

University of Missouri, St. Louis

IRL @ UMSL

UMSLCAB - UMSL's Political Science Millennial
Era Saint Louis Local Curated Area Budgets

Political Science Department

1-1-2007

Financial Report, 2006

City of Black Jack

Follow this and additional works at: <https://irl.umsl.edu/cab>

Recommended Citation

City of Black Jack, "Financial Report, 2006" (2007). *UMSLCAB - UMSL's Political Science Millennial Era Saint Louis Local Curated Area Budgets*. 837.

<https://irl.umsl.edu/cab/837>

This Book is brought to you for free and open access by the Political Science Department at IRL @ UMSL. It has been accepted for inclusion in UMSLCAB - UMSL's Political Science Millennial Era Saint Louis Local Curated Area Budgets by an authorized administrator of IRL @ UMSL. For more information, please contact marvinh@umsl.edu.



SUSAN MONTEE, CPA

Missouri State Auditor

January 11, 2007

City Clerk
City of Black Jack
St. Louis County
12500 Old Jamestown Road
Black Jack, MO 63033

Fiscal Period: One Year Ended June 30, 2006 ✓

Dear City Clerk:

In accordance with Section 105.145, RSMo, we acknowledge receipt of the financial report of your political subdivision for the above-described fiscal period.

Thank you for your cooperation in sending this information.

Sincerely,

SUSAN MONTEE, CPA
STATE AUDITOR

A handwritten signature in cursive script that reads "Judy Buerky".

Judy Buerky
Local Government Analyst



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

**CITY OF BLACK JACK,
MISSOURI**

FINANCIAL REPORT
(Audited)

Year Ended June 30, 2006

CITY OF BLACK JACK, MISSOURI
FINANCIAL REPORT

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet - Governmental Funds	9
Reconciliation of the Balance Sheet to the Statement of Net Assets	10
Statement of Revenues, Expenditures, and Changes in Fund Balances	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Notes to Financial Statements	14
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenue - Budget and Actual	23
Schedule of Expenditures - Budget and Actual	24
OTHER SUPPLEMENTAL INFORMATION	
Graphs	26
COMPLIANCE AND INTERNAL CONTROL	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29



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

INDEPENDENT AUDITORS' REPORT

September 22, 2006

Honorable Mayor and City Council
CITY OF BLACK JACK, MISSOURI

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, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006, 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

- 16100 Chesterfield Parkway West, Suite 125, Chesterfield, Missouri 63017-4829, 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

www.hbclp.com

 POLARIS
INTERNATIONAL

Member: Polaris International with Firms in Principal U.S. and International Cities

reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and required supplementary information, as noted in the table of contents, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of the City's basic financial statements. The other supplemental information, as noted in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hochschild, Bloom + Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF BLACK JACK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

This discussion and analysis 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, 2006. It should be read in conjunction with the City's financial statements (attached).

USING THE ANNUAL REPORT

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole. Fund financial statements report the City's operation in more detail than the government-wide statement by providing information about the City's General and Capital Projects Funds.

CONDENSED FINANCIAL STATEMENTS

The statement of net assets presents information on the City's assets and liabilities, with the difference between the two being reported as total net assets. Increases or decreases in total net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating. The statement of net assets also provides information on unrestricted and restricted net assets and net assets invested in capital assets, net of related debt. A condensed version of the statement of net assets follows:

	<u>June 30</u>		<u>2006 Change</u>	
	<u>2006</u>	<u>2005</u>	<u>Amount</u>	<u>Percentage</u>
ASSETS				
Current and other assets	\$4,065,827	5,019,076	(953,249)	(19%)
Capital assets, net of depreciation	<u>5,648,069</u>	<u>3,683,582</u>	<u>1,964,487</u>	53
Total Assets	<u>9,713,896</u>	<u>8,702,658</u>	<u>1,011,238</u>	12
LIABILITIES				
Current and other liabilities	1,044,319	531,638	512,681	96
Long-term liabilities	<u>4,241,840</u>	<u>4,395,000</u>	<u>(153,160)</u>	(3)
Total Liabilities	<u>5,286,159</u>	<u>4,926,638</u>	<u>359,521</u>	7
NET ASSETS				
Investment in capital assets, net of related debt	1,520,932	711,418	809,514	114
Restricted	2,612,743	3,951,803	(1,339,060)	(34)
Unrestricted	<u>294,062</u>	<u>(887,201)</u>	<u>1,181,263</u>	133
Total Net Assets	<u>\$4,427,737</u>	<u>3,776,020</u>	<u>651,717</u>	17%

The statement of activities presents information showing how the City's net assets 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 the timing of the cash flows. A condensed version of the statement of activities follows:

CITY OF BLACK JACK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>For The Years</u> <u>Ended June 30</u>		<u>2006 Change</u>	
	<u>2006</u>	<u>2005</u>	<u>Amount</u>	<u>Percentage</u>
REVENUES				
Program revenues:				
Charges for services	\$ 360,470	281,218	79,252	28%
Operating grants and contributions	425,022	436,919	(11,897)	(3)
Capital grants and contributions	208,263	-	208,263	100
General revenues:				
Taxes	1,687,420	1,634,989	52,431	3
Licenses	18,916	18,541	375	2
Other	268,148	194,841	73,307	38
Total Revenues	<u>2,968,239</u>	<u>2,566,508</u>	<u>401,731</u>	16
EXPENSES				
Administration	501,712	538,060	(36,348)	(7)
Boards and commissions	13,358	16,249	(2,891)	(18)
City clerk department	69,372	70,849	(1,477)	(2)
City treasurer department	3,539	3,136	403	13
Community services	9,392	15,889	(6,497)	(41)
Council	46,866	48,451	(1,585)	(3)
Court clerk department	109,555	105,646	3,909	4
Finance department	43,497	46,210	(2,713)	(6)
Mayor department	13,462	13,455	7	-
Media department	126,216	131,000	(4,784)	(4)
Police department	614,736	585,188	29,548	5
Public works - administration	74,490	41,516	32,974	79
Public works - maintenance	294,442	281,872	12,570	4
Public works - parks	17,734	42,700	(24,966)	(58)
Housing code department	201,060	206,172	(5,112)	(2)
Interest on long-term debt	177,091	182,038	(4,947)	(3)
Total Expenses	<u>2,316,522</u>	<u>2,328,431</u>	<u>(11,909)</u>	(1)
CHANGES IN NET ASSETS	<u>\$ 651,717</u>	<u>238,077</u>	<u>413,640</u>	174

The City's property tax rates for street bonds in 2006 were \$0.50 per \$100 of assessed valuation versus \$0.554 per \$100 of assessed valuation in 2005. The collection of sales taxes had a small increase from the 2005 level.

You can think of the City's net assets (the difference between assets 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 assets are 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.

**CITY OF BLACK JACK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

The City has reserved \$862,903 of fund balance for capital improvements, \$168,193 for sewer lateral improvements, and \$33,592 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 unreserved fund balance of the government-wide financial statement. The remaining balance of the City's fund balance after subtracting the amount reserved is \$1,912,158.

BUDGETARY HIGHLIGHTS

The City revised its budget during the fiscal year.

General Fund expenditures were \$252,044 or 10% below budgeted expenditures of \$2,480,086. Overall General Fund expenditures are \$206,561 or 10% above the June 30, 2005 year-end total of \$2,021,481. General Fund revenues were \$1,769 or approximately the same amount budgeted of \$2,431,170. Overall General Fund revenues are \$270,183 or 12% above the June 30, 2005 year-end total of \$2,162,756.

The growth of the economy during the fiscal year ending June 30, 2006 affected most of the budget categories for the fiscal year. Most noticeable are modest increases in the revenue categories of sales tax, fines and court costs, permits, and investment income. Some budget categories declined during this fiscal year, most noticeable are decreases in gasoline and motor vehicle taxes and zoning fees.

During this fiscal year the City received a grant from the Municipal Parks Grant Commission in the amount of \$133,936 for various park improvements. The City also received a grant from the State of Missouri for emergency management expenses in the amount of \$5,190.

During this fiscal year the bond issue funds were utilized to construct major improvements to the City's streets and sidewalks. Phases I through IV are complete and Phases V and VI are in progress at year-end.

CAPITAL ASSETS AND LONG-TERM DEBT

During the year ended June 30, 2006, the City invested \$2,054,397 in new capital assets and had \$54,000 dedicated. The City has no prior year infrastructure to report and has elected not to report major general infrastructure retroactively. The balances were as follows:

	June 30	
	2006	2005
Capital assets, net of depreciation:		
Land	\$ 707,751	707,751
Construction in progress	1,203,880	1,279,740
Buildings and improvements	1,491,122	1,421,074
Vehicles and equipment	242,265	273,292
Infrastructure	2,001,591	-
Furniture and fixtures	1,460	1,725
Total	<u>\$5,648,069</u>	<u>3,683,582</u>

**CITY OF BLACK JACK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

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

At June 30, 2006, the City had general obligation bonds totaling \$4,230,000, which are recorded as government-wide liabilities. The change in the City's long-term bonds during the year ended June 30, 2006 is as follows:

	For The Year Ended June 30, 2006			Balance June 30 2006
	Balance June 30 2005	Additions	Reductions	
	Bonds payable	<u>\$4,395,000</u>	<u>-</u>	

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- ◆ The nation-wide economic recovery has impacted the City's operations to the extent that growth of General Fund tax revenue has increased in comparison to prior years. General sales taxes total 36% of the City's General Fund revenue. The general sales tax increased 3% from 2005. Interest earnings on idle monies increased during 2006, earning an average of 3.65%. The City anticipates interest earnings to average 4.5% in 2006.

