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Financial Statements, 2000

City of Jennings

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City of Jennings, "Financial Statements, 2000" (2001). *UMSLCAB - UMSL's Political Science Millennial Era Saint Louis Local Curated Area Budgets*. 476.

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

FINANCIAL STATEMENTS

**MARCH 31, 2000
(WITH COMPARATIVE TOTALS FOR 1999)**

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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, 2000. 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 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 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, 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, 2000 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, 2000 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Governmental Auditing Standards, we have also issued our report dated June 16, 2000, on our consideration of the City of Jennings, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Huber, Rung, Helm + Co., P.C.

St. Louis, Missouri
June 16, 2000

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

**COMBINED BALANCE SHEET - CASH BASIS
ALL GOVERNMENTAL FUND TYPES AND ACCOUNT GROUP**

MARCH 31, 2000

(With comparative totals for March 31, 1999)

ASSETS

	<u>Government Fund Types</u>		<u>Account Group</u>	<u>Total</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>General</u>	2000	1999
			<u>Fixed Assets</u>		
Cash	\$ 1,084,538	\$ 553,794		\$ 1,638,332	\$ 1,669,640
Certificates of deposit	353,094	260,309		613,403	1,048,944
Miscellaneous prepayments	1,554			1,554	44,738
Due from Local Development Corporation	1,485			1,485	1,485
Inventory	34,397			34,397	37,211
RESTRICTED ASSETS					
Cash restricted	139,306			139,306	198,153
PROPERTY, PLANT, AND EQUIPMENT, at cost					
Land			\$ 225,850	225,850	220,914
Buildings and improvements			3,044,152	3,044,152	3,028,942
	<u>\$ 1,614,374</u>	<u>\$ 814,103</u>	<u>\$ 3,270,002</u>	<u>\$ 5,698,479</u>	<u>\$ 6,250,027</u>

LIABILITIES AND EQUITY

LIABILITIES

Note payable	\$ 7,163			\$ 7,163	\$ 11,831
Unearned revenue	114,312			114,312	114,312
Court bonds payable	135,166			135,166	190,883
Other funds escrow	4,026			4,026	7,350
Due to Police and Firemen's Retirement Fund	3,586			3,586	7,846
Miscellaneous	5,960			5,960	2,878
Total liabilities	<u>270,213</u>			<u>270,213</u>	<u>335,100</u>

COMMITMENTS AND CONTINGENCIES

EQUITY

Investment in general fixed assets			\$ 3,270,002	3,270,002	3,249,856
Fund balance	1,344,161	\$ 814,103		2,158,264	2,665,071
Total fund equity	<u>1,344,161</u>	<u>814,103</u>	<u>3,270,002</u>	<u>5,428,266</u>	<u>5,914,927</u>
	<u>\$ 1,614,374</u>	<u>\$ 814,103</u>	<u>\$ 3,270,002</u>	<u>\$ 5,698,479</u>	<u>\$ 6,250,027</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**

ALL GOVERNMENTAL FUND TYPES

**YEAR ENDED MARCH 31, 2000
(With comparative totals for March 31, 1999)**

	General Fund	Special Revenue Fund	Totals (Memorandum Only 2000)	Totals (Memorandum Only 1999)
REVENUE				
Taxes	\$ 4,885,759	\$ 861,506	\$ 5,747,265	\$ 5,474,240
License fees	143,389		143,389	137,016
Permits and fees	99,042		99,042	70,748
Police department/court	577,927		577,927	489,976
Loss on sale of houses	(511)		(511)	(20,144)
Cable TV franchise	77,365		77,365	70,330
Jail operations	1,000,028		1,000,028	1,097,954
Contracts and other receipts	250,078		250,078	353,380
Interest	34,989	44,154	79,143	73,626
Total revenue	<u>7,068,066</u>	<u>905,660</u>	<u>7,973,726</u>	<u>7,747,126</u>
EXPENDITURES	<u>8,480,533</u>		<u>8,480,533</u>	<u>7,153,265</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(1,412,467)	905,660	(506,807)	593,861
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,313,231		1,313,231	479,877
Operating transfers out		(1,313,231)	(1,313,231)	(479,877)
Total other financing sources (uses)	<u>1,313,231</u>	<u>(1,313,231)</u>	<u>-</u>	<u>-</u>
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(99,236)	(407,571)	(506,807)	593,861
FUND BALANCE, BEGINNING OF YEAR	<u>1,443,397</u>	<u>1,221,674</u>	<u>2,665,071</u>	<u>2,071,210</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,344,161</u>	<u>\$ 814,103</u>	<u>\$ 2,158,264</u>	<u>\$ 2,665,071</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, 2000
(With comparative totals for March 31, 1999)**

