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1-1-2001

## Audit of Financial Statements, 2000

City of Winchester

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**CITY OF WINCHESTER, MISSOURI**  
**AUDIT OF FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2000**

CITY OF WINCHESTER, MISSOURI

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Robert E. Croghan CPA

## INDEPENDENT AUDITOR'S REPORT

Board of Aldermen  
City of Winchester, Missouri

Dear Members of the Board:

We have audited the accompanying financial statements, listed in the table of contents, of the City of Winchester, Missouri as of and for the year ended June 30, 2000. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets and liabilities arising from cash transactions of the various funds of the City of Winchester, Missouri at June 30, 2000, and the revenues collected, expenditures paid, and changes in fund balance of such funds for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2000, on our consideration of the City of Winchester, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Croghan + Croghan P.C.*  
Certified Public Accountants

Kirkwood, Missouri  
October 19, 2000

CITY OF WINCHESTER, MISSOURI  
 STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY ARISING  
 FROM CASH TRANSACTION - ALL FUND TYPES  
 JUNE 30, 2000

	Governmental Fund General Fund	Fiduciary Fund Municipal Court	Total (Memorandum Only)
<u>ASSETS</u>			
Cash and Investments	\$ 874,065.40	\$ -	\$ 874,065.40
Restricted Assets:			
Cash		2,450.00	2,450.00
Total Assets	\$ 874,065.40	\$ 2,450.00	\$ 876,515.40
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Bank Overdraft	\$ 27,294.49	\$ -	\$ 27,294.49
Payroll Withholdings	3,816.51		3,816.51
Payable from Restricted Assets:			
Deposits		2,450.00	2,450.00
Total Liabilities	31,111.00	2,450.00	33,561.00
Fund Balance - Unreserved	842,954.40	-	842,954.40
Total Liabilities and Fund Balance	\$ 874,065.40	\$ 2,450.00	\$ 876,515.40

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

CITY OF WINCHESTER, MISSOURI  
 STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND  
 CHANGES IN FUND BALANCE - CASH BASIS - ALL GOVERNMENTAL FUND TYPES  
 YEAR ENDED JUNE 30, 2000

	<u>General Fund</u>
REVENUES:	
Taxes	\$ 451,714.59
Licenses and Permits	20,192.37
Fines and Forfeitures	39,258.00
Interest	47,181.59
Miscellaneous	<u>16,722.01</u>
Total Revenues	<u>575,068.56</u>
EXPENDITURES:	
Administrative	247,960.35
Public Safety	166,002.55
Streets and Sewer	107,691.05
Park and Recreation Program	18,696.31
Maintenance Department	<u>31,997.32</u>
Total Expenditures	<u>572,347.58</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,720.98
FUND BALANCE, JULY 1, 1999	<u>840,233.42</u>
FUND BALANCE, JUNE 30, 2000	<u><u>\$ 842,954.40</u></u>

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

CITY OF WINCHESTER, MISSOURI  
 STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND  
 BALANCE - CASH BASIS - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES  
 YEAR ENDED JUNE 30, 2000

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUES:			
Taxes:			
Real Estate	\$ 25,550.00	\$ 25,637.43	\$ 87.43
Personal Property	5,400.00	5,386.86	(13.14)
Utilities	900.00	836.32	(63.68)
Gross Receipts (Utilities)			
Gas	20,800.00	20,802.96	2.96
Electric	41,700.00	41,745.40	45.40
Water	8,900.00	8,922.22	22.22
Telephone	24,150.00	26,191.32	2,041.32
Cable TV	10,600.00	10,635.10	35.10
Sales Tax	215,500.00	215,545.89	45.89
Cigarette Tax	8,100.00	8,106.91	6.91
Missouri Gas Tax	52,950.00	52,951.67	1.67
Motor Vehicle Tax	20,770.00	20,774.45	4.45
County Road & Bridge	14,175.00	14,178.06	3.06
Total Taxes	<u>449,495.00</u>	<u>451,714.59</u>	<u>2,219.59</u>
Licenses and Permits:			
Swimming Pool Permits	30.00	50.00	20.00
Building Inspections	950.00	970.00	20.00
Occupancy Permits	325.00	260.00	(65.00)
Building Permits	1,075.00	1,025.25	(49.75)
Sign Permits	780.00	780.00	
Board of Adjustment Fee	50.00	25.00	(25.00)
Merchant's Licenses	12,200.00	12,207.12	7.12
Liquor Licenses	1,500.00	1,500.00	
Other Permits	625.00	3,375.00	2,750.00
Total Licenses and Permits	<u>17,535.00</u>	<u>20,192.37</u>	<u>2,657.37</u>
Fines and Forfeitures:			
Court Costs and Fines	39,100.00	39,258.00	158.00
Interest	46,000.00	47,181.59	1,181.59



