



FINANCIAL REPORT
(Audited)

Year Ended June 30, 2016

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 14, 2016

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, 2016, 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, 2016 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.

Other Matters

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 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 14, 2016 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, 2016**

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, 2016. 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 \$9,762,833.
- The cost of the governmental activities was \$2,315,186.
- As of the close of the current year, the governmental funds reported combined ending fund balances of \$5,143,105 an increase of \$354,343 in comparison to the prior year.
- At the end of the current fiscal year, the General Fund's unassigned fund balance was \$1,104,563 and the total fund balance was \$4,822,112.

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, 2016**

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, 2016

CONDENSED FINANCIAL STATEMENTS

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

	June 30		2016 Change	
	2016	2015	Amount	Percent
ASSETS				
Current and other assets	\$ 5,224,165	4,866,123	358,042	7 %
Capital assets, net of depreciation	6,911,411	6,852,948	58,463	1
Total Assets	<u>12,135,576</u>	<u>11,719,071</u>	<u>416,505</u>	4
DEFERRED OUTFLOWS OF RESOURCES				
	<u>190,091</u>	<u>214,883</u>	<u>(24,792)</u>	(12)
LIABILITIES				
Current and other liabilities	100,114	99,015	1,099	1
Long-term liabilities	2,462,720	2,706,871	(244,151)	(9)
Total Liabilities	<u>2,562,834</u>	<u>2,805,886</u>	<u>(243,052)</u>	(9)
NET POSITION				
Net investment in capital assets	4,472,140	4,159,575	312,565	8
Restricted	4,002,955	3,799,466	203,489	5
Unrestricted	1,287,738	1,169,027	118,711	10
Total Net Position	<u>\$ 9,762,833</u>	<u>9,128,068</u>	<u>634,765</u>	7 %

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, 2016**

	For The Years Ended June 30		2016 Change	
	2016	2015	Amount	Percent
REVENUES				
Program revenues:				
Charges for services	\$ 105,535	100,621	4,914	5 %
Operating grants and contributions	351,936	345,154	6,782	2
General revenues:				
Taxes	2,213,917	2,208,304	5,613	-
Licenses	19,812	22,483	(2,671)	(12)
Other	258,751	216,759	41,992	19
Total Revenues	<u>2,949,951</u>	<u>2,893,321</u>	<u>56,630</u>	2
EXPENSES				
Administration	687,548	703,916	(16,368)	(2)
Court clerk	58,612	68,790	(10,178)	(15)
Media	12,130	80,021	(67,891)	(85)
Police	750,015	713,476	36,539	5
Public works	712,979	640,449	72,530	11
Interest on long-term debt	93,902	101,403	(7,501)	(7)
Total Expenses	<u>2,315,186</u>	<u>2,308,055</u>	<u>7,131</u>	-
CHANGE IN NET POSITION	634,765	585,266	49,499	8
NET POSITION, JULY 1	<u>9,128,068</u>	<u>8,542,802</u>	<u>585,266</u>	7
NET POSITION, JUNE 30	<u><u>\$ 9,762,833</u></u>	<u><u>9,128,068</u></u>	<u><u>634,765</u></u>	7 %

The City's property tax rates for debt service in 2015 - 2016 and 2014 - 2015 were \$0.541 and \$0.565 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 \$3,298,149 of fund balance for capital improvements, \$154,325 for road improvements, \$283,194 for debt service, \$267,287 for sewer lateral improvements, and \$35,587 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, 2016**

the government-wide financial statement. The remaining balance of the City's fund balance after subtracting the amounts restricted is \$1,104,563.

BUDGETARY HIGHLIGHTS

The City revised its budget during the fiscal year.

General Fund expenditures were \$757,284 or 25% below budgeted expenditures of \$3,027,615. Overall General Fund expenditures were \$167,862 or 8% higher of the June 30, 2015 year-end total of \$2,102,469. General Fund revenues were \$2,612,288 which was \$14,117 below the budgeted amount of \$2,626,405. Overall General Fund revenues were \$56,222 or 2% above the June 30, 2015 year-end total of \$2,556,066.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets. During the year ended June 30, 2016, the City invested \$317,815 in new capital assets. The balances were as follows:

	June 30	
	2016	2015
Capital assets, net of depreciation:		
Land	\$ 751,951	751,951
Construction in progress	-	3,089
Buildings and improvements	1,456,635	1,316,573
Vehicles and equipment	239,530	205,130
Infrastructure	4,463,295	4,576,205
Total Capital Assets, Net	\$ 6,911,411	6,852,948