- ◆ The State of Missouri is experiencing a significant crunch on its available resources and has begun reducing the reimbursement rates for certain services provided by local governments. We do not yet know the impact these cuts will have on the City's operations for fiscal year 2006.

- ◆ The 2007 budget will include income derived from park grants applied for. It is the policy of the City to apply for all applicable grants to maximize the funds available to maintain and enhance the services we provide to the residents of the City.

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, 314-355-0400.

CITY OF BLACK JACK, MISSOURI**STATEMENT OF NET ASSETS****JUNE 30, 2006****ASSETS**

Cash and investments	\$ 3,670,797
Cash - restricted for court bonds	8,010
Taxes receivable	250,565
Prepaid items	33,592
Bond issue costs	102,863
Land and construction in progress	1,911,631
Other capital assets, net of depreciation	3,736,438
Total Assets	<u>9,713,896</u>

LIABILITIES

Accounts payable	955,132
Accrued payroll and withheld items	22,976
Accrued interest payable	58,201
Court bond liability	8,010
Noncurrent liabilities:	
Due within one year	170,000
Due in more than one year	4,071,840
Total Liabilities	<u>5,286,159</u>

NET ASSETS

Investment in capital assets, net of related debt	1,520,932
Restricted for capital improvements	862,903
Restricted for sewer lateral improvements	168,193
Restricted for streets	1,581,647
Unrestricted	294,062
Total Net Assets	<u>\$ 4,427,737</u>

See notes to financial statements

CITY OF BLACK JACK, MISSOURI

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net Revenues (Expenses) And Changes In Net Assets
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	
Governmental Activities					
Administration	\$ 501,712	800	5,190	20,327	(475,395)
Boards and commissions	13,358	-	-	-	(13,358)
City clerk department	69,372	-	-	-	(69,372)
City treasurer department	3,539	-	-	-	(3,539)
Community services	9,392	-	-	-	(9,392)
Council	46,866	-	-	-	(46,866)
Court clerk department	109,555	-	-	-	(109,555)
Finance department	43,497	-	-	-	(43,497)
Mayor department	13,462	-	-	-	(13,462)
Media department	126,216	450	-	-	(125,766)
Police department	614,736	220,349	-	-	(394,387)
Public works - administration	74,490	-	-	-	(74,490)
Public works - maintenance	294,442	-	419,832	54,000	179,390
Public works - parks	17,734	-	-	133,936	116,202
Housing code department	201,060	138,871	-	-	(62,189)
Interest on long-term debt	177,091	-	-	-	(177,091)
Total Governmental Activities	\$ 2,316,522	360,470	425,022	208,263	(1,322,767)
General Revenues					
Taxes					1,687,420
Licenses					18,916
Other					268,148
Total General Revenues					1,974,484
CHANGE IN NET ASSETS					651,717
NET ASSETS, JULY 1					<u>3,776,020</u>
NET ASSETS, JUNE 30					<u>\$ 4,427,737</u>

See notes to financial statements

CITY OF BLACK JACK, MISSOURI**BALANCE SHEET - GOVERNMENTAL FUNDS****JUNE 30, 2006**

	<u>General</u>	<u>Capital Projects</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 1,239,120	2,431,677	3,670,797
Cash - restricted for bonds	8,010	-	8,010
Taxes receivable	245,894	4,671	250,565
Prepaid items	33,592	-	33,592
	<u>33,592</u>	<u>-</u>	<u>33,592</u>
Total Assets	<u>\$ 1,526,616</u>	<u>2,436,348</u>	<u>3,962,964</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 100,431	854,701	955,132
Accrued payroll and withheld items	22,976	-	22,976
Court bond liability	8,010	-	8,010
Total Liabilities	<u>131,417</u>	<u>854,701</u>	<u>986,118</u>
 Fund Balances			
Reserved for capital improvements	862,903	-	862,903
Reserved for sewer lateral improvements	168,193	-	168,193
Reserved for prepaid items	33,592	-	33,592
Unreserved	330,511	1,581,647	1,912,158
	<u>330,511</u>	<u>1,581,647</u>	<u>1,912,158</u>
Total Fund Balances	<u>1,395,199</u>	<u>1,581,647</u>	<u>2,976,846</u>
Total Liabilities And Fund Balances	<u>\$ 1,526,616</u>	<u>2,436,348</u>	<u>3,962,964</u>

