

CITY OF FRONTENAC



Comprehensive Annual Financial Report

For The Year Ended June 30, 2014

CITY OF FRONTENAC, MISSOURI

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Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2014

Prepared by:
Finance Department
Julie O'Guinn, Finance Officer

CITY OF FRONTENAC, MISSOURI
FINANCIAL REPORT

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SECTION I - INTRODUCTORY SECTION



10555 CLAYTON ROAD • FRONTENAC, MISSOURI 63131
PHONE 314-994-3200 • FAX 314-994-3203 WWW.CITYOFFRONTENAC.ORG

KEITH KRIEG
Mayor

ROBERT SHELTON
City Administrator

November 26, 2014

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

The Comprehensive Annual Financial Report of the City of Frontenac, Missouri (the City) for the fiscal year ended June 30, 2014 is hereby submitted for your review. 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 it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Accounting principles generally accepted in the United States of America (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the analysis. The City's MD&A can be found immediately following the independent auditor's report.

Profile of the government

In 1947, the residents of Frontenac Estates, Jaccard Lane, and Clayton Terrace petitioned the County Court to become the Village of Frontenac, an area of 217 acres. An annexation in May of 1948 added an additional 967 acres, including West End Park and the yet to be developed areas of Villa Duchesne School and the Retreat House of the Cenacle (now Ballantrae Subdivision). On November 6, 1950, Frontenac residents voted to become a City of the fourth class. The City of Frontenac has 3,483 residents, approximately 1,300 homes and comprises 1,944 acres (2.8 square miles).

The City of Frontenac is empowered to levy a property tax on real property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation.

The City of Frontenac has operated under the mayor-board of aldermen form of government since 1950. Policy-making and legislative authority are vested in the governing board (Board of Aldermen) consisting of the mayor and six other members, all of whom are elected at large. Board members serve two-year terms, with three members elected every two years. The Mayor is elected for a two-year term. The Mayor, with board approval, appoints the City of Frontenac's administrator.

The City of Frontenac provides a full range of services, including police, fire and emergency medical services or EMS protection; leaf removal; snow removal on thoroughfares; traffic control; building inspections; licenses and permits; the construction and maintenance of City streets; bridges; stormwater runoff projects and other infrastructure activities.

The Board is required to adopt an initial budget for the fiscal year no later than May 31 preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the City of Frontenac's financial planning and control. The budget is prepared by fund, function, and department (e.g., police). Department heads may transfer resources within a department as they see fit. In no event shall the total proposed expenditures from any fund exceed the estimated revenues to be received plus any unencumbered balance or less any deficit estimated for the beginning of the budget year.

Local economy

The City of Frontenac is a wealthy inner-ring suburb of St. Louis. The City of Frontenac's signature landmark is Plaza Frontenac, a high-end shopping mall featuring many prominent retailers such as Saks Fifth Avenue, Neiman Marcus and Tiffany & Co. as well as fine dining establishments such as Flemings, Bricktops, and Brio's. The City is home to Shriners Hospital of St. Louis and private catholic educational facilities for K-6 and college preparatory. Major industries located in the City or in close proximity to the government include major hospitals, educational facilities, manufacturers, retail stores, the county seat and several financial institutions and insurance companies.

Because of its location in a region with a varied economic base, unemployment has been relatively stable. Although unemployment rates have risen nationwide in recent years, the City of Frontenac continues to experience unemployment rates consistently lower than national averages. During the past ten years, the unemployment rate rose from an initial low of 0.9% (2005) to a decade high of 1.7% in 2009. The City of Frontenac's unemployment rate as of June 2014 was 1.3% compared to 6.5% nationally. The department of labor forecasts the unemployment rate will remain constant at a higher 8% rate through the new fiscal year 2014 - 2015.

Median household incomes within the City of Frontenac are significantly higher than for the state as a whole. According to the year 2010 census, the government's median family income was \$154,162; St. Louis County's was \$58,485; while the state's was \$47,333. Despite the softening of the housing market nationwide, housing prices in the vicinity of the City of Frontenac

continue to remain strong. At the end of the second quarter of 2014, the median sale price of a single family home in the vicinity of the City of Frontenac was \$672,000 and median list price \$1.3 million dollars.

Due to its careful long-term 20-year financial planning projection, the City received its AAA issuer credit rating assigned by Standard & Poor's in October 2009 with the City's bond issue for construction of the New City Hall project. This rating was reaffirmed in 2013.

During the past ten years, total revenues excluding grants increased on average 2.5% annually and were affected by revenue downturns due to the Interstate 64 closure and the 2009 economic recession. Sales tax revenues have slowly recovered and in 2013 - 2014 met and exceeded 2004 - 2005 sales tax revenue amounts for the first time in six years marking the first year the City returned to prerecession sales tax income. Sales tax revenue growth averaged only 1/3 of 1% (0.33%) for the five-year period 2008 - 2009 to 2012 - 2013 and in 2013 - 2014 increased to 4% average growth for the five year period 2009 - 2010 to 2013 - 2014. As City services are heavily dependent on revenue from sales tax generated by the City of Frontenac's retail businesses, this revenue source although improving, has not kept up with regular expense growth.

Like most cities, the City of Frontenac's services are heavily dependent on personnel. Police, fire, EMS, public works, and administration personnel expenses make up 89% of the 2014 - 2015 General Fund budget and 76% of the Capital and General Funds' combined 2014 - 2015 expense budgets. While it is necessary to continually review efficiencies in personnel, response time and service levels for police and fire have historically been important to our community's residents. Cost savings measures helped to buffer personnel expense increases which have increased on average 3.8% over the prior 8 years.

Public safety, (police, fire, and EMS) is by far the City's largest expense. Public safety accounts for approximately 81% of personnel expenses. Administrative staff, the Board of Aldermen, and the Ways and Means Committee all continue to work together to reduce personnel expenses or limit the increase in these and other costs. Some of our successes during recent years are listed below:

- Consolidated dispatch in 2011 with West Central Dispatch Center, cities of Creve Coeur, Frontenac and Town and Country generating annual savings of \$110,000. While consolidating our police and fire dispatch has resulted in these savings, the annual cost to provide the vital communications for our first responders is \$257,900 (2014 - 2015 estimate) and is also heavily personnel-driven.
- Charter member of St. Louis Area Insurance Trust (SLAIT) which added self-insured health in 2010. Annual estimated savings of \$45,000 when combined with addition of employee deductible of \$500 per employee and \$1,000 per family.

- Reduced City's share of health insurance cost by increasing employee only portion of health care from zero to 10%. Savings of \$30,000 annually.
- Lengthened "steps to max pay" from 3 to 8 years reducing the annual payroll step increases. Savings of \$38,000 over an 8-year period per new hire.
- Froze longevity increases and time in rank for all employees in 2011 resulting in estimated savings of more than \$350,000 over 10 years.
- Obtained grant revenue for police and fire equipment and capital improvement projects, offsetting City expenses by almost \$800,000 over the past four years.
- Police, fire, and public works have all managed capital vehicle and equipment purchases to reduce cost from prior years. Estimated savings in excess of \$15,000 annually.
- Public works has borrowed equipment from Creve Coeur, fire has borrowed/shared equipment and training resources and police have obtained donated equipment, all resulting in reduced or zero expense increases. Estimated savings of over \$10,000 annually.

During the past ten years, the government's overall expenditures related to public safety have increased not only in amount, but also as a percentage of total operational expenditures in governmental funds (currently 68% of operational expenditures and 58% of total expenditures), reflecting a ten-year increase of 8.1% for fire/EMS and 2.2% for police. Much of this increase reflects the 2010 addition of the EMS/ambulance service to improve response times as well as the increased personnel to fulfill ISO insurance ratings requirements on fire truck minimum manning. City administration is currently in negotiations with fire union representatives regarding benefits and salaries.

During the prior ten-year period, charges for services related to governmental funds have increased not only in amount, but also as a percentage of total revenues in governmental funds (currently 20%, reflecting a ten-year increase of 3.5%) reflecting the addition of ambulance service in 2010. The increase in charges for services has been limited due to police and fire contractual rate increases and limited EMS activity.

Over the past ten plus years, the government has experienced more than \$90 million in construction projects with the majority of projects new single family homes and residential construction (71%) and the remaining 29% renovation of existing commercial properties. This development, combined with an easy commute to the nearby metropolitan centers of Clayton and St. Louis City, the presence of retail and service industries, and the presence of nearby recreational, educational and health facilities has even further strengthened the City of Frontenac's already strong residential housing base. The City of Frontenac expects a continued gradual recovery in all sectors of its local economy as the national economy continues to improve.

Long-term financial planning and major initiatives

The City of Frontenac maintains a long-term financial planning projection tool which was initiated in April of 2008 and remains an integral part of the City's budget process. It includes a 20-year Capital Improvement Planning document that has an average annual expense estimate of \$348,400 for replacement of capital items and \$174,000 annually for infrastructure projects. The planning tool focuses on providing a long-term picture of the City's projection of conservative revenues, planned expenditures, and the correlating fund balance changes through one year past the City's debt service repayment (through March of 2029). The planning tool serves to ensure the City's future financial fiscal health and plan for future capital purchase and infrastructure needs.

Currently the base version indicates a need to improve revenue growth while managing expenses during the next few years to offset a projected decline in fund balance below 25% of operating expenses in year 2021 - 2022. A second long-term projection depicts the decline occurring two years earlier if commercial development does not occur at the Shriners' site.

Requested budget levels for current year 2014 - 2015 were reduced or deferred by expense reductions and cost containment prior to adoption of the 2014 - 2015 budget installation this past July. Budget reductions or deferral of General Fund expense was approximately \$47,000 for the General Fund and \$127,000 in the Capital Fund, plus the deferral of a \$650,000 fire engine/pumper.

As detailed in an October residential mailer, despite efforts to limit expense increases, City revenues have generally not kept pace with expenses including the current year budget. 2013 - 2014 final revenues were much improved over original estimates, however long-term projections clearly show future trend lines reducing reserves, potentially reducing our AAA bond rating and ultimately impacting services. To enlist resident input, the Ways and Means Committee and Board of Aldermen will conduct a resident survey in the spring of 2015 regarding services and utilize resident feedback as they review options available for funding capital assets and protecting fund balances in future years.

Relevant financial policies

The City of Frontenac has adopted a comprehensive set of financial policies. During the current year, all of these policies were relevant and observed. The City of Frontenac has a policy that requires the adoption of a balanced annual operating budget (i.e., estimated revenues equal to or in excess of appropriations). However the policy allows for the appropriation of fund balance to close the gap. The City's fund balance policy is of particular interest as a financial indicator of fiscal health. The City's fund balance should optimally be no lower than 50% of operational expenditures plus two years debt service, and never lower than 25% of operational expenditures plus two years debt service. At fiscal year-end, revenue accruals and expense sav-

ings increased the fund balance ratio to 169% of operational expenditures which surpasses the fund balance target by 119%.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting for comprehensive annual financial reports (CAFR). The City is submitting this report to the GFOA for this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR meets the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

I wish to thank all government departments for their assistance in providing the data necessary to prepare the function report as well as the Auditor and City Administrator's help in reviewing graphs and information. Credit also is due to the Ways and Means Committee, Mayor, and Board of Aldermen for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Frontenac's finances.