CITY OF WINCHESTER, MISSOURI  
STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND  
BALANCE - CASH BASIS - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2000

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Advertising Reimbursement	\$ 100.00	\$ 53.20	\$ (46.80)
Summer Sports Program	875.00	886.50	11.50
Hayride Receipts	405.00	406.29	1.29
Pavilion Reservation Fee	625.00	650.00	25.00
Animal Tag Fee	1,050.00	1,056.00	6.00
Bags and Tags	5,750.00	5,769.80	19.80
Animal Release Fee	10.00		(10.00)
Answering Service User Fee	375.00	400.00	25.00
Solicitor's Permit Fee	50.00		(50.00)
Community Development	500.00	507.01	7.01
Miscellaneous	24,155.00	4,211.48	(19,943.52)
Post Commission Fund	600.00	611.73	11.73
Construction Bonds	2,170.00	2,170.00	
Total Miscellaneous	<u>36,665.00</u>	<u>16,722.01</u>	<u>(19,942.99)</u>
Total Revenues	<u>588,795.00</u>	<u>575,068.56</u>	<u>(13,726.44)</u>
EXPENDITURES:			
Administrative:			
Mayor	4,800.00	4,800.00	-
Board of Aldermen	14,460.00	14,460.00	
City Clerk Salary	40,650.00	40,601.05	48.95
Asst. City Clerk Salary	21,840.00	21,805.00	35.00
Cleaning Personnel	2,510.00	2,510.00	
Bookkeeper	11,130.00	11,120.38	9.62
Clerical Support Staff	18,275.00	18,246.60	28.40
Legal	13,900.00	13,750.00	150.00
Building Inspector's Salary	4,660.00	4,563.00	97.00
Building Commissioner	3,600.00	3,779.00	(179.00)
City Hall Utilities & Services	12,900.00	14,331.96	(1,431.96)
Notices in Paper	1,650.00	1,865.55	(215.55)
Accounting	4,000.00	3,900.00	100.00
Insurance (General)	5,387.00	5,203.00	184.00
Insurance (Staff)	9,700.00	9,472.78	227.22
LAGERS	4,350.00	4,209.32	140.68
Federal Medicare	2,300.00	2,287.04	12.96

CITY OF WINCHESTER, MISSOURI  
STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND  
BALANCE - CASH BASIS - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2000

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
EXPENDITURES:			
Administrative: (Continued)			
FICA	\$ 9,800.00	\$ 9,831.78	\$ (31.78)
Dues	3,250.00	3,244.04	5.96
Administrator Car Allowance	1,800.00	1,800.00	
Election Board	464.00	463.98	0.02
Office Supplies	842.00	840.13	1.87
Stationery and Writing Impl.	38.00	37.11	0.89
Household Supplies	250.00	220.34	29.66
Postage	1,100.00	1,029.86	70.14
Other Supplies	1,200.00	1,198.93	1.07
Recycling	100.00		100.00
Newsletter	1,300.00	1,244.88	55.12
Copier Supplies	2,568.00	2,567.96	0.04
Education & Training	2,500.00	1,138.75	1,361.25
Travel & Public Relations	3,939.00	3,987.32	(48.32)
Pictures	200.00	69.59	130.41
Soda, Coffee, Etc.	110.00	102.21	7.79
Lafayette Older Adults Program	500.00	500.00	
Appreciation Picnic	1,100.00	965.05	134.95
Computer Supplies	311.00	310.47	0.53
Computer Programming	3,361.00	3,092.41	268.59
City Hall Furniture	2,200.00	2,141.97	58.03
City Hall Remodeling		59.00	(59.00)
Construction Bond	775.00	740.00	35.00
Miscellaneous	208.00	207.45	0.55
Yard Waste Bags/Tags	6,942.00	6,938.00	4.00
Residential Trash Service	28,345.00	28,324.44	20.56
Total Administrative	<u>249,315.00</u>	<u>247,960.35</u>	<u>1,354.65</u>
Public Safety:			
Police Chief Salary	300.00	300.00	-
Judge	3,960.00	3,930.00	30.00
CVC State Portion	2,470.00	2,470.00	
Police Contract (Ballwin)	157,300.00	157,251.57	48.43
Training	430.00	430.00	
Forms	675.00	674.60	0.40
Uniforms & Patches	50.00		50.00
Miscellaneous	1,290.00	946.38	343.62
Total Public Safety	<u>166,475.00</u>	<u>166,002.55</u>	<u>472.45</u>

