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Financial Report, 2007

City of Black Jack

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

**CITY OF BLACK JACK,
MISSOURI**

FINANCIAL REPORT
(Audited)

Year Ended June 30, 2007

**CITY OF BLACK JACK,
MISSOURI**

FINANCIAL REPORT
(Audited)

Year Ended June 30, 2007



Hochschild, Bloom & Company LLP
Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT

December 27, 2007

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, 2007, 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 as of June 30, 2007, 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 December 27, 2007, 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

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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 supplemental 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, 2007

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, 2007. 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>2007 Change</u>	
	<u>2007</u>	<u>2006</u>	<u>Amount</u>	<u>Percent</u>
ASSETS				
Current and other assets	\$2,453,895	4,065,827	(1,611,932)	(40%)
Capital assets, net of depreciation	<u>6,545,498</u>	<u>5,648,069</u>	<u>897,429</u>	16
Total Assets	<u>8,999,393</u>	<u>9,713,896</u>	<u>(714,503)</u>	(7)
LIABILITIES				
Current and other liabilities	114,069	1,044,319	(930,250)	(89)
Long-term liabilities	<u>4,069,861</u>	<u>4,241,840</u>	<u>(171,979)</u>	(4)
Total Liabilities	<u>4,183,930</u>	<u>5,286,159</u>	<u>(1,102,229)</u>	(21)
NET ASSETS				
Investment in capital assets, net of related debt	2,582,538	1,520,932	1,061,606	70
Restricted	2,102,120	2,612,743	(510,623)	(20)
Unrestricted	<u>130,805</u>	<u>294,062</u>	<u>(163,257)</u>	(56)
Total Net Assets	<u>\$4,815,463</u>	<u>4,427,737</u>	<u>387,726</u>	9%

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,
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED**

	^{06/07} For The Years ^{06/06} Ended June 30		2007 \	
	<u>2007</u>	<u>2006</u>	<u>Amount</u>	
REVENUES				
Program revenues:				
Charges for services	\$ 286,268	360,470	(74,202)	(21%)
Operating grants and contributions	504,088	425,022	79,066	19
Capital grants and contributions	2,071	208,263	(206,192)	(99)
General revenues:				
Taxes	1,723,657	1,687,420	36,237	2
Licenses	16,663	18,916	(2,253)	(12)
Other	<u>228,221</u>	<u>268,148</u>	<u>(39,927)</u>	(15)
Total Revenues	<u>2,760,968</u>	<u>2,968,239</u>	<u>(207,271)</u>	(7)
EXPENSES				
Administration	643,816	501,712	142,104	28
Boards and commissions	12,322	13,358	(1,036)	(8)
City clerk department	64,132	69,372	(5,240)	(8)
City treasurer department	3,100	3,539	(439)	(12)
Community services	13,623	9,392	4,231	45
Council	50,543	46,866	3,677	8
Court clerk department	105,374	109,555	(4,181)	(4)
Finance department	45,656	43,497	2,159	5
Mayor department	17,211	13,462	3,749	28
Media department	107,473	126,216	(18,743)	(15)
Police department	645,468	614,736	30,732	5
Public works - administration	67,930	74,490	(6,560)	(9)
Public works - maintenance	175,457	294,442	(118,985)	(40)
Public works - parks	22,664	17,734	4,930	28
Housing code department	224,998	201,060	23,938	12
Interest on long-term debt	<u>173,475</u>	<u>177,091</u>	<u>(3,616)</u>	(2)
Total Expenses	<u>2,373,242</u>	<u>2,316,522</u>	<u>56,720</u>	2
CHANGES IN NET ASSETS	<u>\$ 387,726</u>	<u>651,717</u>	<u>(263,991)</u>	(41%)

The City's property tax rates for street bonds in 2007 and 2006 were \$0.50 per \$100 of assessed valuation. The collection of sales taxes had a small increase from the 2006 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, 2007**

GOVERNMENTAL FUNDS

The City has reserved \$1,068,502 of fund balance for capital improvements, \$211,223 for sewer lateral improvements, and \$30,725 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 \$989,121.

BUDGETARY HIGHLIGHTS

The City revised its budget during the fiscal year.