Respectfully submitted,



Julie O'Guinn, Finance Officer

CITY OF FRONTENAC, MISSOURI
CITY OFFICIALS

Elected Officials:

MAYOR
Keith Krieg

BOARD OF ALDERMEN

Mike Schoedel, Ward I
John O'Connell, Ward I
Margot Martin, Ward II
Bud Guest, Ward II
Tom O'Brien, Ward III
Chris Kehr, Ward III

Appointed Positions:

CITY ADMINISTRATOR

Bob Shelton

POLICE CHIEF

Tom Becker

FIRE CHIEF

John Trout

FINANCE OFFICER

Julie O'Guinn

CITY CLERK

Leesa Ross

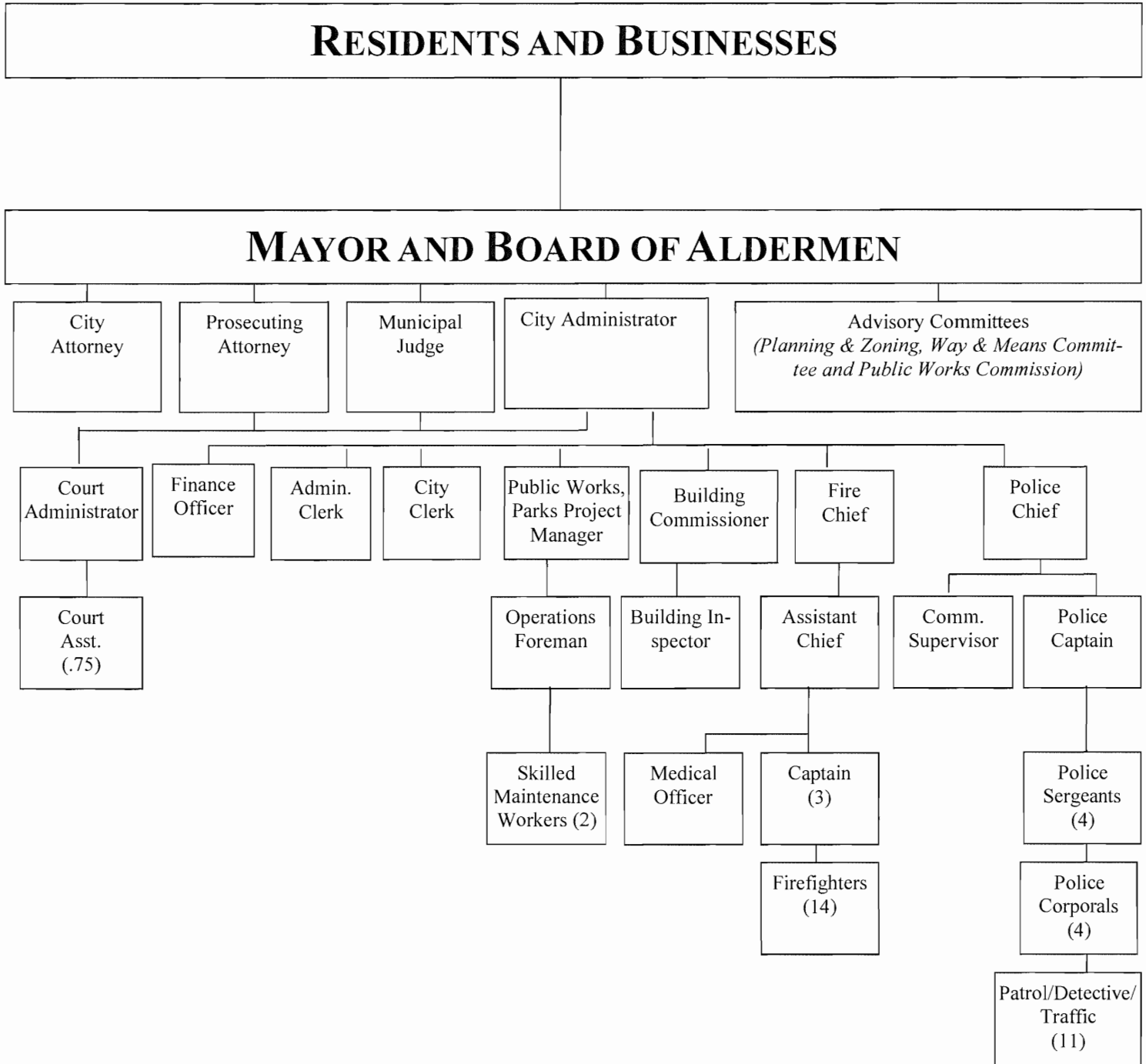
PUBLIC WORKS DIRECTOR

Jeffrey Wappelhorst

BUILDING COMMISSIONER

John Morgan

**CITY OF FRONTENAC, MISSOURI
ORGANIZATIONAL CHART**



• There is only one employee per position, unless otherwise noted

SECTION II - FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

November 26, 2014

Honorable Mayor and Members of the Board of Aldermen
CITY OF FRONTENAC, MISSOURI

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **CITY OF FRONTENAC, MISSOURI** (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

- 15450 South Outer Forty Road, Suite 135, Chesterfield, Missouri 63017-2066, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P. O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information and introductory and statistical sections, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental

information is fairly stated, in all material respects, in relation to the basic 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.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Hochschild, Bloom + Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

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**CITY OF FRONTENAC, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

This Management's Discussion and Analysis (MD&A) is intended to be an overview of the City of Frontenac, Missouri's (the City) financial activities for the fiscal year ended June 30, 2014. It should be read in conjunction with the City's financial statements (attached).

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$24,084,008 (net position). The City had unrestricted net position totaling \$6,809,594.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,579,849, an increase of \$441,545 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,121,319 or 127% of total General Fund expenditures.
- The City's total long-term liabilities decreased \$155,684 during the most recent fiscal year mainly due to normal annual debt service payments and a slight increase in compensated absences.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplemental information in addition to the basic financial statements.

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include administration, boards and commissions, building department, fire department, legal department, municipal building, municipal court, police department, public works, and stormwater. The City does not have any business-type activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

**CITY OF FRONTENAC, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the government-wide governmental activities.

The City maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Parks and Stormwater Fund, and Capital Improvement Fund, and all of which are considered to be major funds.

The City adopts an annual appropriated budget for its General Fund, Parks and Stormwater Fund, and Capital Improvement Fund. Budgetary comparison statements have been provided for these funds to demonstrate legal compliance with the respective adopted budget.

Fiduciary fund. The fiduciary fund is used to account for resources held for the benefit of parties outside the City for court appearance bonds. The fiduciary fund is not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary fund is much like that used for proprietary funds.

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

Required supplemental information. This MD&A and the General Fund and Parks and Stormwater Fund budgetary comparison schedules represent financial information required by accounting principles generally accepted in the United States of America to be presented. Such information provides users of this report with additional data that supplements the government-wide financial statements, fund financial statements, and notes (referred to as "the basic financial statements").

Other supplemental information. This part of the annual report includes optional financial information such as budgetary comparison schedules for the Capital Improvement Fund. This other supplemental financial information is provided to address certain specific needs of various users of the City's annual report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$24,084,008 at the close of the most recent fiscal year.

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

CITY OF FRONTENAC, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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

	June 30		2014 Change	
	2014	2013	Amount	Percent
ASSETS				
Cash and other current assets	\$ 9,084,863	8,568,111	516,752	6.0 %
Capital assets	19,639,770	19,365,745	274,025	1.4
Total Assets	<u>28,724,633</u>	<u>27,933,856</u>	<u>790,777</u>	2.8
LIABILITIES				
Current liabilities	540,134	472,846	67,288	14.2
Long-term liabilities	4,100,491	4,249,576	(149,085)	(3.5)
Total Liabilities	<u>4,640,625</u>	<u>4,722,422</u>	<u>(81,797)</u>	(1.7)
NET POSITION				
Net investment in capital assets	15,975,697	15,515,379	460,318	3.0
Restricted	1,298,717	1,091,498	207,219	19.0
Unrestricted	<u>6,809,594</u>	<u>6,604,557</u>	<u>205,037</u>	3.1
Total Net Position	<u>\$ 24,084,008</u>	<u>23,211,434</u>	<u>872,574</u>	3.8 %

Governmental activities. Governmental activities increased the City's net position by \$872,574.

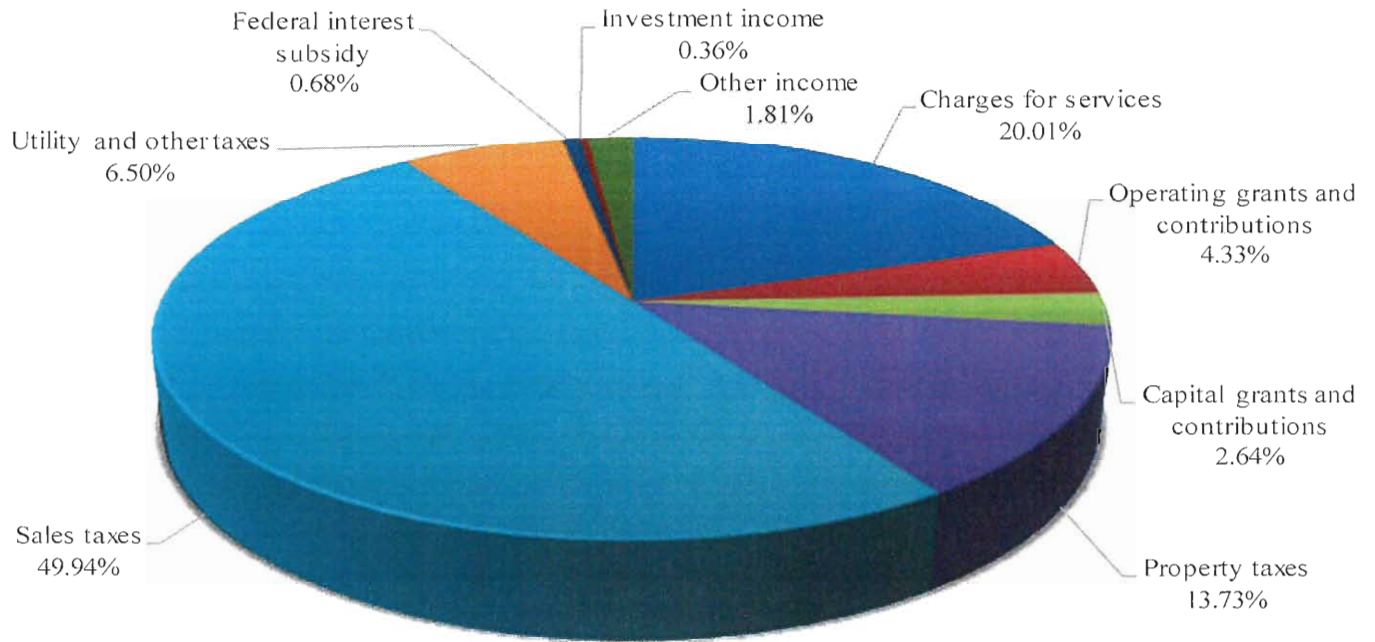
A condensed version of the statement of activities is as follows:

CITY OF FRONTENAC, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

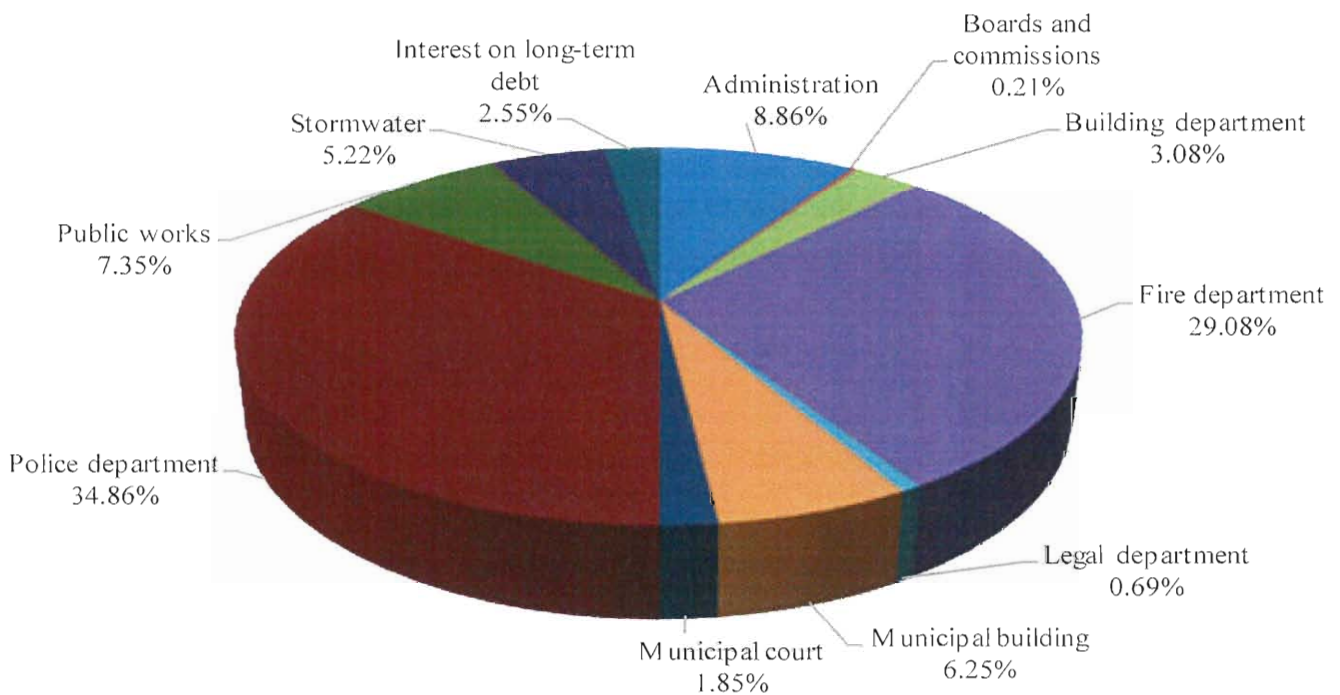
	For The Years Ended June 30		2014 Change	
	2014	2013	Amount	Percent
REVENUES				
Program revenues:				
Charges for services	\$ 1,718,667	1,628,310	90,357	5.5 %
Operating grants and contributions	371,978	366,636	5,342	1.5
Capital grants and contributions	226,328	433,764	(207,436)	(47.8)
General revenues:				
Taxes	6,026,642	5,838,889	187,753	3.2
Federal interest subsidy	58,350	59,671	(1,321)	(2.2)
Investment income	30,841	37,535	(6,694)	(17.8)
Other	155,514	202,494	(46,980)	(23.2)
Total Revenues	<u>8,588,320</u>	<u>8,567,299</u>	<u>21,021</u>	0.2
EXPENSES				
Administration	683,753	701,676	(17,923)	(2.6)
Boards and commissions	16,137	18,105	(1,968)	(10.9)
Building department	237,701	248,116	(10,415)	(4.2)
Fire department	2,244,098	2,132,554	111,544	5.2
Legal department	53,223	37,008	16,215	43.8
Municipal building	482,113	477,265	4,848	1.0
Municipal court	142,625	146,083	(3,458)	(2.4)
Police department	2,689,626	2,485,310	204,316	8.2
Public works	566,957	540,454	26,503	4.9
Stormwater	402,750	353,390	49,360	14.0
Interest on long-term debt	196,763	202,213	(5,450)	(2.7)
Total Expenses	<u>7,715,746</u>	<u>7,342,174</u>	<u>373,572</u>	5.1
CHANGE IN NET POSITION	872,574	1,225,125	(352,551)	(28.8)
NET POSITION, JULY 1	<u>23,211,434</u>	<u>21,986,309</u>	<u>1,225,125</u>	5.6
NET POSITION, JUNE 30	<u>\$ 24,084,008</u>	<u>23,211,434</u>	<u>872,574</u>	3.8 %

**CITY OF FRONTENAC, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Revenues by Source



Expenses by Department



**CITY OF FRONTENAC, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,579,849, an increase of \$441,545 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$7,121,319, while total fund balance reached \$11,475,177. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 127% of total General Fund expenditures, while total fund balance represents 205% of that same amount. The fund balance of the General Fund increased by \$538,710 during the current fiscal year. This increase is due to normal revenues and expenditures.

The Parks and Stormwater Fund balance increased \$198,646 during the fiscal year to \$1,236,050 due to normal activities of the fund.

The Capital Improvements Fund balance decreased \$295,811 during the fiscal year to a deficit of \$4,131,378. This deficit will be financed through future revenues of the fund as outlined in the City's long-term financing tool. The main reason for the decrease was the annual debt service payments and planned capital outlay purchases.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund exceeded projections during 2014 mainly due to police department and fire department expenditures coming in lower than expected. The total revenue variance was favorable by 0.2% and the expenditures variance was favorable by 2%.

CAPITAL ASSETS

The City has invested, net of accumulated depreciation, \$19,639,770 at June 30, 2014, in a broad range of capital assets, including land, buildings, vehicles, equipment, and infrastructure. This amount represents a net increase of \$274,025 for the current fiscal year (including additions and deductions).

The City's capital assets, net of accumulated depreciation, consisted of:

**CITY OF FRONTENAC, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

	June 30	
	2014	2013
Land	\$ 26,900	26,900
Construction in progress	841,172	1,092,830
Buildings and other improvements	10,101,750	10,378,454
Office furniture and equipment	17,713	24,507
Machinery and equipment	708,288	787,738
Infrastructure	7,943,947	7,055,316
Total Capital Assets	\$ 19,639,770	19,365,745

More information on capital asset activity during the year is provided in the notes to financial statements in Note C.

LONG-TERM DEBT

The City's long-term debt is detailed below. Additional information on the City's long-term debt can be found in Note E in the notes to financial statements.

	June 30	
	2014	2013
Certificates of participation	\$ 3,645,000	3,830,000
Plus - Premium	19,073	20,366
Compensated absences	367,599	336,990
Total Long-term Debt	\$ 4,031,672	4,187,356

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's 2013 - 2014 revenue performance as a whole was very close to the total budget, with a slight 0.32% increase over budget as a final result. Excluding grants and MSD project contributions an increase of 0.31% over budget. The City's 2013 - 2014 year-end accruals helped sales tax close 1.99% higher than budget for all tax combined (fund basis). Prior to the adjusting period sales tax was 3% below budget YTD July through June. Revenue performance compared to budget was notable for building permits, business licenses, and miscellaneous revenues.

The new revenue budget for 2014 - 2015 has a conservative 1.5% growth rate for most revenues identical to the regional economy growth for the St. Louis area CPI of 1.5% for the prior 2013 year. The growth rate for sales tax is conservative 1%. Total revenues were estimated to grow a net of only 0.14% at the time of budget preparation. Notable revenue items for the new budget year include a one-time, nonrecurring federal pass-through grant obtained to offset 80% of sidewalk construction on Conway Road with a total of \$383,800 in grant funding available for this project. An ongoing partnership with MSD produces \$238,000 in revenue available for stormwater projects scheduled on Frontenac Forest, Tregaron and Glen Abbey. 2014 is a nonreassessment (even) year so real estate tax growth is limited to new construction. Real estate tax growth is expected to be a nominal 0.5% increase due to a limited growth opportunity of the one-time, one-year annual influx for new construction estimated at \$6,000 in 2014 - 2015. It is worthwhile to note that growth in reassessment years (odd years) is limited to allow only a nominal market based increase if assessments increase. Property tax revenues are generally not a growth related revenue source. Ongoing State Tax Commission appeals have the potential for further reductions in future real estate tax revenues.

**CITY OF FRONTENAC, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Overall expenditures for 2013 - 2014 were 4.8% lower than budget for all funds and 3.3% lower than budget, or \$242,814 for Capital and General Funds combined. Savings occurred in the following areas: public works capital purchase account, administration capital budget, dispatch, service contracts, building maintenance, professional services, liability insurance, telephone utility, and court health.

General and Capital Fund operational expenditures for the new budget year of 2014 - 2015 are expected to increase by 3% for operational expenditures and 4.58% for personnel expenditures. 2014 - 2015 capital budgets include funding for web-site updates, computer equipment, EMS equipment and fire training aids, a fire command vehicle, self-contained breathing apparatus equipment, a police vehicle, car laptop computer replacements, replacing an outdated police in-car digital video system, police vehicle equipment, street patching and the Conway sidewalk project. The 2014 - 2015 stormwater budget includes funding for stormwater projects on Blue Springs, Tregaron, Frontenac Forest, and Glen Abbey.

Net income for all funds in 2013 - 2014 of \$441,454 was attained by expense savings as well as revenue accruals which adjust year-end amounts to include revenue that is earned, measurable, and available within 60 days of year end. The 2014 - 2015 net income adjustment to fund balance at year-end for Capital and General Funds combined is budgeted to decrease by \$404,871 to \$6.9 million dollars (\$6,938,928). The Parks and Stormwater Fund is projected to decrease by \$284,781 to \$951,269.

The City's long-term planning projection (planning tool) is greatly utilized during the City's budgeting process. The planning tool focuses on providing a long-term picture of the City's conservative revenue projections, planned expenditures, and the correlating fund balance changes through one year past the City's debt service repayment (another 15 years). The tool is updated periodically during the year to enable management to review and respond to variances that may affect budget objectives and outcomes.

As mentioned in the transmittal letter, the current base version indicates a need to improve revenue growth while managing expenses during the next few years to offset a projected decline in fund balance below 25% of operating expenses in year 2021 - 2022. A second long-term projection depicts the decline occurring two years earlier if commercial development does not occur at the Shriners' site.

The 20-year planning tool assisted the City in receiving the AAA issuer credit rating from Standard & Poor's during its bond issue in October, 2009. This was reaffirmed in 2013.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Officer, City of Frontenac, 10555 Clayton Road, Frontenac, Missouri 63131.

CITY OF FRONTENAC, MISSOURI**STATEMENT OF NET POSITION****JUNE 30, 2014**

	Governmental Activities
ASSETS	
Cash and investments	\$ 7,522,782
Receivables, net:	
Municipal taxes	1,075,301
Intergovernmental	40,429
Other	111,641
Municipal court	36,791
Cash - restricted	297,919
Capital assets:	
Land and construction in progress	868,072
Other capital assets, net of accumulated depreciation	18,771,698
Total Assets	<u>28,724,633</u>
LIABILITIES	
Accounts payable	86,408
Accrued interest	64,785
Wages payable	63,114
Payroll withholdings	27,908
Escrow funds payable	297,919
Noncurrent liabilities:	
Due within one year	373,800
Due in more than one year	3,657,872
Due in more than one year - net pension obligation	68,819
Total Liabilities	<u>4,640,625</u>
NET POSITION	
Net investment in capital assets	15,975,697
Restricted for:	
Law enforcement training	62,667
Parks and stormwater projects	1,176,071
Sewer lateral projects	59,979
Unrestricted	<u>6,809,594</u>
Total Net Position	<u>\$ 24,084,008</u>

CITY OF FRONTENAC, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Program Revenues			Net Revenues (Expenses) And Change In Net Position
	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities
FUNCTIONS/PROGRAMS	Expenses			
Governmental Activities				
Administration	\$ 683,753	487,565	-	(196,188)
Boards and commissions	16,137	-	-	(16,137)
Building department	237,701	167,797	-	(69,904)
Fire department	2,244,098	270,572	-	(1,973,526)
Legal department	53,223	-	-	(53,223)
Municipal building	482,113	-	-	(482,113)
Municipal court	142,625	-	-	(142,625)
Police department	2,689,626	756,004	-	(1,933,622)
Public works	566,957	36,729	371,978	(98,922)
Stormwater	402,750	-	-	(235,750)
Interest on long-term debt	196,763	-	-	(196,763)
Total Governmental Activities	\$ 7,715,746	1,718,667	371,978	(5,398,773)
General Revenues				
Taxes:				
Property				1,179,446
Sales				4,288,649
Utility				549,568
Other				8,979
Federal interest subsidy				58,350
Investment income				30,841
Other				155,514
Total General Revenues				6,271,347
CHANGE IN NET POSITION				872,574
NET POSITION, JULY 1				23,211,434
NET POSITION, JUNE 30				\$ 24,084,008

See notes to financial statements

CITY OF FRONTENAC, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>Parks And Stormwater</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 6,615,690	907,092	-	7,522,782
Receivables, net:				
Municipal taxes	516,266	378,198	180,837	1,075,301
Intergovernmental	19,945	-	-	19,945
Other	111,641	-	-	111,641
Municipal court	36,791	-	-	36,791
Cash - restricted	297,919	-	-	297,919
Due from other funds	4,291,191	-	-	4,291,191
	<u>4,291,191</u>	<u>-</u>	<u>-</u>	<u>4,291,191</u>
Total Assets	<u>\$ 11,889,443</u>	<u>1,285,290</u>	<u>180,837</u>	<u>13,355,570</u>
LIABILITIES				
Accounts payable	\$ 22,926	46,002	17,480	86,408
Wages payable	59,124	1,477	2,513	63,114
Payroll withholdings	25,116	1,761	1,031	27,908
Due to other funds	-	-	4,291,191	4,291,191
Escrow funds payable	297,919	-	-	297,919
Total Liabilities	<u>405,085</u>	<u>49,240</u>	<u>4,312,215</u>	<u>4,766,540</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	9,181	-	-	9,181
FUND BALANCES				
Nonspendable:				
Long-term interfund amounts	4,291,191	-	-	4,291,191
Restricted for:				
Law enforcement training	62,667	-	-	62,667
Parks and stormwater projects	-	1,176,071	-	1,176,071
Sewer lateral projects	-	59,979	-	59,979
Unassigned	7,121,319	-	(4,131,378)	2,989,941
Total Fund Balances	<u>11,475,177</u>	<u>1,236,050</u>	<u>(4,131,378)</u>	<u>8,579,849</u>
Total Liabilities, Deferred Inflows Of Resources, And Fund Balances	<u>\$ 11,889,443</u>	<u>1,285,290</u>	<u>180,837</u>	<u>13,355,570</u>

