (470%) due to money received from three grants received for: 1) construction of the Gravois Road Bridge, 2) the Old Highway 141/Old Gravois Road intersection and 3) the Meramec trail extension.
 - Intergovernmental revenues increased by \$710,000 (17%) due to an increase in property values in the Gravois Bluffs Shopping Center. This increase in value led to more property taxes being captured by the Gravois Bluffs TIF area.
- Program expenses were down by \$1.3 million or 9.1%. This was due to the following items:
 - Debt service expenditures decreased by \$363,000 (11.7%) due to early retirement of TIF debt during 2009 and 2010. This caused lower interest costs since fewer bonds were outstanding.
 - Storm Water/Parks expenditures decreased by \$170,000 (5%) because of:
 - \$20,000 from the elimination of one Recreational Supervisor position.
 - \$110,000 from lower maintenance costs as a result of a reduction in the amount of tree trimming, landscaping and general building maintenance performed during 2010. This was a consequence of the elimination of four maintenance workers in the Public Works Department. With fewer workers, fewer projects could be done during 2010.
 - \$30,000 in savings from converting former contract workers to seasonal workers.
 - Police service costs decreased by \$76,000 (3.1%) due to the elimination of one officer position.
 - Public Works costs decreased by \$363,000 (13.1%) due to:
 - \$249,000 in reduced depreciation expense during 2010 because a large portion of City streets reached their estimated useful lives during 2009 and so they were fully depreciated at the end of 2009.
 - \$114,000 from the elimination of four maintenance worker positions.
 - General Government expenditures decreased by \$267,000 (13.5%) due to:
 - Elimination of the MSD sewer bill program (\$168,000). This program paid \$10 per month towards the sewer bill of each Fenton resident.
 - Elimination of the Fenton Scholarship Program (\$32,000)
 - Not purchasing replacement computer equipment during 2010 (\$24,000).
 - Building maintenance savings (\$20,000) due to the fact that no major repairs were required during 2010.

CITY OF FENTON, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

- Insurance savings (\$12,000) due to reallocating the costs of workman's compensation insurance to the Parks Department.

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, 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 2010, the City of Fenton's governmental funds reported combined ending fund balances of \$29 million. This was an increase of \$400,000, with \$67,000 of the increase being in the General Fund.

While ending fund balance in the General Fund increased by \$67,000, compared to the budgeted fund balance final fund balance was \$2.6 million above budget expectations. \$2.3 million of this was due to capital projects that will be carried over to the 2011 fiscal year. In terms of operating performance, operating revenues in General Fund were over budget expectations by \$4,300 (this excludes grants); operating expenditures were \$320,000 under budgeted amounts.

As a result of 2010 capital expenditures exceeding capital grants, the balance of \$5.9 million in the General Fund Capital Reserve Account at the end of 2010 is approximately \$231,000 below the 2009 ending balance.

REVENUE ANALYSIS

Fund	2009 Revenues	2010 Revenues	\$ Change	% Change
General Fund	\$ 6,072,503	\$ 7,389,000	\$ 1,316,497	21.68%
Storm Water/Parks Fund	4,638,079	5,363,324	725,245	15.64%
Gravois Bluffs TIF Fund	7,452,434	8,635,035	1,182,601	15.87%
Fenton Crossing TIF Fund	1,071,867	1,145,792	73,925	6.90%
Total Revenues	<u>\$ 19,234,883</u>	<u>\$ 22,533,151</u>	<u>\$ 3,298,268</u>	<u>17.15%</u>

Citywide revenues were \$22.5 million in 2010, an increase of \$3.3 million or 17.1%.

General Fund revenues increased by \$1.3 million or 22% as follows:

- Gross receipts taxes decreased by \$107,000 because of the loss of the two Chrysler plants and several Chrysler suppliers.
- Sales taxes increased by \$123,000 as a result of the improvement in the economy during 2010, which saw consumers spend more than they did in 2009.
- Investment earnings decreased by \$62,000 due to the decrease in interest rates that saw the Fed Funds rate drop down to almost zero.

CITY OF FENTON, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

- Grant revenues increased by \$1,379,000 due to the grant obtained to build the new Gravois Road Bridge.

Storm Water/Parks Fund revenues increased by \$725,000 or 15.7%:

- Sales taxes increased by \$121,000 for the same reasons noted under General Fund revenues above.
- Recreation fees increased by \$23,000 due to increased participation in the various programs offered by the Parks Department.
- Grant revenue increased by \$500,000 due to the flood buy out program wherein houses in the flood plain were purchased by the City and converted to open space parkland.

The Gravois Bluffs TIF Fund saw increase in revenues of \$1.2 million (16%) because of increased property values from new stores that were built during 2009.

EXPENDITURE ANALYSIS

Fund	2009 Expenditures	2010 Expenditures	\$ Change	% Change
General Fund	\$ 6,148,751	\$ 7,322,056	\$ 1,173,305	19.08%
Storm Water/Parks Fund	2,884,632	5,493,663	2,609,031	90.45%
Gravois Bluffs TIF Fund	7,383,686	7,656,731	273,045	3.70%
Fenton Crossing TIF Fund	3,424,558	1,060,273	(2,364,285)	-69.04%
Old Towne Improvements Fund	30,906	-	(30,906)	-100.00%
Total Expenditures	<u>\$ 19,872,533</u>	<u>\$ 21,532,723</u>	<u>\$ 1,660,190</u>	<u>8.35%</u>

Citywide expenditures were \$21.5 million, an increase of \$1.7 million or 8% compared to 2009.

General Fund expenditures increased by \$1.2 million or 19% due to an increase of \$1.5 million spent on capital improvements during 2010 including the Old Gravois Road Bridge and the Old Gravois Road/Old Highway 141 intersection.

Storm Water/Parks Fund expenditures increased by \$2,600,000 (15.4%) due to \$600,000 spent on the flood buy back program to purchase land located in the flood plain.

Expenditures for the Gravois Bluffs TIF Fund increased by \$273,000 (3.7%) due to an increase in the amount of bonds redeemed early compared to the amount redeemed in 2009.

Expenditures for the Olde Towne Improvement Fund decreased because the Summit Road extension project was completed in February 2009.

