



FINANCIAL REPORT
(Audited)

Year Ended June 30, 2014

CITY OF BLACK JACK, MISSOURI
FINANCIAL REPORT

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Hochschild, Bloom & Company LLP
Certified Public Accountants
Consultants and Advisors

INDEPENDENT AUDITOR'S REPORT

November 24, 2014

Honorable Mayor and City Council
CITY OF BLACK JACK, MISSOURI

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the **CITY OF BLACK JACK, MISSOURI** (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

- 15450 South Outer Forty Road, Suite 135, Chesterfield, Missouri 63017-2066, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P. O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City as of June 30, 2014 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Hochschild, Bloom + Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF BLACK JACK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

This management's discussion and analysis (MD&A) is intended to be an overview of the City of Black Jack, Missouri's (the City) financial activities for the fiscal year ended June 30, 2014. It should be read in conjunction with the City's financial statements (attached).

FINANCIAL HIGHLIGHTS

- On a government-wide basis the total assets and deferred outflows exceeded its liabilities for the most recent fiscal year by \$8,602,237.
- The cost of the governmental activities was \$2,142,867.
- As of the close of the current year, the governmental funds reported combined ending fund balances of \$4,380,478, an increase of \$607,960 in comparison to the prior year.
- At the end of the current fiscal year, the General Fund's unassigned fund balance was \$855,230 and the total fund balance was \$4,086,083.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains required supplemental information and other supplemental information.

Government-wide financial statements. The first set of financial statements are the government-wide statements which report information about the City as a whole using accounting methods similar to those used by a private-sector business. The two government-wide statements, statement of net position and statement of activities, report the net position and how it has changed.

The statement of net position presents information on all of the assets, deferred outflows, and liabilities, with the difference between them reported as net position. Over time increases and decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating. The statement of net position also provides information on investment in capital assets, unrestricted, and restricted amounts.

The statement of activities presents information showing how the net position changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of timing of related cash flows.

The statement of activities presents the various functions of the City and the degree by which they are supported by charges for services, federal and state grants, tax revenues, and investment income.

The governmental activities of the City include administration, court clerk, media, police, and public works. The City does not have any business-type activities.

CITY OF BLACK JACK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Fund financial statements. The second set of statements are fund financial statements, which provide information about groupings of related accounts which are used to maintain control over resources for specific activities or objectives. The City uses fund accounting to demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the City's most significant funds -- not the City as a whole.

Governmental funds. Governmental funds tell how general governmental services were financed in the short-term as well as what financial resources remain available for future spending to finance City programs.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the government-wide governmental activities.

The City maintains individual governmental funds according to their type (General and Debt Service Funds). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund, which are considered to be major funds.

Notes to financial statements. The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental funds financial statements.

Required supplemental information. In addition to the basic financial statements and notes to financial statements, this report presents required supplemental information concerning the City's budgetary comparisons for the General Fund.

Other supplemental information. The graphs provide additional information for the General Fund.

CITY OF BLACK JACK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

CONDENSED FINANCIAL STATEMENTS

A condensed version of the statement of net position compared to the prior year follows:

	June 30		2014 Change	
	2014	2013	Amount	Percent
ASSETS				
Current and other assets	\$ 4,457,183	3,906,566	550,617	14 %
Capital assets, net of depreciation	<u>6,956,685</u>	<u>7,017,062</u>	<u>(60,377)</u>	(1)
Total Assets	<u>11,413,868</u>	<u>10,923,628</u>	<u>490,240</u>	4
DEFERRED OUTFLOWS OF RESOURCES				
	<u>239,675</u>	<u>264,467</u>	<u>(24,792)</u>	(9)
LIABILITIES				
Current and other liabilities	98,359	161,169	(62,810)	(39)
Long-term liabilities	<u>2,952,857</u>	<u>3,191,851</u>	<u>(238,994)</u>	(7)
Total Liabilities	<u>3,051,216</u>	<u>3,353,020</u>	<u>(301,804)</u>	(9)
NET POSITION				
Net investment in capital assets	4,019,220	3,840,485	178,735	5
Restricted	3,484,564	3,142,655	341,909	11
Unrestricted	<u>1,098,543</u>	<u>851,935</u>	<u>246,608</u>	29
Total Net Position	<u>\$ 8,602,327</u>	<u>7,835,075</u>	<u>767,252</u>	10 %

A condensed version of the statement of activities compared to the prior year follows:

**CITY OF BLACK JACK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

	For The Years Ended June 30		2014 Change	
	2014	2013	Amount	Percent
REVENUES				
Program revenues:				
Charges for services	\$ 139,818	152,865	(13,047)	(9) %
Operating grants and contributions	335,873	476,035	(140,162)	(29)
Capital grants and contributions	-	44,200	(44,200)	(100)
General revenues:				
Taxes	2,147,653	2,070,148	77,505	4
Licenses	21,036	18,679	2,357	13
Other	265,739	210,983	54,756	26
Total Revenues	<u>2,910,119</u>	<u>2,972,910</u>	<u>(62,791)</u>	<u>(2)</u>
EXPENSES				
Administration	664,359	646,077	18,282	3
Court clerk	69,326	63,847	5,479	9
Media	78,492	77,964	528	1
Police	645,711	692,148	(46,437)	(7)
Public works	580,143	645,997	(65,854)	(10)
Interest on long-term debt	104,836	109,924	(5,088)	(5)
Total Expenses	<u>2,142,867</u>	<u>2,235,957</u>	<u>(93,090)</u>	<u>(4)</u>
CHANGE IN NET POSITION	767,252	736,953	30,299	4
NET POSITION, JULY 1	<u>7,835,075</u>	<u>7,098,122</u>	<u>736,953</u>	10
NET POSITION, JUNE 30	<u><u>\$ 8,602,327</u></u>	<u><u>7,835,075</u></u>	<u><u>767,252</u></u>	10 %

The City's property tax rates for street bonds in 2013 - 2014 and 2012 - 2013 were \$0.490 and \$0.466 per \$100 of assessed valuation.

You can think of the City's net position (the difference between assets, deferred outflows, and liabilities) as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors such as changes in the City's property tax base, the amount of snow during the winter seasons, etc., to assess the overall health of the City.

Governmental funds. The City has restricted \$2,827,502 of fund balance for capital improvements, \$108,654 for road improvements, \$291,812 for sewer lateral improvements, \$256,596 for debt service, and \$40,684 nonspendable amounts for prepaid items. The amount of fund balance reserved for prepaid items has been set aside on the internal records of the City, but is included in unrestricted net position of

**CITY OF BLACK JACK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

the government-wide financial statement. The remaining balance of the City's fund balance after subtracting the amounts restricted is \$855,230.

BUDGETARY HIGHLIGHTS

The City revised its budget during the fiscal year.

General Fund expenditures were \$111,684 or 5% below budgeted expenditures of \$2,086,918. Overall General Fund expenditures were \$184,902 or 9% below the June 30, 2013 year-end total of \$2,160,136. General Fund revenues were \$2,601,267 which was \$72,432 above the budgeted amount of \$2,528,835. Overall General Fund revenues were \$19,919 or 1% below the June 30, 2013 year-end total of \$2,621,186.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets. During the year ended June 30, 2014, the City invested \$187,816 in new capital assets. The balances were as follows:

	June 30	
	2014	2013
Capital assets, net of depreciation:		
Land	\$ 751,951	751,951
Construction in progress	105,157	-
Buildings and improvements	1,378,224	1,444,322
Vehicles and equipment	248,361	211,330
Infrastructure	4,472,992	4,609,459
Total Capital Assets, Net	\$ 6,956,685	7,017,062

Additional information on the City's capital assets can be found in Note C of this report.

Long-term debt. At June 30, 2014, the City had general obligation bonds which are recorded as government-wide liabilities. The change in the City's long-term bonds were as follows:

	For The Year Ended June 30, 2014			Balance June 30 2014
	Balance June 30 2013	Additions	Reductions	
	Bonds payable	\$2,899,990	-	

**CITY OF BLACK JACK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

The City made the final payments on the Series 2004 general obligation bonds , during the year-ended June 30, 2014. Additional information on the City's long-term debt can be found in Note D of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- ◆ General sales tax total 37% of the City's General Fund revenues. The general sales tax increased \$68,399 or 8% from 2013.
- ◆ For 2015 we anticipate that the economy will continue to grow as the effects of the recession continue to be mitigated. We are projecting a growth in revenue of 3% to 5% that will allow the City to remain a vibrant and financially stable community that we are proud to call home.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents and taxpayers with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the City Clerk's office at 12500 Old Jamestown Road, Black Jack, MO 63033 or telephone at 314-355-0400.

CITY OF BLACK JACK, MISSOURI
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS

Cash and investments	\$ 4,026,721
Cash and investments - restricted for:	
Court bonds	4,590
Taxes receivable	385,188
Prepaid items	40,684
Capital assets:	
Land and construction in progress	857,108
Other capital assets, net of depreciation	6,099,577
Total Assets	<u>11,413,868</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	<u>239,675</u>
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LIABILITIES

Accounts payable	60,748
Accrued payroll and withheld items	11,367
Accrued interest payable	21,654
Court bonds	4,590
Noncurrent liabilities:	
Due within one year	253,846
Due in more than one year	2,699,011
Total Liabilities	<u>3,051,216</u>

NET POSITION

Net investment in capital assets	4,019,220
Restricted for:	
Capital improvements	2,827,502
Road improvements	108,654
Debt service	256,596
Sewer lateral improvements	291,812
Unrestricted	<u>1,098,543</u>
Total Net Position	<u>\$ 8,602,327</u>