CITY OF FRONTENAC, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balances - Governmental Funds	\$ 8,579,849
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$22,971,683 and the accumulated depreciation is \$3,331,913.	19,639,770
Other long-term assets (property taxes not collected within 60 days of year-end) are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.	9,181
Certain assets (obligations) are not a use of financial resources and, therefore, are not reported in the governmental funds. These items consist of:	
Net pension obligation	(68,819)
Interest subsidy receivable	20,484
Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:	
Accrued compensated absences	(367,599)
Accrued interest payable	(64,785)
Certificates of participation	(3,645,000)
Unamortized bond premium	(19,073)
Total Net Position Of Governmental Activities	<u>\$ 24,084,008</u>

CITY OF FRONTENAC, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Parks And Stormwater</u>	<u>Capital Improvement</u>	<u>Total Governmental Funds</u>
REVENUES				
Municipal taxes	\$ 4,135,373	1,029,219	1,117,349	6,281,941
Intergovernmental	112,392	167,000	59,328	338,720
Licenses	487,565	-	-	487,565
Police and fire protection	482,222	-	-	482,222
Police fines	510,188	-	-	510,188
Investment income	28,454	2,387	-	30,841
Federal interest subsidy	-	-	56,568	56,568
Other	392,066	36,729	-	428,795
Total Revenues	<u>6,148,260</u>	<u>1,235,335</u>	<u>1,233,245</u>	<u>8,616,840</u>
EXPENDITURES				
Current:				
Administration	570,975	-	46,800	617,775
Board and commissions	16,137	-	-	16,137
Building department	223,582	-	4,383	227,965
Fire department	2,128,791	-	62,732	2,191,523
Legal department	53,223	-	-	53,223
Municipal building	-	-	195,178	195,178
Municipal court	142,763	-	-	142,763
Police department	2,474,079	-	100,475	2,574,554
Public works	-	30,264	453,994	484,258
Stormwater	-	142,050	-	142,050
Capital outlay	-	864,375	280,588	1,144,963
Debt service:				
Principal	-	-	185,000	185,000
Interest	-	-	199,906	199,906
Total Expenditures	<u>5,609,550</u>	<u>1,036,689</u>	<u>1,529,056</u>	<u>8,175,295</u>
NET CHANGE IN FUND BALANCES	538,710	198,646	(295,811)	441,545
FUND BALANCES (DEFICIT), JULY 1	<u>10,936,467</u>	<u>1,037,404</u>	<u>(3,835,567)</u>	<u>8,138,304</u>
FUND BALANCES (DEFICIT), JUNE 30	<u>\$ 11,475,177</u>	<u>1,236,050</u>	<u>(4,131,378)</u>	<u>8,579,849</u>

CITY OF FRONTENAC, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net Change In Fund Balances - Governmental Funds \$ 441,545

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays over the capitalization threshold totaling \$1,025,718 exceeded depreciation \$678,289 in the current period.	347,429
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations):	
Cost of disposals, net of accumulated depreciation	(73,404)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	6,069
The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. This amount is the effect of these differences in the treatment of long-term debt and related items.	
Amortization	1,293
Certificates of participation principal payments	185,000
Under the modified accrual basis of accounting used in the governmental funds financial statements, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. The net changes of these items are:	
Accrued compensated absences	(30,609)
Accrued interest on debt	1,850
Increase in net pension obligation	(6,599)
Change In Net Position Of Governmental Activities	\$ 872,574

See notes to financial statements

CITY OF FRONTENAC, MISSOURI
STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUND
JUNE 30, 2014

ASSETS

Cash	\$ 14,165
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LIABILITIES

Due to others - court appearance bonds	<u>14,165</u>
--	---------------

NET POSITION

	<u><u>\$ -</u></u>
--	--------------------

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **CITY OF FRONTENAC, MISSOURI** (the City) was incorporated in 1947. The City operates under a Mayor and six-member Board of Aldermen form of government and provides various services including public safety (police and fire), capital improvements, planning and zoning, and general administrative services.

The significant accounting policies applied by the City in the preparation of the accompanying basic financial statements are summarized below:

1. Reporting Entity

The financial statements of the City include the financial activities of the City and any component units, entities which are financially accountable to the City. The City does not currently have any component units.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. 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 of 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 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.

3. 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. The Agency Fund's financial statements are reported using the accrual basis of accounting with no economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal 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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period, if any. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund -- The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Parks and Stormwater -- The Parks and Stormwater Fund is a Special Revenue Fund used to account for the financial resources from the ½ cent parks and stormwater sales tax and sewer lateral assessments. The revenues are to be used for parks or stormwater projects and sewer lateral repairs.

Capital Improvement Fund -- The Capital Improvement Fund is used to account for financial resources from the ½ cent capital improvement sales tax and road and bridge taxes. The revenues are to be used for acquisition, construction, operation, or maintenance of major capital facilities, capital improvements, and operating equipment.

Additionally, the City reports the following fund types:

Agency Fund -- The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The City's Agency Fund consists of the municipal court collections for appearance bonds. During the year the amounts increased by \$14,165 and decreased \$11,709.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

4. Cash and Investments

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

5. Allowance for Doubtful Accounts

Municipal Court receivables are shown net of an allowance for uncollectibles of \$58,943. The City estimates all other recorded accounts receivable at year-end are collectible and thus no allowance for doubtful accounts has been included in these financial statements for those accounts receivable.

6. Restricted Assets

Certain resources set aside for escrow amounts are classified as restricted assets on the balance sheet because their use is limited by the liability and legal requirements.

7. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. When applicable, the cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

8. Capital Assets

Capital assets, which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Capital Assets (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The City has elected not to record the historical cost of infrastructure placed in service prior to July 1, 2003.

Depreciation is being computed on the straight-line method, using asset lives as follows:

Assets	Years
Buildings and other improvements	10 - 50
Office furniture and equipment	5 - 20
Machinery and equipment	3 - 20
Infrastructure	20 - 50

9. Interfund Transactions

In the fund financial statements, the City has the following types of transactions among funds:

Transfers - Transfers of resources from a fund revenue to the fund through which resources are to be expended are recorded as transfers. Such transfers are reported as other financing sources (uses), if any.

Due To/From Other Funds - Interfund amounts receivable/payable are reported as assets and liabilities of the appropriate funds. The interfund balance between the General Fund and the Capital Improvement Fund is not expected to be repaid within the upcoming fiscal year. The balance is due to the funding of the City's Municipal Complex.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

10. Compensated Absences

Compensated absences of the City consist of the following: accrued vacation and compensatory time which is paid upon termination to all employees, and accrued sick leave which may be converted to compensation upon full retirement of an employee up to a maximum of one-half of actual accrued leave.

City employees earn vacation based upon their years of continuous service. Employees are expected to take an annual vacation; however, employees may carry over one half of their current year's vacation accrual. All full-time employees, except for fire department shift personnel, accrue one half day (24 hour shift) for each full month of continuous service. Employees may accumulate up to a maximum of 1,040 hours of sick time.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Compensated Absences (Continued)

The entire accrued benefit liability related to accumulated unpaid vacation, compensatory time, and sick leave is recorded in the government-wide financial statements as long-term debt and is expected to be paid from future resources.

11. Long-term Obligations

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

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts have become available.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. Fund Balances

The fund balance amounts are reported in the following applicable categories, listed from the most restrictive to the least restrictive:

Nonspendable -- The portion of fund balance that is not in a spendable form or is required to be maintained intact.

Restricted -- The portion of fund balance that is subject to external restrictions and constrained to specific purposes imposed by agreement, through constitutional provisions, or by enabling legislation.

Committed -- The portion of fund balance with constraints or limitations by formal action (ordinance) of the Board of Aldermen, the highest level of decision-making authority.

Assigned -- The portion of fund balance that the City intends to use for a specific purpose as determined by the applicable City officials to which the Board of Aldermen has designated authority.

Unassigned -- Amounts that are available for any purpose; these positive amounts are reported only in the General Fund.

When both restricted and unrestricted resources are available, the City will spend the most restricted amounts before the least restricted.

The fund balance of the City's General Fund has been accumulated to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The target is to maintain an unassigned fund balance of not less than 50% of annual operating expenditures for the fiscal year.

14. Ambulance Revenue

The City provides ambulance service to the City and the surrounding municipalities of Huntleigh, Crystal Lake Park, and Country Life Acres. Payments for ambulance service are charged to insurance companies, Medicare, Medicaid, and individuals. Gross ambulance service charges are typically reduced by insurance companies, Medicare, and Medicaid as well as amounts that are written off as uncollectible and referred to collections. During the year ended June 30, 2014, the City had gross charges totaling \$242,529. The gross charges were reduced by amounts disallowed by the insurance companies, Medicare, and Medicaid totaling \$71,735, uncollectible amounts (amounts referred to collections) totaling \$71,749, and a refund amount of \$3,218.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1, based on the assessed value of the property. Taxes are levied in October and are due and payable on or before December 31.

Property tax revenue is recognized to the extent it is collected within 60 days after year-end in the fund financial statements. Property taxes not collected within 60 days of year-end are deferred for fund financial statements but are recognized as revenue in the government-wide financial statements.

All property tax assessment, billing, and collection functions are handled by the St. Louis County government. Taxes collected are remitted to the City by the St. Louis County Collector (the County Collector) in the month subsequent to the actual collection date. Taxes held by the County Collector, if any, are included in property taxes receivable in the accompanying fund financial statements.

16. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

1. Deposits

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

As of June 30, 2014, the City's bank balances were entirely secured or collateralized with securities held by the City or by its agent in the City's name.

2. Investments

As of June 30, 2014, the City had the following investments:

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

2. Investments (Continued)

<u>Investments</u>	<u>Fair Value</u>	<u>Maturities</u>			<u>Credit Risk</u>
		<u>No Maturity</u>	<u>Less Than One Year</u>	<u>1 - 5 Years</u>	
Money market funds	\$ 2,861,154	2,861,154	-	-	Not rated
Certificates of deposit	<u>3,403,000</u>	-	<u>2,228,000</u>	<u>1,175,000</u>	N/A
Total Investments	<u>\$ 6,264,154</u>	<u>2,861,154</u>	<u>2,228,000</u>	<u>1,175,000</u>	

Investment Policies

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

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

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City will diversify the portfolio so that potential losses on individual securities will be minimized.

NOTE C - CAPITAL ASSETS

The following is a summary of changes in capital assets:

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS (Continued)

	For The Year Ended June 30, 2014			
	Balance June 30 2013	Additions And Transfers	Deletions And Transfers	Balance June 30 2014
Capital assets not being depreciated:				
Land	\$ 26,900	-	-	26,900
Construction in progress	1,092,830	916,033	1,167,691	841,172
Total Capital Assets Not Being Depreciated	1,119,730	916,033	1,167,691	868,072
Capital assets being depreciated:				
Buildings and other improvements	11,126,526	-	-	11,126,526
Office furniture and equipment	90,279	-	-	90,279
Machinery and equipment	1,695,428	109,685	107,058	1,698,055
Infrastructure	8,021,060	1,167,691	-	9,188,751
Total Capital Assets Being Depreciated	20,933,293	1,277,376	107,058	22,103,611
Less - Accumulated depreciation for:				
Buildings and other improvements	748,072	276,704	-	1,024,776
Office furniture and equipment	65,772	6,794	-	72,566
Machinery and equipment	907,690	115,731	33,654	989,767
Infrastructure	965,744	279,060	-	1,244,804
Total Accumulated Depreciation	2,687,278	678,289	33,654	3,331,913
Total Capital Assets Being Depreciated, Net	18,246,015	599,087	73,404	18,771,698
Total Capital Assets, Net	<u>\$ 19,365,745</u>	<u>1,515,120</u>	<u>1,241,095</u>	<u>19,639,770</u>

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

	For The Year Ended June 30 2014
Administration	\$ 22,074
Building	1,500
Fire	46,916
Municipal building	274,119
Police	35,128
Public works	81,116
Stormwater	217,436
Total	<u>\$ 678,289</u>

NOTE D - 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 is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by state statute, Sections RSMo 70.600 - 70.755. As such, it is LAGERS' responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

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

2. Funding Status

The City's full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 9.8% (General), 11.1% (Police), and 3.7% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by state statute.