CITY OF FENTON, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

Fund Balance Analysis

Total fund balance in the General Fund increased by \$67,000 during 2010:

Description	Amount
Operating Revenues	\$ 5,624,344
Grant Revenue	1,764,656
Total Revenues Per Statement of Revenues and Expenditures	<u>\$ 7,389,000</u>
Operating Expenditures	\$ 5,178,423
Capital Expenditures	2,012,383
2009 Expenditures Carried Over to 2010	131,250
Total Expenditures Per Statement of Revenues and Expenditures	<u>\$ 7,322,056</u>
Operating Surplus (Deficit)	\$ 445,921
Capital Expenditures (Over) Under Capital Revenues	(247,727)
2009 Expenditures Carried Over to 2010	(131,250)
Total Revenues (Under) Over Total Expenditures	<u>\$ 66,944</u>

Total fund balance in the Storm Water/Parks Fund decreased by \$130,000 during 2010:

Description	Amount
Operating Revenues	\$ 4,768,827
Restricted Revenues	91,230
Grant Revenue	503,267
Total Revenues Per Statement of Revenues and Expenditures	<u>\$ 5,363,324</u>
Operating Expenditures	\$ 2,627,095
Debt Service Expenditures	2,165,047
Capital Expenditures	671,521
2009 Expenditures Carried Over to 2010	30,000
Total Expenditures Per Statement of Revenues and Expenditures	<u>\$ 5,493,663</u>
Operating Surplus (Deficit)	\$ (23,315)
Restricted Revenues	91,230
Capital Expenditures (Over) Under Capital Revenues	(168,254)
2009 Expenditures Carried Over to 2010	(30,000)
Total Revenues (Under) Over Total Expenditures	<u>\$ (130,339)</u>

CITY OF FENTON, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

BUDGETARY HIGHLIGHTS

The fund financial statements for 2010 include information about both the original budget as adopted by the Board of Aldermen and the final budget as amended during the year. The Board of Aldermen amended the 2010 budget on three occasions for the following purposes:

1. Resolution 10-02 (approved March 25, 2010) amended the 2010 budget to carryover 2009 projects that were not completed by December 2009. This resolution added \$6.7 million to the revenue budget and \$9.5 million to the expenditure budget.
2. Resolution 10-05 (approved August 26, 2010) amended the 2010 budget to reflect the impact of the mid-year budget review. This resolution increased revenues by \$837,000 and increased expenditures by \$1,031,000. The major increase in expenditures was due to early redemption of Gravois Bluffs TIF bonds.
3. Resolution 11-01 (approved March 24, 2011) amended the 2010 budget to reflect adjustments to departments that were overdrawn at the end of 2010. This resolution increased both revenues and expenditures by \$4,605,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of December 31, 2010, the City of Fenton's investment in capital assets was \$59.3 million (net of accumulated depreciation), an increase of \$754,000 or 1.3%. This increase was due to the construction in progress on the Old Gravois Road Bridge.

Asset Category	2010	2009	\$ Change	% Change
Land	\$ 15,541,115	\$ 14,916,938	\$ 624,177	4.18%
Land improvements	1,018,197	1,041,914	(23,717)	-2.28%
Buildings	14,273,053	14,799,237	(526,184)	-3.56%
Building improvements	193,250	201,193	(7,943)	-3.95%
Machinery and equipment	383,745	435,918	(52,173)	-11.97%
Infrastructure	25,387,410	26,343,856	(956,446)	-3.63%
Construction in progress	2,509,429	813,256	1,696,173	208.57%
Total Net Assets	<u>\$ 59,306,199</u>	<u>\$ 58,552,312</u>	<u>\$ 753,887</u>	<u>1.29%</u>

CITY OF FENTON, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

At December 31, 2010, the total long-term debt of the City was \$45.6 million:

Debt Series	Governmental Activities	
	2010	2009
Gravois Bluffs TIF Refunding Bonds - Series 2006	\$ 28,780,000	\$ 34,845,000
Certificates of Participation - Refunding Series 2003	9,325,000	10,485,000
Fenton Crossing TIF Bonds - Series 2010	4,395,000	5,470,000
PFA Bonds - Series 2003	3,055,000	3,530,000
Total Outstanding Debt	45,555,000	54,330,000
Deferred Charges	(3,466,014)	(3,824,186)
Compensated Absences	183,624	186,966
Net Long Term Liabilities	\$ 42,272,610	\$ 50,692,780

State statutes limit the amount of general obligation bonds a governmental entity may issue to 10% of its total assessed value. Based on a 2010 assessed value of approximately \$377.6 million, the City of Fenton's legal debt limit is approximately \$37.8 million. 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 \$8.8 million during 2010.

Name	Balance 01/01/10	Additions	Retirements	Balance 12/31/2010
Gravois Bluffs TIF - Series 2006	\$ 34,845,000	\$ -	\$ 6,065,000	\$ 28,780,000
Fenton Crossing TIF - Series 2000	5,470,000	-	5,470,000	-
Fenton Crossing TIF - Series 2010	-	4,395,000	-	4,395,000
TOTAL - TIF DEBT	40,315,000	4,395,000	11,535,000	33,175,000
PFA Bonds - Series 2003	3,530,000	-	475,000	3,055,000
Certificates of Participation - Series 2004	10,485,000	-	1,160,000	9,325,000
TOTAL - OTHER DEBT	14,015,000	-	1,635,000	12,380,000
TOTAL - ALL DEBT	\$ 54,330,000	\$ 4,395,000	\$ 13,170,000	\$ 45,555,000

During 2010, the Series 2000 Fenton Crossing TIF bonds were retired through early redemption of bonds through the issuance of \$4,395,000 in Series 2010 bonds on October 1, 2010. It is projected that by calling the Series 2000 bonds early, a net present savings of \$266,291 (5.55%) was achieved. By maintaining the same payment schedule for the bonds, the Series 2010 bonds are projected to pay off on April 1, 2015, which is a full year earlier than the Series 2000 bonds were projected to pay off.

CITY OF FENTON, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

2011 BUDGET

General Fund

The 2011 budget as adopted by the Board of Aldermen in December 2010, proposed revenues of \$5.7 million and expenditures of \$5.43 million, with a projected operating surplus of \$265,000.

The 2011 budget calls for operating expenditures to decrease by \$67,600 or 1.2%. Expenditures are proposed to decrease as follows:

1. \$36,000 in savings from the lower costs for the police services contract.
2. \$22,000 in savings from the replacement of two full time maintenance workers with one seasonal worker.
3. 12,000 from reduction in maintenance costs for the Community Development Department based on 2009/2010 actual costs.