CITY OF WINCHESTER, MISSOURI  
STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND  
BALANCE - CASH BASIS - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2000

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
EXPENDITURES:			
Streets and Sewer:			
Street Lights	\$ 16,091.00	\$ 16,082.28	\$ 8.72
Snow Removal-Contracted	7,346.00	7,345.50	0.50
Snow Removal-Labor	41.00	40.75	0.25
Street Cleaning	1,700.00	1,700.00	
Street Repairs-Contracted	67,309.00	67,308.77	0.23
Street Repairs-Labor	100.00	83.18	16.82
Street Repair-Supplies	50.00	5.63	44.37
Engineering	8,402.00	8,392.37	9.63
Street Striping-Supplies	1,450.00	1,440.00	10.00
Street Striping-Labor	45.00	44.45	0.55
Right-of-Way Labor	363.00	362.09	0.91
Project Observer Salary	78.00	78.00	
Storm Sewers	2,069.00	2,068.69	0.31
Storm Sewers-Labor	850.00	836.10	13.90
Signs	426.00	91.75	334.25
Streets & Sewers Misc.	1,000.00	1,000.00	
Sign Installation and Painting Labor	830.00	811.49	18.51
Total Streets and Sewer	<u>108,150.00</u>	<u>107,691.05</u>	<u>458.95</u>
Par Park Water	464.00	412.03	51.97
Park Electric	1,650.00	972.40	677.60
Park Sewer	392.00	391.17	0.83
Park Director Salary	3,300.00	3,300.00	
Summer Sports Program Supplies	1,275.00	324.59	950.41
Sports Program T-Shirts	50.00	50.00	
Hayride	260.00	260.00	
Hayride Salaries	93.00	90.50	2.50
Easter Egg Hunt	700.00	682.07	17.93
New Recreation Programs	1,455.00	1,454.75	0.25
Contracted Improvements	8,340.00	8,339.23	0.77
Halloween	100.00	85.80	14.20
Christmas	325.00	325.00	
Christmas Lighting Contest	275.00	207.56	67.44

CITY OF WINCHESTER, MISSOURI  
STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND  
BALANCE - CASH BASIS - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2000

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES:</b>			
Park Park Pavilion Inspectors	\$ 390.00	\$ 465.00	\$ (75.00)
Education & Training	340.00	340.00	
Landscaping	160.00	160.00	
Playground Improvements	1,000.00	386.00	614.00
Miscellaneous	451.00	450.21	0.79
Total Park and Recreation	<u>21,020.00</u>	<u>18,696.31</u>	<u>2,323.69</u>
Main Park-Grass Cutting	6,250.00	6,237.94	12.06
Park Buildings Labor	1,510.00	1,505.70	4.30
Park Playground Labor	1,800.00	1,665.92	134.08
Park Grounds Labor	6,350.00	6,307.24	42.76
Park Maintenance Supplies	650.00	649.67	0.33
City-Grass Cutting	400.00	384.61	15.39
Pavilion Labor	610.00	609.38	0.62
Restroom Labor	1,340.00	1,335.62	4.38
Fogging Labor	300.00	232.95	67.05
Miscellaneous Labor	150.00	37.50	112.50
Gas and Fuel	400.00	395.61	4.39
Maintenance/Housekeeping Supplies	600.00	529.83	70.17
Lawn & Building Supplies	1,335.00	552.79	782.21
Tools	940.00	508.13	431.87
Mosquito Spray	2,000.00	122.26	1,877.74
City Hall Maintenance Labor	1,800.00	1,788.05	11.95
City Hall Maintenance Supplies	200.00	137.80	62.20
Contracted Equipment Repairs	2,200.00	1,784.23	415.77
Equipment Repairs Supplies	300.00	128.27	171.73
Equipment Repairs Labor	925.00	923.46	1.54
Park Vandalism-Labor	200.00	119.00	81.00
Park Vandalism-Supplies	675.00	671.44	3.56
Safety Training & Equipment	1,450.00	1,441.22	8.78
Services, Utilities & Bldg. Repair	2,500.00	2,239.46	260.54
Equipment	7,050.00	216.29	6,833.71
Transportation/Time & Cost	525.00	509.35	15.65
Holiday Compensation	1,375.00	963.60	411.40
Total Maintenance Dept.	<u>43,835.00</u>	<u>31,997.32</u>	<u>11,837.68</u>