3. Annual Pension Cost (APC) and Net Pension Obligation (NPO)

The City's APC and NPO for the current year were as follows:

Annual required contribution (ARC)	\$ 333,236
Interest on NPO	4,511
Adjustment to ARC	(7,909)
APC	329,838
Actual contributions	323,239
Increase in NPO	6,599
NPO, beginning of year	62,220
NPO, End Of Year	\$ 68,819

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - PENSION PLAN (Continued)

3. Annual Pension Cost (APC) and Net Pension Obligation (NPO) (Continued)

The ARC was determined as part of the February 29, 2012 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2014 included: a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually; b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation; c) additional projected salary increases ranging from 0% to 6% per year, depending on age and division, attributable to seniority/merit; d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back zero years for men and zero years for women; and e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back zero years for men and zero years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 29, 2012 was 17 years for the General division, 30 years for the Police division, and 15 years for the Fire division.

4. Trend Information

Three-year Trend Information

For The Years Ended June 30	APC	Percentage Of APC Contributed	NPO
2014	\$ 329,838	98.0 %	\$ 68,819
2013	326,692	91.6	62,220
2012	217,541	110.8	34,729

Schedule of Funding Progress

For The Actuarial Valuation Years Ended February 28/29	Actuarial Value Of Assets	Entry Age Actuarial Accrued Liability	Excess Actuarial Assets
2014	\$ 10,709,557	\$ 9,304,436	\$ 1,405,121
2013	9,018,316	8,529,371	488,945
2012	8,635,752	7,943,858	691,894

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - PENSION PLAN (Continued)

4. Trend Information (Continued)

For The Actuarial Valuation Year Ended February 28/29	Funded Ratio	Annual Covered Payroll	Excess Actuarial Assets As A Percentage Of Covered Payroll
2014	115 %	\$ 3,972,097	(35.4) %
2013	106	3,806,527	(12.8)
2012	109	3,522,325	(19.6)

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, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City, MO.

NOTE E - LONG-TERM LIABILITIES

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

	For The Year Ended June 30, 2014			Balance June 30 2014	Due Within One Year
	Balance June 30 2013	Additions	Deletions		
Certificates of participation	\$ 3,830,000	-	185,000	3,645,000	190,000
Plus - premium	20,366	-	1,293	19,073	-
Compensated absences	336,990	382,531	351,922	367,599	183,800
Total	<u>\$ 4,187,356</u>	<u>382,531</u>	<u>538,215</u>	<u>4,031,672</u>	<u>373,800</u>

The compensated absences are generally liquidated by the General Fund, Parks and Stormwater Fund, and the Capital Improvement Fund. The certificates of participation are liquidated by the Capital Improvement Fund.

Certificates of Participation

In October 2009, the City issued \$4,010,000 in Certificates of Participation (Series 2009 A and B) to provide funds for the construction of a new City government center. The certificates are due in varying amounts through March 1, 2029 with interest rates ranging from 3% to 6.03%. The Series 2009B are taxable Build America Bonds for which the City receives interest subsidy payments.

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE E - LONG-TERM LIABILITIES (Continued)

Aggregate maturities required on general obligation bonds are as follows:

<u>For The Years Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 190,000	194,355	384,355
2016	195,000	188,655	383,655
2017	200,000	181,831	381,831
2018	210,000	175,581	385,581
2019	215,000	164,072	379,072
2020 - 2024	1,200,000	634,317	1,834,317
2025 - 2029	1,435,000	266,526	1,701,526
Total	<u>\$ 3,645,000</u>	<u>1,805,337</u>	<u>5,450,337</u>

NOTE F - OPERATING LEASES

The City is a lessor of property used for mobile phone towers by three telephone service providers. The leases have various years remaining and may be subsequently cancelled. Revenue related to these leases approximated \$60,000 during the fiscal year.

The City leases postage meters under non-cancelable operating leases which have various expiration dates. Rental expense for the year ended June 30, 2014 was \$14,330.

Minimum future lease payments are as follows:

<u>For The Years Ended June 30</u>	
2015	\$ 1,480
2016	1,780
2017	1,780
2018	1,780
2019	1,483
Total	<u>\$ 8,303</u>

NOTE G - INSURANCE

The City participates in the St. Louis Area Insurance Trust (SLAIT), a self-insurance pool. Membership includes other St. Louis County municipalities.

SLAIT provides general liability, auto liability, police professional liability, and paramedic's malpractice coverage for the City. Premiums are calculated on an individual city basis by reviewing exposures according to insurance industry standards established by the reinsurance carrier. The rates are adjusted for each member using a three-year analysis of claims and losses for each member. Claims are paid from a self-insured retention established by the pool with stop-loss protection provided on both an individual and aggregate basis through the purchase of reinsurance contracts.

SLAIT also provides workers' compensation coverage at levels required by state law. Each member of SLAIT is assessed an annual premium based upon rates established by the Division of Workers' Compensation for each class of employee. Claims are paid from a self-insured retention established by the pool with stop-loss protection on both an individual claim and aggregate basis provided by a reinsurance contract.

The City also purchases commercial insurance policies for auto physical damage, property coverage, public official liability, and other coverage.

Settled claims have not exceeded the commercial coverage in any of the past three years.

NOTE H - RESTRICTED NET POSITION

The government-wide statement of net position reports \$1,298,717 of restricted net position, all of which is restricted by enabling legislation.

NOTE I - DEFICIT FUND BALANCE

The Capital Improvement Fund has a deficit fund balance at June 30, 2014 of (\$4,131,378). This deficit will be financed through future revenues of the fund.

NOTE J - FINES AND COURT COSTS FOR TRAFFIC VIOLATIONS

RSMo 302.341.2 requires an accounting of the percentage of annual fines and courts costs for traffic violations, including amended charges from any charged traffic violation, occurring within the City to total general operating revenue, to be included in the annual financial report. During the year, the amount of traffic fines, forfeitures and related court costs, the general operating revenue, and related percent amounted to \$478,696, \$5,504,183, and 9%, respectively, which is below the threshold of 30% identified in RSMo 302.341.2.

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE K - FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, will require the City to record unfunded actuarial accrued liability (UAAL) on the government-wide statement of net position. UAAL equals the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits. GASB 68 may also require changes to the projection of benefit payments and the rate used to discount the projected benefit payments. GASB 68 will be effective for the City for the year ending June 30, 2015.

REQUIRED SUPPLEMENTAL INFORMATION SECTION

CITY OF FRONTENAC, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original And Final Budget	Actual	Over (Under) Budget
REVENUES			
Municipal Taxes			
General sales	\$ 1,432,506	1,455,139	22,633
Property	1,246,641	1,175,159	(71,482)
Fire department sales	503,188	514,611	11,423
Local option sales	431,153	440,896	9,743
Utilities	590,627	549,568	(41,059)
Total Municipal Taxes	<u>4,204,115</u>	<u>4,135,373</u>	<u>(68,742)</u>
Intergovernmental			
Gasoline	106,894	103,413	(3,481)
Cigarette	10,200	8,979	(1,221)
Total Intergovernmental	<u>117,094</u>	<u>112,392</u>	<u>(4,702)</u>
Licenses			
Merchants	445,851	477,622	31,771
Liquor	7,980	9,773	1,793
Miscellaneous	860	170	(690)
Total Licenses	<u>454,691</u>	<u>487,565</u>	<u>32,874</u>
Police And Fire Protection	<u>526,864</u>	<u>482,222</u>	<u>(44,642)</u>
Police Fines	<u>524,895</u>	<u>510,188</u>	<u>(14,707)</u>
Investment Income	<u>35,258</u>	<u>28,454</u>	<u>(6,804)</u>
Other			
Building permits	89,100	152,834	63,734
Lease income	58,110	60,008	1,898
Cable television	63,444	65,886	2,442
Miscellaneous	64,141	113,338	49,197
Total Other	<u>274,795</u>	<u>392,066</u>	<u>117,271</u>
Total Revenues	<u>6,137,712</u>	<u>6,148,260</u>	<u>10,548</u>

(Continued)

CITY OF FRONTENAC, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2014

	Original And Final Budget	Actual	Over (Under) Budget
EXPENDITURES			
Administration			
Dues and memberships	1,280	1,350	70
Insurance	57,600	54,200	(3,400)
Legal and professional	19,420	14,689	(4,731)
Meetings and seminars	12,515	8,389	(4,126)
Mileage reimbursement	1,500	1,085	(415)
Miscellaneous	25,200	13,254	(11,946)
Office supplies	5,500	3,563	(1,937)
Postage	8,000	8,042	42
Printing and publishing	7,000	5,775	(1,225)
Public relations	7,500	7,579	79
Salaries and benefits	458,584	451,411	(7,173)
Training and education	4,600	1,638	(2,962)
Total Administration	608,699	570,975	(37,724)
Boards and Commissions			
Court reporter	1,000	-	(1,000)
Dues and memberships	3,055	3,049	(6)
Elections	5,000	1,844	(3,156)
Liability insurance	18,913	7,855	(11,058)
Meetings and seminars	2,400	1,360	(1,040)
Printing and publishing	2,560	2,029	(531)
Total Boards And Commissions	32,928	16,137	(16,791)
Building Department			
Meetings and seminars	3,250	2,161	(1,089)
Dues and memberships	600	385	(215)
Mileage reimbursement	600	-	(600)
Office supplies	2,000	1,952	(48)
Printing and publishing	1,000	57	(943)
Professional services	19,000	10,070	(8,930)
Salaries and benefits	210,208	208,619	(1,589)
Training	2,000	190	(1,810)
Uniforms	600	148	(452)
Total Building Department	239,258	223,582	(15,676)

(Continued)

CITY OF FRONTENAC, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2014

	Original And Final Budget	Actual	Over (Under) Budget
EXPENDITURES (Continued)			
Fire Department			
Dues and memberships	5,685	4,352	(1,333)
EMS	9,500	8,667	(833)
Meetings and seminars	4,525	1,451	(3,074)
Mileage reimbursement	1,500	1,020	(480)
Miscellaneous	6,000	5,102	(898)
Physical examinations	6,080	5,190	(890)
Professional services	500	8,506	8,006
Public relations	2,000	2,017	17
Salaries and benefits	1,943,926	1,937,265	(6,661)
Dispatch services	126,765	119,036	(7,729)
Specialized training	27,200	20,776	(6,424)
Uniforms	10,000	15,409	5,409
Total Fire Department	2,143,681	2,128,791	(14,890)
Legal Department			
City attorney legal services	12,000	9,630	(2,370)
City attorney retainer	18,000	16,500	(1,500)
Professional services	4,000	27,093	23,093
Total Legal Department	34,000	53,223	19,223
Municipal Court			
Dues and memberships	90	90	-
Judges retainer	12,000	12,000	-
Legal services	6,500	2,913	(3,587)
Maintenance and repair	7,118	4,642	(2,476)
Meetings and seminars	2,154	1,407	(747)
Mileage reimbursement	530	566	36
Miscellaneous	2,080	1,585	(495)
Office supplies	2,050	841	(1,209)
Printing	3,664	2,114	(1,550)
Prisoner expenses	5,000	4,950	(50)
Prosecuting attorney retainer	18,000	16,514	(1,486)
Salaries and benefits	106,793	95,016	(11,777)
Training and education	300	125	(175)
Total Municipal Court	166,279	142,763	(23,516)

(Continued)

CITY OF FRONTENAC, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES (Continued)			
Police Department			
Communications	31,600	31,405	(195)
Detective bureau	475	457	(18)
Dispatch consortium	126,765	119,036	(7,729)
Dues and memberships	1,470	1,286	(184)
Miscellaneous	750	1,316	566
Office supplies	5,800	5,768	(32)
Patrol	7,400	7,175	(225)
Physical examinations	50	-	(50)
Prisoner detention	575	245	(330)
Salaries and benefits	2,316,644	2,277,736	(38,908)
Specialized training	18,191	17,915	(276)
Traffic safety units	800	685	(115)
Uniforms	11,625	11,055	(570)
Total Police Department	2,522,145	2,474,079	(48,066)
Total Expenditures	5,746,990	5,609,550	(137,440)
NET CHANGE IN FUND BALANCE	\$ 390,722	538,710	147,988
FUND BALANCE, JULY 1		10,936,467	
FUND BALANCE, JUNE 30		\$ 11,475,177	