The 2011 budget projects ending unassigned fund balance in General Fund will increase by \$265,000.

Storm Water/Parks Fund

The 2011 budget proposes revenues in this fund to be \$4.92 million while expenditures will be \$4.84 million, with a projected operating surplus of \$84,600.

The majority of the surplus is due to the elimination of one full time Recreation Supervisor position as well as the elimination of the MSD storm water fee. The MSD fee was declared to be an illegal tax by a District Court, which will save the City \$12,000 compared to 2010 expenditures.

The 2011 budget projects that unassigned fund balance will increase by \$84,600.

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:

Mark Sartors
City Administrator
City of Fenton, Missouri
625 New Smizer Mill Road
Fenton, Missouri 63026
Phone 636-343-2080 Ext. 1106

CITY OF FENTON, MISSOURI

Statement of Net Assets

December 31, 2010

	Governmental Activities
ASSETS	
Cash and investments	\$ 10,156,515
Receivables	1,898,541
Prepaid items	129,295
Restricted assets	
Cash and investments	13,439,229
Receivables	4,825,973
Deferred charges - bond issue costs	907,417
Capital assets not subject to depreciation	
Land	15,541,115
Construction in progress	2,509,428
Capital assets - net of accumulated depreciation	
Land improvements	1,018,198
Buildings	14,273,055
Building improvements	193,248
Machinery and equipment	383,745
Infrastructure	25,387,410
TOTAL ASSETS	90,663,169
LIABILITIES	
Accounts payable and other current liabilities	1,064,805
Deposits	131,905
Accrued interest payable	569,804
Unearned revenue	210,039
Non-current liabilities:	
Due within one year	5,290,452
Due in more than one year	36,982,158
TOTAL LIABILITIES	44,249,163
NET ASSETS	
Invested in capital assets, net of related debt	46,926,199
Net assets restricted for:	
Storm water/parks and recreation	1,572,137
Debt service	18,247,582
Unrestricted	(20,331,912)
TOTAL NET ASSETS	\$ 46,414,006

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, 2010

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	\$ 1,705,413	\$ 7,363	\$ -	\$ 1,764,656	\$ 66,606
Community Development	332,326	42,103	-	-	(290,223)
Public Safety	2,380,724	532,263	-	-	(1,848,461)
Public Works	2,403,192	-	-	-	(2,403,192)
Storm Water/Parks and Recreation	3,151,788	1,880,429	-	503,267	(768,092)
Debt Service Expenditures	2,744,511	-	-	-	(2,744,511)
Total Governmental Activities	<u>\$ 12,717,954</u>	<u>\$ 2,462,158</u>	<u>\$ -</u>	<u>\$ 2,267,923</u>	<u>(7,987,873)</u>
General Revenues:					
Sales Taxes					10,424,573
Intergovernmental					4,857,886
Utility Taxes					1,559,566
Investment Earnings					444,173
Other General Revenue					<u>516,873</u>
Total General Revenues					17,803,071
Change in Net Assets					9,815,198
Net Assets - Beginning of Year					36,598,808
Net Assets - End of Year					<u>\$ 46,414,006</u>

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, 2010

	General Fund	Storm Water/Parks Fund	Gravois Bluffs TIF Fund	Fenton Crossing TIF Fund	Total Governmental Funds
ASSETS AND OTHER DEBITS					
Cash	\$ 1,118,161	\$ 325,820	\$ -		\$ 1,443,981
Investments	7,822,861	889,672	-		8,712,533
Cash - Restricted	17,620	1,935,661	5,544,488	694,887	8,192,656
Investments - Restricted	-	585,848	4,660,725	-	5,246,573
Accounts receivable	1,297,034	612,102	4,288,706	526,672	6,724,514
Prepaid items	88,450	40,845	-		129,295
TOTAL ASSETS	\$ 10,344,126	\$ 4,389,948	\$ 14,493,919	\$ 1,221,559	\$ 30,449,552
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 956,808	\$ 61,327	\$ -	\$ -	\$ 1,018,135
Accrued payroll	35,430	11,240	-	-	46,670
Deposits payable	126,317	5,587	-	-	131,904
Deferred revenue	2,487	207,552	-	-	210,039
TOTAL LIABILITIES	1,121,042	285,706	-	-	1,406,748
Fund Equity					
Non-Spendable Fund Balance	88,450	40,845	-	-	129,295
Restricted Fund Balance					-
Restricted For Parks/Storm Water	-	19,999	-	-	19,999
Restricted For Debt Service	-	2,532,104	14,493,919	1,221,559	18,247,582
Committed Fund Balance					
Committed For Capital Projects	5,938,184	13,547	-	-	5,951,731
Committed to Building Maintenance	-	197,747	-	-	197,747
Committed For Emergencies	2,589,000	1,300,000	-	-	3,889,000
Unassigned Fund Balance	607,450	-	-	-	607,450
TOTAL FUND BALANCE	9,223,084	4,104,242	14,493,919	1,221,559	29,042,804
TOTAL LIABILITIES AND FUND EQUITY	\$ 10,344,126	\$ 4,389,948	\$ 14,493,919	\$ 1,221,559	\$ 30,449,552

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 12/31/2010

Total Fund Balance of All Governmental Funds	\$	29,042,804
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Amounts Reported on The Statement of Net Assets Differ Because:

Capital assets used in governmental activities are not financial resources; therefore, the assets are not reported in the funds balance sheet. The cost of capital assets was \$92,465,461 and the accumulated depreciation was \$33,159,262.		59,306,199
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Deferred charges for bond issue costs are not current financial resources; therefore, deferred charges are not reported in the funds balance sheet. These charges will be amortized as interest expense over the life of the bonds.		907,417
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Deferred charges for bond refunding costs are not current financial resources; therefore, these deferred charges are not reported in the funds balance sheet. These costs will be amortized as interest expense over the life of the debt.		3,466,014
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Compensated Absences are not due and payable in the current period; therefore, compensated absences are not reported as liabilities in the funds balance sheet.		(183,624)
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Certain long-term liabilities are not due and payable in the current period; therefore, these liabilities are not reported as liabilities in the funds balance sheet.