CITY OF WINCHESTER, MISSOURI  
STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND  
BALANCE - CASH BASIS - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2000

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
TOTAL EXPENDITURES	\$ 588,795.00	\$ 572,347.58	\$ 16,447.42
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	2,720.98	2,720.98
FUND BALANCE, JULY 1, 1999	840,233.42	840,233.42	
FUND BALANCE, JUNE 30, 2000	\$ 840,233.42	\$ 842,954.40	\$ 2,720.98

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

CITY OF WINCHESTER, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2000

1. Summary of Significant Accounting Principles

The financial statements of the City of Winchester, Missouri have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). The Government Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic -- but not the only -- criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

The City has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the City's financial statements. In addition, the City is not aware of any entity which would exercise such oversight which would result in the City being considered a component unit of the entity.

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types are used by the City:

Governmental Fund Types:

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.

Fiduciary Fund Types:

Municipal Court - This fund represents monies that are held by the City's municipal court in a fiduciary capacity on behalf of various individuals. This fund is not considered an operating fund of the City.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The City's policy is to prepare its financial statements on the cash basis of accounting; consequently, revenues are recognized when received rather than when earned, and expenditures and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

D. Budgets and Budgetary Accounting

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

1. In accordance with Chapter 67, RSMo., the City adopts a budget for each fund.
2. The City Treasurer submits to the Mayor and the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. Public hearings are conducted to obtain taxpayer comments.
4. The budget was formally adopted on June 9, 1999.
5. Subsequent to its formal approval of the budget, the Board of Aldermen has the authority to make necessary adjustments to the budget by formal vote of the board. Adjustments made during the year are reflected in the budget information included in the financial statements.

Budget amounts are as originally adopted, or as amended by the Board of Aldermen.

6. Budgets for all funds are prepared and adopted on the cash basis (budget basis), recognizing revenues when collected and expenditures when paid. The actual results of operations are presented in the statements of revenues, expenditures, and changes in fund balance - budget and actual in accordance with the budget basis to provide a meaningful comparison of actual results with the budget.

E. Total Columns on Combined Statements

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles or the cash basis of accounting.

F. Property and Equipment

Capital outlays are recorded as expenditures when incurred. These capital outlays represent the cost of land, buildings and improvements, and furniture and equipment. The City does not maintain a record of its general fixed assets.

G. Inventory

The City does not maintain inventory cost records. Inventory is accounted for using the purchase method in which supplies are charged to expenditures when purchased.

2. Cash and Investments

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At June 30, 2000, the carrying amount of the City's deposits was \$(27,294.49) and the bank balance was \$3,502.42.

The City's deposits are categorized to give an indication of the level of risk assumed by the City at year end.

Category 1 Insured or collateralized with securities held by the City or its agent in the City's name.

Category 2 Collateralized with securities held by the pledging financial institutions trust department or agent in the City's name.

Category 3 Uncollateralized.

Balances at June 30, 2000:

	Credit Risk Category			Bank Balance
	1	2	3	
Cash in Bank	\$3,502.42	\$ —	\$ —	\$3,502.42



Investments – The City may purchase any investment allowed by the State Treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law.

