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Financial Statements, 1999

City of Jennings

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**CITY OF JENNINGS, MISSOURI,
PRIMARY GOVERNMENT**

FINANCIAL STATEMENTS

MARCH 31, 1999
(WITH COMPARATIVE TOTALS FOR 1998)

*HUBER
RING
HELM
&^{CO.}*

A PROFESSIONAL CORPORATION
OF CERTIFIED PUBLIC ACCOUNTANTS

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A PROFESSIONAL CORPORATION
OF CERTIFIED PUBLIC ACCOUNTANTS

June 15, 1999

Honorable City Council
City of Jennings, Missouri
2120 Hord Avenue
Jennings, MO 63136

In planning and performing our audit of the primary government financial statements of the City of Jennings, primary government, for the year ended March 31, 1999, we considered the City's internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the component unit financial statements and not to provide assurance on the internal control structure.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or the operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the component unit 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 structure and its operation that we consider to be material weaknesses as defined above.

Other comments and suggestions for improving the internal control structure and accounting procedures are presented for your consideration.

**Property, Plant and Equipment - Improving Documentation of the
General Fixed Assets Account Group**

Generally accepted accounting principles require the City's property, plant and equipment to be accounted for in a General Fixed Assets Account Group. Since such an accounting has not been done, we are required to qualify our audit report.

Property, Plant and Equipment - Improving Documentation of the
General Fixed Assets Account Group (Continued)

In order for us to remove this qualification, the City must maintain a General Fixed Asset Account Group and develop cost basis for assets owned as of March 31, 1999. Once initial balances are developed, annual additions and deletions are easily maintained.

There are fixed asset programs that the City may purchase. We have available a software program that the City could utilize to maintain fixed assets and related depreciation. We would also be available to assist in the development of historical cost of assets acquired in prior years.

Fuel Purchases

Fuel Purchases are being incorrectly coded to the Vehicle Repairs and Maintenance Account under the Maintenance Department. These purchases should be coded to the Gas and Oil Account.

Manual Reporting

It was noted during our audit that some of the record keeping in the Collector's Office is maintained manually in large columnar ledger books. Manual record keeping requires a significant amount of time, especially when data must be changed and columns of numbers must be refooted and crossfooted. The time requirement for maintaining these records can be reduced significantly by putting these records on one of the common spreadsheet packages. Our firm has a significant amount of experience in assisting clients in setting up computer-based reports to replace manual records and is available should you desire our assistance.

Local Development Corporation

It was noted during our audit of the Jennings Local Development Corporation (LDC) that the LDC has not had any significant activity for the years ended March 31, 1999 and 1998. Funds held by LCD (approximately \$71, 000 at March 31, 1999) are not earning interest. The City should determine if the LDC is necessary any longer and if it is determined that it is not, the LDC should be dissolved with the Secretary of State and its assets redistributed in accordance with Article V of the LDC's articles of incorporation, as amended. Regardless of what is decided on the future of LDC, all LDC funds should be placed in an interest bearing financial instrument.

Sales Tax

Sales by local governments or their agencies are taxable unless made in the performance of a governmental function. Taxable sales include those made in the operation of public stands by park districts or other governmental bodies. The City's receipts from sales at concession stands are taxable. Sales from concession stands should be tracked and sales tax should be remitted to the State of Missouri in a timely manner.

Honorable City Council
City of Jennings, Missouri
June 15, 1999
Page 3

Court Department

While great progress has been made in implementing prior recommendations, including those made by the State Auditor, we noticed that no ongoing reconciliation of outstanding bonds with bank balances is being performed.

We recommend that a monthly comparison of court bond bank balances to outstanding bonds be performed, and adjustments made if needed. This will insure that the City's general ledger properly reflects the amount of outstanding bonds.

This report is intended solely for the use of management, the Mayor, and the City Council and should not be used for any other purpose.

We believe the above recommendations will be of benefit to you in the coming year and would be pleased to discuss any of the comments contained herein at your convenience. We would like to thank you for the cooperation given to us by City personnel during the audit and for the opportunity to be of service to you.

Hulsh Ring Helm & Co., P.C.