Long-term liabilities at the end of 2010 consisted of:

Accrued interest payable		(569,804)
TIF bonds payable		(33,175,000)
Certificates of participation payable		(9,325,000)
PFA bonds payable		(3,055,000)

Net Adjustments		17,371,202
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Net Assets of Governmental Activities Per Statement of Net Assets	\$	46,414,006
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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, 2010

	General Fund	Storm Water/Parks Fund	Gravois Bluffs TIF Fund	Fenton Crossing TIF Fund	Total Governmental Funds
REVENUES					
Sales Taxes	\$ 2,594,866	\$ 2,876,600	\$ 4,227,855	\$ 725,252	\$ 10,424,573
Intergovernmental	279,336	-	4,207,401	371,148	4,857,885
Charges For Services	7,363	1,880,430	-	-	1,887,793
Utility Taxes	1,516,952	-	33,962	8,652	1,559,566
Grants	1,764,656	503,267	-	-	2,267,923
Investment Income	134,588	103,027	165,817	40,740	444,172
Miscellaneous	1,091,239	-	-	-	1,091,239
TOTAL REVENUES	7,389,000	5,363,324	8,635,035	1,145,792	22,533,151
EXPENDITURES					
Current Expenditures					
Parks & Recreation	-	2,657,095	-	-	2,657,095
Public Safety	2,380,724	-	-	-	2,380,724
General Governmental	1,563,702	-	80,000	-	1,643,702
Public Works	1,070,004	-	-	-	1,070,004
Community Development	295,243	-	-	-	295,243
Debt Service					
Principal	-	1,635,000	6,065,000	675,000	8,375,000
Interest	-	516,682	1,506,715	381,825	2,405,222
Trustee Fees	-	13,365	5,016	3,448	21,829
Capital Expenditures	2,012,383	671,521	-	-	2,683,904
TOTAL EXPENDITURES	7,322,056	5,493,663	7,656,731	1,060,273	21,532,723
Excess of Revenues Over (Under) Expenditures	66,944	(130,339)	978,304	85,519	1,000,428
Other Financing Sources (Uses)					
Bond Proceeds	-	-	-	4,395,000	4,395,000
Debt Retirement	-	-	-	(4,795,000)	(4,795,000)
Bond Issue Costs	-	-	-	(183,855)	(183,855)
Total Other Financing Sources (Uses)	-	-	-	(583,855)	(583,855)
Net Change in Fund Balance	66,944	(130,339)	978,304	(498,336)	416,573
Fund Balance - Beginning	9,156,140	4,234,581	13,515,615	1,719,895	28,626,231
Fund Balance - Ending	\$ 9,223,084	\$ 4,104,242	\$ 14,493,919	\$ 1,221,559	\$ 29,042,804

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

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 12/31/2010

Net Changes In Fund Balance Per Statement of Revenues and Expenditures	\$ 416,573
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Amounts reported for governmental activities in the state of activities differ because:

<p>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 costs (\$1,930,017) were less than capital outlay costs (\$2,683,904) during 2010.</p>	753,887
<p>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 reported as interest expense in 2010 that relates to bond issue costs from prior years.</p>	(447,720)
<p>Bond issue costs in governmental funds are reported as expenditures in the year the bonds are issued. In the statement of activities, these costs are allocated over the life of the bonds and reported annually as interest expense. This is the amount of bond issue costs that were incurred during 2010.</p>	183,855
<p>During 2010 the Fenton Crossing Series 2000 TIF Bonds were refunded. In governmental funds this is reported as expenditures in the year of refunding. The refunding act is reported on the Statement of Net Assets as a liability reduction and so the Statement of Activities is not impacted. This is amount of bonds paid off in 2010.</p>	400,000
<p>Changes in compensated absences are reported in the Statement of Activities, but do not require the use of current financial resources; therefore compensated absences are not reported as expenditures in governmental funds. This is the amount by which compensated absences decreased during 2010.</p>	3,342
<p>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:</p>	
Accrued interest payable	130,261
Bond principal payments	8,375,000
Net Adjustments	9,398,625
Changes In Net Assets Per The Statement of Activities	\$ 9,815,198

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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
REVENUES				
Sales Taxes	\$ 2,630,000	\$ 2,630,000	\$ 2,594,866	\$ (35,134)
Utility Taxes	1,538,000	1,458,000	1,516,952	58,952
Charges For Services	-	7,300	7,363	63
Intergovernmental	312,000	302,000	279,336	(22,664)
Grants	45,400	6,137,400	1,764,656	(4,372,744)
Investment Income	100,000	180,000	134,588	(45,412)
All Other Revenues	937,000	1,042,700	1,091,239	48,539
TOTAL REVENUES	<u>5,562,400</u>	<u>11,757,400</u>	<u>7,389,000</u>	<u>(4,368,400)</u>
EXPENDITURES				
Public Safety	\$ 2,382,000	\$ 2,382,000	\$ 2,380,725	\$ 1,275
General Government	1,551,000	1,561,000	1,432,452	128,548
Public Works	1,338,000	1,239,000	1,070,003	168,997
Community Development	334,000	316,000	295,243	20,757
Chrysler Grant Match	-	131,000	131,250	(250)
Total Operating Expenditures	<u>5,605,000</u>	<u>5,629,000</u>	<u>5,309,673</u>	<u>319,327</u>
Capital Expenditures	<u>187,000</u>	<u>8,641,200</u>	<u>2,012,383</u>	<u>6,628,817</u>
TOTAL EXPENDITURES	<u>5,792,000</u>	<u>14,270,200</u>	<u>7,322,056</u>	<u>6,948,144</u>
Excess of Revenues Over (Under) Expenditures	(229,600)	(2,512,800)	66,944	2,579,744
Fund Balance - Beginning	9,156,140	9,156,140	9,156,140	-
Fund Balance - Ending	<u>\$ 8,926,540</u>	<u>\$ 6,643,340</u>	<u>\$ 9,223,084</u>	<u>\$ 2,579,744</u>

