

CITY OF ST. MARY, MISSOURI  
St. Mary, Missouri

For the Year Ended September 30, 2014

ANNUAL FINANCIAL REPORT

**BEUSSINK, HEY, ROE & STRODER, L.L.C.**

*Certified Public Accountants*

## TABLE OF CONTENTS

<u>FINANCIAL SECTION</u>		<u>Page No.</u>
Independent Auditors' Report		1-3
Independent Auditors' 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>		4-5
<u>BASIC FINANCIAL STATEMENTS</u>		
Statement 1	Statement of Net Position – Modified Cash Basis	6
Statement 2	Statement of Activities – Modified Cash Basis	7
Statement 3	Statement of Assets, Liabilities, and Fund Balances – Modified Cash Basis – Governmental Funds	8
Statement 3-A	Reconciliation of the Statement of Assets, Liabilities, and Fund Balances to the Statement of Net Assets – Modified Cash Basis – Governmental Funds	9
Statement 4	Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balances – Modified Cash Basis – Governmental Funds	10
Statement 4-A	Reconciliation of the Statement of Revenues Received, Expenditures Paid, and Changes in Fund Balances to the Statement of Activities – Modified Cash Basis – Governmental Funds	11
Statement 5	Statement of Net Position – Modified Cash Basis – Proprietary Funds	12
Statement 6	Statement of Revenues Received, Expenses Paid, and Changes in Fund Net Position – Modified Cash Basis – Proprietary Funds	13
Statement 7	Statement of Cash Flows – Modified Cash Basis – Proprietary Funds	14
Notes to Basic Financial Statements		15-31
<u>SUPPLEMENTARY INFORMATION</u>		
Exhibit 1	Budgetary Comparison Schedule – Modified Cash Basis – General Fund	32-33
Exhibit 2	Retirement Plan – Schedule of Funding Progress	34
Exhibit 3	Schedule of Findings	35

# BEUSSINK, HEY, ROE & STRODER, L.L.C.

## *Certified Public Accountants*

DEBRA BEUSSINK EUDY, CPA

JERRY W. ROE, CPA

EVERETT E. HEY, CPA  
(1955 - 2014)

16 South Silver Springs Road  
Cape Girardeau, Missouri 63703  
Telephone (573) 334-7971  
Facsimile (573) 334-8875

JEFFREY C. STRODER, CPA

SCOTT J. ROE, CPA

DAVID E. PRASANPHANICH, CPA

### INDEPENDENT AUDITORS' REPORT

To the Mayor and Board of Aldermen  
City of St. Mary, Missouri

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of St. Mary, Missouri, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

#### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of St. Mary, Missouri, as of September 30, 2014, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

### Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### Other Matters

#### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Mary, Missouri's basic financial statements. The budgetary comparison schedules and retirement plan – schedule of funding progress are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules and retirement plan – schedule of funding progress are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and retirement plan – schedule of funding progress are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2015, on our consideration of the City of St. Mary, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of St. Mary, Missouri's internal control over financial reporting and compliance.

BEUSSINK, HEY, ROE & STRODER, L.L.C.

*Beussink, Hey, Roe & Stroder, L.L.C.*

Cape Girardeau, Missouri  
January 10, 2015

# BEUSSINK, HEY, ROE & STRODER, L.L.C.

## *Certified Public Accountants*

DEBRA BEUSSINK EUDY, CPA

JERRY W. ROE, CPA

EVERETT E. HEY, CPA  
(1955 - 2014)

16 South Silver Springs Road  
Cape Girardeau, Missouri 63703  
Telephone (573) 334-7971  
Facsimile (573) 334-8875

JEFFREY C. STRODER, CPA

SCOTT J. ROE, CPA

DAVID E. PRASANPHANICH, CPA

### INDEPENDENT AUDITORS' 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

To the Mayor and Board of Aldermen  
City of St. Mary, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of St. Mary, Missouri, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of St. Mary, Missouri's basic financial statements and have issued our report thereon dated January 10, 2015.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of St. Mary, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of St. Mary, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of St. Mary, Missouri's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item 2014-001 to be a material weakness. A significant deficiency is a deficiency, or a

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of St. Mary, Missouri's financial statements are free from 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*.

#### City of St. Mary, Missouri's Response to Finding

City of St. Mary, Missouri's response to the finding identified in our audit are described in the accompanying Schedule of Findings. City of St. Mary, Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BEUSSINK, HEY, ROE & STRODER, L.L.C.

*Beussink, Hey, Roe & Stroder, L.L.C.*

Cape Girardeau, Missouri  
January 10, 2015

BASIC FINANCIAL STATEMENTS



## CITY OF ST. MARY, MISSOURI

STATEMENT OF NET POSITION -  
MODIFIED CASH BASIS

September 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS:</u>			
Cash	\$ 165,954	\$ 145,464	\$ 311,418
Restricted Cash	-	251,652	251,652
Internal Balances	(846)	846	-
Total Current Assets	<u>\$ 165,108</u>	<u>\$ 397,962</u>	<u>\$ 563,070</u>
<u>CAPITAL ASSETS:</u>			
Land	\$ 33,500	\$ 27,467	\$ 60,967
Buildings, Equipment, and Vehicles, Net	213,978	225,872	439,850
Roads and Bridges, Net	127,366	-	127,366
Water and Sewer System, Net	-	2,847,862	2,847,862
Total Capital Assets, Net	<u>\$ 374,844</u>	<u>\$ 3,101,201</u>	<u>\$ 3,476,045</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 539,952</b></u>	<u><b>\$ 3,499,163</b></u>	<u><b>\$ 4,039,115</b></u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES:</u>			
Payroll Withholdings	\$ 453	\$ 1,104	\$ 1,557
Due to Others	11,431	-	11,431
Note Payable	3,000	-	3,000
Customer Deposits Payable	-	5,809	5,809
Revenue Bonds Payable	-	8,569	8,569
Total Current Liabilities	<u>\$ 14,884</u>	<u>\$ 15,482</u>	<u>\$ 30,366</u>
<u>LONG-TERM LIABILITIES:</u>			
Long-Term Debt Net of Current Portion:			
Revenue Bonds Payable	\$ -	\$ 817,372	\$ 817,372
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ 817,372</u>	<u>\$ 817,372</u>
<b>TOTAL LIABILITIES</b>	<u><b>\$ 14,884</b></u>	<u><b>\$ 832,854</b></u>	<u><b>\$ 847,738</b></u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	\$ 374,844	\$ 2,275,260	\$ 2,650,104
Restricted For:			
Transportation	3,211	-	3,211
Debt Service	-	34,735	34,735
Capital Projects	-	178,939	178,939
Deposits	-	13,732	13,732
Unrestricted	<u>147,013</u>	<u>163,643</u>	<u>310,656</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 525,068</b></u>	<u><b>\$ 2,666,309</b></u>	<u><b>\$ 3,191,377</b></u>

See Accompanying Notes to the Basic Financial Statement.

## CITY OF ST. MARY, MISSOURI

STATEMENT OF ACTIVITIES -  
MODIFIED CASH BASIS

Year Ended September 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 68,347	\$ 17,751	\$ -	\$ 167,187	\$ 116,591	\$ -	\$ 116,591
Cemetery	6,125	-	-	-	(6,125)	-	(6,125)
Park	3,991	-	-	-	(3,991)	-	(3,991)
Street	40,820	-	-	-	(40,820)	-	(40,820)
Public Safety	67,045	3,406	-	1,250	(62,389)	-	(62,389)
Total Governmental Activities	\$ 186,328	\$ 21,157	\$ -	\$ 168,437	\$ 3,266	\$ -	\$ 3,266
<b>Business-Type Activities:</b>							
Water	\$ 163,533	\$ 121,888	\$ -	\$ -	\$ -	\$ (41,645)	\$ (41,645)
Sewer	110,975	89,743	-	76,229	-	54,997	54,997
	\$ 274,508	\$ 211,631	\$ -	\$ 76,229	\$ -	\$ 13,352	\$ 13,352
Total	\$ 460,836	\$ 232,788	\$ -	\$ 244,666	\$ 3,266	\$ 13,352	\$ 16,618
<b>General Revenues:</b>							
Taxes:							
Property Taxes					\$ 72,323	\$ -	\$ 72,323
Motor Fuel Tax					13,495	-	13,495
Railroad & Utilities Tax					2,744	-	2,744
Sales and Use Taxes					48,564	-	48,564
Interest Income					463	1,188	1,651
Donations					7,615	-	7,615
Other Income					3,309	11,423	14,732
Total General Revenues					\$ 148,513	\$ 12,611	\$ 161,124
Change in Net Position					\$ 151,779	\$ 25,963	\$ 177,742
Net Position - October 1, 2013					373,289	2,640,346	3,013,635
Net Position - September 30, 2014					\$ 525,068	\$ 2,666,309	\$ 3,191,377

See Accompanying Notes to the Basic Financial Statements.

## STATEMENT 3

CITY OF ST. MARY, MISSOURISTATEMENT OF ASSETS, LIABILITIES, AND FUND  
BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

As of September 30, 2014

<u>ASSETS</u>	<u>General Fund</u>
<u>CURRENT ASSETS:</u>	
Cash	\$ 165,954
TOTAL ASSETS	<u>\$ 165,954</u>
 <u>LIABILITIES AND FUND BALANCES</u>	
<u>LIABILITIES:</u>	
Payroll Withholdings	\$ 453
Due to Other Funds	846
Due to Others	<u>11,431</u>
TOTAL LIABILITIES	<u>\$ 12,730</u>
 <u>FUND BALANCES:</u>	
Unassigned	\$ 153,224
TOTAL FUND BALANCES	<u>\$ 153,224</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 165,954</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF ST. MARY, MISSOURI

RECONCILIATION OF THE STATEMENT OF ASSETS,  
LIABILITIES, AND FUND BALANCES TO THE STATEMENT  
OF NET ASSETS - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

September 30, 2014

Total fund balance - total governmental funds (Statement 3)	\$ 153,224
Amounts reported for governmental activities in the statement of net assets are different because:	
Some liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	(3,000)
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet, net of accumulated depreciation of \$472,379.	<u>374,844</u>
Net position of governmental activities (Statement 1)	<u>\$ 525,068</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF ST. MARY, MISSOURISTATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID, AND CHANGES IN  
FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2014

	<u>General Fund</u>
<u>REVENUES RECEIVED:</u>	
Taxes	\$ 137,126
Licenses and Permits	4,629
Fines and Costs	3,406
Interest	463
Charges for Services	13,122
Grant Revenue	1,250
Donations	7,615
Other	<u>3,309</u>
TOTAL REVENUES RECEIVED	<u>\$ 170,920</u>
<u>EXPENDITURES PAID:</u>	
General Government	\$ 64,384
Street	26,691
Cemetary	5,864
Park	3,916
Public Safety	<u>61,972</u>
TOTAL EXPENDITURES PAID	<u>\$ 162,827</u>
EXCESS (DEFICIENCY) OF REVENUES RECEIVED OVER EXPENDITURES PAID	\$ 8,093
FUND BALANCE, October 1, 2013	<u>145,131</u>
FUND BALANCE, September 30, 2014	<u><u>\$ 153,224</u></u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF ST. MARY, MISSOURIRECONCILIATION OF THE STATEMENT OF REVENUES RECEIVED,  
EXPENDITURES PAID, AND CHANGES IN FUND BALANCES TO THE  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2014

Net Change in fund balances - total governmental funds (Statement 4)	\$ 8,093
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets expended in the current period.	2,153
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(25,654)
Capital contributions are not reported in the governmental funds. However, in the statement of activities, the value of capital assets received is recognized at the estimated fair value of the asset.	<u>167,187</u>
Change in net position of governmental activities (Statement 2)	<u>\$ 151,779</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF ST. MARY, MISSOURISTATEMENT OF NET POSITION -  
MODIFIED CASH BASIS - PROPRIETARY FUNDS

September 30, 2014

<u>ASSETS</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>CURRENT ASSETS :</u>			
Cash	\$ 41,369	\$ 104,095	\$ 145,464
Restricted Cash	67,144	184,508	251,652
Due from Other Funds	423	423	846
Total Current Assets	<u>\$ 108,936</u>	<u>\$ 289,026</u>	<u>\$ 397,962</u>
<u>CAPITAL ASSETS :</u>			
Land	\$ 16,867	\$ 10,600	\$ 27,467
Equipment and Vehicles	125,026	855,575	980,601
Infrastructure	2,635,329	1,186,720	3,822,049
Less: Accumulated Depreciation	<u>(545,825)</u>	<u>(1,183,091)</u>	<u>(1,728,916)</u>
Net Capital Assets	<u>\$ 2,231,397</u>	<u>\$ 869,804</u>	<u>\$ 3,101,201</u>
TOTAL ASSETS	<u>\$ 2,340,333</u>	<u>\$ 1,158,830</u>	<u>\$ 3,499,163</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES :</u>			
Customer Deposits Payable	\$ 5,809	\$ -	\$ 5,809
Payroll Liabilities	417	687	1,104
Revenue Bonds Payable	<u>6,699</u>	<u>1,870</u>	<u>8,569</u>
Total Current Liabilities	<u>\$ 12,925</u>	<u>\$ 2,557</u>	<u>\$ 15,482</u>
<u>LONG-TERM LIABILITIES :</u>			
Long-Term Debt, Net of Current Portion:			
Revenue Bonds Payable	\$ 385,077	\$ 432,295	\$ 817,372
Total Long-Term Liabilities	<u>\$ 385,077</u>	<u>\$ 432,295</u>	<u>\$ 817,372</u>
TOTAL LIABILITIES	<u>\$ 398,002</u>	<u>\$ 434,852</u>	<u>\$ 832,854</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	\$ 1,839,621	\$ 435,639	\$ 2,275,260
Restricted For:			
Debt Service	10,767	23,968	34,735
Deposits	13,732	-	13,732
Capital Projects	42,646	136,293	178,939
Unrestricted	<u>35,565</u>	<u>128,078</u>	<u>163,643</u>
TOTAL NET POSITION	<u>\$ 1,942,331</u>	<u>\$ 723,978</u>	<u>\$ 2,666,309</u>

See Accompanying Notes to the Basic Financial Statements.

## CITY OF ST. MARY, MISSOURI

STATEMENT OF REVENUES RECEIVED, EXPENSES PAID, AND CHANGES IN FUND  
NET POSITION - MODIFIED CASH BASIS - PROPRIETARY FUNDS

For the Year Ended September 30, 2014

	Water and Sewer System Fund	Sewer Fund	Total
<u>OPERATING REVENUES RECEIVED:</u>			
Water Sales	\$ 121,888	\$ -	\$ 121,888
Sewer Fees	-	89,743	89,743
Miscellaneous	11,423	-	11,423
TOTAL OPERATING REVENUES RECEIVED	<u>\$ 133,311</u>	<u>\$ 89,743</u>	<u>\$ 223,054</u>
<u>OPERATING EXPENSES PAID:</u>			
Dues and Subscriptions	\$ 76	\$ -	\$ 76
Fees	2,432	1,414	3,846
Gasoline, Oil, and Fuel	979	979	1,958
Insurance	6,168	5,250	11,418
Miscellaneous	571	2,148	2,719
Office Supplies and Postage	395	490	885
Professional Services	2,628	2,414	5,042
Repairs and Maintenance	3,049	3,124	6,173
Salaries and Payroll Taxes	21,337	24,136	45,473
Supplies	1,177	396	1,573
Taxes and Licenses	3,653	-	3,653
Utilities	47,492	15,151	62,643
Testing	374	4,102	4,476
Depreciation	57,392	36,219	93,611
TOTAL OPERATING EXPENSES PAID	<u>\$ 147,723</u>	<u>\$ 95,823</u>	<u>\$ 243,546</u>
NET OPERATING INCOME (LOSS)	<u>\$ (14,412)</u>	<u>\$ (6,080)</u>	<u>\$ (20,492)</u>
<u>NONOPERATING REVENUES RECEIVED</u>			
<u>(EXPENSES PAID):</u>			
Interest Income	\$ 64	\$ 1,124	\$ 1,188
Interest Expense	(15,810)	(15,152)	(30,962)
Capital Contribution Revenue	-	-	-
Donations	-	-	-
Grant Income	-	76,229	76,229
Loss on Disposal of Assets	-	-	-
Transfers	(2,658)	2,658	-
TOTAL NONOPERATING REVENUES RECEIVED (EXPENSES PAID)	<u>\$ (18,404)</u>	<u>\$ 64,859</u>	<u>\$ 46,455</u>
CHANGE IN NET POSITON	\$ (32,816)	\$ 58,779	\$ 25,963
NET POSITION, October 1, 2013	<u>1,975,147</u>	<u>665,199</u>	<u>2,640,346</u>
NET POSITION, September 30, 2014	<u>\$ 1,942,331</u>	<u>\$ 723,978</u>	<u>\$ 2,666,309</u>

See Accompanying Notes to the Basic Financial Statements.



CITY OF ST. MARY, MISSOURISTATEMENT OF CASH FLOWS -  
MODIFIED CASH BASIS - PROPRIETARY FUNDS

For the Year Ended September 30, 2014

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from Customers	\$ 121,888	\$ 89,743	\$ 211,631
Payments to Suppliers for Goods and Services	(68,994)	(35,468)	(104,462)
Payments to Employees	(21,337)	(24,136)	(45,473)
Receipt of Customer Utility Deposits	(1,827)	-	(1,827)
Other Cash Receipts	<u>11,423</u>	<u>-</u>	<u>11,423</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 41,153</u>	<u>\$ 30,139</u>	<u>\$ 71,292</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Interfund Borrowings (Repayments)	\$ (423)	\$ (423)	\$ (846)
Operating Transfers from (to) Other Funds	<u>(2,658)</u>	<u>2,658</u>	<u>-</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>\$ (3,081)</u>	<u>\$ 2,235</u>	<u>\$ (846)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Grant Proceeds	\$ -	\$ 76,229	\$ 76,229
Retirement of Debt	(6,438)	(1,837)	(8,275)
Acquisition of Capital Assets	(5,975)	(67,916)	(73,891)
Interest Expense	<u>(15,810)</u>	<u>(15,152)</u>	<u>(30,962)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (28,223)</u>	<u>\$ (8,676)</u>	<u>\$ (36,899)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest on cash	<u>\$ 64</u>	<u>\$ 1,124</u>	<u>\$ 1,188</u>
NET CHANGE IN CASH	\$ 9,913	\$ 24,822	\$ 34,735
CASH, October 1, 2013	<u>98,600</u>	<u>263,781</u>	<u>362,381</u>
CASH, September 30, 2014	<u>\$ 108,513</u>	<u>\$ 288,603</u>	<u>\$ 397,116</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>			
Operating Income (Loss)	\$ (14,412)	\$ (6,080)	\$ (20,492)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	57,392	36,219	93,611
Changes in Assets and Liabilities:			
Increase in Customer Deposits	<u>(1,827)</u>	<u>-</u>	<u>(1,827)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 41,153</u>	<u>\$ 30,139</u>	<u>\$ 71,292</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF ST. MARY, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Financial Reporting Entity:

The City of St. Mary is an incorporated city in the State of Missouri in which the citizens elect the Mayor and Board of Alderman. The accompanying financial statements present the City's primary governments over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City – as distinct from legal relationships.

There are no component units of the City of St. Mary in the September 30, 2014 statements.

B. Basis of Presentation:

**Government-Wide Financial Statements**

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses.

Funds are organized into two major categories: governmental and proprietary. The City presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

General Fund – The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**Proprietary Fund Types**

Enterprise Funds – Enterprise Funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following Enterprise Funds that are reported as major funds:

<u>Fund</u>	<u>Description</u>
Water Fund	Accounts for the acquisition, operation, and maintenance of the City’s water utility facilities and services.
Sewer Fund	Accounts for the acquisition, operation, and maintenance of the City’s sanitary sewer utility facilities and services.

C. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item 2 below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

1. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

### **Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses when they result from cash transactions with a provision for depreciation in the government-wide statement and the proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

#### D. Assets, Liabilities, and Equity:

### **Cash and Cash Equivalents**

For the purpose of financial reporting, “cash and cash equivalents” include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

## **Capital Assets**

The City's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**Government-Wide Statements** – In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings and Leasehold Improvement	5-50 years
Equipment and Vehicles	5-7 years
Infrastructure	50 years

**Fund Financial Statements** – In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

## **Long-Term Debt**

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

## **Equity Classification**

Government-Wide Statements – Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the City’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements – According to Government Accounting Standards, fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. Below are definitions of the differences and a reconciliation of how these balances are reported.

### 1. Nonspendable Fund Balance

The Nonspendable Fund Balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. Due to the modified cash basis nature of the City all such items are expensed at the time of purchase, so there is nothing to report for this classification.

### 2. Restricted Fund Balance

The Restricted Fund Balance classification refers to amounts that are subject to outside restrictions, not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

3. Committed Fund Balance

The Committed Fund Balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the Board of Aldermen). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

The Board of Aldermen commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

4. Assigned Fund Balance

The Assigned Fund Balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted or committed. Intent may be expressed by the Board of Aldermen.

5. Unassigned Fund Balance

The Unassigned Fund Balance classification is the residual classification for amounts in the General Fund for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

6. Expenditures of Fund Balance

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally act to reduce unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

E. Revenues, Expenditures, and Expenses:

**Program Revenues**

In the Statement of Activities – modified cash basis, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General Government

Licenses and permits, charges for services, and capital contributions.

Public Safety

Court fines and capital grants.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

### **Operating Revenue and Expenses**

Operating revenues and expenses for the proprietary fund result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

#### **F. Internal and Interfund Balances and Activities:**

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements – Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements – Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements – Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and



business-type activities, which are reported as Transfers-Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

G. Use of Estimates:

The preparation of financial statements in conformity with the modified cash basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

H. Property Tax:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before January 1 of the following year. All unpaid taxes become delinquent January 1 of the following year. The City bills and collects its own property taxes. Property tax revenues are recognized when received.

I. Budgetary Information:

An annual budget prepared under the modified cash basis of accounting was adopted on September 27, 2013. Any increase in appropriations during the fiscal year must be approved by the City Board. During the current budget year the budget was amended on September 25, 2014. Any remaining appropriations lapse at the fiscal year end.

J. Subsequent Events:

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through January 10, 2015, the date the financial statements were available to be issued.

2. DEPOSITS

The City maintains at least one separate cash account for each fund. Each fund type's cash is displayed on the combined statement of assets, liabilities, and fund balances arising from cash transactions as "Cash" under each fund's caption. The City has no formal policy governing the types of accounts allowable for the City's deposits but through experience the City has found that checking accounts and certificates of deposit meet their needs. At September 30, 2014, the carrying value of the City's deposits was \$563,070, and the bank balance was \$559,813.

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2014, there was no exposure to custodial credit risk.

3. CAPITAL ASSETS

Capital assets activity, resulting from modified cash basis transactions, for the fiscal year ended September 30, 2014 was as follows:

<u>Governmental Activities</u>	Balance at October 1, 2013	Additions	Deductions	Balance at September 30, 2014
Capital Assets not being Depreciated:				
Land	\$ 33,500	\$ -0-	\$ -0-	\$ 33,500
Total Capital Assets not Being Depreciated	\$ 33,500	\$ -0-	\$ -0-	\$ 33,500
Other Capital Assets:				
Buildings and Leasehold Improvements	\$ 96,066	\$ 167,187	\$ -0-	\$ 263,253
Equipment and Vehicles	206,375	2,153	-0-	208,528
Roads and Bridges	341,942	-0-	-0-	341,942
Total Other Capital Assets at Historical Costs	\$ 644,383	\$ 169,340	\$ -0-	\$ 813,723
Less Accumulated Depreciation For:				
Buildings and Leasehold Improvements	\$ (79,275)	\$ (4,314)	\$ -0-	\$ (83,589)
Equipment and Vehicles	(166,254)	(7,960)	-0-	(174,214)
Roads and Bridges	(201,196)	(13,380)	-0-	(214,576)
Total Accumulated Depreciation	\$ (446,725)	\$ (25,654)	\$ -0-	\$ (472,379)
Other Capital Assets, Net	\$ 197,658	\$ 143,686	\$ -0-	\$ 341,344
Governmental Activities Capital Assets, Net	\$ 231,158	\$ 143,686	\$ -0-	\$ 374,844
<u>Business-Type Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 27,467	\$ -0-	\$ -0-	\$ 27,467
Total Capital Assets not Being Depreciated	\$ 27,467	\$ -0-	\$ -0-	\$ 27,467

	Balance at October 1, 2013	Additions	Deductions	Balance at September 30, 2014
Other Capital Assets:				
Water System	\$ 2,632,854	\$ 2,475	\$ -0-	\$2,635,329
Sewer System	1,133,274	53,446	-0-	1,186,720
Equipment and Vehicles	<u>962,631</u>	<u>17,970</u>	<u>-0-</u>	<u>980,601</u>
Total Other Capital Assets at Historical Cost	<u>\$ 4,728,759</u>	<u>\$ 73,891</u>	<u>\$ -0-</u>	<u>\$ 4,802,650</u>
Less Accumulated Depreciation for:				
Water System	\$ (419,292)	\$ (53,465)	\$ -0-	\$ (472,757)
Sewer System	(477,929)	(23,503)	-0-	(501,432)
Equipment and Vehicles	<u>(738,084)</u>	<u>(16,643)</u>	<u>-0-</u>	<u>(754,727)</u>
Total Accumulated Depreciation	<u>\$(1,635,305)</u>	<u>\$ (93,611)</u>	<u>\$ -0-</u>	<u>\$(1,728,916)</u>
Other Capital Assets, Net	<u>\$ 3,093,454</u>	<u>\$ (19,720)</u>	<u>\$ -0-</u>	<u>\$ 3,073,734</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,120,921</u>	<u>\$ (19,720)</u>	<u>\$ -0-</u>	<u>\$ 3,101,201</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Governmental Activities:

Public Safety	\$ 7,225
General	3,963
Cemetery	261
Park	75
Street	<u>14,130</u>

Total Depreciation Expense  
For Governmental Activities \$ 25,654

Business-Type Activities:

Water	\$ 57,392
Sewer	<u>36,219</u>

Total Depreciation  
For Business-Type Activities \$ 93,611

4. BONDS PAYABLE

The City has issued two revenue bonds for a variety of purposes including capital projects financing.

The following is a summary of bond transactions of the reporting entity for the fiscal year ended September 30, 2014:

	Series A Taxable Combined Waterworks and Sewerage System Revenue Bonds	Series B Combined Waterworks and Sewerage System Refunding and Improvement Revenue Bonds	Series C Combined Waterworks and Sewerage System Revenue Bonds	Total
Bonds Payable at October 1, 2013	\$ 398,214	\$ 111,002	\$ 325,000	\$ 834,216
Bonds Issued	-0-	-0-	-0-	-0-
Less Bond Payments	<u>(6,438)</u>	<u>(1,796)</u>	<u>(41)</u>	<u>(8,275)</u>
Bonds Payable at September 30, 2014	<u>\$ 391,776</u>	<u>\$ 109,206</u>	<u>\$ 324,959</u>	<u>\$ 825,941</u>

Missouri statutes limit the amount of general obligation debt that a city can issue to a percentage of the total assessed valuation of taxable property located within that city's boundaries. The legal debt margin for the City is \$490,454 at September 30, 2014.

Business-Type Activities

Revenue Bonds at September 30, 2014 are comprised of the following issue:

Combined Waterworks and Sewerage System Revenue  
Bond (Build America Bond) Series A United States  
Department of Agriculture, interest at 4.0 percent, monthly  
payments of \$1,854 beginning December 1, 2012 through  
April 1, 2045. \$391,776

Annual debt service requirements to maturity for the revenue bonds including interest are:

<u>Year Ending September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 6,699	\$ 15,549	\$ 22,248
2016	6,972	15,276	22,248
2017	7,256	14,992	22,248
2018	7,551	14,697	22,248
2019	7,859	14,389	22,248
2020-2024	44,366	66,874	111,240
2025-2029	54,173	57,067	111,240
2030-2034	66,145	45,095	111,240
2035-2039	80,762	30,478	111,240
2040-2044	98,611	12,629	111,240
2045-2046	<u>11,382</u>	<u>139</u>	<u>11,521</u>
	<u>\$391,776</u>	<u>\$287,185</u>	<u>\$678,961</u>

The City is required to establish a Debt Service Reserve account for the revenue bonds with monthly deposits of \$186 until the balance reaches \$22,320. The balance of this account at September 30, 2014 totaled \$10,767.

Once the Debt Service Reserve is fully funded, the City is required to establish a Replacement and Extension Reserve account. This account is to be funded monthly with \$238 per month and continue for the life of the loan.

The City is also required to establish a Short Lived Asset Reserve account. This account is to be funded with \$917 per month and continue for the life of the loan. The balance of this account at September 30, 2014 totaled \$41,332.

Combined Waterworks and Sewerage System Revenue  
Bond Series B -United States

Department of Agriculture, interest at 4.0 percent, monthly payments of \$517 beginning December 1, 2012 through November 1, 2045.

\$109,206

Annual Debt Service requirements to maturity for the revenue bonds including interest are:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,870	\$ 4,334	\$ 6,204
2016	1,946	4,258	6,204
2017	2,025	4,179	6,204
2018	2,108	4,096	6,204
2019	2,194	4,010	6,204
2020-2024	12,384	18,636	31,020
2025-2029	15,120	15,900	31,020
2030-2034	18,463	12,557	31,020
2035-2039	22,543	8,477	31,020
2040-2044	27,524	3,496	31,020
2045-2046	<u>3,029</u>	<u>34</u>	<u>3,063</u>
	<u>\$109,206</u>	<u>\$ 79,977</u>	<u>\$ 189,183</u>

The City is required to establish a Debt Service Reserve account for the revenue bonds with monthly deposits of \$52 until the balance reaches \$6,240. The balance of this account at September 30, 2014 totaled \$6,358.

Combined Waterworks and Sewerage System Revenue  
Bond Series C -United States

Department of Agriculture, interest at 2.5 percent, monthly payments of \$1,215 beginning December 13, 2015 through July 13, 2048. Interest only payments shall be made monthly of \$678 December 13, 2012 through November 13, 2015.

\$324,959

Annual Debt Service requirements to maturity for the revenue bonds including interest are:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -0-	\$ 8,125	\$ 8,125
2016	5,430	8,074	13,504
2017	6,667	7,913	14,580
2018	6,835	7,745	14,580
2019	7,008	7,572	14,580
2020-2024	37,789	35,111	72,900
2025-2029	42,817	30,083	72,900
2030-2034	48,512	24,388	72,900
2035-2039	54,965	17,935	72,900
2040-2044	62,275	10,625	72,900
2045-2048	<u>52,661</u>	<u>2,591</u>	<u>55,252</u>
	<u>\$324,959</u>	<u>\$160,162</u>	<u>\$485,121</u>

The City is required to establish a Debt Service Reserve account for the revenue bonds with monthly deposits of \$122 until the balance reaches \$14,640. The balance of this account at September 30, 2014 totaled \$1,270.

Interest expense on long-term debt was charged to functions as follows in the Statement of Activities:

<u>Business-Type Activities:</u>	
Water	\$15,810
Sewer	<u>15,969</u>
Total	<u>\$31,779</u>

5. NOTES PAYABLE

The following is a summary of Notes Payable activity for the year ended September 30, 2014:

Notes Payable, October 1, 2013	\$ 3,000
Notes Issued	-0-
Less Note Payments	<u>-0-</u>
Notes Payable, September 30, 2014	<u>\$ 3,000</u>

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2015	<u>\$3,000</u>	<u>\$-0-</u>	<u>\$3,000</u>

The City borrowed \$3,000 from the St. Mary Chamber of Commerce in February 2014 at 0.0 percent. The funds were used for the purchase of a police car. The loan was used as matching funds on a grant for the purchase of the police car. The loan is to be repaid entirely when the City sells its old police car.

6. PENSION PLAN - LAGERS

A. Plan Description:

The City of St. Mary participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and governed by statute section RSMo. 70.600 – 70.755. As such, it is the system’s responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

B. Funding Status:

Full time employees of City of St. Mary contribute 4.0 percent of their gross pay to the pension plan. The June 30<sup>th</sup> statutorily required contribution rates are 4.8 percent (General) and 6.0 percent (Police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision.

The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost (APC) and Net Pension Obligation (NPO):

The subdivision's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 3,552
Interest on net pension	-0-
Adjustment to annual required contribution	<u>-0-</u>
Annual pension cost	3,552
Actual contributions	<u>3,552</u>
Increase (decrease) in NPO	-0-
NPO beginning of year	<u>-0-</u>
NPO end of year	<u><u>\$ -0-</u></u>

The annual required contribution (ARC) was determined as part of the February 28, 2011 and February 28, 2012 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2014 included: (a) a rate of return on the investment of present and future assets of 7.25 percent per year, compounded annually, (b) projected salary increases of 3.5 percent per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0 percent to 6.0 percent per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75 percent of the RP-2000 Combined Healthy Table set back -0- years for men and -0- years for women, and (e) post-retirement mortality based on 105 percent of 1994 Group Annuity Mortality table set back -0- years for men and -0- years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period as of February 28, 2011 was 26 years for the General division and 25 years for the Police division. The amortization period as of February 29, 2012 was 25 years for the General division and 25 years for the Police division.



Three-Year Trend Information

Year Ended <u>August 31</u>	Annual Pension Cost <u>(APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2012	\$3,632	100.0%	\$-0-
2013	3,806	100.0%	-0-
2014	3,552	100.0%	-0-

7. COMPONENTS OF RESTRICTED ASSETS

The Combined Waterworks and Sewerage System Refunding and Improvement Revenue Bond – Series B and Taxable Combined Waterworks and Sewerage System Revenue Bonds – Series A requires that the City establish Debt Service Funds and a Capital Projects Fund. At September 30, 2014, the account balances totaled \$101,627. USDA requires that the City establish Capital Projects for sewer grinder repairs. They also require a separate capital project fund to account for money provided by USDA for capital projects. In addition, there are two meter deposit accounts. At September 30, 2014, the account balances totaled \$150,025.

8. RISK MANAGEMENT

The City is exposed to risks of loss through claims on property owned, damage to property owned, official and employee liability, workers’ compensation claims, and risk of loss of employee or individual injury. The City handles these risks of loss through the purchase of commercial insurance policies. No significant reduction in insurance coverage occurred during the year. Insurance settlements have not exceeded insurance coverage in any of the past three years.

The City is insured under a retrospectively-rated policy for workers’ compensation coverage. The initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended September 30, 2014, there were no significant adjustments in premiums based on actual experience.

9. INTERFUND TRANSFERS

The following is a summary of the amounts transferred from and to other funds:

	Transferred <u>From</u>	Transferred <u>To</u>
Water Fund	\$ 2,658	\$ -0-
Sewer Fund	<u>-0-</u>	<u>2,658</u>
Total	<u>\$ 2,658</u>	<u>\$ 2,658</u>

Amounts transferred from the General Fund to the Water Fund were for subsidizing operating functions. Amounts transferred from the Water Fund to the General Fund represents funds deposited into the wrong fund and reimbursement of an expenditure paid by the General Fund. The Water Fund also transferred funds to the Sewer Fund that also represents reimbursement of an expenditure paid by the Sewer Fund.

10. INTERFUND RECEIVABLES AND PAYABLES

Outstanding balances between funds reported as “due to/from other funds” include miscellaneous receivables/payables between funds.

The following is a summary of the amounts due from and to other funds:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 846	\$ -0-
Water Fund	-0-	423
Sewer Fund	<u>-0-</u>	<u>423</u>
Total	<u>\$ 846</u>	<u>\$ 846</u>

SUPPLEMENTARY INFORMATION

CITY OF ST. MARY, MISSOURI

BUDGETARY COMPARISON SCHEDULE -  
MODIFIED CASH BASIS - GENERAL FUND

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Amended		
<u>REVENUES RECEIVED:</u>				
Taxes	\$ 147,044	\$ 127,378	\$ 137,126	\$ 9,748
Licenses and Permits	4,925	6,253	4,629	(1,624)
Fines and Costs	5,815	3,137	3,406	269
Interest	16	326	463	137
Charges for Services	9,700	20,401	13,122	(7,279)
Grant Revenue	5,000	625	1,250	625
Donations	500	15	7,615	7,600
Other	1,600	1,162	3,309	2,147
<b>TOTAL REVENUES RECEIVED</b>	<b>\$ 174,600</b>	<b>\$ 159,297</b>	<b>\$ 170,920</b>	<b>\$ 11,623</b>
<u>EXPENDITURES PAID:</u>				
General Government:				
Bonds Surety	\$ 875	\$ 1,918	\$ 1,918	\$ -
Capital Outlay	100	894	493	401
Gasoline, Fuel, and Oil	1,000	558	358	200
Insurance	2,110	2,023	5,775	(3,752)
Miscellaneous	100	539	712	(173)
Office Supplies and Postage	5,500	5,555	3,227	2,328
Professional Services	4,735	6,611	7,533	(922)
Repairs and Maintenance	1,385	382	488	(106)
Salaries and Payroll Taxes	36,861	37,574	33,790	3,784
Street Lighting	4,000	4,092	3,976	116
Supplies	250	2,563	3,034	(471)
Telephone	1,500	1,808	1,608	200
Utilities	1,545	1,500	1,472	28
<b>Total General Government</b>	<b>\$ 59,961</b>	<b>\$ 66,017</b>	<b>\$ 64,384</b>	<b>\$ 1,633</b>
Street:				
Capital Outlay	\$ 25,000	\$ 2,375	\$ -	\$ 2,375
Gasoline, Fuel, and Oil	950	565	565	-
Insurance	2,906	3,048	3,048	-
Miscellaneous	-	103	103	-
Supplies	300	-	2,009	(2,009)
Repairs and Maintenance	8,000	8,066	6,786	1,280
Salaries and Payroll Taxes	9,897	10,305	10,495	(190)
Utilities	52	52	52	-
Street Lighting	3,700	3,633	3,633	-
<b>Total Street</b>	<b>\$ 50,805</b>	<b>\$ 28,147</b>	<b>\$ 26,691</b>	<b>\$ 1,456</b>
Cemetery:				
Capital Outlay	\$ 100	\$ 100	\$ -	\$ 100
Insurance	1,618	1,068	1,279	(211)
Repairs and Maintenance	325	724	756	(32)
Salaries and Payroll Taxes	2,093	2,756	3,748	(992)
Supplies	-	-	33	(33)
Utilities	52	48	48	-
<b>Total Cemetery</b>	<b>\$ 4,188</b>	<b>\$ 4,696</b>	<b>\$ 5,864</b>	<b>\$ (1,168)</b>

(Continued)

See Independent Auditors' Report.

CITY OF ST. MARY, MISSOURI

BUDGETARY COMPARISON SCHEDULE -  
MODIFIED CASH BASIS - GENERAL FUND

For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
<b>Park:</b>				
Capital Outlay	\$ 200	\$ -	\$ -	\$ -
Insurance	1,628	1,554	1,317	237
Miscellaneous	100	60	42	18
Repairs and Maintenance	400	309	309	-
Salaries and Payroll Taxes	1,727	1,180	1,362	(182)
Utilities	877	853	886	(33)
Total Park	<u>\$ 4,932</u>	<u>\$ 3,956</u>	<u>\$ 3,916</u>	<u>\$ 40</u>
<b>Public Safety:</b>				
<b>Police:</b>				
Capital Outlay	\$ 1,000	\$ 704	\$ 704	\$ -
Gasoline, Fuel, and Oil	3,700	2,445	2,445	-
Insurance	10,152	9,435	10,233	(798)
Miscellaneous	1,333	1,335	1,303	32
Office Supplies and Postage	150	322	322	-
Professional Fees	800	672	672	-
Repairs and Maintenance	600	1,141	1,180	(39)
Salaries and Payroll Taxes	25,160	26,161	26,808	(647)
Telephone	1,450	1,380	1,434	(54)
Training	500	28	22	6
Uniforms	1,003	1,079	1,002	77
Total Police	<u>\$ 45,848</u>	<u>\$ 44,702</u>	<u>\$ 46,125</u>	<u>\$ (1,423)</u>
<b>Fire Department:</b>				
Capital Outlay	\$ 1,000	\$ 843	\$ 843	\$ -
Gasoline, Fuel, and Oil	700	392	2,482	(2,090)
Insurance	5,281	5,456	4,996	460
Miscellaneous	1,160	3,954	3,267	687
Repairs and Maintenance	1,500	2,090	221	1,869
Salaries and Payroll Taxes	1,064	328	371	(43)
Supplies	750	1,117	1,202	(85)
Telephone	780	968	1,013	(45)
Rent	7,740	-	-	-
Utilities	1,500	1,362	1,434	(72)
Total Fire Department	<u>\$ 21,475</u>	<u>\$ 16,510</u>	<u>\$ 15,829</u>	<u>\$ 681</u>
<b>Municipal Court:</b>				
Salaries and Payroll Taxes	\$ 1,595	\$ 1,595	\$ -	\$ 1,595
Supplies	50	-	18	(18)
Training	600	-	-	-
Total Municipal Court	<u>\$ 2,245</u>	<u>\$ 1,595</u>	<u>\$ 18</u>	<u>\$ 1,577</u>
<b>TOTAL PUBLIC SAFETY</b>	<u>\$ 69,568</u>	<u>\$ 62,807</u>	<u>\$ 61,972</u>	<u>\$ 835</u>
<b>TOTAL EXPENDITURES PAID</b>	<u>\$ 189,454</u>	<u>\$ 165,623</u>	<u>\$ 162,827</u>	<u>\$ 2,796</u>
<b>EXCESS (DEFICIENCY) OF REVENUES RECEIVED OVER EXPENDITURES PAID</b>	<u>\$ (14,854)</u>	<u>\$ (6,326)</u>	<u>\$ 8,093</u>	<u>\$ 14,419</u>
<b>FUND BALANCE, October 1, 2013</b>			<u>145,131</u>	
<b>FUND BALANCE, September 30, 2014</b>			<u>\$ 153,224</u>	

See Independent Auditors' Report.

CITY OF ST. MARY, MISSOURI  
RETIREMENT PLAN  
SCHEDULE OF FUNDING PROGRESS

September 30, 2014

Actuarial Valuation Date	(a) Actuarial Value Of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/29/2012	10,853	32,155	21,302	34%	76,303	28%
2/28/2013	18,566	40,208	21,642	46%	80,031	27%
2/28/2014	24,824	42,654	17,830	58%	76,838	23%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

CITY OF ST. MARY, MISSOURI

SCHEDULE OF FINDINGS

For the Year Ended September 30, 2014

2014-001 Inadequate Segregation of Duties

Criteria: The duties of receiving and handling cash and recording transactions should be separated for internal control purposes.

Condition: There is a lack of segregation of duties over handling and recording receipts.

Context: One employee is responsible for receiving, authorizing, handling, and recording funds received. During the year end September 30, 2014, the City received approximately \$471,000.

Effect: City funds are exposed to a risk of loss or misuse.

Cause: There are a limited number of employees at the City.

Recommendation: We recommend that the City segregate duties over receipts to the extent possible to enhance internal controls.

View of Responsible  
Officials and Corrective  
Action Plan:

We understand the recommendation but believe we cannot adequately segregate these duties given the current number of employees available. If additional staff does become available, we will segregate these duties to the extent possible for receipts.