CITY OF FRONTENAC, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PARKS AND STORMWATER FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES			
Municipal taxes - sales tax	\$ 1,009,372	1,029,219	19,847
Intergovernmental	150,000	167,000	17,000
Investment income	3,650	2,387	(1,263)
Other	37,000	36,729	(271)
Total Revenues	<u>1,200,022</u>	<u>1,235,335</u>	<u>35,313</u>
EXPENDITURES			
Current:			
Public works	37,000	30,264	(6,736)
Stormwater	152,374	142,050	(10,324)
Capital outlay	<u>1,018,800</u>	<u>864,375</u>	<u>(154,425)</u>
Total Expenditures	<u>1,208,174</u>	<u>1,036,689</u>	<u>(171,485)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (8,152)</u>	198,646	<u>206,798</u>
FUND BALANCE, JULY 1		<u>1,037,404</u>	
FUND BALANCE, JUNE 30		<u>\$ 1,236,050</u>	

**CITY OF FRONTENAC, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - NOTES TO
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

Budgets and Budgetary Accounting

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

- a. The proposed budget is submitted to the Board of Aldermen for the fiscal year. The operating budget includes proposed expenditures and means of financing them, not to exceed the total revenue of the preceding year plus any fund balance at the end of such year.
- b. Public hearings are held to obtain taxpayer input and comments.
- c. The budget must be adopted by the affirmative vote of a majority of the Board of Aldermen for each fiscal year.
- d. The Board of Aldermen authorizes transfers of budgeted amounts between departments within the General Fund and alters the total expenditures of the budgeted funds. All appropriations not spent lapse at fiscal year-end.
- e. During the year, the Board of Aldermen may amend or authorize supplemental appropriations to the budget.
- f. The City's legal level of budgetary control is at the fund level.
- g. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

For the year ended June 30, 2014, expenditures exceeded appropriations in the legal department of the General Fund by \$19,223. These over expenditures were covered by additional current year revenues or available fund balance.

OTHER SUPPLEMENTAL INFORMATION SECTION

CITY OF FRONTENAC, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original And Final Budget	Actual	Over (Under) Budget
REVENUES			
Municipal taxes - sales tax	\$ 1,117,976	1,117,349	(627)
Intergovernmental	75,200	59,328	(15,872)
Federal interest subsidy	58,780	56,568	(2,212)
Total Revenues	1,251,956	1,233,245	(18,711)
EXPENDITURES			
Current:			
Administration	46,490	46,800	310
Building department	5,100	4,383	(717)
Fire department	66,620	62,732	(3,888)
Municipal building	195,184	195,178	(6)
Police department	116,950	100,475	(16,475)
Public works	449,803	453,994	4,191
Capital outlay	369,101	280,588	(88,513)
Debt service:			
Principal	185,000	185,000	-
Interest	199,906	199,906	-
Total Expenditures	1,634,154	1,529,056	(105,098)
NET CHANGE IN FUND BALANCE	\$ (382,198)	(295,811)	86,387
FUND BALANCE, JULY 1		(3,835,567)	
FUND BALANCE, JUNE 30		\$ (4,131,378)	

SECTION III - STATISTICAL SECTION

CITY OF FRONTENAC, MISSOURI
STATISTICAL SECTION

This part of the City’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City’s overall financial health.

Contents	Pages
Financial Trends These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	44 - 47
Revenue Capacity These schedules contain information to help the reader assess the City’s most significant local revenue sources.	58 - 52
Debt Capacity These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	53 - 55
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	56 - 58
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	59 - 60

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF FRONTENAC, MISSOURI
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	For The Years Ended June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental Activities										
Net investment in capital assets	\$ 15,975,697	15,515,379	14,494,995	13,400,325	7,683,534	5,435,021	4,890,309	3,609,755	3,042,779	2,449,904
Restricted for:										
Law enforcement training	62,667	54,094	44,269	36,258	28,069	21,699	13,493	7,750	17,634	15,010
Parks and stormwater projects	1,176,071	983,890	950,789	1,331,060	3,914,529	6,151,771	6,097,341	5,658,569	4,619,050	3,576,859
Sewer lateral projects	59,979	53,514	75,679	68,901	74,589	67,676	57,106	52,997	52,997	45,468
Unrestricted	6,809,594	6,604,557	6,522,214	6,380,639	8,760,860	8,033,345	7,301,169	6,379,299	5,685,142	5,541,147
 Total Governmental Activities/Net Position	 <u>\$ 24,084,008</u>	 <u>23,211,434</u>	 <u>22,087,946</u>	 <u>21,217,183</u>	 <u>20,461,581</u>	 <u>19,709,512</u>	 <u>18,359,418</u>	 <u>15,708,370</u>	 <u>13,417,602</u>	 <u>11,628,388</u>

CITY OF FRONTENAC, MISSOURI
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS

	For The Years Ended June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
REVENUES										
Program revenues:										
Charges for services	\$ 1,718,667	1,628,310	1,600,314	1,475,389	1,268,140	1,466,716	1,453,491	1,607,051	1,270,130	1,310,938
Operating grants and contributions	371,978	366,636	186,006	39,028	-	25,500	5,313	5,813	5,306	4,540
Capital grants and contributions	226,328	433,764	10,800	268,000	-	-	-	-	-	-
General revenues:										
Taxes	6,026,642	5,838,889	5,794,793	5,608,144	5,431,544	5,279,416	6,217,408	5,959,000	5,903,961	4,965,608
Federal interest subsidy	58,350	59,671	61,453	-	-	-	-	-	-	-
Investment income	30,841	37,535	36,221	19,994	101,952	331,378	541,313	571,646	390,720	233,397
Other	155,514	202,494	304,436	320,634	341,045	272,283	358,434	173,660	161,916	151,754
Total Revenues	<u>8,588,320</u>	<u>8,567,299</u>	<u>7,994,023</u>	<u>7,731,189</u>	<u>7,142,681</u>	<u>7,375,293</u>	<u>8,575,959</u>	<u>8,317,170</u>	<u>7,732,033</u>	<u>6,666,237</u>
EXPENSES										
Administration	683,753	701,676	680,559	625,511	610,452	522,248	571,680	542,823	563,391	377,819
Boards and commissions	16,137	18,105	15,469	15,714	38,726	23,920	17,505	37,219	38,400	98,944
Building department	237,701	248,116	231,358	215,640	205,741	197,783	186,956	178,958	169,736	153,482
Fire department	2,244,098	2,132,554	2,078,641	1,923,470	1,626,573	1,414,073	1,436,657	1,409,722	1,338,931	1,324,663
Legal department	53,223	37,008	36,583	34,363	37,678	38,712	36,789	94,171	127,313	154,725
Municipal building	482,113	477,265	447,647	289,129	244,894	138,852	132,224	121,327	144,476	134,198
Municipal court	142,625	146,083	148,790	131,482	132,683	133,861	132,650	139,360	95,858	123,555
Police department	2,689,626	2,485,310	2,428,191	2,778,994	2,482,833	2,467,974	2,395,229	2,462,522	2,335,408	2,247,635
Public works	566,957	540,454	525,418	588,472	714,388	976,700	968,723	1,003,364	881,176	911,136
Stormwater	402,750	353,390	319,009	217,578	240,688	111,076	46,498	36,936	49,223	-
Interest on long-term debt	196,763	202,213	211,595	155,234	55,956	-	-	-	-	-
Total Expenses	<u>7,715,746</u>	<u>7,342,174</u>	<u>7,123,260</u>	<u>6,975,587</u>	<u>6,390,612</u>	<u>6,025,199</u>	<u>5,924,911</u>	<u>6,026,402</u>	<u>5,743,912</u>	<u>5,526,157</u>
CHANGE IN NET POSITION	<u>\$ 872,574</u>	<u>1,225,125</u>	<u>870,763</u>	<u>755,602</u>	<u>752,069</u>	<u>1,350,094</u>	<u>2,651,048</u>	<u>2,290,768</u>	<u>1,988,121</u>	<u>1,140,080</u>

CITY OF FRONTENAC, MISSOURI
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	For The Years Ended June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Nonspendable	\$ 4,291,191	3,959,543	3,415,373	2,972,188	-	-	-	-	-	-
Restricted (LET)	62,667	54,094	44,269	36,258	-	-	-	-	-	-
Unassigned	7,121,319	6,922,830	6,875,715	6,745,650	-	-	-	-	-	-
Reserved	-	-	-	-	28,069	21,699	13,493	7,750	17,634	15,010
Unreserved	-	-	-	-	9,099,536	8,392,317	7,640,222	6,700,061	5,971,913	5,647,267
Total General Fund	<u>\$ 11,475,177</u>	<u>10,936,467</u>	<u>10,335,357</u>	<u>9,754,096</u>	<u>9,127,605</u>	<u>8,414,016</u>	<u>7,653,715</u>	<u>6,707,811</u>	<u>5,989,547</u>	<u>5,662,277</u>
All Other Governmental Funds										
Nonspendable	\$ -	12,194	11,545	-	-	-	-	-	-	-
Restricted	1,236,050	1,037,216	1,026,468	1,399,961	-	-	-	-	-	-
Unassigned	(4,131,378)	(3,847,573)	(3,422,305)	(2,972,188)	-	-	-	-	-	-
Reserved	-	-	-	-	74,589	67,676	57,106	52,997	52,997	45,468
Unreserved	-	-	-	-	3,914,529	6,151,771	6,097,341	5,658,569	4,635,500	3,575,380
Total All Other Governmental funds	<u>\$ (2,895,328)</u>	<u>(2,798,163)</u>	<u>(2,384,292)</u>	<u>(1,572,227)</u>	<u>3,989,118</u>	<u>6,219,447</u>	<u>6,154,447</u>	<u>5,711,566</u>	<u>4,688,497</u>	<u>3,620,848</u>
Total General And Other Funds	<u>\$ 8,579,849</u>	<u>8,138,304</u>	<u>7,951,065</u>	<u>8,181,869</u>	<u>13,116,723</u>	<u>14,633,463</u>	<u>13,808,162</u>	<u>12,419,377</u>	<u>10,678,044</u>	<u>9,283,125</u>

Note: GASB Statement No.54 was adopted in 2011.