CITY OF BLACK JACK, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenues</u>
		<u>Charges</u>	<u>Operating</u>	<u>(Expenses)</u>
		<u>For</u>	<u>Grants And</u>	<u>And Change</u>
FUNCTIONS/PROGRAMS		<u>Services</u>	<u>Contributions</u>	<u>In Net Position</u>
Governmental Activities				
Administration	\$ 664,359	-	-	(664,359)
Court clerk	69,326	-	-	(69,326)
Media	78,492	1,450	-	(77,042)
Police	645,711	116,593	-	(529,118)
Public works	580,143	21,775	335,873	(222,495)
Interest on long-term debt	104,836	-	-	(104,836)
Total Governmental Activities	<u>\$ 2,142,867</u>	<u>139,818</u>	<u>335,873</u>	<u>(1,667,176)</u>
General Revenues				
Taxes				2,147,653
Licenses				21,036
Investment income				3,776
Gain on sale of assets				4,903
Other				257,060
Total General Revenues				<u>2,434,428</u>
CHANGE IN NET POSITION				767,252
NET POSITION, JULY 1				<u>7,835,075</u>
NET POSITION, JUNE 30				<u>\$ 8,602,327</u>

See notes to financial statements

CITY OF BLACK JACK, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Debt Service	Totals
ASSETS			
Cash and investments	\$ 3,736,531	290,190	4,026,721
Cash and investments - restricted for:			
Court bonds	4,590	-	4,590
Taxes receivable	380,983	4,205	385,188
Prepaid items	40,684	-	40,684
Total Assets	\$ 4,162,788	294,395	4,457,183
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 60,748	-	60,748
Accrued payroll and withheld items	11,367	-	11,367
Court bonds	4,590	-	4,590
Total Liabilities	76,705	-	76,705
 Fund Balances			
Nonspendable - prepaid items	40,684	-	40,684
Restricted for:			
Capital improvements	2,789,703	37,799	2,827,502
Road improvements	108,654	-	108,654
Debt service	-	256,596	256,596
Sewer lateral improvements	291,812	-	291,812
Unassigned	855,230	-	855,230
Total Fund Balances	4,086,083	294,395	4,380,478
Total Liabilities And Fund Balances	\$ 4,162,788	294,395	4,457,183

CITY OF BLACK JACK, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balances - Governmental Funds	\$ 4,380,478
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$10,030,443 and the accumulated depreciation is \$3,073,758.	6,956,685
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Accrued interest payable	(21,654)
Compensated absences	(15,382)
Bonds payable and related amounts	(2,937,475)
Unamortized deferred charge on refunding	<u>239,675</u>
Total Net Position Of Governmental Activities	<u><u>\$ 8,602,327</u></u>

CITY OF BLACK JACK, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>
REVENUES			
Taxes	\$ 2,264,049	308,849	2,572,898
Licenses	21,036	-	21,036
Miscellaneous	52,439	-	52,439
Rental	119,930	-	119,930
Cable support	1,450	-	1,450
False alarms	5,725	-	5,725
Fines and court costs	110,868	-	110,868
Inspections	21,425	-	21,425
Permits	350	-	350
Sewer lateral fees	222	-	222
Investment income	3,773	3	3,776
Total Revenues	<u>2,601,267</u>	<u>308,852</u>	<u>2,910,119</u>
EXPENDITURES			
Current:			
Administration	612,781	-	612,781
Court clerk	68,931	-	68,931
Media	74,378	-	74,378
Police	645,711	-	645,711
Public works	385,617	-	385,617
Capital outlay	187,816	-	187,816
Debt service:			
Principal	-	245,000	245,000
Interest and fiscal charges	-	81,925	81,925
Total Expenditures	<u>1,975,234</u>	<u>326,925</u>	<u>2,302,159</u>
NET CHANGE IN FUND BALANCES	626,033	(18,073)	607,960
FUND BALANCES, JULY 1	<u>3,460,050</u>	<u>312,468</u>	<u>3,772,518</u>
FUND BALANCES, JUNE 30	<u>\$ 4,086,083</u>	<u>294,395</u>	<u>4,380,478</u>

CITY OF BLACK JACK, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net Change In Fund Balances - Governmental Funds \$ 607,960

Amounts reported for governmental activities in the statement of activities are different because:

The governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$248,193) exceeded capital outlays over the capitalization threshold (\$187,816) in the current year. (60,377)

Under the modified accrual basis of accounting used in the governmental funds financial statements, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. The net change of these items are:

Interest accretion	(28,890)
Bonds payable	245,000
Amortization	(1,800)

Compensated absences reduce net position on the statement of activities, but do not require the use of current finance resource and, therefore, are not reported as expenditures in the governmental funds. (108)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Decrease in accrued interest on bonds	5,467
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Change In Net Position Of Governmental Activities \$ 767,252

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **CITY OF BLACK JACK, MISSOURI** (the City) operates under a Mayor-City Council form of government and provides various services including legislative, public safety (police only), streets, public improvements, planning and zoning, and general administrative services. The more significant accounting policies consistently applied by the City in the preparation of the accompanying financial statements are summarized below:

1. Reporting Entity

The financial statements of the City include the financial activities of the City and any component units, entities which are financially accountable to the City. The City does not currently have any component units.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to those directly relating to the function or segment and 2) grants that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds.

3. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Revenues are considered to be measurable and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major funds:

General Fund -- This fund is the general operating fund of the City. Revenues in this fund are derived from taxes, fees, and other sources.

Debt Service Fund -- This fund is used to account for the servicing of the general long-term debt of the City.

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.

4. Capital Assets

Capital assets, which include buildings and improvements, vehicles and equipment, and infrastructure, are reported in the governmental activities of the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The City has elected not to report major general infrastructure assets retroactively.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's life are not capitalized.

Depreciation is being computed on the straight-line method, using asset lives as follows:

Assets	Years
Buildings and improvements	20 - 40
Vehicles and equipment	5 - 10
Infrastructure	40

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures when consumed rather than when purchased.

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation. The liability for these compensated absences is recorded as a liability in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability when payment is due (i.e., matured). No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City does not currently have any deferred inflows.

8. Fund Balance Policies

The fund balance amounts are reported in the following applicable categories listed from the most restrictive to the least restrictive:

Nonspendable -- The portion of fund balance that is not in a spendable form or is required to be maintained intact.

Restricted -- The portion of fund balance that is subject to external restrictions and constrained to specific purposes imposed by agreement, through constitutional provisions, or by enabling legislation.

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Fund Balance Policies (Continued)

Committed -- The portion of fund balance with constraints or limitations by formal action (ordinance) of the City Council, the highest level of decision-making authority.

Assigned -- The portion of fund balance that the City intends to use for a specific purpose as determined by the applicable City officials to which the City Council has designated authority.

Unassigned -- Amounts that are available for any purpose; these positive amounts are reported only in the General Fund.

When both restricted and unrestricted resources are available, the City will spend the most restricted dollars before the least restricted.

The fund balance of the City's General Fund has been accumulated to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The target is to maintain a rolling beginning fund balance of not less than 8% of annual operating expenditures for the current fiscal year. Should the balance fall below 4%, the City will identify a plan to restore the fund balance to its targeted amount as part of the budget proposal.

9. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

10. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental fund types. Encumbrances outstanding at year-end were \$118,208 for the General Fund.

NOTE B - CASH AND INVESTMENTS

1. Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

1. Deposits (Continued)

the possession of an outside party. The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation (FDIC).

As of June 30, 2014, the carrying amount of cash deposits amounted to \$2,174,771 and the bank balance totaled \$2,185,482. The bank balance was covered by FDIC in the amount of \$999,657 and by additional pledged collateral of \$1,185,825. There were no uninsured or uncollateralized deposits.

2. Investments

As of June 30, 2014 the City had the following investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Maturity Less Than One Year</u>	<u>Credit Risk</u>
Insured cash sweep	\$ <u>1,856,540</u>	<u>1,856,540</u>	N/A

Investments Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City minimizes credit risk by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business and diversifying the portfolio to reduce potential losses on individual securities.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing primarily in shorter term securities.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City minimizes concentration of credit risk by diversifying the investment portfolio.

State statutes authorize the City to invest in obligations of the U.S. Treasury, federal agencies, certain commercial paper, repurchase agreements, bankers' acceptances, and time deposits.

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS

Capital asset activity was as follows:

	<u>For The Year Ended June 30, 2014</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>June 30</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30</u>
	<u>2013</u>			<u>2014</u>
Capital assets not being depreciated:				
Land	\$ 751,951	-	-	751,951
Construction in progress	<u>-</u>	<u>105,157</u>	<u>-</u>	<u>105,157</u>
Total Capital Assets Not Being Depreciated	<u>751,951</u>	<u>105,157</u>	<u>-</u>	<u>857,108</u>
Capital assets being depreciated:				
Buildings and improvements	2,712,024	-	-	2,712,024
Vehicles and equipment	959,647	82,659	39,664	1,002,642
Infrastructure	<u>5,458,669</u>	<u>-</u>	<u>-</u>	<u>5,458,669</u>
Total Capital Assets Being Depreciated	<u>9,130,340</u>	<u>82,659</u>	<u>39,664</u>	<u>9,173,335</u>
Less - Accumulated depreciation:				
Buildings and improvements	1,267,702	66,098	-	1,333,800
Vehicles and equipment	748,317	45,628	39,664	754,281
Infrastructure	<u>849,210</u>	<u>136,467</u>	<u>-</u>	<u>985,677</u>
Total Accumulated Depreciation	<u>2,865,229</u>	<u>248,193</u>	<u>39,664</u>	<u>3,073,758</u>
Total Capital Assets Being Depreciated, Net	<u>6,265,111</u>	<u>(165,534)</u>	<u>-</u>	<u>6,099,577</u>
Total Capital Assets, Net	<u>\$7,017,062</u>	<u>(60,377)</u>	<u>-</u>	<u>6,956,685</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