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Combined Balance Sheet - Cash Basis - General Fund and Account Group	3
Statement of Revenue, Expenditures, and Changes in Fund Balance - Cash Basis - Budget and Actual - General Fund	4
Statement of Expenditures - Cash Basis - Budget and Actual - General Fund	5
Notes to Financial Statements	6-15
Independent Auditor's Report on Supplemental Information	16
Supplemental Information Schedule of Revenue - Cash Basis - General Fund	17 - 18

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A PROFESSIONAL CORPORATION
OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Honorable City Council
City of Jennings, Missouri

We have audited the accompanying primary government financial statements - cash basis of the City of Jennings, Missouri as of and for the year ended March 31, 1999. These financial statements are the responsibility of the management of the City of Jennings, Missouri. Our responsibility is to express an opinion on these primary government financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These 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 primary government financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The City of Jennings, Missouri, primary government, also has not maintained a complete record of its general fixed assets as required by generally accepted accounting principles, and accordingly, the statement of general fixed assets only includes certain land, buildings, and improvements and excludes equipment (including capitalized leases of equipment) and depreciation of all assets.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, except for the effects of not maintaining a complete record of its general fixed assets, the primary government financial statements present fairly, in all material respects, the financial position - cash basis of the primary government of the City of Jennings, Missouri as of March 31, 1999 and the results of its operations - cash basis for the year then ended on the basis of accounting described in Note 1.

Honorable City Council
City of Jennings, Missouri

However, the primary government financial statements, because they do not include the financial data of component units of the City of Jennings, Missouri, do not purport to, and do not present fairly, the financial position of the City of Jennings, Missouri as of March 31, 1999 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Huber Ringholm & Co., P.C.

St. Louis, Missouri
June 15, 1999

**CITY OF JENNINGS, MISSOURI,
PRIMARY GOVERNMENT
COMBINED BALANCE SHEET - CASH BASIS
GENERAL FUND AND ACCOUNT GROUP**

**MARCH 31, 1999
(With comparative totals for March 31, 1998)**

	ASSETS				
	General	Account Group		Total	
		Fixed Assets	1999	1998	
Cash	\$ 1,669,640		\$ 1,669,640	\$ 1,489,786	
Certificates of deposit	1,048,944		1,048,944	983,016	
Miscellaneous prepayments	44,738		44,738	22,873	
Due from Local Development Corporation	1,485		1,485		
Inventory (Net of rent received of \$0 in 1999 and \$8,272 in 1998)	37,211		37,211	98,363	
RESTRICTED ASSETS					
Cash restricted	198,153		198,153	205,996	
PROPERTY, PLANT, AND EQUIPMENT, at cost					
Land		220,914	220,914	220,914	
Buildings and improvements		3,028,942	3,028,942	3,028,942	
	<u>\$ 3,000,171</u>	<u>\$ 3,249,856</u>	<u>\$ 6,250,027</u>	<u>\$ 6,049,890</u>	
LIABILITIES AND EQUITY					
LIABILITIES					
Note payable	\$ 11,831		\$ 11,831	\$ 16,406	
Unearned revenue	114,312		114,312	477,269	
Court bonds payable	190,883		190,883	201,127	
Other funds escrow	7,350		7,350	4,888	
Due to Police and Firemen's Retirement Fund	7,846		7,846	8,820	
Due to Jennings Special Business District				9,857	
Miscellaneous	2,878		2,878	10,457	
Total liabilities	<u>335,100</u>		<u>335,100</u>	<u>728,824</u>	
COMMITMENTS AND CONTINGENCIES					
EQUITY					
Investment in general fixed assets		\$ 3,249,856	3,249,856	3,249,856	
Fund balance	2,665,071		2,665,071	2,071,210	
Total fund equity	<u>2,665,071</u>	<u>3,249,856</u>	<u>5,914,927</u>	<u>5,321,066</u>	
	<u>\$ 3,000,171</u>	<u>\$ 3,249,856</u>	<u>\$ 6,250,027</u>	<u>\$ 6,049,890</u>	

The accompanying notes are an integral part of these primary government financial statements.