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

Long-term debt. At June 30, 2016, 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, 2016			
	Balance June 30 2015	Additions	Reductions	Balance June 30 2016
	Bonds payable	\$ 2,404,990	-	260,000

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, 2016**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- ◆ General sales tax total 39% of the City's General Fund revenues. The general sales tax increased \$31,267 or 3% from 2015.
- ◆ For 2017 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 2% to 3% 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, 2016

ASSETS

Cash and investments	\$ 4,833,389
Taxes receivable	355,189
Prepaid items	35,587
Capital assets:	
Land and construction in progress	751,951
Other capital assets, net of depreciation	6,159,460
Total Assets	<u>12,135,576</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding	<u>190,091</u>
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LIABILITIES

Accounts payable	62,530
Accrued payroll and withheld items	18,530
Accrued interest payable	19,054
Noncurrent liabilities:	
Due within one year	275,862
Due in more than one year	2,186,858
Total Liabilities	<u>2,562,834</u>

NET POSITION

Net investment in capital assets	4,472,140
Restricted for:	
Capital improvements	3,298,149
Road improvements	154,325
Debt service	283,194
Sewer lateral improvements	267,287
Unrestricted	<u>1,287,738</u>
Total Net Position	<u><u>\$ 9,762,833</u></u>

CITY OF BLACK JACK, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues		Net Revenues
		Charges	Operating	(Expenses)
		For	Grants And	And Change
FUNCTIONS/PROGRAMS	Expenses	Services	Contributions	In Net Position
Governmental Activities				
Administration	\$ 687,548	-	-	(687,548)
Court clerk	58,612	-	-	(58,612)
Media	12,130	450	-	(11,680)
Police	750,015	81,135	-	(668,880)
Public works	712,979	23,950	351,936	(337,093)
Interest on long-term debt	93,902	-	-	(93,902)
Total Governmental Activities	\$ 2,315,186	105,535	351,936	(1,857,715)
General Revenues				
Taxes				2,213,917
Licenses				19,812
Investment income				4,527
Gain on sale of assets				2,284
Franchise				99,017
Rental				99,627
Other				53,296
Total General Revenues				2,492,480
CHANGE IN NET POSITION				634,765
NET POSITION, JULY 1				9,128,068
NET POSITION, JUNE 30				\$ 9,762,833

See notes to financial statements

CITY OF BLACK JACK, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Debt Service	Totals
ASSETS			
Cash and investments	\$ 4,517,600	315,789	4,833,389
Taxes receivable	349,985	5,204	355,189
Prepaid items	35,587	-	35,587
Total Assets	\$ 4,903,172	320,993	5,224,165
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 62,530	-	62,530
Accrued payroll and withheld items	18,530	-	18,530
Total Liabilities	81,060	-	81,060
 Fund Balances			
Nonspendable - prepaid items	35,587	-	35,587
Restricted for:			
Capital improvements	3,260,350	37,799	3,298,149
Road improvements	154,325	-	154,325
Debt service	-	283,194	283,194
Sewer lateral improvements	267,287	-	267,287
Unassigned	1,104,563	-	1,104,563
Total Fund Balances	4,822,112	320,993	5,143,105
Total Liabilities And Fund Balances	\$ 4,903,172	320,993	5,224,165

CITY OF BLACK JACK, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balances - Governmental Funds	\$ 5,143,105
<p>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 \$10,379,083 and the accumulated depreciation is \$3,467,672.</p>	
	6,911,411
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:</p>	
Accrued interest payable	(19,054)
Compensated absences	(23,449)
Bonds payable and related amounts	(2,439,271)
Unamortized deferred charge on refunding	190,091
	190,091
Total Net Position Of Governmental Activities	\$ 9,762,833

