



**FINANCIAL REPORT**  
(Audited)

Year Ended June 30, 2013

**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**

December 11, 2013

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, 2013, 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.

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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, 2013, 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, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental 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 December 11, 2013 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, 2013**

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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, 2013. 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 \$7,835,075.
- The cost of the governmental activities was \$2,235,957.
- As of the close of the current year, the governmental funds reported combined ending fund balances of \$3,772,518, an increase of \$435,982 in comparison to the prior year.
- At the end of the current fiscal year, the General Fund's unassigned fund balance was \$595,658 and the total fund balance was \$3,460,050.

**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, 2013**

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**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 governmental funds.

**CITY OF BLACK JACK, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**CONDENSED FINANCIAL STATEMENTS**

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

	<b>June 30</b>		<b>2013 Change</b>	
	<b>2013</b>	<b>2012</b>	<b>Amount</b>	<b>Percent</b>
<b>ASSETS</b>				
Current and other assets	\$ 3,906,566	3,393,309	513,257	15 %
Capital assets, net of depreciation	7,017,062	6,933,538	83,524	1
Total Assets	<u>10,923,628</u>	<u>10,326,847</u>	<u>596,781</u>	6
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	<u>264,467</u>	<u>289,259</u>	<u>(24,792)</u>	(9)
<b>LIABILITIES</b>				
Current and other liabilities	161,169	74,642	86,527	116
Long-term liabilities	3,191,851	3,443,342	(251,491)	(7)
Total Liabilities	<u>3,353,020</u>	<u>3,517,984</u>	<u>(164,964)</u>	(5)
<b>NET POSITION</b>				
Net investment in capital assets	3,840,485	3,502,859	337,626	10
Restricted	3,142,655	2,862,496	280,159	10
Unrestricted	851,935	732,767	119,168	16
Total Net Position	<u>\$ 7,835,075</u>	<u>7,098,122</u>	<u>736,953</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, 2013**

	For The Years		2013 Change	
	Ended June 30		Amount	Percent
	2013	2012		
<b>REVENUES</b>				
Program revenues:				
Charges for services	\$ 152,865	168,647	(15,782)	(9) %
Operating grants and contributions	476,035	336,764	139,271	41
Capital grants and contributions	44,200	-	44,200	100
General revenues:				
Taxes	2,070,148	2,081,175	(11,027)	(1)
Licenses	18,679	21,632	(2,953)	(14)
Other	210,983	204,747	6,236	3
Total Revenues	<u>2,972,910</u>	<u>2,812,965</u>	<u>159,945</u>	<u>6</u>
<b>EXPENSES</b>				
Administration	646,077	624,186	21,891	4
Court clerk	63,847	110,021	(46,174)	(42)
Media	77,964	78,501	(537)	(1)
Police	692,148	674,895	17,253	3
Public works	645,997	611,630	34,367	6
Interest on long-term debt	109,924	115,489	(5,565)	(5)
Total Expenses	<u>2,235,957</u>	<u>2,214,722</u>	<u>21,235</u>	<u>1</u>
<b>CHANGES IN NET POSITION</b>	736,953	598,243	138,710	23
<b>NET POSITION, JULY 1</b>	<u>7,098,122</u>	<u>6,499,879</u>	<u>598,243</u>	<u>9</u>
<b>NET POSITION, JUNE 30</b>	<u><u>\$ 7,835,075</u></u>	<u><u>7,098,122</u></u>	<u><u>736,953</u></u>	<u>10 %</u>

The City's property tax rates for street bonds in 2012 - 2013 and 2011 - 2012 were \$0.466 and \$0.595 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 \$2,537,381 of fund balance for capital improvements, \$31,895 for road improvements, \$298,707 for sewer lateral improvements, \$274,672 for debt service, and \$34,205 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, 2013**

the government-wide financial statement. The remaining balance of the City's fund balance after subtracting the amounts restricted is \$595,658.

**BUDGETARY HIGHLIGHTS**

The City revised its budget during the fiscal year.