**CITY OF JENNINGS, MISSOURI,
PRIMARY GOVERNMENT**

**STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL**

GENERAL FUND

**YEAR ENDED MARCH 31, 1999
(With comparative totals for March 31, 1998)**

	General Fund			General Fund
	1999		Variance - Favorable	1998
	Budget	Actual	(Unfavorable)	Actual
REVENUE				
Taxes	\$ 4,969,450	\$ 5,474,240	\$ 504,790	\$ 5,473,472
License fees	132,350	137,016	4,666	130,291
Permits and fees	69,000	70,748	1,748	77,914
Police department/court	340,000	489,976	149,976	342,725
Loss on sale of houses		(20,144)	(20,144)	(40,738)
Cable TV franchise	62,000	70,330	8,330	61,698
Jail operations	965,000	1,097,954	132,954	1,093,383
Contracts and other receipts	209,641	353,380	143,739	273,399
Interest	50,000	73,626	23,626	61,397
Total revenue	<u>6,797,441</u>	<u>7,747,126</u>	<u>949,685</u>	<u>7,473,541</u>
EXPENDITURES	<u>7,943,037</u>	<u>7,153,265</u>	<u>789,772</u>	<u>6,676,085</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u><u>\$(1,145,596)</u></u>	593,861	<u><u>\$ 1,739,457</u></u>	797,456
FUND BALANCE, BEGINNING OF YEAR		<u>2,071,210</u>		<u>1,273,754</u>
FUND BALANCE, END OF YEAR		<u><u>\$ 2,665,071</u></u>		<u><u>\$ 2,071,210</u></u>

The accompanying notes are an integral part of these primary government financial statements.

**CITY OF JENNINGS, MISSOURI,
PRIMARY GOVERNMENT**

STATEMENT OF EXPENDITURES - CASH BASIS - BUDGET AND ACTUAL

GENERAL FUND

**YEAR ENDED MARCH 31, 1999
(With comparative totals for March 31, 1998)**

	General Fund			
	1999		Variance - Favorable (Unfavorable)	1998
	Budget	Actual		Actual
EXPENDITURES				
Building Department	\$ 463,134	\$ 333,428	\$129,706	\$ 428,212
Fire Department	844,830	812,973	31,857	730,891
City Clerk Department	602,032	666,380	(64,348)	525,444
Legal Department	124,484	100,226	24,258	153,571
Collector's Department	75,543	72,226	3,317	67,338
Maintenance Department	105,600	119,271	(13,671)	105,337
Police Department	2,433,161	2,387,596	45,565	2,116,706
Police Judges' Department	175,245	140,967	34,278	129,565
Public Works Department				
Public Works	431,754	425,965	5,789	353,397
Public Health and Lighting	179,374	171,366	8,008	172,586
Park	388,236	356,677	31,559	326,385
Recreation	135,599	124,507	11,092	108,271
Housing Referral Department	73,797	57,643	16,154	60,410
Capital Improvements	969,745	496,810	472,935	441,779
Federal Jail	940,503	887,230	53,273	909,685
Use Tax Refund				46,508
TOTAL EXPENDITURES	\$ 7,943,037	\$7,153,265	\$789,772	\$6,676,085

The accompanying notes are an integral part of these primary government financial statements.

CITY OF JENNINGS, MISSOURI, PRIMARY GOVERNMENT

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1999

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The City of Jennings, Missouri (the "City") was incorporated by order of the St. Louis County Court, as a city of the third class with the Mayor-Council form of government under the statutes of the State of Missouri in December 1946. The City provides the following services: Public Safety - Police, Fire, and Corrections, Streets, Public Works, Housing, Public Improvements, Planning and Zoning, and General Administrative Services.

Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has decided to include the primary government only. Financial activities of all component units of the reporting entity are not included.

Basis of Accounting

The accounts of the City are maintained using the cash basis of accounting. Consequently, certain revenue and related assets are recognized when received rather than when earned, and certain expenses and related liabilities are recognized when paid rather than when the obligation is incurred.

Fund Accounting

The accounts of the City are organized on the basis of funds and one account group, 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 equity, revenue, and expenditures. Government 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 various funds are grouped, in the financial statements in this report, into generic types and broad fund categories.

Governmental Funds

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*Fund Accounting (Continued)***General Fixed Assets Account Group**

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in Governmental Funds. Public domain (“infrastructure”) general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets are normally immovable and of value only to the City, therefore, the purpose of stewardship for these items is satisfied without the recording of these assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Certain capital improvements and all furniture and equipment, including capitalized leases of equipment, are not included in the general fixed asset account group but have been charged to expense when acquired.

Inventory

Inventory is carried at cost and consists of houses purchased by the City for subsequent resale under its lease-option program. The purchase price and subsequent costs are accumulated for each house using the method of specific identification.

Reclassifications

Certain reclassifications have been made to prior year amounts to make them consistent with the 1999 presentation.