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, 2010

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Sales Taxes	\$ 2,955,000	\$ 2,955,000	\$ 2,876,600	\$ (78,400)
RiverChase Revenues	1,575,000	1,581,000	1,534,326	(46,674)
Parks and Recreation Fees	394,000	372,000	346,103	(25,897)
Investment Income	55,000	90,000	103,027	13,027
Grants	-	581,200	503,267	(77,933)
TOTAL REVENUES	<u>4,979,000</u>	<u>5,579,200</u>	<u>5,363,323</u>	<u>(215,877)</u>
EXPENDITURES				
RiverChase	1,987,000	1,960,000	1,911,064	48,936
Fitness Equipment - Carried Over From 2009	-	30,000	30,000	-
Parks and Recreation	667,000	683,400	644,826	38,574
Special Events	42,000	-	-	-
Storm Water Maintenance	65,000	65,000	43,852	21,148
Building Maintenance	60,000	225,100	27,353	197,747
Total Operating Expenditures	<u>2,821,000</u>	<u>2,963,500</u>	<u>2,657,095</u>	<u>306,405</u>
 Debt Service Payments	 2,163,000	 2,165,100	 2,165,047	 53
 Capital Expenditures	 -	 775,900	 671,521	 104,379
TOTAL EXPENDITURES	<u>4,984,000</u>	<u>5,904,500</u>	<u>5,493,663</u>	<u>410,837</u>
 Excess of Revenues Over (Under) Expenditures	 (5,000)	 (325,300)	 (130,340)	 194,960
Fund Balance - Beginning	4,234,581	4,234,581	4,234,581	-
Fund Balance - Ending	<u>\$ 4,229,581</u>	<u>\$ 3,909,281</u>	<u>\$ 4,104,241</u>	<u>\$ 194,960</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 31,2010

	Police Pension Fund
<hr/>	
ASSETS	
Deposits Held With Trustees	\$ 21,595
	<hr/> <hr/>
NET ASSETS	
Held in trust for police pension benefits	\$ 21,595
	<hr/> <hr/>

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, 2010

<u>ADDITIONS</u>	
Investment Earnings	\$ 837
<u>DEDUCTIONS</u>	
Administrative Fees	313
Plan Distributions	-
Total Deductions	313
Changes in Net Assets	524
Net assets - beginning	21,071
Net assets - ending	\$ 21,595

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

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 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.

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.

B. 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.

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.

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 within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the city considers general 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, 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.

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

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. This fund also supplies 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 City also has one other debt service fund - the Fenton Crossing TIF Debt Service Fund. This fund accounts for the resources accumulated and the payments made for principal and interest on the TIF bonds that were issued for the Dierbergs Fenton Crossing Shopping Center project. This fund is not considered a major fund, but is presented in the financial statements in a separate column to provide a complete picture of the finances of the City.

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.

D. 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, 2010, the City had no due to/from amounts.

3. Inventories and Prepaid Items

Certain payments made to vendors during 2010 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, 2010.

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.

The Storm Water/Parks Fund reports restricted resources that are used to account for resources set aside for debt service payments on the Series 2004 Refunding Certificates of Participation and the Series 2003 PFA refunding bonds. Effective January 1, 2011, the Board of Aldermen have established two new debt service funds to account for these debt payments separate from the operating expenditures of the Storm Water/Parks Fund.

The Gravois Bluffs TIF Fund is used to account for resources set aside for debt service payments on the series 2007 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.

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.

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. These costs 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.

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 & Improvements	5 - 50
Land Improvements	10 - 25
Machinery & Equipment	4 - 20
Infrastructure	7 - 50

6. 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). Paid time off expires at the end of the fiscal year and cannot be carried over from year-to-year.

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

<u>Years of Service</u>	<u>Weeks of Paid Time Off</u>
1 to 4	3
5 to 14	4
15 plus	5

Unused vacation time was frozen at the balance in an employee's account on April 30. 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, 2010 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. 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 had 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 so that 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.

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 effective interest 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 are 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 February 2009, the Governmental Accounting Standards Board (GASB) issued statement number 54 – Fund Balance Reporting. This statement required that fund balance in governmental funds be broken down into classifications according to the availability of the fund balance to be spent during the normal course of operations. The following fund balance classifications are now used by the City of Fenton:

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 non-spendable fund balance for 2011 expenditure items that were prepaid in December 2010.

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 Storm Water/Parks Fund reports restricted fund balance because the main revenue source for this fund is a ½% sales tax. The legislation that enabled this tax restricted the use of the money to parks or storm water purposes. The Gravois Bluff TIF Fund and other debt service funds report restricted fund balance as all fund balance for these funds can only be used for the retirement of debt in accordance with bond covenants.

Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Aldermen. As of December 31, 2010, the City reported the following items as committed fund balance:

Per section 100 of the Financial Policies Manual, which was adopted on March 20, 2006 with ordinance #2791, 50% of annual expenditures will be kept in committed fund balance to be used only in the 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 is to be kept in unassigned fund balance and used as directed by the Board of Aldermen through a budget amendment resolution. As of December 31 General Fund committed fund balance for emergency use was \$2,589,000.

Committed fund balance in General Fund that was committed for capital projects was \$5,938,184. This represents the amount designed by the Board to only be used for capital projects. As of January 1, 2011, a new Capital Projects Fund was created and the balance in this account will be moved over to the new fund.

Committed fund balance in the Storm Water/Parks Fund that has been committed to natural disasters per the Financial Policies Manual was \$1,300,000.

Committed fund balance in the Storm Water/Parks Fund that has been committed to RiverChase building maintenance was \$197,747. This represents money that can only be spent for major building maintenance required for RiverChase and that can only be spent after official Board action.

Committed fund balance in the Storm Water/Parks Fund that was committed for capital projects was \$13,546. These funds have been designed to only be used for capital projects and likewise will be moved to the new Capital Projects Fund on January 1, 2011.

Assigned fund balance represents amounts that the city intends to use for specific purposes, but are neither restricted nor committed. As of the end of 2010, the City had no assigned fund balance amounts.

Unassigned fund balance is the residual classification of fund balance for the General Fund only. As of December 31, 2010 this account had a balance of \$607,452.

When resources are expended that could come from more than one fund balance category, it is the policy of the City of Fenton that restricted, committed and assigned fund balance will be used before unassigned fund balance.

9. Net Assets

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

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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 department level.

For fiscal year 2010, the Board of Aldermen made the following budget amendments:

Resolution # 10-02 - Increased the revenue budget by \$6.7 million and increased the expenditure budget by \$9.5 million for projects originally included in the 2009 budget that were not completed by the end of 2009.

Resolution # 10-05 – Increased budgeted revenues by \$837,000 and increased budgeted expenditures by \$1,031,000 in order to reflect the impact of actual performance through June as reflected in the mid-year budget review.

Resolution # 11-01 – Increased both budgeted revenues and budgeted expenditures by \$4,605,000. This resolution was made to correct accounts that were overdrawn and caused their department to also be overdrawn.

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 11-01, expenditures did not exceed appropriations in any fund during 2010.

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, for 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 90 (ninety) 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.