General Fund expenditures were \$67,621 or 3% below budgeted expenditures of \$2,227,757. Overall General Fund expenditures are \$10,913 or 1% below the June 30, 2012 year-end total of \$2,171,049. General Fund revenues were \$2,621,186, which was \$636 above the budgeted amount of \$2,620,550. Overall General Fund revenues are \$184,291 or 8% above the June 30, 2012 year-end total of \$2,436,895.

**CAPITAL ASSETS AND LONG-TERM DEBT**

**Capital assets.** During the year ended June 30, 2013, the City invested \$333,280 in new capital assets. The balances were as follows:

	June 30	
	2013	2012
Capital assets, net of depreciation:		
Land	\$ 751,951	707,751
Buildings and improvements	1,444,322	1,230,358
Vehicles and equipment	211,330	249,502
Infrastructure	4,609,459	4,745,927
Total Capital Assets, Net	\$ 7,017,062	6,933,538

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

**Long-term debt.** At June 30, 2013, 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, 2013			Balance June 30 2013
	Balance June 30 2012	Additions	Reductions	
	Bonds payable	\$3,159,990	-	

Additional information on the City's long-term debt can be found in Note D of this report.

**CITY OF BLACK JACK, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- ◆ General sales tax total 35% of the City's General Fund revenues. The general sales tax increased \$29,427 or 3.4% from 2012.
- ◆ The year 2013 has been an exciting one for the City of Black Jack. With the improving economy we have been able to complete some projects that were deferred for the last several years. Some of the deferred projects we completed this year include updating the City web site, updating our obsolete IT equipment and implementing the REJIS court management system.
- ◆ In addition we have been looking at new projects that will save the City revenue in the future. An example of these projects is the recently completed installation of a solar panel system on the City Hall building that will partially offset the ever-increasing future cost of electricity to operate the facility.
- ◆ For 2014 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, 2013**

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**ASSETS**

Cash and investments	\$ 3,511,213
Cash and investments - restricted for:	
Court bonds	6,155
Property escrows	45,553
Taxes receivable	309,440
Prepaid items	34,205
Capital assets:	
Land	751,951
Other capital assets, net of depreciation	6,265,111
Total Assets	<u>10,923,628</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charge on refunding	<u>264,467</u>
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**LIABILITIES**

Accounts payable	73,220
Accrued payroll and withheld items	9,120
Accrued interest payable	27,121
Court bonds	6,155
Property escrow	45,553
Noncurrent liabilities:	
Due within one year	248,818
Due in more than one year	2,943,033
Total Liabilities	<u>3,353,020</u>

**NET POSITION**

Net investment in capital assets	3,840,485
Restricted for:	
Capital improvements	2,537,381
Road improvements	31,895
Debt service	274,672
Sewer lateral improvements	298,707
Unrestricted	851,935
Total Net Position	<u>\$ 7,835,075</u>

**CITY OF BLACK JACK, MISSOURI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

		<b>Program Revenues</b>			<b>Net Revenues</b>
	<b>Expenses</b>	<b>Charges For Services</b>	<b>Operating Grants And Contributions</b>	<b>Capital Grants And Contributions</b>	<b>(Expenses) And Change In Net Position</b>
<b>FUNCTIONS/PROGRAMS</b>					
<b>Governmental Activities</b>					
Administration	\$ 646,077	-	-	-	(646,077)
Court clerk	63,847	-	-	-	(63,847)
Media	77,964	510	-	-	(77,454)
Police	692,148	128,880	-	-	(563,268)
Public works	645,997	23,475	476,035	44,200	(102,287)
Interest on long-term debt	109,924	-	-	-	(109,924)
Total Governmental Activities	\$ 2,235,957	152,865	476,035	44,200	(1,562,857)
 <b>General Revenues</b>					
Taxes					2,070,148
Licenses					18,679
Investment income					5,250
Other					205,733
Total General Revenues					2,299,810
<b>CHANGE IN NET POSITION</b>					736,953
NET POSITION, JULY 1					7,098,122
NET POSITION, JUNE 30					\$ 7,835,075