See notes to financial statements

CITY OF BLACK JACK, MISSOURI
RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total Fund Balance - Governmental Funds	\$ 2,976,846
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$7,132,996 and the accumulated depreciation is \$1,484,927.	5,648,069
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(58,201)
Compensated absences	(11,840)
Bonds payable	(4,230,000)
Unamortized bond issuance costs	<u>102,863</u>
Net Assets Of Governmental Activities	<u><u>\$ 4,427,737</u></u>

CITY OF BLACK JACK, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Capital Projects</u>	<u>Totals</u>
REVENUES			
Taxes	\$ 1,699,987	350,134	2,050,121
Licenses	18,916	-	18,916
Other	157,309	110,839	268,148
Cable support	450	-	450
False alarms	6,975	-	6,975
Fines and court costs	213,374	-	213,374
Inspections	31,472	-	31,472
Permits	107,399	-	107,399
Sewer lateral fees	57,131	-	57,131
Zoning fees	800	-	800
Intergovernmental grants	139,126	-	139,126
Total Revenues	<u>2,432,939</u>	<u>460,973</u>	<u>2,893,912</u>
EXPENDITURES			
Current:			
Administration	437,551	-	437,551
Boards and commissions	13,358	-	13,358
City clerk department	69,107	-	69,107
City treasurer department	3,539	-	3,539
Community services	9,392	-	9,392
Council	46,866	-	46,866
Court clerk department	107,532	-	107,532
Finance department	43,497	-	43,497
Mayor department	13,462	-	13,462
Media department	110,486	-	110,486
Police department	614,736	-	614,736
Public works - administration	69,404	-	69,404
Public works - maintenance	235,231	-	235,231
Public works - parks	14,351	-	14,351
Housing code department	200,064	-	200,064
Capital outlay	239,466	1,815,319	2,054,785
Debt service:			
Principal	-	165,000	165,000
Interest and fiscal charges	-	178,191	178,191
Total Expenditures	<u>2,228,042</u>	<u>2,158,510</u>	<u>4,386,552</u>

See notes to financial statements

(Continued)

CITY OF BLACK JACK, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (Continued)
FOR THE YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Capital Projects</u>	<u>Totals</u>
REVENUES OVER (UNDER) EXPENDITURES	204,897	(1,697,537)	(1,492,640)
OTHER FINANCING SOURCES			
Insurance recoveries	<u>20,327</u>	<u>-</u>	<u>20,327</u>
NET CHANGE IN FUND BALANCES	225,224	(1,697,537)	(1,472,313)
FUND BALANCES, JULY 1	<u>1,169,975</u>	<u>3,279,184</u>	<u>4,449,159</u>
FUND BALANCES, JUNE 30	<u><u>\$ 1,395,199</u></u>	<u><u>1,581,647</u></u>	<u><u>2,976,846</u></u>

CITY OF BLACK JACK, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Net Change In Fund Balances \$ (1,472,313)

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

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 (\$2,054,397) exceeded depreciation (\$143,910) in the current year. 1,910,487

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations). 54,000

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayments:

Bonds payable 165,000
 Amortization (5,823)

Compensated absences reduce net assets on the statement of activities, but do not require the use of current finance resource and, therefore, are not reported as expenditures in governmental funds. (734)

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 governmental funds:

Accrued interest on bonds 1,100

Change In Net Assets Of Governmental Activities \$ 651,717

See 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

In evaluating the City as a reporting entity, management has addressed all component units for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. In accordance with GASB Statement No. 14, the City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefit to or impose specific burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. 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 assets 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 fund 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 consid-

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

ered 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. Their expenditures are generally recognized when the related fund liability is incurred.

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. Revenue in this fund is derived from taxes, fees, and other sources.

Capital Projects Fund - This fund is used to account for financial resources designated for the acquisition or construction of major capital facilities and improvements related to the bond issue.

4. Capital Assets

Capital assets, which include buildings and improvements, vehicles and equipment, and furniture and fixtures, 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:

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Capital Assets (Continued)

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

5. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid items. In the fund financial statements, prepaid items are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No offset is required for government-wide financial statements.

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 from expendable available financial resources. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for use for a specific purpose.

8. Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles 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.

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

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 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.