CITY OF FRONTENAC, MISSOURI
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	For The Years Ended June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
REVENUES										
Municipal taxes	\$ 6,281,941	6,096,429	5,800,458	5,605,585	5,431,407	5,283,938	6,213,611	5,797,362	5,747,501	4,817,614
Licenses and permits	640,399	532,989	531,805	525,986	419,331	574,301	562,219	575,613	488,173	476,465
Charges for services (Police, Fire, and EMS)	482,222	488,399	442,028	478,070	323,157	281,648	262,655	250,358	226,405	202,482
Rental income (cell tower leases)	60,008	60,008	60,008	60,008	56,879	56,879	86,761	60,815	61,095	57,153
Police fines and forfeitures	510,188	524,253	589,503	434,049	488,287	573,872	591,223	744,406	519,516	594,624
Intergovernmental (cigarette and fuel tax)	112,392	110,058	115,877	122,294	133,075	113,435	151,239	161,614	154,884	158,578
Grants and MSD contributions	226,328	433,764	196,806	307,028	37,516	25,500	5,313	5,813	5,306	-
Investment income	30,841	37,535	36,221	19,994	101,952	331,378	541,313	571,646	390,720	233,397
Other	237,032	283,383	226,982	174,208	150,940	138,864	157,828	147,832	136,857	131,968
Total Revenues	<u>8,581,351</u>	<u>8,566,818</u>	<u>7,999,688</u>	<u>7,727,222</u>	<u>7,142,544</u>	<u>7,379,815</u>	<u>8,572,162</u>	<u>8,315,459</u>	<u>7,730,457</u>	<u>6,672,281</u>
EXPENDITURES										
Administration	617,775	614,175	614,599	549,289	513,866	480,053	530,593	523,805	551,704	363,018
Board and commissions	16,137	18,105	15,469	15,714	38,726	23,920	17,505	37,219	38,400	98,944
Building department	227,965	251,031	223,181	208,243	202,552	197,533	186,956	179,026	171,424	147,902
Fire department	2,191,523	2,099,902	2,026,352	1,848,817	1,579,852	1,347,109	1,339,464	1,285,016	1,238,457	1,210,712
Legal department	53,223	37,008	36,583	34,363	37,678	38,712	36,789	94,171	127,313	154,725
Municipal building	195,178	184,802	155,374	137,394	98,421	111,909	117,081	105,552	103,378	102,134
Municipal court	142,763	142,393	148,669	131,431	137,304	135,260	128,952	131,871	93,117	120,319
Police department	2,574,554	2,411,659	2,399,574	2,642,639	2,462,618	2,376,055	2,303,067	2,328,222	2,255,600	2,108,604
Public works	484,258	467,262	441,092	447,257	644,393	887,800	881,735	806,170	814,883	832,529
Stormwater	142,050	137,625	133,706	128,800	124,899	88,210	40,725	19,183	13,010	-
Capital outlay	1,144,963	1,650,524	1,650,339	6,195,344	7,098,498	867,953	1,600,510	1,065,581	928,252	380,410
Debt service										
Principal	185,000	180,000	175,000	170,000	165,000	-	-	-	-	-
Interest	199,906	205,306	210,554	154,193	55,262	-	-	-	-	-
Issuance costs	-	-	-	-	45,322	-	-	-	-	-
Total Expenditures	<u>8,175,295</u>	<u>8,399,792</u>	<u>8,230,492</u>	<u>12,663,484</u>	<u>13,204,391</u>	<u>6,554,514</u>	<u>7,183,377</u>	<u>6,575,816</u>	<u>6,335,538</u>	<u>5,519,297</u>
REVENUES OVER(UNDER) EXPENDITURES	<u>406,056</u>	<u>167,026</u>	<u>(230,804)</u>	<u>(4,936,262)</u>	<u>(6,061,847)</u>	<u>825,301</u>	<u>1,388,785</u>	<u>1,739,643</u>	<u>1,394,919</u>	<u>1,152,984</u>
OTHER FINANANCING SOURCES (USES)										
Bond proceeds	-	-	-	-	4,520,000	-	-	-	-	-
Bond premium	-	-	-	-	25,107	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Sale of capital assets	35,489	72	-	1,408	-	-	-	1,687	-	13,285
Total Other Financing Sources (Uses)	<u>35,489</u>	<u>72</u>	<u>-</u>	<u>1,408</u>	<u>4,545,107</u>	<u>-</u>	<u>-</u>	<u>1,687</u>	<u>-</u>	<u>13,285</u>
NET CHANGES IN FUND BALANCES	<u>\$ 441,545</u>	<u>167,098</u>	<u>(230,804)</u>	<u>(4,934,854)</u>	<u>(1,516,740)</u>	<u>825,301</u>	<u>1,388,785</u>	<u>1,741,330</u>	<u>1,394,919</u>	<u>1,166,269</u>

CITY OF FRONTENAC, MISSOURI
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Residential	Commercial	State	Personal Property	Total Assessed Value	Estimated Actual Value	Assessed Value As A Percentage Actual Value	Residential Tax Rate	Commercial Tax Rate	Personal Property Tax Rate
2014	\$ 175,444,540	\$ 40,815,870	\$ 1,760,916	\$ 19,906,455	\$ 237,927,781	\$ 1,110,667,247	21 %	\$ 0.498	\$ 0.544	\$ 0.553
2013*	175,176,750	40,795,270	1,721,479	17,941,807	235,635,306	1,103,298,918	21	0.496	0.544	0.553
2012	176,038,020	41,566,600	1,659,201	18,359,854	237,623,675	1,111,496,590	21	0.490	0.534	0.553
2011*	175,034,390	41,367,320	1,693,418	16,802,630	234,897,758	1,100,919,438	21	0.489	0.534	0.553
2010	180,207,200	41,783,980	1,552,894	17,424,197	240,968,271	1,131,311,704	21	0.474	0.544	0.553
2009*	178,331,720	41,784,750	1,508,614	19,249,990	240,875,074	1,126,921,089	21	0.459	0.514	0.553
2008	185,623,330	42,497,380	1,465,124	20,525,977	250,111,811	1,171,353,297	21	0.435	0.518	0.553
2007*	181,104,060	42,028,800	1,503,879	21,253,846	245,890,585	1,148,287,178	21	0.434	0.517	0.553
2006	148,546,800	33,005,250	1,527,843	20,758,537	203,838,430	947,248,509	22	0.508	0.620	0.553
2005*	145,313,700	33,006,260	1,527,976	20,864,217	200,712,153	930,552,421	22	0.508	0.559	0.553

*Reassessment years

Assessments are determined by the Assessor of St. Louis County. Property is assessed as of January 1. Final assessments are released in September of each year.

Assessments are based on a percentage of estimated actual values. Real property is classified as residential, commercial or agricultural.

Residential property is assessed at 19%, commercial is assessed at 32%, and agricultural is assessed at 12%. All railroad and utility property is assessed at 32%. All personal property is assessed at 3.

The City's tax rate is lower than any area cities' rates - that assess a city rate.

Source: St. Louis County Assessor

CITY OF FRONTENAC, MISSOURI
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Taxing Authority	For The Years Ended June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
City of Frontenac										
Residential	0.4980	0.4960	0.4900	0.4890	0.4740	0.4590	0.4350	0.4340	0.5080	0.5080
Commercial	0.5440	0.5440	0.5340	0.5340	0.5440	0.5140	0.5180	0.5170	0.6200	0.5590
Agriculture	-	-	-	-	-	-	-	-	-	-
Personal property	0.5530	0.5530	0.5530	0.5530	0.5530	0.5530	0.5530	0.5530	0.5530	0.5530
Overlapping Governments:										
State of Missouri	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300	0.0300
County Total (and segregated below 2009-2014)	0.5230	0.5230	0.5230	0.5230	0.5230	0.5230	0.5580	0.5580	0.5580	0.5580
County general	0.2090	0.2090	0.2090	0.2090	0.2090	0.2090	-	-	-	-
County health fund	0.1400	0.1400	0.1400	0.1400	0.1400	0.1400	-	-	-	-
County park maintenance	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	-	-	-	-
County bond retire	0.0190	0.0190	0.0190	0.0190	0.0190	0.0190	-	-	-	-
Roads and bridges	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	-	-	-	-
St. Louis Community College	0.2200	0.2200	0.2200	0.2200	0.2179	0.2136	0.2013	0.2003	0.2233	0.2231
Special School District	1.2609	1.2400	1.0123	1.0125	0.9950	0.9384	0.9184	0.9084	0.8235	0.8399
Metropolitan Zoo Museum District	0.2797	0.2797	0.2684	0.2671	0.2546	0.2493	0.2344	0.2330	0.2611	0.2654
County Library:										
Residential	0.2500	0.2500	0.1730	0.1630	0.1565	0.1400	0.1400	0.1400	0.1500	0.1500
Commercial	0.2640	0.2640	0.1900	0.1900	0.1887	0.1630	0.1680	0.1500	0.1500	0.1500
Agriculture	0.2790	0.2790	0.2000	0.2000	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500
Personal property	0.2250	0.2250	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500
School - Ladue	3.7000	3.6300	3.6300	3.1000	3.1000	2.9800	2.9800	2.9800	2.9800	2.9800
School - Kirkwood:										
Residential	4.2524	4.2546	4.2841	4.2878	4.1869	4.0842	3.9219	3.9895	4.0338	3.7144
Commercial	5.5436	5.4565	5.4748	5.4067	5.0705	4.6057	4.7404	4.6621	4.7064	4.4978
Agriculture	6.4082	6.5385	5.4338	5.5146	5.2628	5.2722	6.0424	5.7622	5.8065	5.3874
Personal property	4.8845	4.8845	4.8845	4.7584	4.7584	4.3800	4.3800	4.1082	4.1525	4.1115
Metropolitan Sewer District	0.0879	0.0874	0.6350	0.0818	0.0790	-	- *	0.0667	0.0687	0.0500
Sewers - Deer Creek:										
Residential	0.0860	0.0860	0.0840	0.0840	0.0810	-	-	0.0600	0.0600	0.0600
Commercial	0.0870	0.0840	0.0830	0.0820	0.0820	-	-	0.0600	0.0600	0.0600
Agriculture	0.0990	0.1000	0.0790	0.0790	0.0760	-	-	0.0600	0.0600	0.0600
Personal property	0.0930	0.0930	0.0930	0.0930	0.0930	-	-	0.0600	0.0600	0.0600
Sheltered Workshop:										
Residential	0.0900	0.0890	0.0840	0.0840	0.0790	0.0740	0.0690	0.0700	0.0820	0.0820
Commercial	0.0900	0.0900	0.0900	0.0900	0.0850	0.0790	0.0810	0.0790	0.0850	0.0850
Agriculture	0.0900	0.0900	0.0900	0.0900	0.0870	0.0900	0.0900	0.0850	0.0850	0.0850
Personal property	0.0900	0.0900	0.0900	0.0900	0.0900	0.0900	0.0900	0.0850	0.0850	0.0850

Source: St. Louis County Assessor (rates stated per \$100 assessed valuation)

*All Metropolitan St. Louis Sewer District (MSD) district-wide and sub-district taxes were reduced to zero for 2008. This was due to the implementation of a new impervious area storm water rate which was overturned by court action.

CITY OF FRONTENAC, MISSOURI
PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

TAXPAYER	2013			2004		
	Total Assessed Valuation	Rank	Percentage Of Total City Taxable Assessed Valuation	Total Assessed Valuation	Rank	Percentage Of Total City Taxable Assessed Valuation
Plaza Frontenac Acquisition (formerly Davis Street)	\$ 16,123,180	1	7.41 %	\$ 10,183,840	1	6.32 %
B & F Enterprises, LLC (Le Chateau)	9,960,860	2	4.58	7,776,630	2	4.82
Broad Frontenac Assoc. (Nieman and parking lot)	2,925,540	3	1.34	2,267,490	3	1.41
Frontenac Grove, LLC (formerly BF Joint Venture)	2,447,390	4	1.12	1,150,850	5	0.71
Ameren	1,724,459	5	0.79	1,342,812	4	0.83
Deer Creek Real Estate, LLC (Honda lot)	1,218,470	6	0.56	918,880	6	0.57
Frontenac Raquet Club, Inc. (A Mo Corp.)	953,580	7	0.44	-	-	-
Old Frontenac Square, LLC	838,400	8	0.39	884,540	7	0.55
Lindway Realty Co. (A Mo Corp.) (Forshaw lot)	809,150	9	0.37	600,920	9	0.37
Southern Real Estate & Financial Co.	684,380	10	0.31	-	-	-
Zern Galleries, Inc.	-	-	-	876,600	8	0.54
Total	<u>\$ 37,685,409</u>		<u>17.31 %</u>	<u>\$ 26,002,562</u>		<u>16.12 %</u>

CITY OF FRONTENAC, MISSOURI
SALES TAX RATES - DIRECT AND OVERLAPPING
LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rate	St. Louis County	State of Missouri	Direct And Overlapping	Taxable Sales (1)	One-Cent Sales Tax	1-Cent Revenue Shared (2)	Percent Of 1-Cent Shared (2)
2014	1.5 %	2.888 %	4.225 %	8.613 %	\$ -	\$ -	\$ -	- %
2013	1.5	2.888	4.225	8.613	206,053,000	2,060,530	664,111	32.23
2012	1.5	2.888	4.225	8.613	187,142,400	1,871,424	576,306	30.80
2011	1.5	2.700	4.225	8.425	177,139,500	1,771,395	536,579	30.29
2010	1.5	2.200	4.225	7.925	166,694,600	1,666,946	489,386	29.36
2009	1.5	2.100	4.225	7.825	157,482,100	1,574,821	440,689	27.98
2008	1.5	1.850	4.225	7.575	186,920,200	1,869,202	573,140	30.66
2007	1.5	1.850	4.225	7.575	209,063,400	2,090,634	677,906	32.43
2006	1.5	1.850	4.225	7.575	190,722,700	1,907,227	592,495	31.07
2005	1.5	1.850	4.225	7.575	210,081,000	2,100,810	685,706	32.64

(1) Taxable sales reported by the Missouri Department of Revenue. State law prohibits the disclosure of specific taxpayer information.