See notes to financial statements

**CITY OF BLACK JACK, MISSOURI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	<b>General</b>	<b>Debt Service</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and investments	\$ 3,202,061	309,152	3,511,213
Cash and investments - restricted for:			
Court bonds	6,155	-	6,155
Property escrows	45,553	-	45,553
Taxes receivable	306,124	3,316	309,440
Prepaid items	34,205	-	34,205
Total Assets	\$ 3,594,098	312,468	3,906,566
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 73,220	-	73,220
Accrued payroll and withheld items	9,120	-	9,120
Court bonds	6,155	-	6,155
Property escrow	45,553	-	45,553
Total Liabilities	134,048	-	134,048
 <b>Fund Balances</b>			
Nonspendable - prepaid items	34,205	-	34,205
Restricted for:			
Capital improvements	2,499,585	37,796	2,537,381
Road improvements	31,895	-	31,895
Debt service	-	274,672	274,672
Sewer lateral improvements	298,707	-	298,707
Unassigned	595,658	-	595,658
Total Fund Balances	3,460,050	312,468	3,772,518
Total Liabilities And Fund Balances	\$ 3,594,098	312,468	3,906,566

**CITY OF BLACK JACK, MISSOURI**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

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Total Fund Balances - Governmental Funds	\$ 3,772,518
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 \$9,882,291 and the accumulated depreciation is \$2,865,229.	7,017,062
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Accrued interest payable	(27,121)
Compensated absences	(15,274)
Bonds payable and related amounts	(3,176,577)
Unamortized deferred charge on refunding	264,467
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Total Net Position Of Governmental Activities	<u><u>\$ 7,835,075</u></u>

**CITY OF BLACK JACK, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>
<b>REVENUES</b>			
Taxes	\$ 2,171,212	307,522	2,478,734
Licenses	18,679	-	18,679
Miscellaneous	21,182	-	21,182
Rental	102,316	-	102,316
Cable support	510	-	510
False alarms	5,525	-	5,525
Fines and court costs	123,355	-	123,355
Inspections	23,225	-	23,225
Permits	250	-	250
Sewer lateral fees	527	-	527
Intergovernmental - grants	149,157	-	149,157
Investment income	5,248	2	5,250
Total Revenues	<u>2,621,186</u>	<u>307,524</u>	<u>2,928,710</u>
<b>EXPENDITURES</b>			
Current:			
Administration	595,175	-	595,175
Court clerk	62,176	-	62,176
Media	72,471	-	72,471
Police	692,148	-	692,148
Public works	449,086	-	449,086
Capital outlay	289,080	-	289,080
Debt service:			
Principal	-	260,000	260,000
Interest and fiscal charges	-	72,592	72,592
Total Expenditures	<u>2,160,136</u>	<u>332,592</u>	<u>2,492,728</u>
<b>NET CHANGE IN FUND BALANCES</b>	461,050	(25,068)	435,982
FUND BALANCES, JULY 1	<u>2,999,000</u>	<u>337,536</u>	<u>3,336,536</u>
<b>FUND BALANCES, JUNE 30</b>	<u><u>\$ 3,460,050</u></u>	<u><u>312,468</u></u>	<u><u>3,772,518</u></u>

See notes to financial statements

**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, 2013**

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Net Change In Fund Balances - Governmental Funds \$ 435,982

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 capital outlays over the capitalization threshold (\$289,080) exceeded depreciation (\$249,756) in the current year. 39,324

The net effect of various transactions involving capital assets:  
 Contributed capital assets 44,200

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	260,000
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. (2,611)

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	(9,252)
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Change In Net Position Of Governmental Activities \$ 736,953

**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

**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/expenses 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 or contractually required to be maintained intact.

**Restricted** -- The portion of fund balance that is subject to external enforceable legal restrictions.

**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 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 \$8,188 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, 2013, the carrying amount of cash deposits amounted to \$2,107,990 and the bank balance totaled \$2,138,543. The bank balance was covered by FDIC in the amount of \$996,684 and by additional pledged collateral of \$1,141,196. The amount of uninsured or uncollateralized deposits amounted to \$663.

