



May 26, 2009

**To the Honorable Mayor, City Council and Citizens of the City of Jefferson, Missouri**

The Finance Department is pleased to present this Comprehensive Annual Financial Report (CAFR) of the City for the fiscal year ended **October 31, 2008**. A copy of the report is on file in the City Clerk's office for public inspection. A copy will also be filed with the State Auditor's office to fulfill requirements of section 105.145 of Missouri statutes.

This report consists of management's representations concerning the finances of the City of Jefferson. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. Because the cost of internal controls should not outweigh their benefits, the City of Jefferson's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

This report contains the following sections: **Introductory, Financial, Statistical and Federal Awards.**

The **Introductory** Section, which is unaudited, includes this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, an organizational chart and a listing of elected and appointed officials. This section is intended to give the reader a basic background about the City as a whole, local economic factors, major initiatives and accomplishments.

The **Financial Section** is divided into (1) the **Independent Auditors' Report**, (2) **Management's Discussion and Analysis (MD&A)**, (3) **Basic Financial Statements**, (4) **Notes to Financial Statements**, (5) **Required Supplementary Information**, and (6) **Combining Statements for non major funds**.

City Charter section 3.10 requires that the Council provide for an annual audit of all City accounts by a certified public accountant. The City of Jefferson's financial statements have been audited by **Evers & Company, CPA's, L.L.C.**, a firm of licensed certified public accountants. The goal of the **independent audit** was to provide reasonable assurance that the financial statements of the City of Jefferson for the fiscal year ended October 31, 2008 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Jefferson's financial statements for the fiscal year ended October 31, 2008 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

The **Statistical** Section, which is unaudited, reflects social, demographic and economic data, financial trends and other pertinent information relating to the fiscal capacity of the City.

**Federal Awards.** The independent audit of the financial statements of the City of Jefferson was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies in accordance with Government Auditing Standards issued by the Comptroller General of the United States and provisions of the U.S. Office of Management and Budget's Circular A-133, Audits of State and Local Governments. The standards governing

Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are found on pages 110-117.

### **Profile of the Government**

The City of Jefferson is the capital of Missouri and county seat of Cole County. Located on the banks of the Missouri river in the center of the state, it is the hub of state government and its major industry.

The City was established by an act of the U.S. Congress on December 31, 1821 and was originally laid out by Daniel M. Boone, son of the famous pioneer and Major Elias Bancroft. It has the distinction of being located on land donated by the federal government for establishment of a state capital city. Many of the original settlers came from Virginia in the vicinity of Monticello, the home of Thomas Jefferson, and were, in fact, friends of the former President. The City of Jefferson, named in his honor, was incorporated in 1825, four years after its founding.

The City of Jefferson operates under the Constitution and laws of Missouri, and a City Charter adopted in 1986. The City is governed by a Mayor elected for a four-year term and ten Council members elected for overlapping two year terms from five districts. The Mayor, as the chief executive officer of the City, presides over Council meetings voting only in the case of ties, but retaining veto power over Council enactments. A City Administrator nominated and appointed by the Mayor with the advice and consent of the Council, is responsible for coordination and general supervision of all departmental operations. The Administrator recommends appointment and removal of department and division heads to the Mayor and Council and is responsible for employment or discharge of subordinate employees, except those governed under the Parks and Recreation Commission and the Police Personnel Board.

### **Factors Affecting Financial Condition**

The results of the 2000 Census indicates an 11.6% increase in the City's population over the last decade which now stands at 41,107 (Cole County 74,671 and Callaway County 42,541). However, Jefferson City has maintained a unique combination of "small town" friendliness with cosmopolitan ambience.

Missouri state government is the City's largest and most stable employer with 17,931 employees. It also represents an extremely reliable job base since the state government is not likely to relocate. However, since the State of Missouri has had serious budget problems in the past this could impact the economic future of our city.

New retail businesses have continued to grow within the City. Cole County consistently ranks as one of the lower unemployment areas in the state. The local average unemployment rate for October 2008 was 4.5% which was well below the statewide (6.3%) and national (6.1%) rates. However, the March 2009 rate for local unemployment is 7.2%, State of Missouri is 9.1% and the United States is 9.0%.

Unreserved, undesignated fund balance in the general fund of \$4,980,218 was 17.9% of the total general fund expenditures at October 31, 2008 which is slightly below the fund balance goal of 18% of expenditures set by the Council during budget year 2007.