As of June 30, 2006, the carrying amount and bank balance of the City's bank deposits amounted to \$1,379,476 and \$1,415,818, respectively. The bank balance was covered by Federal Deposit Insurance in the amount of \$504,214 and \$906,542 was collateralized by securities held by the pledging financial institution or its agent but not in the City's name. The amount uninsured or uncollateralized amounted to \$5,062. Shortly after the date of this report, the City obtained additional collateral for appropriate compliance.

2. Investments

As of June 30, 2006, the City had the following investments:

<u>Investments</u>	<u>Fair Market Value</u>	<u>Less Than One Year</u>	<u>Credit Risk</u>
Repurchase agreement	\$ 769,000	769,000	N/A
Certificates of deposit	204,214	204,214	N/A
Government securities:			
Federal agency notes	<u>1,530,332</u>	<u>1,530,332</u>	AAA
Total Investments	<u>\$2,503,546</u>	<u>2,503,546</u>	

Investments Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a written investment policy covering credit risk.

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 does not have a written investment policy covering interest rate risk.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not have a written investment policy covering concentration of credit risk.

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS

Capital asset activity was as follows:

	For The Year Ended June 30, 2006			
	Balance			Balance
	June 30	Increases	Decreases	June 30
	2005			2006
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 707,751	-	-	707,751
Construction in progress	1,279,740	1,893,641	1,969,501	1,203,880
Total Capital Assets Not Being Depreciated	1,987,491	1,893,641	1,969,501	1,911,631
Capital assets being depreciated:				
Buildings and improvements	2,180,216	128,935	-	2,309,151
Vehicles and equipment	854,238	28,394	-	882,632
Infrastructure	-	2,026,928	-	2,026,928
Furniture and fixtures	2,654	-	-	2,654
Total Capital Assets Being Depreciated	3,037,108	2,184,257	-	5,221,365
Less - Accumulated depreciation:				
Buildings and improvements	759,142	58,887	-	818,029
Vehicles and equipment	580,946	59,421	-	640,367
Infrastructure	-	25,337	-	25,337
Furniture and fixtures	929	265	-	1,194
Total Accumulated Depreciation	1,341,017	143,910	-	1,484,927
Total Capital Assets Being Depreciated, Net	1,696,091	2,040,347	-	3,736,438
Governmental Activities Capital Assets, Net	\$3,683,582	3,933,988	1,969,501	5,648,069

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

	For The Year Ended June 30, 2006
Governmental activities:	
Administration	\$ 49,919
City clerk department	265
Media department	15,225
Public works - administration	5,086
Public works - maintenance	58,047
Public works - parks	11,659
Housing code department	1,686
Court clerk department	2,023
	\$143,910

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT

Long-term debt consisted of the following:

Governmental Activities

	<u>June 30</u> <u>2006</u>
\$4,500,000 General Obligation Bonds, Series 2004, 2% - 4.75%, due in annual installments through March 2024.	\$4,230,000
Less - current maturities	<u>170,000</u>
	<u>\$4,060,000</u>

The bond payments outstanding including interest payments are as follows:

<u>For The</u> <u>Years Ended</u> <u>June 30</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	\$ 174,604	170,000	344,604
2008	170,354	175,000	345,354
2009	165,104	180,000	345,104
2010	159,479	185,000	344,479
2011	153,004	190,000	343,004
2012 - 2016	651,663	1,070,000	1,721,663
2017 - 2021	406,795	1,315,000	1,721,795
2022 - 2024	<u>90,900</u>	<u>945,000</u>	<u>1,035,900</u>
	<u>\$1,971,903</u>	<u>4,230,000</u>	<u>6,201,903</u>

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

	<u>For The Year Ended June 30, 2006</u>			<u>Balance</u> <u>June 30</u> <u>2006</u>	<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
	<u>Balance</u> <u>June 30</u> <u>2005</u>	<u>Additions</u>	<u>Reductions</u>		
Bonds payable	\$4,395,000	-	165,000	4,230,000	170,000
Compensated absences	<u>11,106</u>	<u>734</u>	<u>-</u>	<u>11,840</u>	<u>-</u>
	<u>\$4,406,106</u>	<u>734</u>	<u>165,000</u>	<u>4,241,840</u>	<u>170,000</u>

The bonds payable are to be liquidated by the Capital Projects Fund. Also, compensated absences are generally liquidated by the General Fund.

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

The City is authorized to issue up to an additional \$2,000,000 in General Obligation Bonds as of June 30, 2006.

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 employee's covered wages. Contributions are fully vested immediately. Contributions to the plan amounted to \$31,284 for the year ended June 30, 2006.

NOTE G - DEFERRED COMPENSATION PLAN

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

NOTE H - COMMITMENTS AND CONTINGENCIES

The City has contracted with the St. Louis County Police Department to provide services. Payments for services for the year ended June 30, 2006 amounted to \$614,736. 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, 2007.