Basis of Presentation

The financial information for the year ended March 31, 1999 has been presented for comparative purposes and is not intended to be a complete financial statement presentation. The total columns are not intended to present consolidated financial information.

Property Tax

In 1999, the tax rate was \$1.18 per \$100.00 of assessed value including \$.18 for the Police and Firemen’s Retirement Fund. The City’s Property Tax is levied each year on assessed value listed as of the prior January 1st for all real property located in the City. The County Assessment Board establishes assessed values. The assessed value at January 1, 1999, upon which the 1998 levy was based for real property, was \$54,364,690.

Property taxes are recorded as revenue when collected. Taxes are due on October 1st and delinquent after December 31st.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS

At March 31, 1999 and 1998, deposits with financial institutions, including restricted assets, consist of:

	<u>1999</u>	<u>1998</u>
Unrestricted cash	\$ 1,669,640	\$ 1,489,786
Certificates of deposit	1,046,646	983,016
Restricted cash	<u>198,153</u>	<u>205,996</u>
Total deposits with financial institutions	<u>\$ 2,914,439</u>	<u>\$ 2,678,798</u>

Risk Category (Bank Balances)

	<u>1999</u>	<u>1998</u>
1. Insured or collateralized with securities held by the City or by its agent in the City's name.	\$ 200,000	\$ 100,000
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.	2,842,078	2,601,115
3. Uncollateralized		<u>68,992</u>
Total	<u>\$ 3,042,078</u>	<u>\$ 2,770,107</u>

Restricted cash consists of cash restricted for taxes paid under protest, court appearance bonds, prisoner funds, and crime victims' compensation.

NOTE 3 – INVENTORY

Under a comprehensive housing plan for the City of Jennings, the City may choose to purchase property from the Department of HUD or through conventional real estate sources. Any property throughout the City that is advertised on the open market may be considered for purchase and the lease-option program by the City. The City enters into a special lease-option agreement with an individual who agrees to lease the property for a specified period of time. At the end of that period, the house is sold to that individual and the total rental payments received by the City become the down payment on the sale. This down payment enables individuals who might otherwise be unable to secure financing to do so. If the individual subsequently desires to resell the property within a specified time period, the City has the right to purchase it before all others. During the time that the City holds title to the property, it is included in inventory at actual cost. Rent received from tenants, to be applied to their down payment, is a reduction of inventory until the sale is completed. During 1994, the City Council voted to terminate the housing program and sell the current inventory of houses.

NOTE 3 – INVENTORY (CONTINUED)

The gain or loss on sale of houses is calculated by subtracting the original cost of the houses from the gross proceeds from the sale (including rent payments applied to purchase). For the years ended March 31, 1999 and 1998, the loss was:

	<u>1999</u>	<u>1998</u>
Gross Proceeds	\$ 47,680	\$ 67,396
Cost	<u>(67,824)</u>	<u>(108,134)</u>
Gain (loss)	<u><u>\$ (20,144)</u></u>	<u><u>\$ (40,738)</u></u>

NOTE 4 – NOTE PAYABLE

	<u>1999</u>	<u>1998</u>
Promissory note dated May 26, 1993, with the Missouri Department of Natural Resources, payable semi-annually with payments of \$2,440, including interest at 2%, due October 1, 2001.	<u>\$11,831</u>	<u>\$16,406</u>

Current maturities of long-term debt for the four years succeeding March 31, 1999 are as follows:

<u>Year Ending</u> <u>March 31,</u>	<u>Amount</u>
2000	\$ 2,322
2001	4,714
2002	<u>4,795</u>
	<u><u>\$11,831</u></u>

NOTE 5 – PENSION PLAN

The City adopted the City of Jennings Police and Firemen's Retirement Fund at the regular election, April 3, 1962. This plan covers the salaried members of the Police and Fire Departments of the City of Jennings, Missouri, hired before April 1, 1987, and provides for payments for retirement, disability, and death benefits.

The plan is funded through a tax levied on the assessed value of all taxable real and tangible personal property as may appear on the tax books for the City and mandatory contributions paid into the plan by covered employees (3.39% of salaries). The City is not required to contribute to the plan and has no funding obligation relating to the plan.

NOTE 5 – PENSION PLAN (CONTINUED)

All salaried members of the Police and Fire Departments of the City of Jennings, Missouri, hired subsequent to April 1, 1987 are covered under the Missouri Local Government Employees Retirement System (LAGERS) (see Note 6).