For the year ended June 30, 2000, the City invested several obligations of the United States government or agency or instrumentality thereof in a Repurchase Agreement.

Investments made by the City including repurchase agreements, are summarized below. The investments that are represented by specific securities are classified as to credit risk by the three categories described below:

Category 1 Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

	Credit Risk			Carrying Amount	Market Value
	Category 1	Category 2	Category 3		
Repurchase Agreements	-	\$874,000.00	-	\$874,000.00	\$874,502.55

### 3. Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The county collects the property tax and remits it to the City.

The assessed valuation of the tangible taxable property for the calendar year 1999 for purposes of local taxation was:

St. Louis County	1999
Real Estate	\$11,350,400.00
Personal Property	2,318,700.00
State Assessed Utilities	<u>253,449.00</u>
Total	<u>\$13,922,549.00</u>

The tax levy per \$100 of the assessed valuation of tangible property for the calendar year 1999 for purposes of local taxation was:

	<u>1999</u>
General Revenue	\$ <u>.23</u>

#### 4. Retirement Plan

##### A. Plan Description

The City of Winchester 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, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

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

##### B. Funding Policy

The City of Winchester's full-time employees contribute 4% of gross salary to the pension plan. The political subdivision is required by state statute to contribute at an actuarially determined rate; the current rate is 5.2% (general) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

##### C. Annual Pension Cost

For 2000, the political subdivision's annual pension cost of \$7,856 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 1998 and/or 1999 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.0% per year, compounded annually, before retirement and 4.0% per year, compounded annually, after retirement, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 4.0% per year, depending on age, attributable to seniority/merit, and (d) pre- and post-retirement mortality based on the 1984 Group Annuity Mortality table set back no years for men and 6 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 project payroll on a closed basis. The amortization period at February 29, 2000 was 22 years.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/98	\$5,246	100%	\$0
6/30/99	\$6,552	100%	\$0
6/30/00	\$7,586	100%	\$0

REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/98	\$ 53,584	\$ 78,997	\$ 25,413	68%	\$ 77,570	33%
2/28/99	66,225	94,717	28,492	70%	79,519	36%
2/28/00	86,712	110,487	23,775	78%	81,547	29%

Note: The above assets and actuarial 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 29, 1996 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

5. Restricted Revenues

Restricted Revenues received for the year ended June 30, 2000, are as follows:

1. State motor vehicle fuel tax receipts are restricted to repairs, policing, signing, lighting, and cleaning roads and streets, in accordance with State statutes.
2. County road and bridge tax receipts are restricted to the improvement and repair of public roads, streets, and bridges within the Corporate limits of the City of Winchester in accordance with State statutes.

6. Contingencies

The City has participated in federally assisted grant programs. The programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirements could be established at some future date.

7. Commitments

The City contracts for Police services with an adjacent municipality. The contract terminates in December 2000, with required monthly payments of approximately \$13,091.65.

8. Operating Lease

The City is committed under a five-year lease for a copier. This lease for accounting purposes is considered an operating lease. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreement are not reflected in the City's account groups. Lease expenditures for the year ended June 30, 2000, amounted to \$3,795.96.

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2001	\$ 3,795.96
2002	3,795.96
2003	<u>2,530.64</u>
	<u>\$10,122.56</u>

9. Participation in a Public Entity Risk Pool - (MIRMA)

The City is member of the Missouri Intergovernmental Risk Management Association (MIRMA), a protected self-insurance program of political subdivisions. The City does not pay premiums to purchase insurance policies, but pays an assessment to be a member of self-sustaining risk sharing group. Part of the assessment is used to purchase excess insurance for the group as a whole.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Aldermen  
City of Winchester, Missouri

We have audited the financial statements of the City of Winchester, Missouri as of and for the year ended June 30, 2000, and have issued our report thereon dated October 19, 2000. In our report, on financial statements which were prepared on another comprehensive basis of accounting other than generally accepted accounting principles, our opinion was qualified because the financial statements do not include the General Fixed Assets Account Group. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As a part of obtaining reasonable assurance about whether the City of Winchester, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Winchester's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

*Croghan + Croghan P.C.*  
Certified Public Accountants

Kirkwood, Missouri  
October 19, 2000