General Fund expenditures were \$361,572 or 14% below budgeted expenditures of \$2,619,273. Overall General Fund expenditures are \$29,659 or 1% above the June 30, 2006 year-end total of \$2,228,042. General Fund revenues were \$9,443 below the budgeted amount of \$2,347,050. Overall General Fund revenues are \$95,332 or 4% below the June 30, 2006 year-end total of \$2,432,939.

The growth of the economy during the fiscal year ending June 30, 2007 affected most of the budget categories for the fiscal year. Most noticeable are modest increases in the revenue categories of sales tax, use tax, gasoline, and investment income. Some budget categories declined during this fiscal year, most noticeable are decreases in fines and court costs and motor vehicle taxes and franchise tax.

During this fiscal year the City received a grant from the State of Missouri in the amount of \$62,641 for emergency management expenses due to winter storms. The City also received a grant from the St. Louis County Department of Health in the amount of \$775.

During this fiscal year the bond issue funds were utilized to construct major improvements to the City's streets and sidewalks. Phases V through VI are complete and no projects are in progress at year-end.

CAPITAL ASSETS AND LONG-TERM DEBT

During the year ended June 30, 2007, the City invested \$1,096,445 in new capital assets. The balances were as follows:

	<u>June 30</u>	
	<u>2007</u>	<u>2006</u>
Capital assets, net of depreciation:		
Land	\$ 707,751	707,751
Construction in progress	-	1,203,880
Buildings and improvements	1,428,931	1,491,122
Vehicles and equipment	246,778	242,265
Infrastructure	4,160,843	2,001,591
Furniture and fixtures	<u>1,195</u>	<u>1,460</u>
Total	<u>\$6,545,498</u>	<u>5,648,069</u>

**CITY OF BLACK JACK, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

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

At June 30, 2007, the City had general obligation bonds totaling \$4,060,000, which are recorded as government-wide liabilities. The change in the City's long-term bonds during the year ended June 30, 2007 is as follows:

	For The Year Ended June 30, 2007			Balance June 30 2007
	Balance June 30 2006	Additions	Reductions	
	Bonds payable	<u>\$4,230,000</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 44% of the City's General Fund revenue. The general sales tax remained approximately the same from 2007. Interest earnings on idle monies increased during 2007, earning an average of 4.76%. The City anticipates interest earnings to average 5% in 2008.

- ◆ 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 2008.

- ◆ The 2008 budget will include income derived from 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, 2007****ASSETS**

Cash and investments	\$ 2,060,308
Cash - restricted for court bonds	8,918
Taxes receivable	256,904
Prepaid items	30,725
Bond issue costs	97,040
Capital assets:	
Land and construction in progress	707,751
Other capital assets, net of depreciation	<u>5,837,747</u>
Total Assets	<u>8,999,393</u>

LIABILITIES

Accounts payable	31,649
Accrued payroll and withheld items	16,879
Accrued interest payable	56,785
Court bond liability	8,756
Noncurrent liabilities:	
Due within one year	175,000
Due in more than one year	<u>3,894,861</u>
Total Liabilities	<u>4,183,930</u>

NET ASSETS

Investment in capital assets, net of related debt	2,582,538
Restricted for capital improvements	1,068,502
Restricted for sewer lateral improvements	211,223
Restricted for streets	822,395
Unrestricted	<u>130,805</u>
Total Net Assets	<u>\$ 4,815,463</u>

CITY OF BLACK JACK, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

		Program Revenues			Net Revenues
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	(Expenses) And Change In Net Assets
FUNCTIONS/PROGRAMS					
Governmental Activities					
Administration	\$ 643,816	1,770	-	2,071	(639,975)
Boards and commissions	12,322	-	-	-	(12,322)
City clerk department	64,132	-	-	-	(64,132)
City treasurer department	3,100	-	-	-	(3,100)
Community services	13,623	-	-	-	(13,623)
Council	50,543	-	-	-	(50,543)
Court clerk department	105,374	-	-	-	(105,374)
Finance department	45,656	-	-	-	(45,656)
Mayor department	17,211	-	-	-	(17,211)
Media department	107,473	1,450	-	-	(106,023)
Police department	645,468	203,656	-	-	(441,812)
Public works - administration	67,930	-	-	-	(67,930)
Public works - maintenance	175,457	-	440,672	-	265,215
Public works - parks	22,664	-	63,416	-	40,752
Housing code department	224,998	79,392	-	-	(145,606)
Interest on long-term debt	173,475	-	-	-	(173,475)
Total Governmental Activities	\$ 2,373,242	286,268	504,088	2,071	(1,580,815)
General Revenues					
Taxes					1,723,657
Licenses					16,663
Other					228,221
Total General Revenues					1,968,541
CHANGE IN NET ASSETS					387,726
NET ASSETS, JULY 1					4,427,737
NET ASSETS, JUNE 30					\$ 4,815,463