The Plan issues a financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the City of Jennings Collector's office.

Schedule of Funding Process

Actuarial Valuation Date <u>March 31,</u>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)
1998	\$5,653,004	\$ 6,229,863	\$ 576,859
1997	5,184,595	5,691,759	507,164
1996	5,000,000	5,302,973	302,973

Actuarial Valuation Date <u>March 31,</u>	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1998	90.7%	\$ 1,043,323	55.3%
1997	91.1%	947,291	53.5%
1996	94.3%	970,768	31.2%

Schedule of Tax Levy Contributions

<u>Fiscal Year</u>	Required Contribution	Percent Contributed
March 31, 1999	\$ 126,438	100%
March 31, 1998	122,290	109%
March 31, 1997	82,462	143%

NOTE 5 – PENSION PLAN (CONTINUED)

The information presented in the required supplemental schedules was determined as part of the actuarial valuation prepared by W. Alfred Hayes and Company. Additional information per the above actuarial valuation follows:

Actuarial cost method:	Entry Age
Rate of investment return:	7.00%
Turnover or withdrawal rates:	Various by age based on actual experience of the Plan
Mortality or death rates:	1983 Group Annuity Mortality Tables
Disability rates:	PBGC Disabled Lives Mortality Tables
Rates of retirement between ages of 55 and 70:	Various by age based on actual experience of the Plan
Rate of salary increases:	4%
Asset valuation method:	Estimated fair market value

The unfunded actuarial accrued liability as of April 1, 1998 is amortized over the period ending March 31, 2014.

NOTE 6 – LAGERS PENSION PLAN*Plan Description*

The City of Jennings 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 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 401(a), and it is tax exempt.

NOTE 6 – LAGERS PENSION PLAN (CONTINUED)*Plan Description (Continued)*

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.

Funding Status

The City of Jennings' full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 5.6% (general), 10.4% (police), and 13.3% (fire) 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.

Annual Pension Cost

For 1998, the political subdivision's annual pension cost of \$114,448 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 1996 and/or 1997 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 six 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 28, 1998 was 15 years.

Fiscal Year Ending	Three-Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/96	\$ 90,790	100%	\$ 0
6/30/97	\$ 102,888	100%	\$ 0
6/30/98	\$ 114,448	100%	\$ 0

NOTE 6 – LAGERS PENSION PLAN (CONTINUED)**REQUIRED SUPPLEMENTARY INFORMATION**
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability</u>	<u>(b-a) Unfunded Accrued Liability (UAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>
2/29/96	\$ 2,820,651	\$ 2,103,001	\$ (717,650)	134%	\$ 2,034,333
2/28/97	\$ 3,082,592	\$ 2,225,580	\$ (857,012)	139%	\$ 2,050,813
2/28/98	\$ 3,448,008	\$ 2,479,323	\$ (968,685)	139%	\$ 2,278,027

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 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.

NOTE 7 – COMMITMENTS AND CONTINGENCIES*Leases*

The City leases various pieces of office equipment and has also contracted for communication services under operating leases.

Future minimum lease payments due over the term of the contracts are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2000	\$ 5,489
2001	4,727
2002	1,220
	<u>\$ 11,436</u>

Rent expense for the years ended March 31, 1999 and 1998 was \$8,972 and \$5,587, respectively.

NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Purchase Commitments

An agreement between the City and the U.S. Department of Justice guarantees 50 detention spaces for federal prisoners through November 2007. The federal agencies utilizing the space would also reimburse the City the per diem rate of \$54.85 per day per prisoner. This rate may be renegotiated on an annual basis.

Contingencies

The operations of the City's Police and Fire Departments include the handling and storing of fuel. There are environmental concerns in the handling of these items. In the opinion of management, the City follows all of the regulatory procedures and guidelines to ensure that the handling of these products are in compliance with federal, state, and local regulations.

During fiscal year 1998, it was determined that four underground storage tanks owned by the City needed to be removed. The City has contracted with an environmental abatement company to remove the tanks and clean up any soil contamination. The City has insurance that will cover all costs after a \$10,000 per tank deductible. Consistent with the cash basis of accounting, these costs will be recognized as expense when paid.

Fire Contract Revenue

The City has contracted with two neighboring cities to provide fire protection for a period of 20 years, expiring February 2012.

Police Contract Revenue

The City has contracted with a neighboring City for police protection services on a year-to-year basis.