The City has commitments related to street improvement projects totaling \$941,766 at June 30, 2006.

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.

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE I - PROPERTY TAXES (Continued)

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 ASSETS

The government-wide statement of net assets reports \$4,427,737 of restricted net assets, of which \$2,612,743 is restricted by enabling legislation.

NOTE K - PRIOR PERIOD ADJUSTMENT

The previously stated fund balances have been adjusted as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Fund balances, June 30, 2005, as previously reported	\$1,187,297	3,261,862
Interfund receivable/payable	<u>(17,322)</u>	<u>17,322</u>
Fund Balances, June 30, 2005, As Restated	<u>\$1,169,975</u>	<u>3,279,184</u>

REQUIRED SUPPLEMENTAL INFORMATION SECTION

CITY OF BLACK JACK, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
GENERAL REVENUES				
Taxes:				
Capital improvement	\$ 400,000	387,000	388,192	1,192
Cigarette	24,500	24,500	24,261	(239)
County road and bridge	82,000	84,025	84,712	687
Gasoline	195,000	195,000	193,031	(1,969)
Motor vehicle	80,000	84,425	84,958	533
Sales	840,000	867,000	874,053	7,053
Sewer lateral fees	45,000	56,720	57,131	411
Use	45,000	50,100	50,780	680
Total Taxes	<u>1,711,500</u>	<u>1,748,770</u>	<u>1,757,118</u>	<u>8,348</u>
Licenses	<u>13,000</u>	<u>18,750</u>	<u>18,916</u>	<u>166</u>
Other:				
Franchise	45,000	45,000	44,587	(413)
Investment income	15,000	45,550	39,960	(5,590)
Miscellaneous	33,450	24,425	18,825	(5,600)
Rental income	50,000	53,475	53,937	462
Total Other	<u>143,450</u>	<u>168,450</u>	<u>157,309</u>	<u>(11,141)</u>
Total General Revenues	<u>1,867,950</u>	<u>1,935,970</u>	<u>1,933,343</u>	<u>(2,627)</u>
PROGRAM REVENUES				
Charges for services:				
Cable support	600	600	450	(150)
False alarms	6,000	7,000	6,975	(25)
Fines and court costs	213,000	213,850	213,374	(476)
Inspections	25,000	31,500	31,472	(28)
Permits	20,000	107,250	107,399	149
Zoning fees	15,000	1,000	800	(200)
Total Charges For Services	<u>279,600</u>	<u>361,200</u>	<u>360,470</u>	<u>(730)</u>
Operating grants:				
Intergovernmental grants	10,000	134,000	139,126	5,126
Total Program Revenues	<u>289,600</u>	<u>495,200</u>	<u>499,596</u>	<u>4,396</u>
	<u>\$ 2,157,550</u>	<u>2,431,170</u>	<u>2,432,939</u>	<u>1,769</u>

CITY OF BLACK JACK, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Administration	\$ 405,378	446,898	437,551	(9,347)
Boards and commissions	16,250	16,250	13,358	(2,892)
City clerk department	72,011	74,511	69,107	(5,404)
City treasurer department	3,931	3,931	3,539	(392)
Community services	8,200	10,480	9,392	(1,088)
Council	55,638	54,608	46,866	(7,742)
Court clerk department	104,216	113,266	107,532	(5,734)
Finance department	44,051	44,551	43,497	(1,054)
Mayor department	14,484	14,484	13,462	(1,022)
Media department	113,350	113,450	110,486	(2,964)
Police department	614,736	614,736	614,736	-
Public works - administration	81,872	90,872	69,404	(21,468)
Public works - maintenance	339,831	456,631	343,301	(113,330)
Public works - parks	15,786	174,586	140,011	(34,575)
Housing code department	236,752	250,832	205,800	(45,032)
	<u>\$ 2,126,486</u>	<u>2,480,086</u>	<u>2,228,042</u>	<u>(252,044)</u>

NOTES:

Budgets and Budgetary Accounting

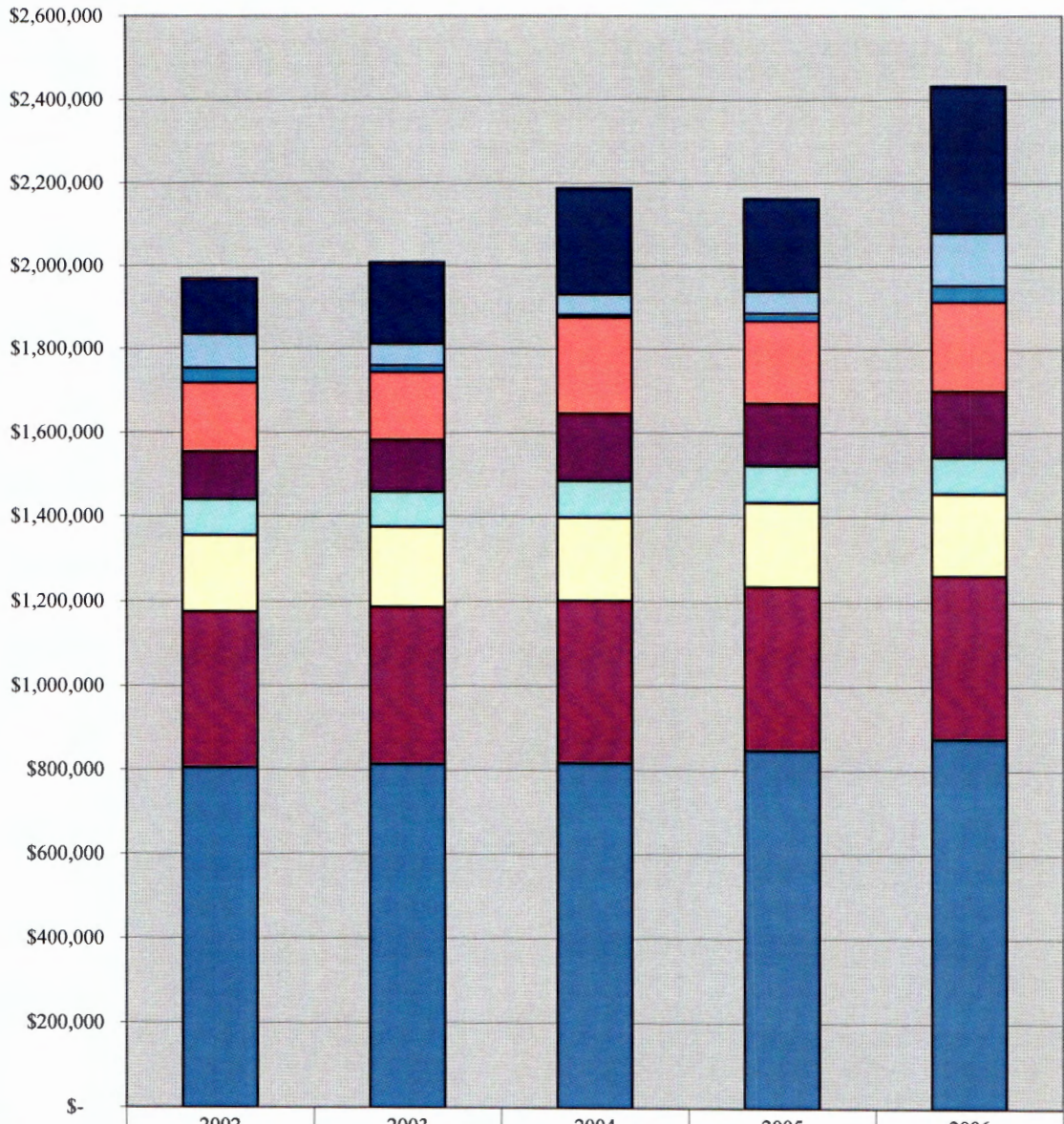
The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 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 U.S. generally accepted accounting principles, 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