**2. Investments**

As of June 30, 2013, 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>1,454,931</u>	<u>1,454,931</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.

**CITY OF BLACK JACK, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE C - CAPITAL ASSETS**

Capital asset activity was as follows:

	<b>For The Year Ended June 30, 2013</b>			
	<b>Balance June 30 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30 2013</b>
Capital assets not being depreciated:				
Land	\$ <u>707,751</u>	<u>44,200</u>	-	<u>751,951</u>
Capital assets being depreciated:				
Buildings and improvements	2,431,026	280,998	-	2,712,024
Vehicles and equipment	1,015,895	8,082	64,330	959,647
Infrastructure	<u>5,458,669</u>	-	-	<u>5,458,669</u>
Total Capital Assets Being Depreciated	<u>8,905,590</u>	<u>289,080</u>	<u>64,330</u>	<u>9,130,340</u>
Less - Accumulated depreciation:				
Buildings and improvements	1,200,668	67,034	-	1,267,702
Vehicles and equipment	766,393	46,254	64,330	748,317
Infrastructure	<u>712,742</u>	<u>136,468</u>	-	<u>849,210</u>
Total Accumulated Depreciation	<u>2,679,803</u>	<u>249,756</u>	<u>64,330</u>	<u>2,865,229</u>
Total Capital Assets Being Depreciated, Net	<u>6,225,787</u>	<u>39,324</u>	-	<u>6,265,111</u>
Total Capital Assets, Net	<u>\$6,933,538</u>	<u>83,524</u>	-	<u>7,017,062</u>

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

	<b>For The Year Ended June 30 2013</b>
Administration	\$ 47,653
Court clerk	395
Media	5,395
Public works	<u>196,313</u>
Total	<u>\$249,756</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**

	<b><u>June 30</u></b> <b><u>2013</u></b>
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.	\$2,684,990
Series 2004, \$4,500,000 general obligation bonds for constructing and improving City streets, 2% to 4.75%, due in installments through March 2014, partially refunded by the Series 2012 general obligation refunding bonds.	<u>215,000</u>
Total Bonds Payable	<u>\$2,899,990</u>

The bond payments outstanding including interest payments are as follows:

<b><u>For The</u></b> <b><u>Years Ended</u></b> <b><u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2014	\$ 245,000	81,362	326,362
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 - 2023	1,279,990	162,075	1,442,065
2024	<u>320,000</u>	<u>9,600</u>	<u>329,600</u>
Total	<u>\$2,899,990</u>	<u>496,687</u>	<u>3,396,677</u>

A summary of the changes in long-term liabilities is as follows:

	<b><u>For The Year Ended June 30, 2013</u></b>			<b><u>Amounts</u></b> <b><u>Due</u></b> <b><u>Within</u></b> <b><u>One Year</u></b>	
	<b><u>Balance</u></b> <b><u>June 30</u></b>				<b><u>Balance</u></b> <b><u>June 30</u></b>
	<b><u>2012</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>		<b><u>2013</u></b>
Bonds payable	\$3,159,990	-	260,000	2,899,990	245,000
Compensated absences	12,663	15,274	12,663	15,274	3,818
Series 2012 capital appreciation - interest accretion due March 2019	2,408	28,890	-	31,298	-
Premium	<u>268,281</u>	<u>-</u>	<u>22,992</u>	<u>245,289</u>	<u>-</u>
Total	<u>\$3,443,342</u>	<u>44,164</u>	<u>295,655</u>	<u>3,191,851</u>	<u>248,818</u>

**CITY OF BLACK JACK, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE D - LONG-TERM DEBT (Continued)**

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, 2013.

The City has defeased bonds by placing the proceeds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust assets and liability for the defeased debt are not included in the City's financial statements. As of June 30, 2013, \$2,710,000 of debt is considered defeased.