See notes to financial statements

CITY OF BLACK JACK, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Capital Projects	Totals
ASSETS			
Cash and investments	\$ 1,242,438	817,870	2,060,308
Cash - restricted for court bonds	8,918	-	8,918
Taxes receivable	252,379	4,525	256,904
Prepaid items	30,725	-	30,725
	\$ 1,534,460	822,395	2,356,855
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 31,649	-	31,649
Accrued payroll and withheld items	16,879	-	16,879
Court bond liability	8,756	-	8,756
Total Liabilities	57,284	-	57,284
 Fund Balances			
Reserved for capital improvements	1,068,502	-	1,068,502
Reserved for sewer lateral improvements	211,223	-	211,223
Reserved for prepaid items	30,725	-	30,725
Unreserved	166,726	822,395	989,121
Total Fund Balances	1,477,176	822,395	2,299,571
Total Liabilities And Fund Balances	\$ 1,534,460	822,395	2,356,855

See notes to financial statements

CITY OF BLACK JACK, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total Fund Balance - Governmental Funds	\$ 2,299,571
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$8,229,441 and the accumulated depreciation is \$1,683,943.	6,545,498
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest payable	(56,785)
Compensated absences	(9,861)
Bonds payable	(4,060,000)
Unamortized bond issuance costs	<u>97,040</u>
Total Net Assets Of Governmental Activities	<u><u>\$ 4,815,463</u></u>

CITY OF BLACK JACK, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Capital Projects</u>	<u>Totals</u>
REVENUES			
Taxes	\$ 1,739,159	366,846	2,106,005
Licenses	16,663	-	16,663
Other	173,777	54,444	228,221
Cable support	1,450	-	1,450
False alarms	5,652	-	5,652
Fines and court costs	198,004	-	198,004
Inspections	30,600	-	30,600
Permits	48,792	-	48,792
Sewer lateral fees	58,324	-	58,324
Zoning fees	1,770	-	1,770
Intergovernmental grants	63,416	-	63,416
Total Revenues	<u>2,337,607</u>	<u>421,290</u>	<u>2,758,897</u>
EXPENDITURES			
Current:			
Administration	578,099	-	578,099
Boards and commissions	12,322	-	12,322
City clerk department	63,850	-	63,850
City treasurer department	3,100	-	3,100
Community services	13,623	-	13,623
Council	50,543	-	50,543
Court clerk department	103,337	-	103,337
Finance department	45,596	-	45,596
Mayor department	17,211	-	17,211
Media department	110,152	-	110,152
Police department	645,468	-	645,468
Public works - administration	63,807	-	63,807
Public works - maintenance	318,888	-	318,888
Public works - parks	7,450	-	7,450
Housing code department	224,255	-	224,255
Capital outlay	-	835,651	835,651
Debt service:			
Principal	-	170,000	170,000
Interest and fiscal charges	-	174,891	174,891
Total Expenditures	<u>2,257,701</u>	<u>1,180,542</u>	<u>3,438,243</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, 2007

	<u>General</u>	<u>Capital Projects</u>	<u>Totals</u>
REVENUES OVER (UNDER) EXPENDITURES	79,906	(759,252)	(679,346)
OTHER FINANCING SOURCES			
Insurance recoveries	2,071	-	2,071
NET CHANGE IN FUND BALANCES	81,977	(759,252)	(677,275)
FUND BALANCES, JULY 1	1,395,199	1,581,647	2,976,846
FUND BALANCES, JUNE 30	<u>\$ 1,477,176</u>	<u>822,395</u>	<u>2,299,571</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, 2007

Net Change In Fund Balances - Governmental Funds \$ (677,275)

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 (\$1,096,445) exceeded depreciation (\$199,016) in the current year. 897,429

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 170,000

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. 1,979

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:

Increase in accrued interest on bonds 1,416

Change In Net Assets Of Governmental Activities \$ 387,726

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **CITY OF BLACK JACK, MISSOURI** (the City) operates under a Mayor-City government and provides various services including legislative, public safety (police), public improvements, planning and zoning, and general administrative services. The 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 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 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:

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 when payment is due (i.e., matured). 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 (FDIC).