	General Fund			
	2000		Variance - Favorable (Unfavorable)	1999
	Budget	Actual		Actual
REVENUE				
Taxes	\$ 4,438,671	\$ 4,885,759	\$ 447,088	\$4,613,757
License fees	134,000	143,389	9,389	137,016
Permits and fees	91,500	99,042	7,542	70,748
Police department/court	480,000	577,927	97,927	489,976
Loss on sale of houses		(511)	(511)	(20,144)
Cable TV franchise	70,000	77,365	7,365	70,330
Jail operations	1,016,000	1,000,028	(15,972)	1,097,954
Contracts and other receipts	240,600	250,078	9,478	353,380
Interest	52,000	34,989	(17,011)	66,021
Total revenue	<u>6,522,771</u>	<u>7,068,066</u>	<u>545,295</u>	<u>6,879,038</u>
EXPENDITURES	<u>8,110,819</u>	<u>8,480,533</u>	<u>(369,714)</u>	<u>7,153,265</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(1,588,048)	(1,412,467)	\$ 175,581	(274,227)
OTHER FINANCING SOURCES				
Operating transfers in	<u>815,000</u>	<u>1,313,231</u>	<u>498,231</u>	<u>479,877</u>
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (773,048)</u>	(99,236)	<u>\$ 673,812</u>	205,650
FUND BALANCE, BEGINNING OF YEAR		<u>1,443,397</u>		<u>1,237,747</u>
FUND BALANCE, END OF YEAR		<u>\$ 1,344,161</u>		<u>\$1,443,397</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, 2000
(With comparative totals for March 31, 1999)**

	General Fund			
	2000		Variance - Favorable (Unfavorable)	1999 Actual
	Budget	Actual		
EXPENDITURES				
Building Department	\$ 449,179	\$ 353,334	\$ 95,845	\$ 333,428
Fire Department	881,994	883,699	(1,705)	812,973
City Clerk Department	694,433	686,504	7,929	666,380
Legal Department	179,995	216,648	(36,653)	100,226
Collector's Department	79,282	77,476	1,806	72,226
Maintenance Department	113,100	101,590	11,510	119,271
Police Department	2,563,762	2,526,646	37,116	2,387,596
Police Judges' Department	193,654	165,182	28,472	140,967
Public Works Department				
Public Works	480,952	456,050	24,902	425,965
Public Health and Lighting	205,000	169,553	35,447	171,366
Park	401,824	408,418	(6,594)	356,677
Recreation	122,673	113,704	8,969	124,507
Housing Referral Department	116,249	115,479	770	57,643
Capital Improvements	660,738	1,285,069	(624,331)	496,810
Federal Jail	967,984	888,839	79,145	887,230
Miscellaneous		32,342	(32,342)	
TOTAL EXPENDITURES	\$ 8,110,819	\$ 8,480,533	\$ (369,714)	\$ 7,153,265

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

CITY OF JENNINGS, MISSOURI, PRIMARY GOVERNMENT

NOTES TO FINANCIAL STATEMENTS

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.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

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. The City has not maintained a complete record of its general fixed assets as required by generally accepted accounting principles, therefore, certain capital improvements and all furniture and equipment, including capitalized leases of equipment, are not reflected in the general fixed asset account group.

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 2000 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 1999 levy was based for real property, was \$59,897,448. 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, 2000 and 1999, deposits with financial institutions, including restricted assets, consist of:

	<u>2000</u>	<u>1999</u>
Unrestricted cash	\$ 1,638,332	\$ 1,669,640
Certificates of deposit	613,403	1,048,944
Restricted cash	<u>139,306</u>	<u>198,153</u>
Total deposits with financial institutions	<u>\$ 2,391,041</u>	<u>\$ 2,916,737</u>

Risk Category (Bank Balances)

	<u>2000</u>	<u>1999</u>
1. Insured or collateralized with securities held by the City or by its agent in the City's name.	\$ 133,774	\$ 200,000
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.	<u>2,569,715</u>	<u>2,842,078</u>
Total	<u>\$ 2,703,489</u>	<u>\$ 3,042,078</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, 2000 and 1999, the loss was:

	<u>2000</u>	<u>1999</u>
Gross Proceeds	\$ 2,303	\$ 47,680
Cost	<u>(2,814)</u>	<u>(67,824)</u>
Gain (loss)	<u>\$ (511)</u>	<u>\$ (20,144)</u>

NOTE 4 – NOTE PAYABLE

	<u>2000</u>	<u>1999</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>\$ 7,163</u>	<u>\$ 11,831</u>

Current maturities of long-term debt for the years succeeding March 31, 2000 are as follows:

Year Ending <u>March 31,</u>	<u>Amount</u>
2001	<u>\$ 2,369</u>
2002	<u>4,794</u>
	<u>\$ 7,163</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 March 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)
1999	\$5,782,487	\$6,632,344	\$849,857
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 March 31,	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1999	87.2%	\$ 925,035	92.0%
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

Fiscal Year	Required Contribution	Percent Contributed
March 31, 2000	\$ 153,050	83%
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, 1999 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), 10.1% (police), and 12.4% (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 1999, the political subdivision's annual pension cost of \$192,252 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 1997 and/or 1998 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.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/97	\$ 102,888	100%	\$0
6/30/98	160,562	100%	0
6/30/99	192,252	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
2/28/99	3,963,425	2,875,850	(1,087,595)	138%	2,799,850
2/28/99*	3,963,425	3,506,369	(457,051)	113%	2,799,850

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.