	<u>For The</u> <u>Year Ended</u> <u>June 30</u> <u>2014</u>
Administration	\$ 49,405
Court clerk	395
Media	4,114
Public works	<u>194,279</u>
Total	<u>\$248,193</u>

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT

Long-term debt of governmental activities consisted of the following:

Bonds Payable

	<u>June 30</u> <u>2014</u>
Series 2012, \$2,739,990 general obligation refunding bonds for refunding a portion of the Series 2004 general obligation bonds, 1% to 3%, due in installments through March 2024.	<u>\$2,654,990</u>

The bond payments outstanding including interest payments are as follows:

<u>For The</u> <u>Years Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 250,000	72,463	322,463
2016	260,000	64,962	324,962
2017	270,000	57,163	327,163
2018	275,000	49,062	324,062
2019	94,990	40,813	135,803
2020 - 2024	<u>1,505,000</u>	<u>130,862</u>	<u>1,635,862</u>
Total	<u>\$2,654,990</u>	<u>415,325</u>	<u>3,070,315</u>

In addition, total compounded interest due March 2019 is scheduled to be \$195,011. A summary of the changes in long-term liabilities is as follows:

	<u>For The Year Ended June 30, 2013</u>			<u>Balance</u> <u>June 30</u> <u>2014</u>	<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
	<u>Balance</u> <u>June 30</u> <u>2013</u>	<u>Additions</u>	<u>Reductions</u>		
	Bonds payable	\$2,899,990	-		
Compensated absences	15,274	15,382	15,274	15,382	3,846
Series 2012 capital appreciation - interest accretion due March 2019	31,298	28,890	-	60,188	-
Premium	<u>245,289</u>	<u>-</u>	<u>22,992</u>	<u>222,297</u>	<u>-</u>
Total	<u>\$3,191,851</u>	<u>44,272</u>	<u>283,266</u>	<u>2,952,857</u>	<u>253,846</u>

The bonds payable are to be liquidated by the Debt Service Fund. Compensated absences are generally liquidated by the General Fund.

The City is authorized to issue up to an additional \$2,000,000 in general obligation bonds as of June 30, 2014.

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE E - INSURANCE

The City carries commercial insurance for its risks of loss, including property, workers' compensation, and public officials' liability insurance. Claims have not exceeded coverage during any of the last three years.

NOTE F - DEFINED CONTRIBUTION PLAN

The City has a defined contribution retirement plan funded through Aetna. The plan was established by an ordinance of the City Council through a plan agreement dated April 1998. All full-time employees are eligible to participate in the plan after one year of service. Pursuant to the plan's provisions, the City is obligated to contribute 6½% of each eligible employees' covered wages. An amendment effective December 12, 2010 changes the eligibility requirement to 30 days of service as well as changing the City's contribution to 4½% of each employee's covered wages. Contributions are fully vested immediately. Contributions to the plan amounted to \$18,550 for the year ended June 30, 2014.

NOTE G - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan through Aetna created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The City makes no contributions toward this plan. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency and is held in trust for the exclusive benefit of the employees.

NOTE H - COMMITMENTS AND CONTINGENCIES

The City has contracted with the St. Louis County Police Department to provide services. Payments for services for the year ended June 30, 2014 amounted to \$645,711. This amount is adjusted annually when both parties agree that special circumstances arise which require additional related costs. The current contract will expire June 30, 2015.

NOTE I - PROPERTY TAXES

Property taxes are levied in October of each year on the assessed value as of the prior January 1 for all property located in the City. Property taxes attach as an enforceable lien on property as of January 1 and are due upon receipt of billing and become delinquent after December 31.

Real estate taxes are billed and collected by St. Louis County and remitted by the County to the City. Property tax revenue is recognized to the extent it is collected within the current period or expected to be collected within 60 days after year-end and is deferred on the fund financial statements if significant, and recognized as revenue in the government-wide financial statements.

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE J - RESTRICTED NET POSITION

The government-wide statement of net position reports \$3,484,564 in restricted net position, of which \$3,227,968 is restricted by enabling legislation.

NOTE K - FINES AND COURT COSTS FOR TRAFFIC VIOLATIONS

RSMo 302.341.2 requires an accounting of the percentage of annual fines and court costs for traffic violations, including amended charges from any charged traffic violation, occurring within the City to total general operating revenue, to be included in the annual financial report. During the year, the amount of fines from traffic violations, forfeitures and court costs of all types, general operating revenue, and related percent amounted to \$105,627, \$1,823,269, and 5.79%, respectively, which is below the threshold of 30% identified in RSMo 302.341.2.