**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 \$19,280 for the year ended June 30, 2013.

**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.

**CITY OF BLACK JACK, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**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, 2013 amounted to \$692,148. 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, 2014.

**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.

**NOTE J - RESTRICTED NET POSITION**

The government-wide statement of net position reports \$3,142,655 in restricted net position, of which \$2,867,983 is restricted by enabling legislation.

**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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Taxes</b>				
Capital improvement	\$ 425,000	429,550	431,439	1,889
Cigarette	16,000	18,950	18,906	(44)
County road and bridge	90,000	79,100	79,106	6
Franchise	70,000	80,050	82,235	2,185
Gasoline	180,000	175,100	174,757	(343)
Motor vehicle	58,000	74,150	72,488	(1,662)
Sales	820,000	898,400	905,266	6,866
Use	65,000	86,000	86,682	682
Utility	315,000	322,000	320,333	(1,667)
Total Taxes	<u>2,039,000</u>	<u>2,163,300</u>	<u>2,171,212</u>	<u>7,912</u>
<b>Licenses</b>	<u>21,000</u>	<u>19,300</u>	<u>18,679</u>	<u>(621)</u>
<b>Other</b>				
Miscellaneous	23,150	21,250	21,182	(68)
Rental	93,400	108,800	102,316	(6,484)
Total Other	<u>116,550</u>	<u>130,050</u>	<u>123,498</u>	<u>(6,552)</u>
<b>Charges for services</b>				
Cable support	500	550	510	(40)
False alarms	7,000	5,550	5,525	(25)
Fines and court costs	129,500	123,400	123,355	(45)
Inspections	25,000	24,000	23,225	(775)
Permits	900	250	250	-
Total Charges For Services	<u>162,900</u>	<u>153,750</u>	<u>152,865</u>	<u>(885)</u>
<b>Sewer lateral fees</b>	<u>500</u>	<u>550</u>	<u>527</u>	<u>(23)</u>
<b>Intergovernmental - grants</b>	<u>171,600</u>	<u>149,200</u>	<u>149,157</u>	<u>(43)</u>
<b>Investment income</b>	<u>5,000</u>	<u>4,400</u>	<u>5,248</u>	<u>848</u>
Total Revenues	<u>\$ 2,516,550</u>	<u>2,620,550</u>	<u>2,621,186</u>	<u>636</u>

**CITY OF BLACK JACK, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>EXPENDITURES</b>				
Administration	\$ 648,916	654,441	643,726	(10,715)
Court clerk	73,139	66,039	62,176	(3,863)
Media	79,829	73,726	72,471	(1,255)
Police	692,148	692,148	692,148	-
Public works	920,359	741,403	689,615	(51,788)
Total Expenditures	<u>\$ 2,414,391</u>	<u>2,227,757</u>	<u>2,160,136</u>	<u>(67,621)</u>