The deposits and investments held at December 31, 2010, and reported at fair value, are as follows:

DEPOSITS:

Demand Deposits	\$ 1,475,671
Cash on Hand	3,550
Nonnegotiable Certificates of Deposit	1,794,523
	<u>3,273,744</u>

INVESTMENTS:

Federal Home Loan Bank (FHLB)	3,181,434
Fidelity Treasury Fund	6,802,606
MFS Government Securities Fund	1,404,406
Federal National Mortgage Association (FNMA)	2,315,971
Federal Farm Credit Bureau (FFCB)	1,208,460
Goldman Sachs Fund A	1,000,598
Franklin Government Securities Fund C	777,875
Franklin Government Securities Fund A	808,582
Federal Home Loan Mortgage Corporation (FHLMC)	1,467,258
Financial Square Treasury Trust Fund	1,372,430
	<u>20,339,620</u>

TOTAL DEPOSITS AND INVESTMENTS	<u>\$ 23,613,364</u>
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RECONCILIATION TO THE FINANCIAL STATEMENTS:

Statement of Net Assets	
Cash and Investments	\$ 10,174,135
Restricted Cash and Investments	13,439,229
	<u>23,613,364</u>

TOTAL DEPOSITS AND INVESTMENTS PER THE STATEMENT OF NET ASSETS	<u>\$ 23,613,364</u>
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Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, City deposits may not be returned. 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, 2010, 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.

Investment Interest Rate Risk - As of December 31, 2010 the City had the following investments and maturities:

Investment Type	Fair Value	Less Than 3 Yrs	3 to 8 Yrs	Over 8 Yrs
Government and Agency Securities	\$ 8,173,123	\$ 760,005	\$ 5,076,656	\$ 2,336,462
Mutual Funds	12,166,497	12,166,497	-	-
Totals	<u>\$ 20,339,620</u>	<u>\$ 12,926,502</u>	<u>\$ 5,076,656</u>	<u>\$ 2,336,462</u>
Percentage	100.00%	63.55%	24.96%	11.49%

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 - As documented on previous pages, City investment policy and state law limit its investment choices. At December 31, 2010, 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	\$ 8,173,123
Fidelity Treasury Mutual Fund	AAA	6,802,606
MFS Government Securities Fund	AAA	1,404,406
Goldman Sachs Fund A	AAA	1,000,598
Franklin Government Securites Fund A	AAA	808,582
Franklin Government Securities Fund C	AAA	777,875
Financial Square Treasury Mutual Fund	Aaa	1,372,430
Total		<u>\$ 20,339,620</u>

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, 2010, the City had the following investments that were more than 5% of the City’s total investments:

Investment	Amount	Percent
Federal Home Loan Bank Notes	\$ 3,181,434	15.64%
Federal National Mortgage Assoc	2,315,971	11.39%
Federal Home Loan Mortgage Corp	1,467,258	7.21%
Federal Farm Credit Bureau	1,208,460	5.94%

B. Receivables and Deferred Revenue

As of December 31, 2010 citywide receivables are as follows:

Receivable	General Fund	Parks/Storm Water Fund	Gravois		Total
			Bluffs TIF Fund	Debt Service Funds	
Property Taxes	\$ 112,946	\$ -	\$ 3,530,181	\$ 371,149	\$ 4,014,276
Sales Taxes	706,613	564,749	722,074	155,523	2,148,959
Accrued Interest	8,921	13,675	36,451	-	59,047
Utility Taxes	151,470	-	-	-	151,470
Grants	297,535	20,217	-	-	317,752
Miscellaneous	19,549	-	-	-	19,549
Customer Accounts	-	13,461	-	-	13,461
Total	\$ 1,297,034	\$ 612,102	\$ 4,288,706	\$ 526,672	\$ 6,724,514

Governmental funds report deferred revenue in connection with resources that have been received, but not yet earned. As of December 31, 2010, the Storm Water/Parks Fund reported approximately \$208,000 in money that had been received from customers for classes to be held in 2011 and for memberships that will be consumed during 2011.

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. 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 as of December 31, 2010.

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. Within the last three years, settled claims have not exceeded the City's commercial coverage.

E. Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

Account	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 14,916,938	\$ 624,177	\$ -	\$ 15,541,115
Construction In Progress	813,257	1,972,974	(276,802)	2,509,429
Land Improvements	2,486,283	65,290	-	2,551,573
Buildings	21,509,418	-	-	21,509,418
Building Improvements	259,440	-	-	259,440
Machinery & Equipment	1,820,866	23,738	(18,564)	1,826,040
Infrastructure	47,993,919	274,527	-	48,268,446
Total Assets	\$ 89,800,121	\$ 2,960,706	\$ (295,366)	\$ 92,465,461
Acc Deprec - Land Improvements	\$ (1,444,370)	\$ (89,006)	\$ -	\$ (1,533,376)
Acc Deprec - Buildings	(6,710,183)	(526,182)	-	(7,236,365)
Acc Deprec - Bldg Improvements	(58,245)	(7,945)	-	(66,190)
Acc Deprec - M & E	(1,384,948)	(75,911)	18,564	(1,442,295)
Acc Deprec - Infrastructure	(21,650,063)	(1,230,973)	-	(22,881,036)
Total Accumulated Depreciation	\$ (31,247,809)	\$ (1,930,017)	\$ 18,564	\$ (33,159,262)
Capital Assets, Net	\$ 58,552,312	\$ 1,030,689	\$ (276,802)	\$ 59,306,199

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

Function	2010 Depreciation
General Government	\$ 65,053
Community Development	37,083
Public Works	1,333,188
Parks and Recreation	494,693
	\$ 1,930,017

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, 2007, the retroactive reporting has been completed for all infrastructure assets.

F. Construction Commitments

As of December 31, 2010, the City had the following construction commitments:

Company	Purpose	Approved Amount	Paid to Date	Balance
Pace Construction	Build Gravois Road Bridge	\$ 4,709,684	\$ 1,784,486	\$ 2,925,198

G. Lease Commitments

The City leases two office copiers under non-cancelable operating leases. The lease for the copier located at City Hall costs \$437 per month and runs from May 19, 2008 to May 19, 2013. The lease for the copier at the Public Works facility costs \$140 per month and runs from January 15, 2008 through January 15, 2013.

The City also leases a postage meter and scale for \$179 per month with the agreement running from May 1, 2007 to June 30, 2011.