REQUIRED SUPPLEMENTAL INFORMATION SECTION

CITY OF BLACK JACK, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE
OF REVENUE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Taxes				
Capital improvement	\$ 440,000	428,000	442,125	14,125
Cigarette	18,500	18,500	17,982	(518)
County road and bridge	90,000	77,525	78,020	495
Franchise	75,000	86,550	89,594	3,044
Gasoline	186,000	176,400	176,702	302
Motor vehicle	58,000	78,250	80,929	2,679
Sales	865,000	925,000	973,628	48,628
Use	77,000	82,000	84,981	2,981
Utility	320,000	320,000	320,088	88
Total Taxes	<u>2,129,500</u>	<u>2,192,225</u>	<u>2,264,049</u>	<u>71,824</u>
Licenses	<u>19,500</u>	<u>20,850</u>	<u>21,036</u>	<u>186</u>
Other				
Miscellaneous	23,600	53,605	52,439	(1,166)
Rental	96,700	119,330	119,930	600
Total Other	<u>120,300</u>	<u>172,935</u>	<u>172,369</u>	<u>(566)</u>
Charges for services				
Cable support	600	600	1,450	850
False alarms	5,000	5,000	5,725	725
Fines and court costs	120,250	110,950	110,868	(82)
Inspections	20,000	21,425	21,425	-
Permits	900	900	350	(550)
Total Charges For Services	<u>146,750</u>	<u>138,875</u>	<u>139,818</u>	<u>943</u>
Sewer lateral fees	<u>400</u>	<u>400</u>	<u>222</u>	<u>(178)</u>
Investment income	<u>5,000</u>	<u>3,550</u>	<u>3,773</u>	<u>223</u>
Total Revenues	<u>\$ 2,421,450</u>	<u>2,528,835</u>	<u>2,601,267</u>	<u>72,432</u>

CITY OF BLACK JACK, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES				
Administration	\$ 693,516	707,211	672,827	(34,384)
Court clerk	70,267	70,292	68,931	(1,361)
Media	83,534	83,834	78,702	(5,132)
Police	704,412	704,412	645,711	(58,701)
Public works	706,544	521,169	509,063	(12,106)
	<u>706,544</u>	<u>521,169</u>	<u>509,063</u>	<u>(12,106)</u>
Total Expenditures	<u>\$ 2,258,273</u>	<u>2,086,918</u>	<u>1,975,234</u>	<u>(111,684)</u>

NOTES:

Budgets and Budgetary Accounting

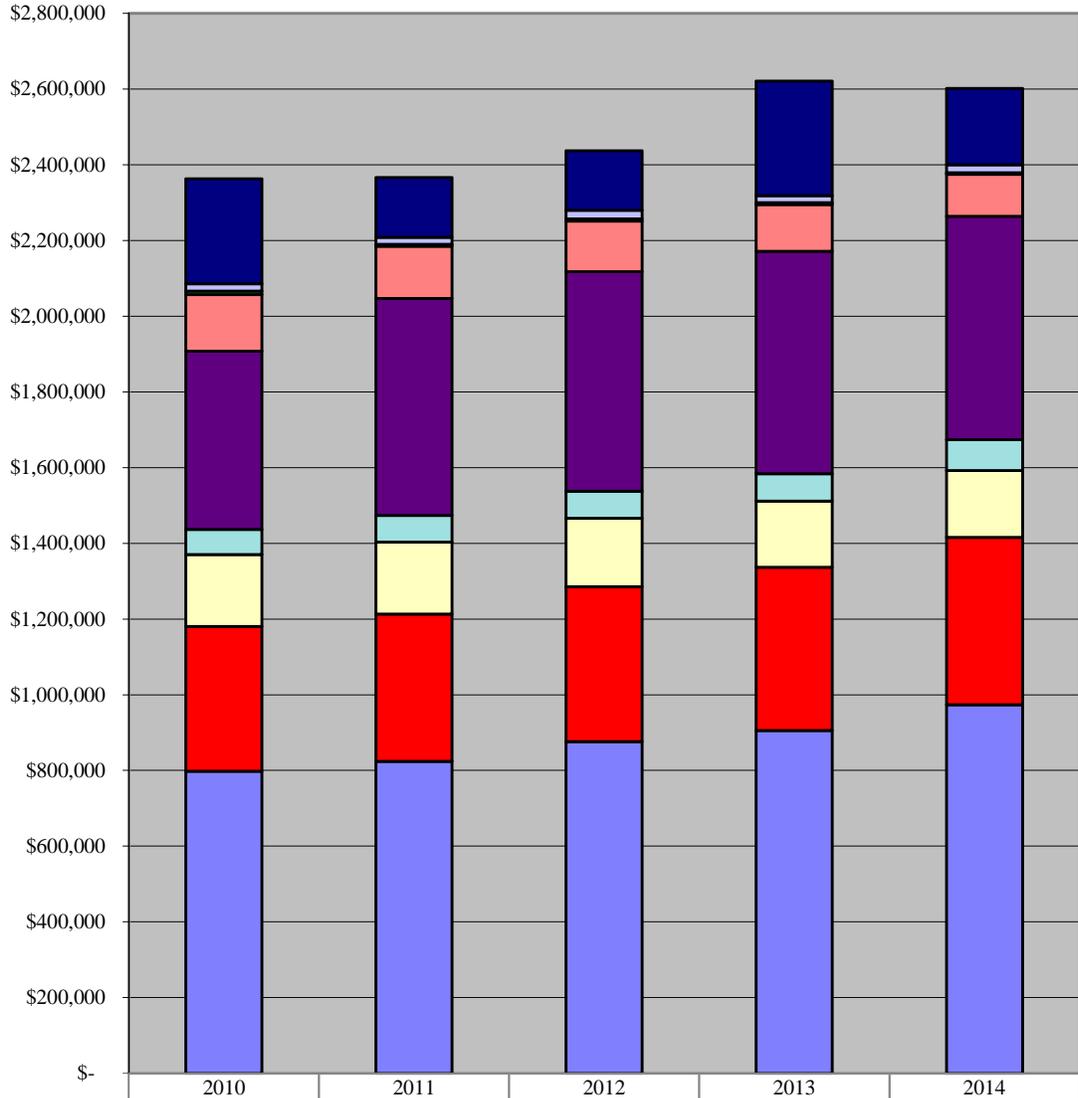
The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. Public hearing meetings are held to obtain taxpayer comments.
- b. Prior to July 1, the budget is adopted by the City Council.
- c. Budgets are adopted for the General Fund on a basis generally consistent with accounting principles generally accepted in the United States of America, except that the capital outlay and related other financing source is not budgeted for initial capital leases. Expenditures modified for some year-end accrual may not legally exceed budgeted appropriations at the department level.
- d. Budget amendments must be approved by the City Council.
- e. Appropriations lapse at year-end.