CITY OF BLACK JACK, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>
REVENUES			
Taxes	\$ 2,327,207	337,663	2,664,870
Licenses	19,812	-	19,812
Miscellaneous	24,691	-	24,691
Rental	99,627	-	99,627
Cable support	450	-	450
False alarms	5,699	-	5,699
Fines and court costs	75,436	-	75,436
Inspections	23,775	-	23,775
Permits	175	-	175
Investment income	4,527	-	4,527
Insurance claims	30,889	-	30,889
Total Revenues	<u>2,612,288</u>	<u>337,663</u>	<u>2,949,951</u>
EXPENDITURES			
Current:			
Administration	631,078	-	631,078
Court clerk	57,139	-	57,139
Media	9,297	-	9,297
Police	750,015	-	750,015
Public works	504,987	-	504,987
Capital outlay	317,815	-	317,815
Debt service:			
Principal	-	260,000	260,000
Interest and fiscal charges	-	65,277	65,277
Total Expenditures	<u>2,270,331</u>	<u>325,277</u>	<u>2,595,608</u>
NET CHANGE IN FUND BALANCES	341,957	12,386	354,343
FUND BALANCES, JULY 1	<u>4,480,155</u>	<u>308,607</u>	<u>4,788,762</u>
FUND BALANCES, JUNE 30	<u><u>\$ 4,822,112</u></u>	<u><u>320,993</u></u>	<u><u>5,143,105</u></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, 2016

Net Change In Fund Balances - Governmental Funds \$ 354,343

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 outlay over the capitalization threshold (\$317,815) exceeded depreciation (\$259,352) in the current year. 58,463

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. (9,951)

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

Decrease in accrued interest on bonds	2,600
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Change In Net Position Of Governmental Activities \$ 634,765

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

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)

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. Donated capital assets are recorded at their estimated acquisition value at the date of donation. 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

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

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).

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. There were no encumbrances outstanding at year-end.

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 the possession of an outside party. The City's bank deposits are required by state law to

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

1. Deposits (Continued)

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, 2016, the City's bank balances were entirely secured or collateralized with securities held by the City or by its agent in the City's name.

2. Investments

As of June 30, 2016 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>2,360,943</u>	<u>2,360,943</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.

3. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

3. Fair Value Measurements (Continued)

hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The inputs and methodologies used for valuing investment securities are not necessarily an indication of risk associated with investing in those securities.

All investments are Level 1 at June 30, 2016.

NOTE C - CAPITAL ASSETS

Capital asset activity was as follows:

	For The Year Ended June 30, 2016			Balance June 30 2016
	Balance June 30 2015	Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 751,951	-	-	751,951
Construction in progress	<u>3,089</u>	<u>-</u>	<u>3,089</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>755,040</u>	<u>-</u>	<u>3,089</u>	<u>751,951</u>
Capital assets being depreciated:				
Buildings and improvements	2,712,024	204,228	-	2,916,252
Vehicles and equipment	932,060	86,676	39,239	979,497
Infrastructure	<u>5,701,383</u>	<u>30,000</u>	<u>-</u>	<u>5,731,383</u>
Total Capital Assets Being Depreciated	<u>9,345,467</u>	<u>320,904</u>	<u>39,239</u>	<u>9,627,132</u>
Less - Accumulated depreciation for:				
Buildings and improvements	1,395,451	64,166	-	1,459,617
Vehicles and equipment	726,930	52,276	39,239	739,967
Infrastructure	<u>1,125,178</u>	<u>142,910</u>	<u>-</u>	<u>1,268,088</u>
Total Accumulated Depreciation	<u>3,247,559</u>	<u>259,352</u>	<u>39,239</u>	<u>3,467,672</u>
Total Capital Assets Being Depreciated, Net	<u>6,097,908</u>	<u>61,552</u>	<u>-</u>	<u>6,159,460</u>
Total Capital Assets, Net	<u>\$6,852,948</u>	<u>61,552</u>	<u>3,089</u>	<u>6,911,411</u>

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

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS (Continued)

	For The Year Ended June 30 2016
Administration	\$ 50,935
Media	2,833
Public works	<u>205,584</u>
Total	<u>\$259,352</u>

NOTE D - LONG-TERM DEBT

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

Bonds Payable

	June 30 2016
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>\$2,144,990</u>

The bond payments outstanding including interest payments are as follows:

For The Years Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 270,000	57,163	327,163
2018	275,000	49,062	324,062
2019	94,990	40,813	135,803
2020	285,000	40,812	325,812
2021	290,000	34,400	324,400
2022 - 2024	<u>930,000</u>	<u>55,650</u>	<u>985,650</u>
Total	<u>\$2,144,990</u>	<u>277,900</u>	<u>2,422,890</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:

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

	<u>For The Year Ended June 30, 2016</u>			<u>Balance</u> <u>June 30</u> <u>2016</u>	<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
	<u>Balance</u> <u>June 30</u> <u>2015</u>	<u>Additions</u>	<u>Reductions</u>		
	Bonds payable	\$2,404,990	-		
Compensated absences	13,498	23,449	13,498	23,449	5,862
Series 2012 capital appreciation - interest accretion due March 2019	89,078	28,890	-	117,968	-
Premium	<u>199,305</u>	<u>-</u>	<u>22,992</u>	<u>176,313</u>	<u>-</u>
Total	<u>\$2,706,871</u>	<u>52,339</u>	<u>296,490</u>	<u>2,462,720</u>	<u>275,862</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, 2016.