(2) The City participates in the one-cent county-wide sales tax sharing pool which is generally distributed based a per-capita (population) formula.

Note: The City's direct rate is made up of the following:

- 0.250% Local option sales tax effective April 1994
- 0.500% Capital improvement sales tax effective April 1995
- 0.250% Fire tax effective April 2002
- 0.500% Parks and storm water sales tax effective April 2005

CITY OF FRONTENAC, MISSOURI
SALES TAX REVENUES
LAST TEN FISCAL YEARS

Fiscal Year	County 1% Sales Tax	City 0.25% General Sales Tax	City 0.25% Fire Sales Tax	City 0.5% Capital Improvements Sales Tax	City 0.5% Parks And Stormwater Tax	Total Sales Tax Revenues
2013 - 2014	\$ 1,429,086	\$ 440,896	\$ 514,611	\$ 874,837	\$ 1,029,219	\$ 4,288,649
2012 - 2013	1,370,564	422,323	492,853	837,851	985,706	4,109,297
2011 - 2012	1,293,338	391,584	457,107	777,081	914,211	3,833,321
2010 - 2011	1,223,837	367,072	428,965	729,106	858,161	3,607,141
2009 - 2010	1,154,463	345,470	403,372	685,749	806,844	3,395,898
2008 - 2009	1,163,825	349,618	408,153	693,861	816,251	3,431,708
2007 - 2008	1,377,394	430,152	501,891	853,218	971,199	4,133,854
2006 - 2007	1,358,791	428,352	497,646	847,644	1,019,076	4,151,509
2005 - 2006	1,396,883	429,765	504,432	855,919	955,392	4,142,391
2004 - 2005 *	1,346,798	413,272	482,290	820,620	220,575	3,283,555

*Includes a partial year of parks and stormwater sales tax.

CITY OF FRONTENAC, MISSOURI
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Certificates Of Participation</u>	<u>Total Government</u>	<u>Percentage Of Personal Income % (1)</u>	<u>Per Capita</u>
2014	\$ 3,670,107	\$ 3,670,107	1.31 %	\$ 1,054
2013	3,855,107	3,855,107	1.37	1,107
2012	4,035,107	4,035,107	1.43	1,159
2011	4,210,107	4,210,107	1.50	1,209
2010	4,380,107	4,380,107	1.56	1,258
2009	-	-	-	-
2008	-	-	-	-
2007	-	-	-	-
2006	-	-	-	-
2005	-	-	-	-

Source: Details regarding the City's outstanding debt can be found in the notes to financial statements

(1) See Demographics and Economic Statistics Table

CITY OF FRONTENAC, MISSOURI
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2014

<u>Name of Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share Of Overlapping Debt</u>
St. Louis County	\$ 63,340,000	1.16 %	\$ 737,486
Kirkwood School District	34,440,000	1.03	356,191
Ladue School District	72,584,976	11.43	8,293,929
Subtotal	<u>170,364,976</u>		<u>9,387,606</u>
City of Frontenac	<u>3,664,073</u>	100.00	<u>3,664,073</u>
Total Direct And Overlapping Debt	<u><u>\$ 174,029,049</u></u>		<u><u>\$ 13,051,679</u></u>

Source: Information was obtained by contacting the taxing jurisdiction and the St. Louis County Collector's office. The percentage applicable to the City is based on the jurisdiction's assessed value within the boundaries of the City.

CITY OF FRONTENAC, MISSOURI
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS

	For The Years Ended June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Assessed valuation	<u>\$ 237,927,781</u>	<u>236,635,306</u>	<u>237,623,675</u>	<u>234,897,758</u>	<u>240,968,271</u>	<u>240,875,074</u>	<u>250,111,811</u>	<u>245,890,585</u>	<u>203,838,430</u>	<u>200,712,183</u>
Debt limit	\$ 23,792,778	23,663,531	23,762,368	23,489,776	24,096,827	24,087,507	25,011,181	24,589,059	20,383,843	20,071,218
Net debt applicable to limit	<u>3,645,000</u>	<u>3,830,000</u>	<u>4,010,000</u>	<u>4,185,000</u>	<u>4,355,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	<u>\$ 20,147,778</u>	<u>19,833,531</u>	<u>19,752,368</u>	<u>19,304,776</u>	<u>19,741,827</u>	<u>24,087,507</u>	<u>25,011,181</u>	<u>24,589,059</u>	<u>20,383,843</u>	<u>20,071,218</u>
Total Net Debt Applicable To The Limit As A Percentage Of Debt Limit	-	%	-	-	-	-	-	-	-	-

Certificates of participation debt (COPS) debt does not apply to the limit. Only general obligation (GO) debt applies to the limit.

Note: Bonded indebtedness is limited by Sections 95.111 and 95.120 of the Missouri Revised Statutes (1986) to 10% of the assessed value of taxable tangible property.

CITY OF FRONTENAC, MISSOURI
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Median Age (1)	Household Income (1), (2)	Per Capita Income (1), (2)	Median House Value (2)	Ladue District Enrollment (3)*	Kirkwood District Enrollment (3)*	Unemployment Rate (4)	
								The City Of Frontenac	State Of Missouri
2014	3,482	49.2	\$ 154,162	\$ 80,768	\$ 672,200	504	50	1.3 %**	6.5 %***
2013	3,482	49.2	154,162	80,768	672,200	475	58	1.2	6.5
2012	3,482	49.2	154,162	80,768	672,200	472	53	1.2	7.0
2011	3,482	49.2	154,162	80,768	672,200	436	57	1.5	8.4
2010	3,482	49.2	154,162	80,768	672,200	430	66	1.7	9.4
2009	3,483	46.0	119,508	64,532	442,400	430	55	1.7	9.3
2008	3,483	46.0	119,508	64,532	442,400	411	49	1.1	6.1
2007	3,483	46.0	119,508	64,532	442,400	398	-	0.9	5.0
2006	3,483	46.0	119,508	64,532	442,400	-	-	0.8	4.8
2005	3,483	46.0	119,508	64,532	442,400	-	-	0.9	5.4

Source:

- (1) U.S. Bureau of Census
- (2) City Data
- (3) Above Named School Districts
- (4) Missouri Department of Economic Development

*Ladue School district records unavailable for years 2005 - 2006, Kirkwood 2005 - 2007

**Nine month average

***Seven month average

CITY OF FRONTENAC, MISSOURI
PROPERTY VALUE AND CONSTRUCTION
LAST TEN FISCAL YEARS

Fiscal Year	Total Number Of Permits	Total Construction Value	Permit Revenue	Commercial Estimated Construction Cost	Residential Estimated Construction Cost
2013 - 2014	184	\$ 15,973,246	\$ 152,834	\$ 1,891,933	\$ 14,081,313
2012 - 2013	149	11,406,308	114,136	2,232,974	9,173,334
2011 - 2012	161	10,628,533	94,418	3,173,614	7,454,919
2010 - 2011	148	17,447,171	116,835	6,559,443	10,887,728
2009 - 2010	123	17,635,340	61,380	10,629,707	7,005,633
2008 - 2009	118	13,047,430	101,681	1,892,342	11,155,088
2007 - 2008	31	6,448,280	84,654	275,000	6,173,280
2006 - 2007	-	-	110,411	-	-
2005 - 2006	-	-	115,000	-	-
2004 - 2005	-	-	125,500	-	-

Source: City's financial accounting software and prior City audits

CITY OF FRONTENAC, MISSOURI
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	<u>2014</u>		<u>2005</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Shriners	237	1	287	1
Nieman Marcus	213	2	222	2
Hilton Hotel	196	3	200	3
Saks Fifth Ave.	150	4	171	4
Oak Hill Villa	128	5	150	5
Wells Fargo	103	6	125	6
Mercy Center	90	7	-	-
St. Joseph Academy	86	8	90	9
Brio	85	9	100	7
Cardwell's	81	10	90	9
Ladue ECC School	-	-	95	8
Total	<u>1,369</u>		<u>1,530</u>	

Source: Business License Database

CITY OF FRONTENAC, MISSOURI
FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTIONS/PROGRAMS
LAST TEN FISCAL YEARS

	For The Years Ending June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
FUNCTIONS/PROGRAMS										
General government:										
Administrative services	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	3.00	2.00
Finance	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Municipal Court*	1.75	1.75	1.75	1.75	1.75	1.75	1.50	1.50	1.50	1.00
Building Department	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Police:										
Officers	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00
Civilians**	1.00	1.00	1.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Fire:										
Firefighters/EMS***	20.00	20.00	20.00	20.00	20.00	14.00	14.00	14.00	14.00	14.00
Public works										
Street and building maintenance	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Stormwater:										
Administration	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-	-
Clerical	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	-	-
Total	<u>53.75</u>	<u>53.75</u>	<u>53.75</u>	<u>58.75</u>	<u>58.75</u>	<u>52.75</u>	<u>52.50</u>	<u>52.50</u>	<u>51.50</u>	<u>50.00</u>

Source: City payroll records

*Ratios less than one indicate a part time person

**A joint police and emergency dispatch service began operations during 2011 for contracted dispatching service.

***Fire employees were hired in April 2010 to meet ISO requirements (needed for residential insurance coverage) and ambulance service.

CITY OF FRONTENAC, MISSOURI
OPERATING INDICATORS BY FUNCTIONS/PROGRAMS
LAST TEN FISCAL YEARS

FUNCTIONS/PROGRAMS	For The Years Ending December 31									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Police:										
Arrests	324	358	437	520	546	602	683	859	838	702
Traffic violations	3,005	3,838	3,494	4,723	3,473	4,094	3,546	4,511	7,482	7,244
Reports	704	829	917	1,004	1,003	1,071	1,231	1,323	1,220	1,120
Vehicle accidents	233	255	245	213	218	186	171	209	218	250
Calls for service	11,931	15,568	15,308	16,799	19,003	21,706	24,061	23,992	4,194	6,812
Fire:										
EMS calls	334	388	411	343	345	313	313	327	333	N/A
Fire calls	502	575	595	442	471	460	516	640	717	-
Inspections	288	267	283	247	244	304	287	239	222	-
Training hours	1,560	1,701	2,363	2,648	2,360	1,802	1,886	2,884	1,214	-
City ambulance transports	267	312	332	317	273	N/A	N/A	N/A	N/A	N/A
Planning and Building:										
Building permits issued	184	149	161	148	123	118	31	-	-	-
Licensing:										
Business licenses issued	281	273	266	271	240	278	285	300	301	296
Liquor licenses issued	16	16	14	15	15	13	14	14	13	14
Itinerant merchant licenses	8	2	7	7	6	3	6	-	-	-
Finance:										
Accounts payable processed	2,222	2,276	2,077	2,173	2,106	1,354	1,892	2,346	-	-
Payroll payments issued	1,460	1,454	1,414	1,568	1,500	1,376	1,388	1,362	-	-
Alarm monitoring clients	291	298	296	298	285	277	315	323	349	347
Capital Improvement:										
Infrastructure and New City Hall	72,072	497,189	293,637	5,175,603	5,891,169	47,736	326,285	170,874	-	82,331
Storm water projects	843,961	845,834	1,199,354	733,711	717,042	468,568	1,064,548	437,449	239,080	5,205
Sewer Lateral Program	30,264	59,060	30,200	42,944	30,452	26,325	33,285	29,500	26,166	29,480
Municipal Court:										
Traffic violation revenues	478,696	497,330	-	-	-	-	-	-	-	-
Total operating revenues	5,504,183	5,368,142	-	-	-	-	-	-	-	-
Percent of traffic violation revenues to total operating revenues	9 %	9	-	-	-	-	-	-	-	-

**SECTION IV - INTERNAL CONTROL AND
COMPLIANCE SECTION**

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

**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***

INDEPENDENT AUDITOR'S REPORT

November 26, 2014

Honorable Mayor and Members of the Board of Aldermen
CITY OF FRONTENAC, MISSOURI

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **CITY OF FRONTENAC, MISSOURI** (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 26, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material mis-

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statement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

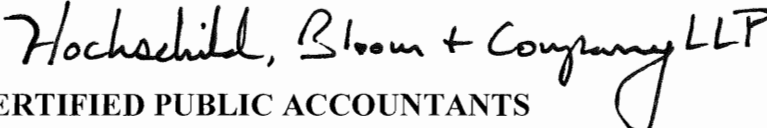
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS