

NOTES TO THE FINANCIAL STATEMENTS

The Notes to the Financial Statements include a summary of accounting policies followed and information used by the City that are judged to be most appropriate for full disclosure in the preparation of the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the *City of Jefferson, Missouri* (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) 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

The *City of Jefferson* is a municipal corporation governed by an elected mayor and ten-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. In evaluating how to define the government 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 City's relationship to other legally separate organizations has been examined to determine if their inclusion in the City's financial statements is necessary to fairly present the financial position of the City. The criteria used in this determination included an examination of the nature and significance of the organization's relationship with the City, financial benefit or burden to the City, the ability of the City Council to appoint members of the entity's governing board, and the level of influence the City has over the activities of the organization. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity.

Included within the reporting entity:

- *City of Jefferson Firefighters' Retirement System*
The Firefighters' Retirement Plan is included as a **blended component unit**. The System is governed by a separate board under 87.025, RSMo. The City is responsible for the remittance of contributions to the System and is obligated to make payments in amounts necessary to maintain the actuarial soundness of the plan.
- A separate audited financial report of the plan is publicly available by written request from the Firefighters' Retirement Board, City Hall, 320 East McCarty Street, Jefferson City, MO 65101.
- *Jefferson City Convention & Visitors Bureau Inc.*
The Jefferson City Convention and Visitors Bureau (JCCVB) Financial Statement (for fiscal year ended December 31, 2007) is included as a **discretely presented component unit** because it is a legally separate entity, is financed from a 3% lodging tax collected by the City of Jefferson, and the City approves their annual operating budget and appoints their governing board.
- A separate audited financial report of JCCVB is publicly available by written request from the Jefferson City Convention and Visitors Bureau Inc., 213 Adams, P.O. Box 2227, Jefferson City, MO 65102-2227.

Excluded from the reporting entity:

- *Jefferson City Public School District*
- *City of Jefferson Housing Authority*
- *City of Jefferson Industrial Development Authority*
- *Missouri River Regional Library System*

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from the statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset

by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. *Major* individual *governmental funds* and *major* individual *enterprise funds* are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The *government-wide financial statements* are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year end except those described below. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, sales taxes, franchise taxes, other taxes, licenses, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following *major governmental funds*:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *parks fund, a special revenue fund*, accounts for revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects).

The *capital improvement tax fund* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary funds.

The City reports the following *major proprietary funds*:

The *wastewater fund* accounts for the activities of the sewage treatment plant, sewage pumping and collection systems.

The *transit fund* accounts for the operations of bus fixed route and handicap public transit.

Additionally, the City reports the following fund types:

Internal service fund accounts for operations that provide self-insurance worker's compensation/ risk management services to all operating funds of the City.

The **pension trust fund** is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The pension trust fund accounts for the assets of the Firemen pension plan. Contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The **agency fund** is a clearing account for tax incremental financing. The agency fund is custodial in nature and does not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are direct costs and program revenues reported for the various functions concerned which would be distorted if eliminated.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. However, taxes imposed by the State of Missouri and Cole County and distributed to the City, such as gasoline, motor vehicle increase, and road and bridge taxes are included in operating grants and contributions on the government-wide statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Wastewater, Water, Airport, Parking, and Transit enterprise funds, and of the government's internal service fund are charges to customers for sales and services. The Wastewater fund also recognizes as operating revenue the portion of sewer connection fees intended to recover the costs of connecting new customers to the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The City's *cash and cash equivalents* are considered to be cash on hand, demand deposits, amounts invested in overnight repurchase agreements, and investments with a maturity date of 90 days or less.

A target level of \$7 million in cash resources of individual funds are combined to form a pool which is invested in overnight repurchase agreements which are carried at cost, which approximates fair value.