Tax Increment Financing

During fiscal year 1998, the City designated certain areas in the City as redevelopment areas eligible for Tax Increment Financing (TIF) treatment. The City has pledged approximately \$3,000,000 in incremental tax revenue to reimburse local employers for redevelopment expenses incurred as well as reimbursing the City for expenses related to the TIF plans. No bonds will be issued as a result of the City's TIF plans.

NOTE 8 – RELATED PARTY TRANSACTIONS

The City collects tax levy payments from taxpayers for the Jennings Police and Firemen's Retirement Fund and, on a regular basis, remits those payments to the Fund. At March 31, 1999 and 1998, amounts owed to the Fund were \$7,846 and \$8,820, respectively.

The City collects tax levy payments from taxpayers for the Jennings Special Business District and, on a regular basis, remits those payments to the District. At March 31, 1999 and 1998, amounts owed to the District were \$0 and \$9,857, respectively.

NOTE 9 – RISK MANAGEMENT

The City is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained insurance for these risks and to provide employee health and accident benefits.

NOTE 10 – YEAR 2000 (UNAUDITED)

The City of Jennings is currently in the assessment stage of preparing for Year 2000 ("Y2K"). Management feels the Y2K related issues will not have a significant impact on City operations.

SUPPLEMENTAL INFORMATION

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A PROFESSIONAL CORPORATION
OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Supplemental Information

Honorable City Council
City of Jennings, Missouri

Our report on our audit of the primary government financial statements of the City of Jennings, Missouri for the year ended March 31, 1999 appears on pages 1 and 2. We conducted our audit in accordance with generally accepted auditing standards for the purpose of forming an opinion on the primary government financial statements taken as a whole. The Statement of Revenue – Cash Basis – General Fund is presented for purposes of additional analysis and is not a required part of the primary government financial statements. Such information has been subjected to the auditing procedures applied in our audit of the primary government financial statements and, in our opinion, except for the effects of not maintaining a complete record of its general fixed assets, is fairly stated, in all material respects, in relation to the primary government financial statements taken as a whole on the basis of accounting described in Note 1.

Huber Ring Helm & Co., P.C.

St. Louis, Missouri
June 15, 1999

**CITY OF JENNINGS, MISSOURI,
PRIMARY GOVERNMENT**

SCHEDULE OF REVENUE - CASH BASIS - GENERAL FUND

YEAR ENDED MARCH 31, 1999

REVENUE

Taxes

Real estate and personal property	\$ 675,386
Utilities, gross receipts	1,201,286
Fees and penalties	610
Road refunds	75,036
Gasoline	440,251
Cigarettes	71,289
Sales	2,103,847
Capital improvements	860,483
Railroad and utilities	33,261
Trash collection	370
Special tax bills	12,421
	<hr/>
	5,474,240

License fees

Merchants and manufacturers	102,594
Liquor	2,761
Coin vending machines	1,700
Vehicles	23,679
Dog tags and impounding	308
Miscellaneous	5,974
	<hr/>
	137,016

Permits and fees

Building permits	8,007
Street excavating permits	4,125
Occupancy permits	20,234
Housing inspections	24,214
Heating permits	2,378
Other permits and fees	11,790
	<hr/>
	70,748

Police Department/Court

Costs and fines	384,249
Training fund	6,692
Traffic bureau	10,780
False alarm charges	5,230
Court bond and police reports	52,912
Police seizure proceeds	30,113
	<hr/>
	489,976

See independent auditor's report on supplemental information.

**CITY OF JENNINGS, MISSOURI,
PRIMARY GOVERNMENT**

SCHEDULE OF REVENUE - CASH BASIS - GENERAL FUND (CONTINUED)

YEAR ENDED MARCH 31, 1999

REVENUE (Continued)

Loss on sale of houses	\$ (20,144)
Cable TV franchise	70,330
Jail operations	1,097,954
Interest	<u>73,626</u>
	1,221,766
Contracts and other receipts	
Police seizure proceeds	50,863
Fire and radio contracts	90,833
Municipal radio service receipts	6,135
Trash bag and sticker sales	10,290
Concession stand receipts	193
User fee revenue	13,323
Jennings community project	15,547
Miscellaneous revenue	<u>166,196</u>
	<u>353,380</u>
Total from previous page	<u>6,171,980</u>
 TOTAL REVENUE	 <u><u>\$ 7,747,126</u></u>

See independent auditor's report on supplemental information.