Total costs for such leases were \$9,286 for the year ended December 31, 2010. The future minimum lease payments on these leases is as follows:

Year Ending December 31,	Amount
2011	\$ 8,083
2012	7,188
2013	2,185

H. Long-Term Debt

As of December 31, 2010 the City has the following outstanding long-term liabilities:

Name	Balance 01/01/2010	Additions	Retirements	Balance 12/31/2010	Due Within One Year
Gravois Bluffs TIF - Series 2006	\$ 34,845,000	\$ -	\$ 6,065,000	\$ 28,780,000	\$ 2,930,000
Fenton Crossing TIF - Series 2000	5,470,000	-	5,470,000	-	-
Fenton Crossing TIF - Series 2010	-	4,395,000	-	4,395,000	855,000
Total - TIF Debt	40,315,000	4,395,000	11,535,000	33,175,000	3,785,000
PFA Bonds	3,530,000	-	475,000	3,055,000	485,000
Certificates of Participation	10,485,000	-	1,160,000	9,325,000	1,195,000
Total - Other Debt	14,015,000	-	1,635,000	12,380,000	1,680,000
Unamortized Premium (net)	352,862	-	31,365	321,497	31,366
Deferred Amount on Refunding	(4,177,048)	-	(389,537)	(3,787,511)	(389,538)
Compensated Absences	186,966	81,009	84,351	183,624	183,624
Total - Other Liabilities	(3,637,220)	81,009	(273,821)	(3,282,390)	(174,548)
TOTAL - LONG-TERM LIABILITIES	\$ 50,692,780	\$ 4,476,009	\$ 12,896,179	\$ 42,272,610	\$ 5,290,452

State statutes limit the amount of general obligation bonds a governmental entity may issue to 10% of its total assessed value. Based on a 2010 assessed value of \$377,600,000, the City of Fenton's legal debt limit is \$37,760,000. 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 considered general obligation debt.

Tax Increment Financing (TIF) Bonds

The City has issued five 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 incremental property taxes generated. They 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 are 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, respectively. Interest rates on the bonds range from 5.375% to 7.25% with interest payments due on April 1 and October 1. Term bonds due in 2015 and 2021 are subject to early redemption, as revenues will permit.

Series 2010 Bonds - On October 1, 2010, the City issued \$4,395,000 in TIF revenue refunding bonds to refund the Series 2000 Fenton Crossing TIF Bonds. More details are described later in this section under the heading of "Defeased Debt".

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
2011	7,145,000	1,412,942	8,557,942
2012	4,150,000	1,141,310	5,291,310
2013	4,440,000	929,335	5,369,335
2014	4,785,000	703,136	5,488,136
2015 - 2019	12,655,000	951,412	13,606,412
Totals	\$ 33,175,000	\$ 5,138,135	\$ 38,313,135

Public Facility Authority (PFA) Bonds

In 1997, the City entered into a lease agreement with the City of 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 defeased the outstanding 1997 bonds issued by the Authority. The City interest in 3 acres of real property and the City's public works maintenance facility has been pledged collateral. Interest on the 2003 bonds is due on January 1 and July 1, with final maturity of the bonds occurring on January 1, 2016.

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

Year Ending December 31	Principal	Interest	Total
2011	\$ 485,000	\$ 112,543	\$ 597,543
2012	495,000	94,531	589,531
2013	520,000	75,110	595,110
2014	545,000	54,070	599,070
2015-2016	1,010,000	43,335	1,053,335
Totals	\$ 3,055,000	\$ 379,589	\$ 3,434,589

Certificates of Participation

On July 1, 1997, the City issued \$19,765,000 of Certificates of Participation to be used for construction of the recreational complex known as RiverChase, making improvements to the City Hall building and storm water improvements within the city. On December 1, 2004, the City issued \$13,170,000 in refunding Certificates of Participation to defease those 1997 bonds due on and after September 1, 2008.

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.

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

Year Ending December 31	Principal	Interest	Total
2011	\$ 1,195,000	\$ 351,375	\$ 1,546,375
2012	1,235,000	311,342	1,546,342
2013	1,280,000	268,118	1,548,118
2014	1,325,000	221,398	1,546,398
2015-2017	4,290,000	350,680	4,640,680
Totals	<u>\$ 9,325,000</u>	<u>\$ 1,502,913</u>	<u>\$ 10,827,913</u>

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, 2010, the amount of defeased debt outstanding, but removed from the long-term debt of the City, amounted to \$24,775,000 for the Series 2001 bonds and \$14,600,000 for the Series 2002 bonds.

On October 1, 2010 the City issued \$4,395,000 in Series 2010 Fenton Crossing TIF Refunding bonds in order to pay off the Series 2000 bonds that were outstanding on that date. The Series 2010 bonds are term bonds with a maturity date of October 1, 2021 and an interest rate of 4.75%. The bonds are subject to early redemption beginning on April 1, 2011 and each six months thereafter, as revenues permit. If tax receipts continue at the same level they were in 2009 all bonds will be retired on April 1, 2015. The Series 2000 bonds carried an interest rate ranging from 6.50% to 7.25%. The refunding provided economic savings of \$266,291 or 5.55%.

All Series 2000 bonds were called and retired on October 1, 2010 so that no bonds remain outstanding.

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.

LAGERS - 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. This 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 2010 was 7.4% for general employees and 9.8% 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 2010, the City's annual pension cost of \$141,609 was equal to 86.6% of the required contribution of \$163,521. The required contribution was determined as part of the February 28, 2008 and/or February 29, 2009 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 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 as of February 29, 2008 was 15 years for the General division and 22 years for the Police division. The amortization period as of February 28, 2009 was 30 years for the General division and 30 years for the Police division. A schedule of funding progress is included later in this report as required supplementary information.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of	
		APC Contributed	Net Pension Obligation
6/30/2008	\$ 141,330	100.0%	\$ -
6/30/2009	131,401	100.0	-
6/30/2010	163,521	86.6	21,912

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 2010.

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, 2010, the City paid a total of \$2,388,525 for such services. The contract was renewed during 2010 for a five-year period ending on December 31, 2015.

B. Legal Proceedings

As of December 31, 2010, 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.

D. Related Party Transaction

American Burglary and Fire, Inc (ABF) provides fire and burglary alarm system monitoring to the City for all city buildings. ABF is owned and operated by a member of the Board of Aldermen. These services have been provided to the City by ABF since 1991. The Alderman who owns ABF was elected to the Board of Aldermen in 2002. The cost of the monitoring service is \$384 per quarter or \$1,536 per year. In 2010, the total cost of services provided by ABF was \$2,044, which included both monitoring and repair services. The Alderman did not seek reelection during 2010 and so was no longer on the Board of Alderman after April 30, 2010.