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 \$16,628 for the year ended June 30, 2016.

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

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, 2016 amounted to \$750,015. 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, 2017.

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 \$4,002,955 in restricted net position, of which \$3,719,761 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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES				
Taxes				
Capital improvement	\$ 448,000	471,520	474,456	2,936
Cigarette	18,000	19,000	20,578	1,578
County road and bridge	84,000	83,000	78,966	(4,034)
Franchise	95,000	100,780	99,017	(1,763)
Gasoline	185,000	183,500	184,147	647
Motor vehicle	81,000	89,250	88,823	(427)
Sales	950,000	1,025,075	1,023,583	(1,492)
Use	90,000	87,500	88,855	1,355
Utility	320,000	282,000	268,782	(13,218)
Total Taxes	<u>2,271,000</u>	<u>2,341,625</u>	<u>2,327,207</u>	<u>(14,418)</u>
Licenses	<u>20,500</u>	<u>19,960</u>	<u>19,812</u>	<u>(148)</u>
Other				
Miscellaneous	25,000	55,490	55,580	90
Rental	117,500	99,640	99,627	(13)
Grants	375,000	-	-	-
Total Other	<u>517,500</u>	<u>155,130</u>	<u>155,207</u>	<u>77</u>
Charges for services				
Cable support	600	450	450	-
False alarms	5,000	5,675	5,699	24
Fines and court costs	66,000	75,220	75,436	216
Inspections	23,000	23,800	23,775	(25)
Permits	300	175	175	-
Total Charges For Services	<u>94,900</u>	<u>105,320</u>	<u>105,535</u>	<u>215</u>
Sewer lateral fees	<u>250</u>	<u>250</u>	<u>-</u>	<u>(250)</u>
Investment income	<u>3,600</u>	<u>4,120</u>	<u>4,527</u>	<u>407</u>
Total Revenues	<u><u>\$ 2,907,750</u></u>	<u><u>2,626,405</u></u>	<u><u>2,612,288</u></u>	<u><u>(14,117)</u></u>

CITY OF BLACK JACK, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Over (Under) Budget
EXPENDITURES				
Administration	\$ 741,959	717,639	662,441	(55,198)
Court clerk	64,363	58,613	57,139	(1,474)
Media	81,271	14,721	9,297	(5,424)
Police	750,015	750,015	750,015	-
Public works	1,513,657	1,486,627	791,439	(695,188)
Total Expenditures	\$ 3,151,265	3,027,615	2,270,331	(757,284)

NOTES:

Budgets and Budgetary Accounting

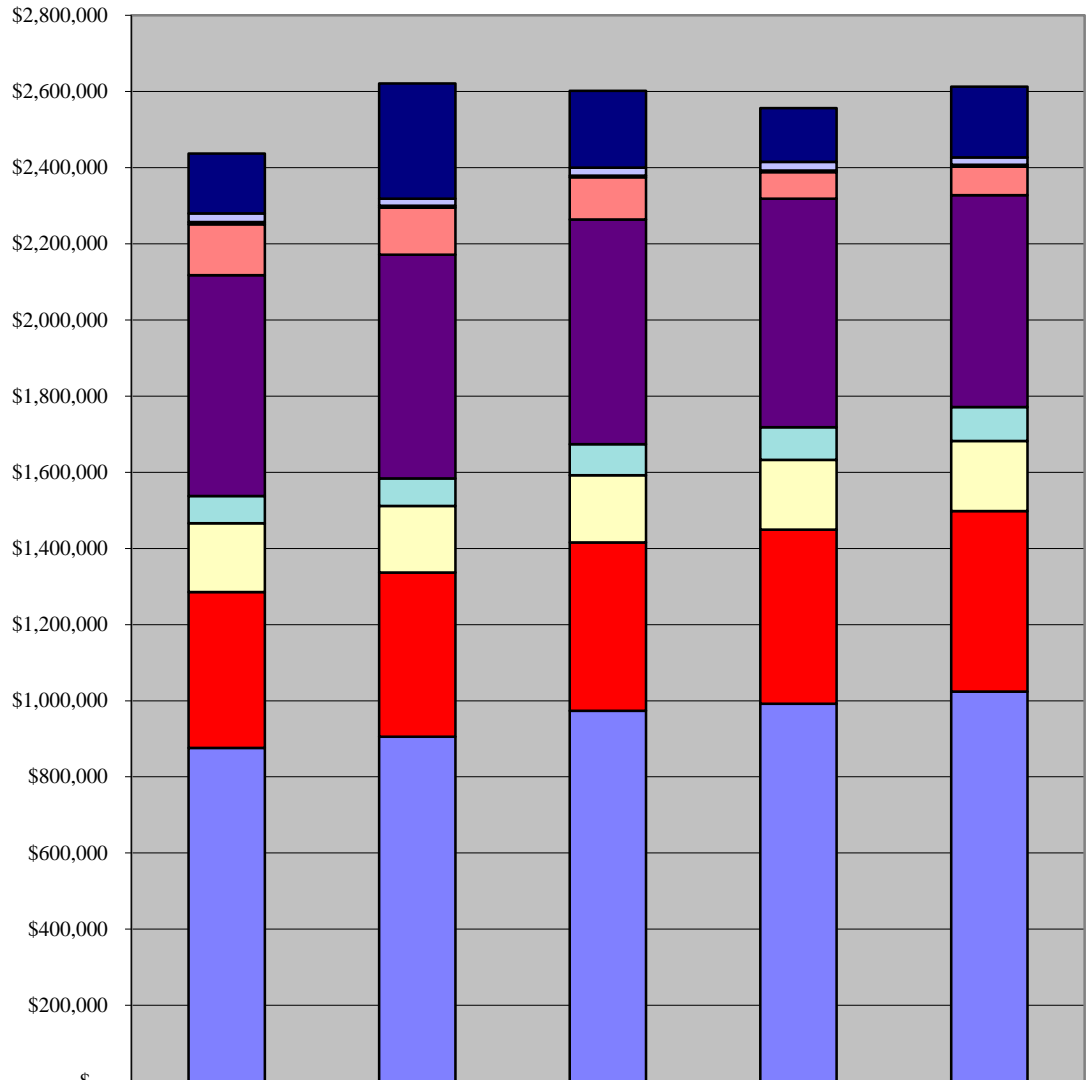
The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. Public 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**