As of June 30, 2007, 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, 2007, 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	\$ 703,000	703,000	AAA
Certificates of deposit	246,679	246,679	N/A
Government securities:			
Federal agency notes	<u>513,845</u>	<u>513,845</u>	AAA
Total Investments	<u>\$1,463,524</u>	<u>1,463,524</u>	

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 pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business and diversifying the portfolio to reduce potential losses on individual securities.

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

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

CITY OF BLACK JACK, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS

Capital asset activity was as follows:

	For The Year Ended June 30, 2007			Balance June 30 2007
	Balance June 30 2006	Increases	Decreases	
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 707,751	-	-	707,751
Construction in progress	<u>1,203,880</u>	<u>848,640</u>	<u>2,052,520</u>	-
Total Capital Assets Not Being Depreciated	<u>1,911,631</u>	<u>848,640</u>	<u>2,052,520</u>	<u>707,751</u>
Capital assets being depreciated:				
Buildings and improvements	2,309,151	-	-	2,309,151
Vehicles and equipment	882,632	62,425	-	945,057
Infrastructure	2,026,928	2,237,900	-	4,264,828
Furniture and fixtures	<u>2,654</u>	<u>-</u>	<u>-</u>	<u>2,654</u>
Total Capital Assets Being Depreciated	<u>5,221,365</u>	<u>2,300,325</u>	<u>-</u>	<u>7,521,690</u>
Less - Accumulated depreciation:				
Buildings and improvements	818,029	62,191	-	880,220
Vehicles and equipment	640,367	57,912	-	698,279
Infrastructure	25,337	78,648	-	103,985
Furniture and fixtures	<u>1,194</u>	<u>265</u>	<u>-</u>	<u>1,459</u>
Total Accumulated Depre- ciation	<u>1,484,927</u>	<u>199,016</u>	<u>-</u>	<u>1,683,943</u>
Total Capital Assets Being Depreciated, Net	<u>3,736,438</u>	<u>2,101,309</u>	<u>-</u>	<u>5,837,747</u>
 Governmental Activities Capital Assets, Net	 <u>\$5,648,069</u>	 <u>2,949,949</u>	 <u>2,052,520</u>	 <u>6,545,498</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 <u>June 30, 2007</u>
Governmental activities:	
Administration	\$ 48,399
City clerk department	265
Media department	14,336
Public works - administration	4,123
Public works - maintenance	112,684
Public works - parks	15,214
Housing code department	1,972
Court clerk department	<u>2,023</u>
	<u>\$199,016</u>

NOTE D - LONG-TERM DEBT

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

	June 30 <u>2007</u>
\$4,500,000 General Obligation Bonds, Series 2004, 2% - 4.75%, due in annual installments through March 2024.	<u>\$4,060,000</u>

The bond payments outstanding including interest payments are as follows:

For The Years Ended <u>June 30</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
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	146,354	200,000	346,354
2013 - 2017	608,769	1,110,000	1,718,769
2018 - 2022	347,922	1,375,000	1,722,922
2023 - 2024	<u>46,313</u>	<u>645,000</u>	<u>691,313</u>
	<u>\$1,797,299</u>	<u>4,060,000</u>	<u>5,857,299</u>

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, 2007</u>			Balance June 30 2007	Amounts Due Within One Year
	Balance June 30 2006	Additions	Reductions		
	Bonds payable	\$4,230,000	-		
Compensated absences	<u>11,840</u>	<u>-</u>	<u>1,979</u>	<u>9,861</u>	<u>-</u>
	<u>\$4,241,840</u>	<u>-</u>	<u>171,979</u>	<u>4,069,861</u>	<u>175,000</u>

The bonds payable are to be liquidated by the Capital Projects Fund. Also, 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, 2007.

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 \$31,313 for the year ended June 30, 2007.

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, 2007 amounted to \$645,468. 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, 2012.

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 ASSETS

The government-wide statement of net assets reports \$4,815,463 in net assets, of which \$2,102,120 is restricted by enabling legislation.