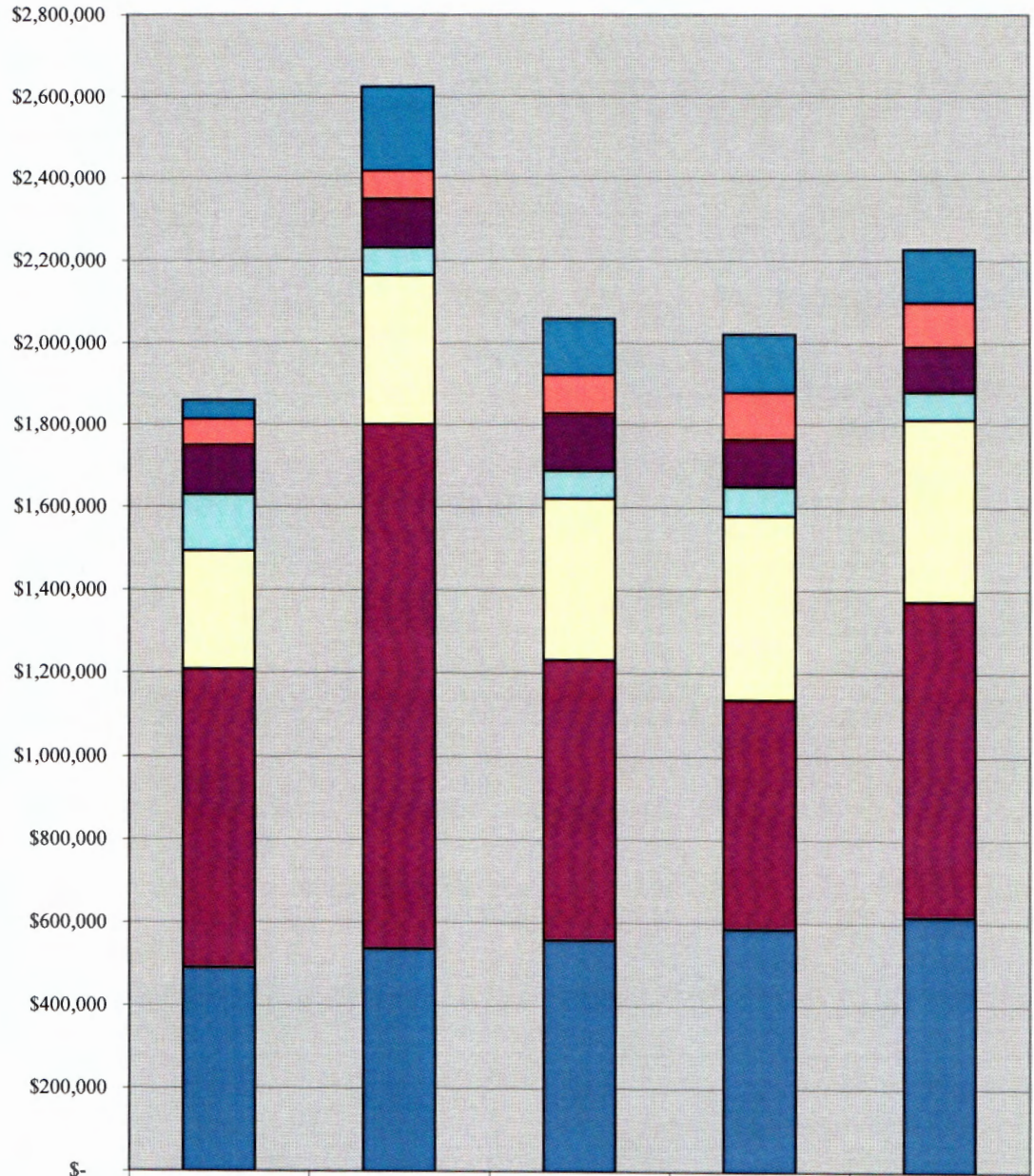
General Fund Revenues For The Years Ended June 30



	2002	2003	2004	2005	2006
Other	135,400	196,953	257,568	224,356	353,303
Licenses and permits	80,009	50,664	48,989	52,813	126,315
Investment income	36,035	16,648	6,640	18,634	39,960
Fines and court costs	165,678	161,097	228,566	196,536	213,374
Other taxes	112,700	124,841	162,269	150,553	159,753
Motor vehicle tax	84,265	82,256	85,381	86,217	84,958
Gasoline tax	181,531	189,525	197,382	198,473	193,031
Capital improvement tax	368,903	371,996	384,588	388,443	388,192
Sales tax	805,099	813,837	816,527	846,731	874,053

CITY OF BLACK JACK, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - GRAPHS

General Fund Expenditures For The Years Ended June 30



	2002	2003	2004	2005	2006
Other departments	45,921	206,550	137,645	143,184	130,114
Court clerk department	65,489	69,303	94,578	116,724	107,532
Media department	118,271	117,598	140,247	112,572	110,486
City clerk department	136,616	66,671	66,664	70,584	69,107
Administration	285,826	364,078	389,480	441,794	437,551
Public works / Code inspect.	716,837	1,264,626	673,011	551,435	758,516
Police department	490,260	535,869	557,583	585,188	614,736

COMPLIANCE AND INTERNAL CONTROL SECTION



Hochschild, Bloom & Company LLP

Certified Public Accountants
Consultants and Advisors

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

September 22, 2006

Honorable Mayor and City Council
CITY OF BLACK JACK, MISSOURI

We have audited the financial statements of the **CITY OF BLACK JACK, MISSOURI** (the City) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 22, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, con-

- 16100 Chesterfield Parkway West, Suite 125, Chesterfield, Missouri 63017-4829, 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

tracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated September 22, 2006.

This report is intended solely for the information and use of management and all applicable regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hochschild, Bloom & Company LLP
CERTIFIED PUBLIC ACCOUNTANTS