**NOTES:**

**Budgets and Budgetary Accounting**

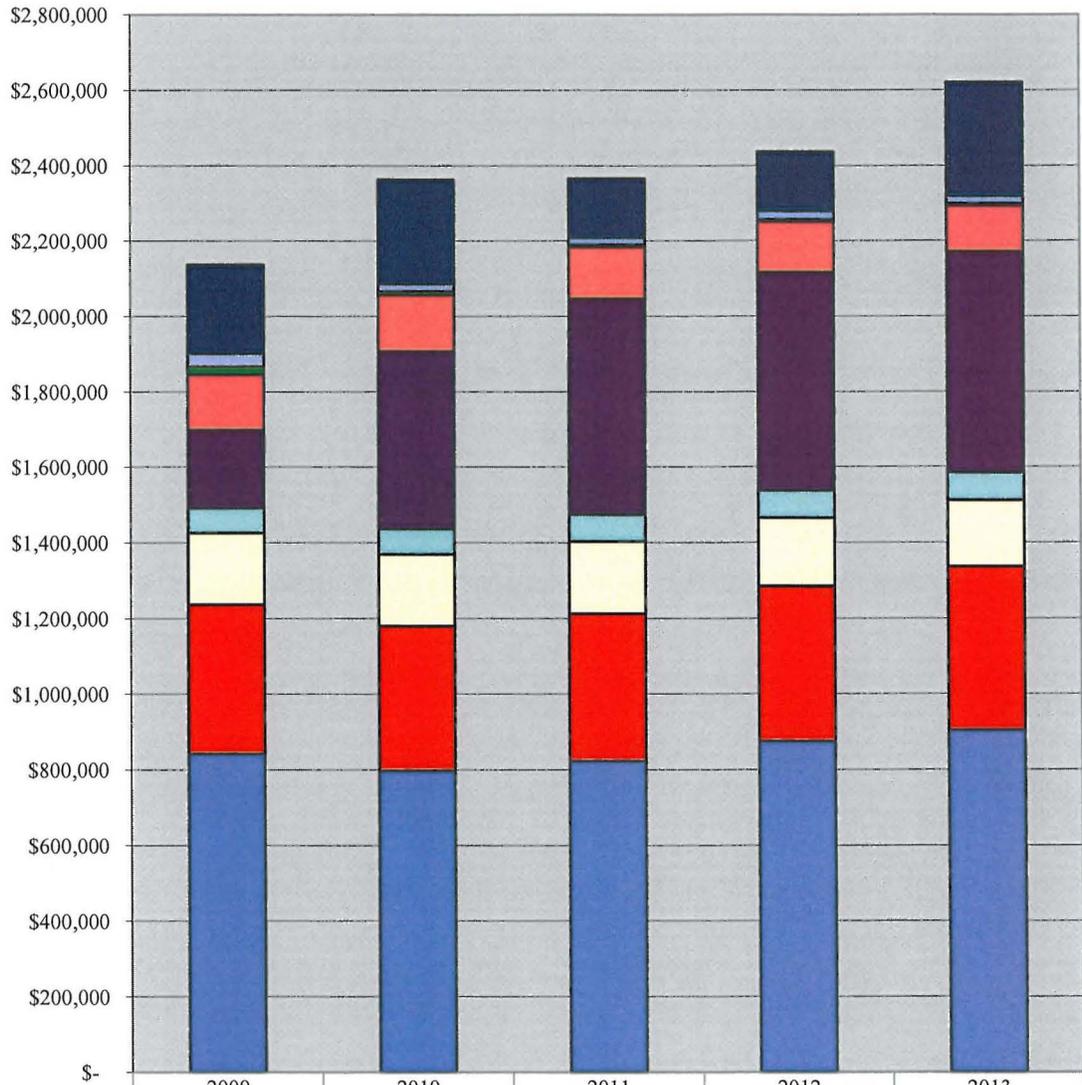
The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- 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**