OTHER SUPPLEMENTAL INFORMATION SECTION

CITY OF BLACK JACK, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - GRAPHS

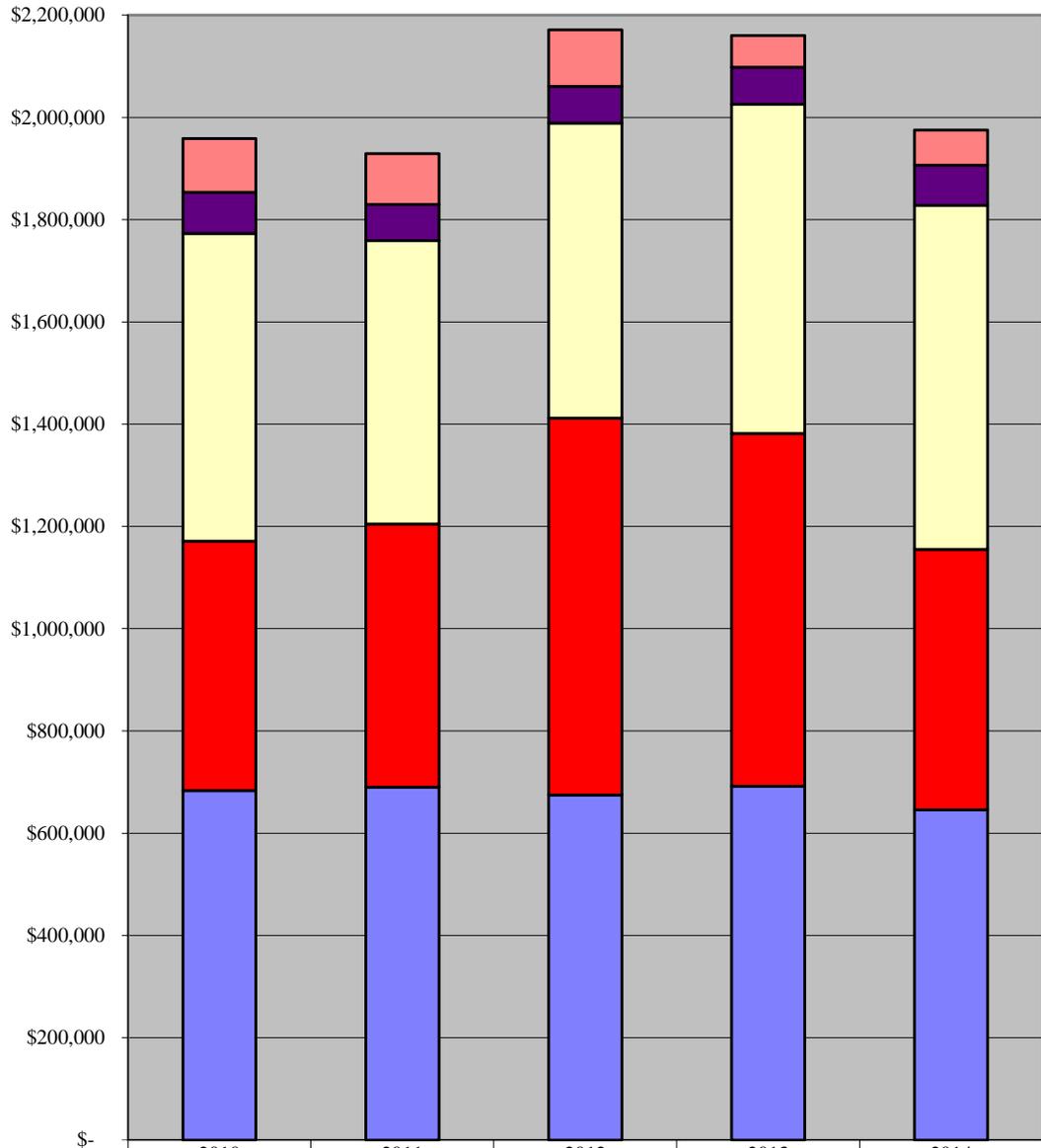
General Fund Revenues
For The Years Ended June 30