* After benefit changes.

NOTE 7 – COMMITMENTS AND CONTINGENCIES*Leases*

The City leases various pieces of equipment 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>
2001	\$ 4,727
2002	1,220
	<u>\$ 5,947</u>

Rent expense for the years ended March 31, 2000 and 1999 was \$5,489 and \$8,972, respectively.

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.

NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)*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.

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 area 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, 2000 and 1999, amounts owed to the Fund were \$3,586 and \$7,846, 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, 2000 and 1999, amounts owed to the District were \$74 and \$0, 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 – SUBSEQUENT EVENT

The City was a party to a lawsuit involving a police officer who was dismissed for cause. Subsequent to March 31, 2000, the City was ordered to pay the officer \$80,000 in damages and reinstate his employment.

SUPPLEMENTAL INFORMATION

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A PROFESSIONAL CORPORATION
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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, 2000 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 16, 2000

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

SCHEDULE OF REVENUE - CASH BASIS - GENERAL FUND

YEAR ENDED MARCH 31, 2000

REVENUE

Taxes

Real estate and personal property	\$ 714,194
Utilities, gross receipts	1,184,873
Fees and penalties	533
Road refunds	78,018
Gasoline	463,180
Cigarettes	68,891
Sales	2,196,484
Railroad and utilities	32,767
Trash collection	240
Sewer lateral fees	135,999
Special tax bills	10,580
	<hr/> 4,885,759

License fees

Merchants and manufacturers	102,326
Liquor	2,285
Coin vending machines	1,710
Vehicles	27,702
Dog tags and impounding	969
Miscellaneous	8,397
	<hr/> 143,389

Permits and fees

Building permits	7,226
Street excavating permits	4,675
Occupancy permits	19,450
Housing inspections	28,732
Heating permits	2,248
Community program fees	24,048
User fees	3,871
Other permits and fees	8,792
	<hr/> 99,042

Police Department/Court

Costs and fines	454,564
Training fund	8,404
Traffic bureau	23,520
False alarm charges	2,735
Court bond and police reports	78,308
Police seizure proceeds	10,396
	<hr/> 577,927

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, 2000

REVENUE (Continued)

Loss on sale of houses	\$ (511)
Cable TV franchise	77,365
Jail operations	1,000,028
Interest	<u>34,989</u>
	1,111,871
Contracts and other receipts	
Police contracts	50,819
Fire and radio contracts	60,253
Municipal radio service receipts	6,749
Miscellaneous revenue	<u>132,257</u>
	250,078
Total from previous page	<u>5,706,117</u>
 TOTAL REVENUE	 <u><u>\$ 7,068,066</u></u>

See independent auditor's report on supplemental information.

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**Report On Compliance And On Internal Control Over Financial Reporting Based On An
Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards***

Honorable City Council
City of Jennings, Missouri

We have audited the primary government financial statements - cash basis of the City of Jennings, Missouri as of and for the year ended March 31, 2000, and have issued our report thereon dated June 16, 2000, which was qualified because the City has not maintained a complete record of its fixed assets as required by generally accepted accounting principles. 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 part of obtaining reasonable assurance about whether the City of Jennings, Missouri's general purpose 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City of Jennings, Missouri, in a separate letter dated June 16, 2000.

Honorable City Council
City of Jennings, Missouri

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Jennings, Missouri's control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 general purpose 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 operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Jennings, Missouri in a separate letter dated June 16, 2000.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Huber, Ring, Helm & Co., P.C.

St. Louis, Missouri
June 16, 2000

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June 16, 2000

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

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In planning and performing our audit of the primary government financial statements of the City of Jennings for the year ended March 31, 2000, 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.

Honorable City Council
City of Jennings, Missouri
June 16, 2000
Page 2

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.

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, 2000. 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.

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 required 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, 2000 and 1999. The City should determine if the LDC is necessary 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.

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. Audit procedures performed show that the outstanding bonds are \$16,877 greater than the funds maintained in a financial institution. This is a significant difference. There was one incident where the ticket or receipt could not be located to perform audit procedures on it.

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.

Honorable City Council
City of Jennings, Missouri
June 16, 2000
Page 3

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.

Huber, Rung, Helm & Co., P.C.