The general fund expenditures and transfers out have increased by approximately 33.5% over the past 5 years (2003 vs. 2008) while the general fund revenues increased by approximately 30.5%.

### **Major Initiatives, Accomplishments and Future Issues**

#### **Old Town Revitalization Company Creates New Momentum**

In September 2008 the Old Town Revitalization Company incorporated as a Nonprofit under Missouri Corporate Law. Its purpose, broadly speaking, is to encourage the redevelopment of Old Town for all levels of private and public investment by providing services, improvements and incentives. The area defined as "Old Town" can roughly be described as bordered by the Missouri River on the north, Dix Road and Southwest Boulevard on the west, Stadium Boulevard and Leslie Drive on the south, and Moreau Drive and Clark Avenue on the east.

The Board of Directors has supported several initiatives to “revitalize” the Old Town area; three major initiatives have gained momentum. The three initiatives are:

1) *Southside Redevelopment* - A draft plan for Southside Redevelopment was presented by Arcturis in 2008 that assesses existing conditions and recommends a redevelopment plan. The focal point for the Southside redevelopment is the 100 Block of East Dunklin including the intersecting Jefferson and Madison streets. A development company has formed and begun a historic redevelopment of the area that includes historic preservation tax credits, tax increment financing and a private/public partnership.

2) *Lincoln University Black Heritage Neighborhood* - Lincoln University, Convention & Visitors Bureau, Chamber of Commerce and the City have joined to cooperatively address the revitalization of the neighborhood that encompasses the University. A grant program is being pursued to acquire certain properties for redevelopment and renovate Mitchell Hall, a historically significant property on campus.

3) *Residential Downpayment Incentives* - The City Council funded a new program to assist new home buyers with the down payment of an older home in Old Town. Up to \$5,000.00 is available to first time home owners in Old Town.

The City continues to reimburse the property taxes of residential home buyers who purchase older homes that are vacant or occupied as a rental. This program is citywide for any residential property that meets the requirements. The new owner must agree to repair and occupy the home for at least five years to qualify. A Neighborhood Stabilization Program grant was received from the U.S. Department of Housing and Urban Development to acquire and renovate foreclosed homes in specific census block areas. These block areas are coincidentally located in Old Town.

#### **Tourism- Preserve America Community, & Millbottom Committee**

In 2007, Jefferson City was designated by the White House as a Preserve America City. This designation was sought by the City and the Jefferson City Convention & Visitors Bureau to recognize the historic significance of the city. The program encourages Jefferson City to market its historic assets for tourism, economic development and community revitalization. The benefits of recognition include: eligibility to apply for grants, inclusion in national and regional press releases/data bases and a listing in web-based national directory.

In addition the City and Convention & Visitors Bureau have cooperated to develop marketing materials for the downtown and Capitol complex. A grant from the Missouri Department of Resources, State Preservation Office, funded a Downtown Walking Tour brochure and an architectural audio tour. This project is intended to be the prototype for future marketing pieces available to promote the City and its historic resources.

Another effort to promote Jefferson City was initiated by the City Council recently. An Ad Hoc Millbottom Site Committee was formed to explore the possibility of utilizing the Old Electric Plant on Main Street near the Capitol as a Visitors’ Center and state office building for the Missouri Division of Tourism. The City has selected a developer to prepare a proposal.

#### **New Trash Contract Includes Recycling**

The City Council has approved a new waste disposal contract that includes single stream recycling and universal trash for all residential properties. After a pilot program was introduced in a neighborhood on the southeast part of Jefferson City in 2007-2008, the City conducted a survey of residential owners to ascertain individual attitudes about recycling and future service. Based on the results from the pilot program and the survey, the City Council decided to pursue recycling as a key component in the next trash contract. The new trash/recycling program which will begin at the end of 2009, implements a two cart system for each residence; one cart for trash and one cart of recycling. The benefits to this system is improving public health, simplifying recycling for all households and diverting more material from the landfill.

#### **Report to Citizens**

In November 2008, the City launched “The City of Jefferson, MO-A Report to Our Citizens”. The purpose of the report was to provide a semi-annual summary of city activities; to give voters an update on city projects and goals; and to inform voters about upcoming events. For maximum distribution, this four page report was included as an insert with the local newspaper.

The information provided in the first report included: 1) City Demographics; 2) How We Have Progressed; 3) The