E. Subsequent Events

On March 24, 2011 the Board of Aldermen approved the issuance of \$2,225,000 in Refunding Certificates of Participation in order to refund the Series 2004 Public Facilities Authority Refunding bonds that were issued to refund the bonds issued to purchase the Fabick Property. The Series 2004 bonds carried interest rates ranging from 1.2% to 4.35% and were scheduled to pay off on January 1, 2016. The Series 2011 Certificates of Participation will carry interest rates ranging from 2.0% to 2.1% and will be retired on January 1, 2015 or one year earlier than the Series 2004 bonds. The new bonds produced an economic savings of \$91,167 or 3.55%. All of the Series 2004 bonds will be retired from the proceeds of the Series 2010 debt.

As of the date of this report, management is not aware of any other subsequent events that would impact the financial statements of the City of Fenton.

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
2/29/2008	\$ 4,935,955	\$ 4,071,215	\$ (864,740)	121%	\$ 2,080,662	(42)
2/28/2009	4,262,708	4,439,692	176,984	96	1,955,881	9
2/28/2010	4,678,407	4,754,780	76,373	98	1,980,283	4

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
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For The Year Ended December 31, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
REVENUES				
Sales Taxes	\$ 3,783,000	\$ 3,993,000	\$ 4,227,855	\$ 234,855
Property Taxes	2,500,000	3,100,000	4,207,401	1,107,401
Gross Receipts Taxes	33,000	33,000	33,962	962
Investment Income	75,000	150,000	165,817	15,817
TOTAL REVENUES	<u>6,391,000</u>	<u>7,276,000</u>	<u>8,635,035</u>	<u>1,359,035</u>
EXPENDITURES				
Current Expenditures:				
Administrative Costs	80,000	80,000	80,000	-
Debt Service Expenditures:				
Principal	4,735,000	6,065,000	6,065,000	-
Interest	1,566,000	1,566,000	1,506,715	59,285
Trustee Fees	10,000	10,000	5,016	4,984
TOTAL EXPENDITURES	<u>6,391,000</u>	<u>7,721,000</u>	<u>7,656,731</u>	<u>64,269</u>
Excess of Revenues Over (Under) Expenditures	-	(445,000)	978,304	1,423,304
Fund Balance - Beginning	13,515,615	13,515,615	13,515,615	-
Fund Balance - Ending	<u>\$ 13,515,615</u>	<u>\$ 13,070,615</u>	<u>\$ 14,493,919</u>	<u>\$ 1,423,304</u>

CITY OF FENTON, MISSOURI

SINGLE AUDIT REPORT

DECEMBER 31, 2010



BOTZ, DEAL & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

CITY OF FENTON, MISSOURI
SINGLE AUDIT REPORT
FENTON, MISSOURI

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CITY OF FENTON, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT NUMBER	CFDA NUMBER	DISBURSEMENT EXPENDITURES
DEPARTMENT OF TRANSPORTATION			
Passed through Missouri Department of Transportation:			
Highway Planning and Construction Grant	BRM-5543(603)	20.205	\$ 1,169,129
Highway Planning and Construction Grant	CMAQ-4989(607)	20.205	<u>170,420</u>
Total passed through Missouri Department of Transportation			<u>1,339,549</u>
Passed through Missouri Department of Natural Resources:			
Recreational Trails Program	FY 2008-02	20.219	<u>20,217</u>
Total Department of Transportation			<u>1,359,766</u>
DEPARTMENT OF HOMELAND SECURITY			
Passed through Missouri Emergency Management Agency			
Hazard Mitigation Grant	FEMA-1676-DR-MO	97.039	<u>453,050</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,812,816</u>

CITY OF FENTON, MISSOURI
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2010

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Fenton, Missouri and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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 Members of the Board of Alderman
CITY OF FENTON, MISSOURI

We have audited the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of City of Fenton, Missouri as of and for the year ended December 31, 2010, and have issued our report thereon dated June 13, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Fenton, Missouri'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 deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 City of Fenton, Missouri's basic 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 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 management, the Board of Aldermen, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Batz Deal + Company

June 13, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**



The Honorable Mayor and Members of the Board of Alderman
CITY OF FENTON, MISSOURI

Compliance

We have audited the City of Fenton, Missouri's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2010. City of Fenton, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Fenton, Missouri's management. Our responsibility is to express an opinion on City of Fenton, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Fenton, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Fenton, Missouri's compliance with those requirements.

In our opinion, the City of Fenton, Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of City of Fenton is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Fenton's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Fenton's internal control over compliance.

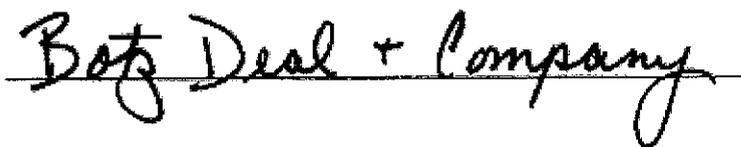
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule Of Expenditures Of Federal Awards

We have audited the financial statements of the governmental activities and each major fund and the aggregate remaining fund information of City of Fenton, Missouri, as of and for the year ended December 31, 2010, and have issued our report thereon dated June 13, 2011, which contained unqualified opinions on the financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This 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 records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Aldermen, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bots Deal + Company". The signature is written in dark ink and is positioned above a horizontal line.

June 13, 2011

CITY OF FENTON, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements.
2. No instances of noncompliance material to the financial statements were disclosed during the audit.
3. No significant deficiencies relating to the audit of the major federal awards programs are reported.
4. The auditors' report on compliance for the major federal awards programs expresses an unqualified opinion.
5. There were no material audit findings that are required to be reported in accordance with Section 510(a) of *OMB Circular A-133*.
6. The program tested as a major program was U.S. Department of Transportation Highway Planning and Construction CFDA No. 20.205 and U.S. Department of Homeland Security CFDA No. 97.039.
7. The threshold for distinguishing Type A and B programs was \$300,000.
8. The City of Fenton, Missouri was determined to not be a low risk auditee.

B. Findings - Financial Statement Audit

1. None.

C. Findings and Questioned Costs - Major Federal Awards Programs Audit

2. None.