	2010	2011	2012	2013	2014
■ Other	\$277,774	158,139	157,293	302,442	201,231
□ Licenses and permits	19,526	18,278	22,322	18,929	21,386
■ Investment income	9,260	5,525	5,839	5,248	3,733
■ Fines and court costs	149,422	137,489	134,202	123,355	110,868
■ Other taxes	470,817	573,223	580,062	587,262	590,665
■ Motor vehicle tax	66,549	70,261	71,249	72,488	80,929
■ Gasoline tax	189,767	189,981	180,319	174,757	176,702
■ Capital improvement tax	382,285	389,863	409,770	431,439	442,125
■ Sales tax	797,895	823,576	875,839	905,266	973,628

CITY OF BLACK JACK, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - GRAPHS

General Fund Expenditures
For The Years Ended June 30



	2010	2011	2012	2013	2014
■ Court clerk	\$105,420	99,107	110,561	62,176	68,931
■ Media	80,409	70,510	71,804	72,471	78,702
■ Administration	602,137	554,467	576,798	643,726	672,827
■ Public works/Code inspect.	487,319	514,528	736,991	689,615	509,063
■ Police	683,448	690,217	674,895	692,148	645,711

CITY OF BLACK JACK, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
ASSESSED VALUATION SCHEDULES

History of Property Valuations. The total assessed valuation of all taxable tangible property situated in the City, including state and locally assessed railroad and utility property, according to the assessments of January 1 in each of the following years, finalized as of December 31, has been as follows:

<u>For The</u> <u>Years Ended</u> <u>December 31</u>	<u>Assessed</u> <u>Valuation</u>	<u>Percentage</u> <u>Of Change</u>
2013	\$63,160,860	(5.22%)
2012	66,639,287	0.30
2011	66,439,941	(11.90)
2010	75,417,874	(1.66)
2009	76,690,050	(13.62)

Current Assessed and Estimated Actual Valuation. The total assessed valuation of all taxable tangible property situated in the City, including state and locally assessed railroad and utility property, according to the assessments of January 1, 2014:

	<u>Assessed</u> <u>Valuation</u>	<u>Assessment</u> <u>Ratio</u>	<u>Estimated</u> <u>Actual</u> <u>Valuation</u>
Real estate:			
Residential	\$48,551,490	19.00%	\$255,534,158
Agricultural	2,650	12.00	22,083
Commercial	1,945,560	32.00	6,079,575
State assessed	<u>1,816,753</u>	32.00	<u>5,677,353</u>
Total Real Estate	52,316,453		267,313,169
Personal property	<u>10,630,073</u>	33.33	<u>31,890,219</u>
Total	<u>\$62,946,526</u>		<u>\$299,203,388</u>

**CITY OF BLACK JACK, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
PROPERTY TAX LEVIES AND COLLECTIONS**

Property Tax Levies. The following table shows the City's tax levies (per \$100 of assessed valuation) for each of the last five years:

For The Years Ended December 31	<u>Residential</u>	<u>Commercial</u>	<u>Agriculture</u>	<u>Personal Property</u>
2013	\$0.490	0.490	0.490	0.490
2012	0.466	0.466	0.466	0.466
2011	0.595	0.595	0.595	0.595
2010	0.520	0.520	0.520	0.520
2009	0.495	0.495	0.495	0.495

Property Tax Collection Record. The following table sets forth property tax collection information for the City for tax years 2009 through 2013.

For The Fiscal Year Ended June 30	Current Year Tax Levy	Current Taxes Collected By Due Date	Percent Of Current Taxes Collected	Delinquent Taxes Collected	Total Taxes Collected	Percent Of Total Taxes Collected*
2014	\$309,800	\$239,176	77.20%	\$83,329	\$322,505	107.07%
2013	310,244	261,449	84.27	59,879	321,328	103.57
2012	395,164	340,086	86.06	57,893	397,979	100.71
2011	391,986	316,229	80.67	77,421	393,650	100.42
2010	379,355	296,318	78.11	89,134	385,451	101.61

*Delinquent taxes are shown in the year payment is actually received, which may cause the percentage of current and delinquent taxes collected to exceed 100%. Current and Delinquent Taxes Collected also includes the current year's protested taxes which have been released.