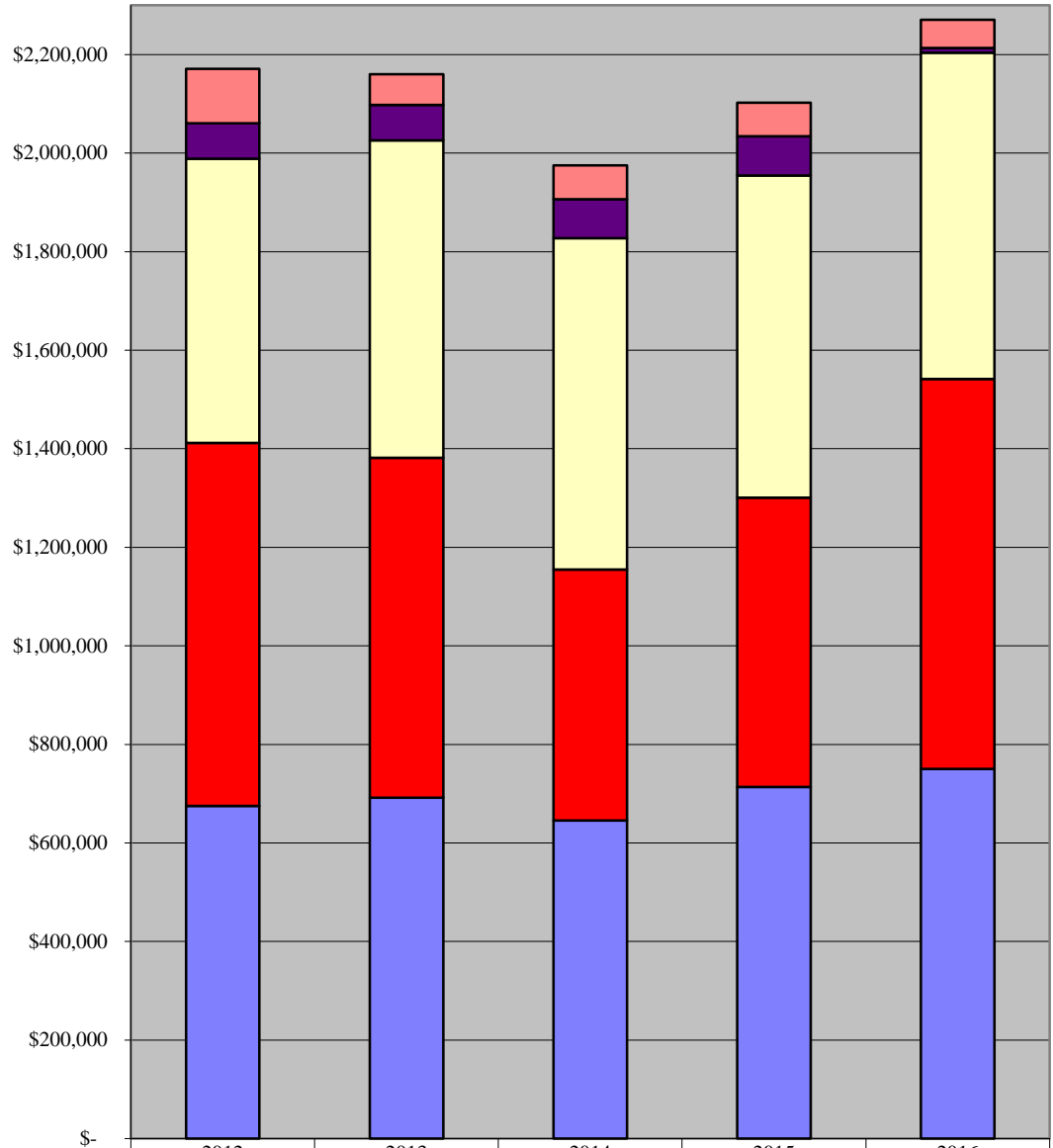
**General Fund Revenues
For The Years Ended June 30**



	2012	2013	2014	2015	2016
Other	\$157,293	302,442	201,231	141,445	185,306
Licenses and permits	22,322	18,929	21,386	22,483	19,812
Investment income	5,839	5,248	3,733	4,370	4,527
Fines and court costs	134,202	123,355	110,868	69,561	75,436
Other taxes	580,062	587,262	590,665	600,248	556,198
Motor vehicle tax	71,249	72,488	80,929	85,438	88,823
Gasoline tax	180,319	174,757	176,702	183,320	184,147
Capital improvement tax	409,770	431,439	442,125	456,885	474,456
Sales tax	875,839	905,266	973,628	992,316	1,023,583

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

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



	2012	2013	2014	2015	2016
■ Court clerk	\$110,561	62,176	68,931	68,553	57,139
■ Media	71,804	72,471	78,702	79,704	9,297
■ Administration	576,798	643,726	672,827	653,573	662,441
■ Public works/Code inspect.	736,991	689,615	509,063	587,163	791,439
■ Police	674,895	692,148	645,711	713,476	750,015

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>
2015	\$64,517,641	2.32%
2014	63,053,446	(0.17)
2013	63,160,860	(5.22)
2012	66,639,287	0.30
2011	66,439,941	(11.90)

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, 2016:

	<u>Assessed</u> <u>Valuation</u>	<u>Assessment</u> <u>Ratio</u>	<u>Estimated</u> <u>Actual</u> <u>Valuation</u>
Real estate:			
Residential	\$50,112,660	19.00%	\$263,750,842
Agricultural	7,600	12.00	63,333
Commercial	1,818,060	32.00	5,681,438
State assessed	<u>2,025,954</u>	32.00	<u>6,331,106</u>
Total Real Estate	53,964,274		275,826,719
Personal property	<u>10,553,367</u>	33.33	<u>31,660,101</u>
Total	<u>\$64,517,641</u>		<u>\$307,486,820</u>

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

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>
2015	\$0.541	0.541	0.541	0.541
2014	0.565	0.565	0.565	0.565
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

Property Tax Collection Record. The following table sets forth property tax collection information for the City for tax years 2012 through 2016.

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*
2016	\$348,469	\$284,474	81.64%	\$69,602	\$354,076	101.61%
2015	356,011	279,178	78.42	74,910	354,088	99.46
2014	309,800	239,176	77.20	83,329	322,505	104.10
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

*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.