REQUIRED SUPPLEMENTAL INFORMATION SECTION

CITY OF BLACK JACK, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
GENERAL REVENUES				
Taxes:				
Capital improvement	\$ 380,000	397,500	402,309	4,809
Cigarette	24,000	24,000	23,255	(745)
County road and bridge	90,000	90,000	88,993	(1,007)
Gasoline	185,000	196,300	197,671	1,371
Motor vehicle	75,000	96,800	95,684	(1,116)
Sales	870,000	871,100	871,378	278
Sewer lateral fees	55,000	58,900	58,324	(576)
Use	42,000	58,700	59,869	1,169
Total Taxes	<u>1,721,000</u>	<u>1,793,300</u>	<u>1,797,483</u>	<u>4,183</u>
Licenses	<u>13,200</u>	<u>16,800</u>	<u>16,663</u>	<u>(137)</u>
Other:				
Franchise	45,000	45,000	43,638	(1,362)
Investment income	25,000	52,000	56,233	4,233
Miscellaneous	20,050	33,800	20,206	(13,594)
Rental income	50,400	53,750	53,700	(50)
Total Other	<u>140,450</u>	<u>184,550</u>	<u>173,777</u>	<u>(10,773)</u>
Total General Revenues	<u>1,874,650</u>	<u>1,994,650</u>	<u>1,987,923</u>	<u>(6,727)</u>
PROGRAM REVENUES				
Charges for services:				
Cable support	1,500	1,700	1,450	(250)
False alarms	7,500	6,000	5,652	(348)
Fines and court costs	170,000	199,200	198,004	(1,196)
Inspections	20,000	31,000	30,600	(400)
Permits	10,000	49,000	48,792	(208)
Zoning fees	1,000	1,800	1,770	(30)
Total Charges For Services	<u>210,000</u>	<u>288,700</u>	<u>286,268</u>	<u>(2,432)</u>
Operating grants:				
Intergovernmental grants	<u>25,000</u>	<u>63,700</u>	<u>63,416</u>	<u>(284)</u>
Total Program Revenues	<u>235,000</u>	<u>352,400</u>	<u>349,684</u>	<u>(2,716)</u>
	<u>\$ 2,109,650</u>	<u>2,347,050</u>	<u>2,337,607</u>	<u>(9,443)</u>

CITY OF BLACK JACK, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES				
Administration	\$ 525,510	641,509	578,099	(63,410)
Boards and commissions	16,960	16,360	12,322	(4,038)
City clerk department	77,274	77,424	63,850	(13,574)
City treasurer department	3,775	3,675	3,100	(575)
Community services	13,300	14,100	13,623	(477)
Council	53,988	53,688	50,543	(3,145)
Court clerk department	99,220	111,320	103,337	(7,983)
Finance department	45,969	45,469	45,596	127
Mayor department	14,434	14,164	17,211	3,047
Media department	132,372	132,522	110,152	(22,370)
Police department	645,468	645,468	645,468	-
Public works - administration	110,022	98,872	63,807	(35,065)
Public works - maintenance	531,885	479,795	318,888	(160,907)
Public works - parks	8,450	9,050	7,450	(1,600)
Housing code department	280,657	275,857	224,255	(51,602)
	<u>\$ 2,559,284</u>	<u>2,619,273</u>	<u>2,257,701</u>	<u>(361,572)</u>

NOTES:

Budgets and Budgetary Accounting

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

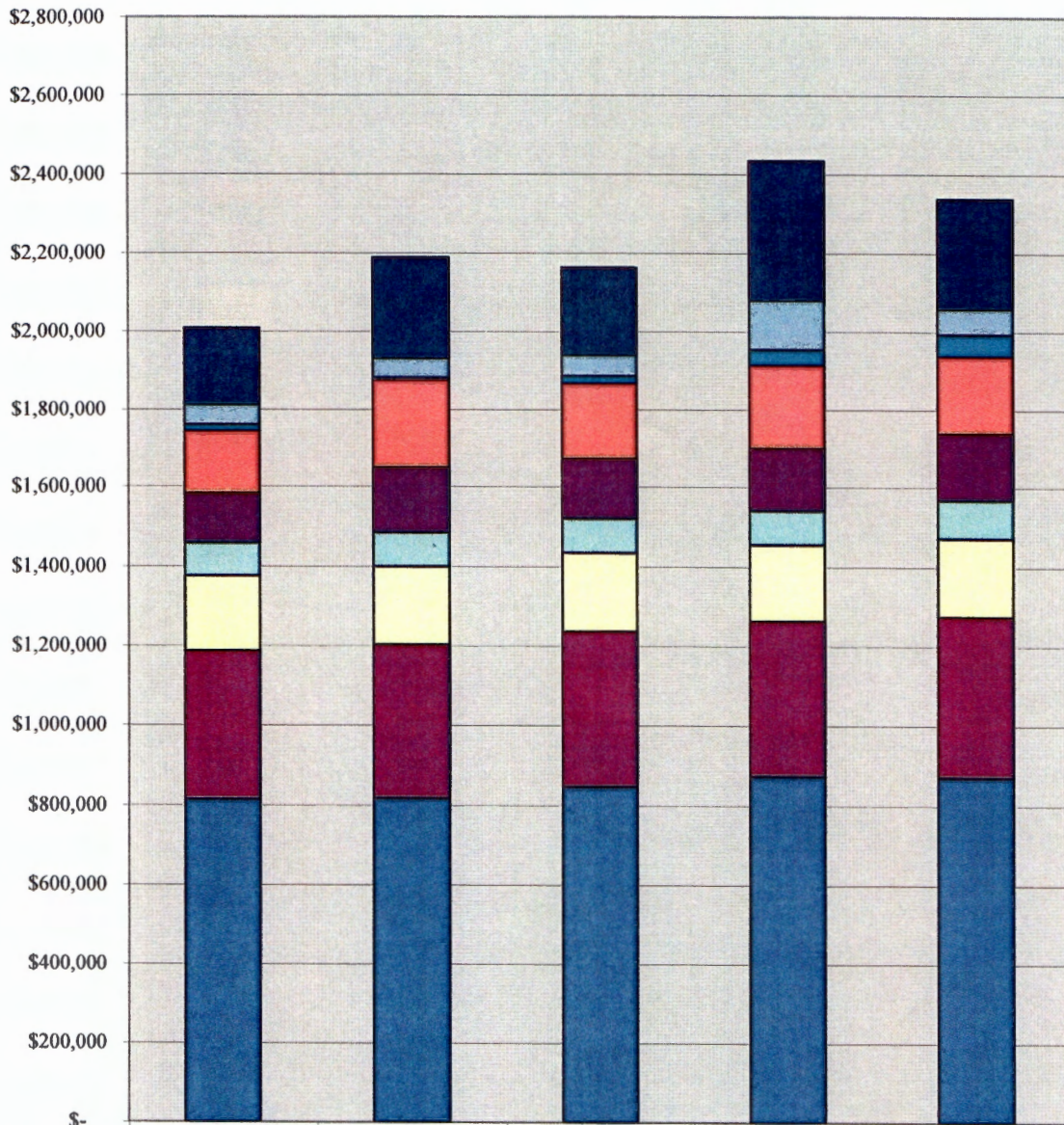
- a. Public hearing meetings are held to obtain taxpayer comments.
- b. Prior to July 1, the budget is adopted by the City Council.
- c. Budgets are adopted for the General Fund on a basis generally consistent with U.S. generally accepted accounting principles, except that the capital outlay and related 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.

CITY OF BLACK JACK, MISSOURI
OTHER SUPPLEMENTAL INFORMATION

OTHER SUPPLEMENTAL INFORMATION SECTION

CITY OF BLACK JACK, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - GRAPHS

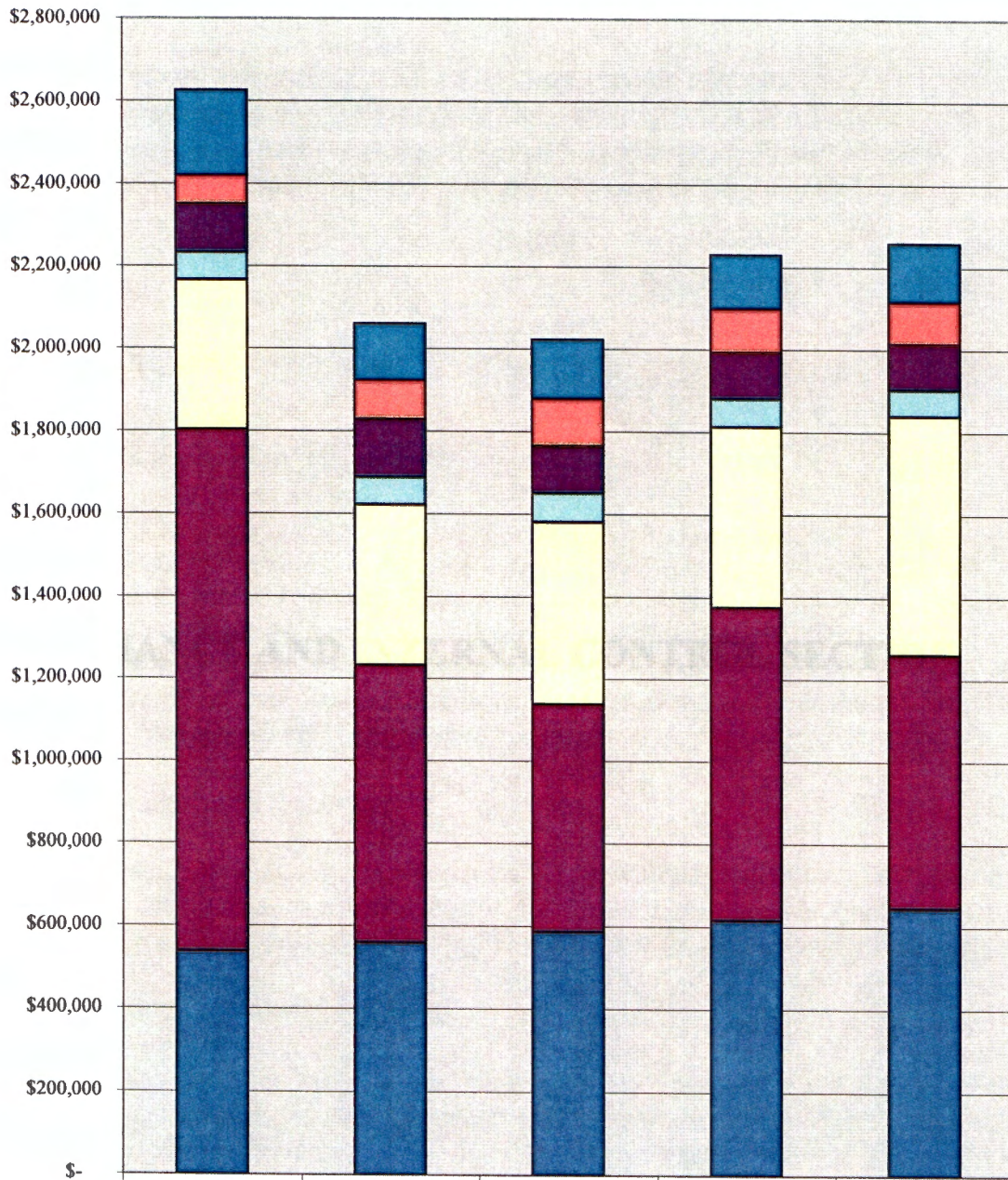
General Fund Revenues For The Years Ended June 30



	2003	2004	2005	2006	2007
Other	196,953	257,568	224,356	353,303	278,756
Licenses and permits	50,664	48,989	52,813	126,315	65,455
Investment income	16,648	6,640	18,634	39,960	56,233
Fines and court costs	161,097	228,566	196,536	213,374	198,004
Other taxes	124,841	162,269	150,553	159,753	172,117
Motor vehicle tax	82,256	85,381	86,217	84,958	95,684
Gasoline tax	189,525	197,382	198,473	193,031	197,671
Capital improvement tax	371,996	384,588	388,443	388,192	402,309
Sales tax	813,837	816,527	846,731	874,053	871,378

CITY OF BLACK JACK, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - GRAPHS

General Fund Expenditures For The Years Ended June 30



	2003	2004	2005	2006	2007
Other departments	206,550	137,645	143,184	130,114	142,395
Court clerk department	69,303	94,578	116,724	107,532	103,337
Media department	117,598	140,247	112,572	110,486	110,152
City clerk department	66,671	66,664	70,584	69,107	63,850
Administration	364,078	389,480	441,794	437,551	578,099
Public works / Code inspect.	1,264,626	673,011	551,435	758,516	614,400
Police department	535,869	557,583	585,188	614,736	645,468

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***

December 27, 2007

Honorable Mayor and City Council
CITY OF BLACK JACK, MISSOURI

We have audited the 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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 27, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, contracts, 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*.

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
CERTIFIED PUBLIC ACCOUNTANTS