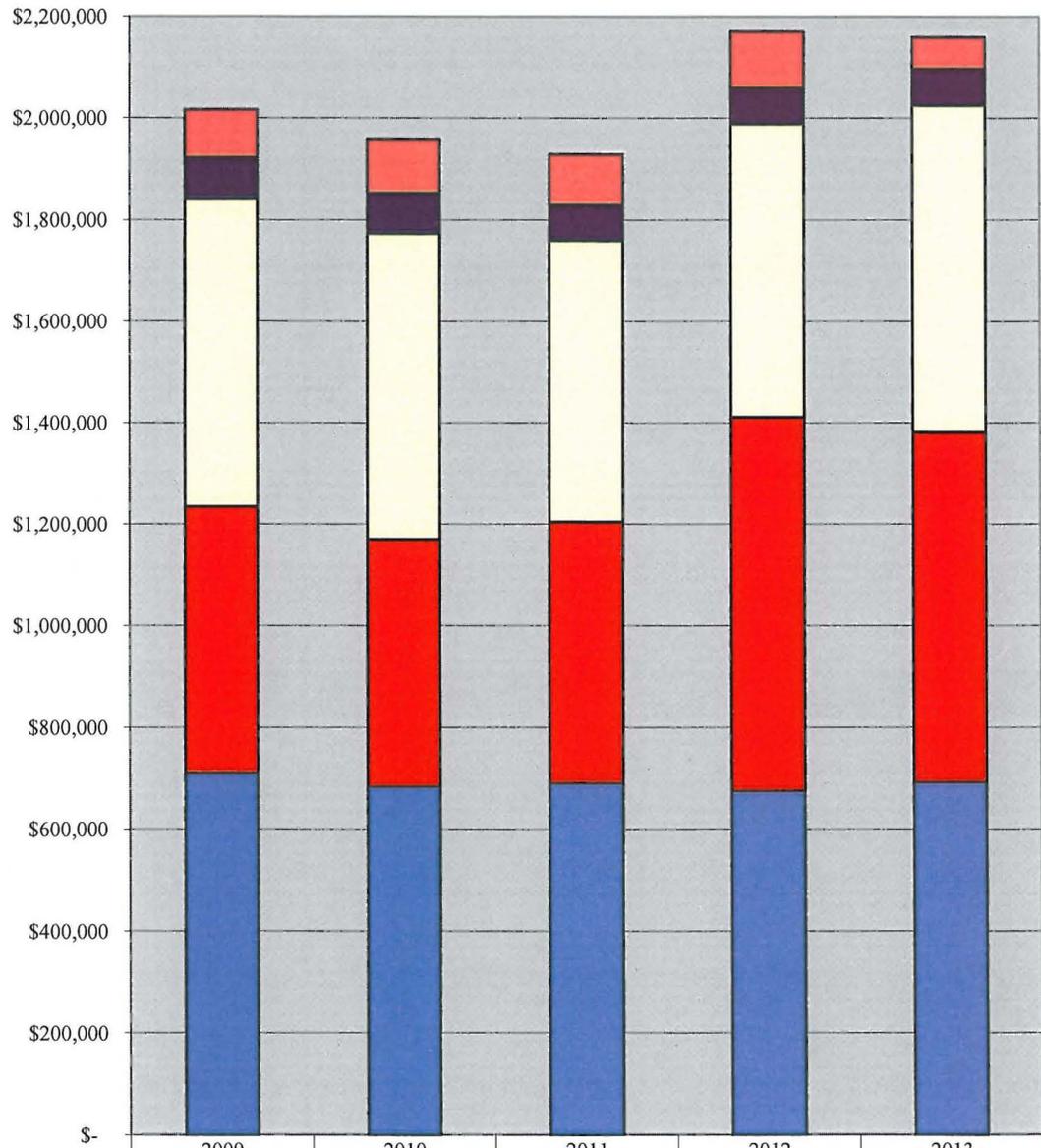
**General Fund Revenues**  
**For The Years Ended June 30**



	2009	2010	2011	2012	2013
■ Other	\$236,077	277,774	158,139	157,293	302,442
■ Licenses and permits	34,712	19,526	18,278	22,322	18,929
■ Investment income	20,600	9,260	5,525	5,839	5,248
■ Fines and court costs	146,912	149,422	137,489	134,202	123,355
■ Other taxes	207,700	470,817	573,223	580,062	587,262
■ Motor vehicle tax	65,310	66,549	70,261	71,249	72,488
■ Gasoline tax	188,149	189,767	189,981	180,319	174,757
■ Capital improvement tax	394,912	382,285	389,863	409,770	431,439
■ Sales tax	842,968	797,895	823,576	875,839	905,266

**CITY OF BLACK JACK, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - GRAPHS**

**General Fund Expenditures**  
**For The Years Ended June 30**



	2009	2010	2011	2012	2013
■ Court clerk	\$94,480	105,420	99,107	110,561	62,176
■ Media	80,429	80,409	70,510	71,804	72,471
□ Administration	606,839	602,137	554,467	576,798	643,726
■ Public works / Code inspect.	524,250	487,319	514,528	736,991	689,615
■ Police	711,060	683,448	690,217	674,895	692,148