

**CITY OF BYRNES MILL
JEFFERSON COUNTY, MISSOURI
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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FINANCIAL SECTION



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Board of Aldermen
City of Byrnes Mill

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities and each major fund of the City of Byrnes Mill ("City"), Missouri, as of and for the year ended June 30, 2017, 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 I; 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 fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business-type activities and each major fund of the City as of June 30, 2017, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified basis of accounting described in Note I.

Basis of Accounting

We draw attention to Note I of the financial statements, which describes the basis of accounting. The financial statements are prepared on a 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

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedules presented on pages 25 through 26 are the responsibility of management and were derived from and relate 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 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 29, 2018, 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 solely 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

January 29, 2018



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Board of Aldermen
City of Byrnes Mill

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, business-type activities and each major fund of the City of Byrnes Mill ("City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

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 City'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.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

January 29, 2018

BASIC FINANCIAL STATEMENTS

CITY OF BYRNES MILL
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
AS OF JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 1,034,370	\$ 757,416	\$ 1,791,786
Investments	18,031	-	18,031
Interfund	28,763	(28,763)	-
Total Assets	<u>1,081,164</u>	<u>728,653</u>	<u>1,809,817</u>
Liabilities			
Payroll Liabilities	<u>7,687</u>	-	<u>7,687</u>
Total Liabilities	<u>7,687</u>	-	<u>7,687</u>
Net Position			
Unrestricted Net Position	<u>1,073,477</u>	<u>728,653</u>	<u>1,802,130</u>
Total Net Position	<u><u>\$ 1,073,477</u></u>	<u><u>\$ 728,653</u></u>	<u><u>\$ 1,802,130</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF BYRNES MILL
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Cash Receipts			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental Activities:							
General Government	\$ 263,123	\$ 42,204	\$ 25,030	\$ -	\$ (195,889)	\$ -	\$ (195,889)
Public Safety	483,529	182,041	19,872	-	(281,616)	-	(281,616)
Public Works	49,823	-	27,080	-	(22,743)	-	(22,743)
Street Department	237,236	-	-	-	(237,236)	-	(237,236)
Debt Service:							
Principal Paid	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-
Total Government Activities	1,033,711	224,245	71,982	-	(737,484)	-	(737,484)
Business-type Activities:							
Sewer	465,974	483,501	-	-	-	17,527	17,527
Total Business-type Activities	465,974	483,501	-	-	-	17,527	17,527
Total Primary Government	\$ 1,499,685	\$ 707,746	\$ 71,982	\$ -	(737,484)	17,527	(719,957)
General Revenues							
Property Tax					151,464	-	151,464
Taxes - Other					647,784	-	647,784
Interest					1,040	1,175	2,215
Other					31,762	-	31,762
Total General Revenues					832,050	1,175	833,225
Transfers							
In (Out)					-	-	-
Increase in Net Position					94,566	18,702	113,268
Net Position, July 1, 2016					978,911	709,951	1,688,862
Net Position, June 30, 2017					\$ 1,073,477	\$ 728,653	\$ 1,802,130

The notes to the financial statements are an integral part of this statement.

CITY OF BYRNES MILL
BALANCE SHEET
MODIFIED CASH BASIS - ALL GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017

Assets	<u>General Fund</u>
Cash and Cash Equivalents	\$ 1,034,370
Investments	18,031
Due from Sewer Fund	<u>28,763</u>
Total Assets	<u><u>1,081,164</u></u>
Liabilities and Fund Balance	
Liabilities	
Payroll Liabilities	<u>7,687</u>
Total Liabilities	7,687
Fund Balance	
Unassigned	<u>1,073,477</u>
Total Fund Balance	<u><u>1,073,477</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 1,081,164</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF BYRNES MILL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund
Revenues	
Property Taxes	\$ 151,464
Taxes - Other	647,784
Fees & Fines	224,245
Grant Revenue	71,982
Interest	1,040
Other	31,762
Total Revenues	1,128,277
Expenditures	
General Government	263,123
Public Safety	483,529
Public Works	49,823
Street Department	237,236
Total Expenditures	1,033,711
Excess Of Revenues Over Expenditures Before Non-Operating Activity	94,566
Transfers In (Out)	-
Change in Net Position	94,566
Fund Balance, July 1, 2016	978,911
Fund Balance, June 30, 2017	\$ 1,073,477

The notes to the financial statements are an integral part of this statement.

CITY OF BYRNES MILL
STATEMENT OF NET POSITION
MODIFIED CASH BASIS - PROPRIETARY FUND
AS OF JUNE 30, 2017

	Water and Sewer
Assets	
Current	
Cash and Cash Equivalents	\$ 757,416
Investments	-
Total Current Assets	757,416
Restricted	
Cash and Cash Equivalents	-
Total Assets	757,416
Liabilities	
Current	
Payroll Liabilities	-
Due to General Fund	28,763
Total Current	28,763
Total Liabilities	28,763
Net Position	
Restricted Net Position	-
Unrestricted Net Position	728,653
Total Net Position	728,653
Total Liabilities and Net Position	\$ 757,416

The notes to the financial statements are an integral part of this statement.

CITY OF BYRNES MILL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - MODIFIED CASH BASIS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Water and Sewer</u>
Operating Revenues	
Water and Sewer Collections and Fees	\$ 483,501
Total Operating Revenues	<u>483,501</u>
Operating Expenses	
Salaries	93,401
Payroll Taxes and expenses	27,052
Contract Labor	18,339
Computer Equipment/Software	2,400
Supplies	8,355
Utilities and Telephone	71,183
Insurance	11,227
Property Maintenance	13,321
Administrative Fees	3,873
Mortgage	10,793
Sludge Removal	8,000
Postage	5,000
Repairs and Equipment	182,367
Total Operating Expenses	<u>455,311</u>
Income (loss) before transfers and capital transactions	28,190
Non-operating revenue (expenses)	
Investment and Interest Income	1,175
Debt Services:	
Bond Payments	(10,000)
Interest Charges	(663)
Transfers In (Out)	<u>-</u>
Change in Net Position	18,702
Total Net Position, July 1, 2016	709,951
Total Net Position, June 30, 2017	<u>\$ 728,653</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BYRNES MILL
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Receipts from Customers	\$ 483,501
Payments to Suppliers	(306,095)
Payments to Employees	(120,453)
Net Cash Provided (Used) by Operating Activities	56,953

Cash Flows from Capital and Related Financing Activities:

Operating Transfer	-
Principal Paid on Capital Debt	(10,000)
Interest Paid on Capital Debt	(663)
Net Cash Provided (Used) by Financing Activities	(10,663)

Cash Flows from Investing Activities

Interest	1,175
Net Cash Provided (Used) by Investing Activities	1,175

Net increase (decrease) in Cash and Cash Equivalents

47,465

Cash and Cash Equivalents at July 1, 2016

709,951

Cash and Cash Equivalents at June 30, 2017

757,416

Reconciliation of Operating Profit to Net Cash

Provided (Used) by Operating Activities:

Operating Profit (Deficit)	18,702
Adjustments	
Change in Assets and Liabilities:	
Principal and Interest Payments	10,663
Interest Income	(1,175)
Change in Due To/From	28,763
Net Cash Provided (Used) by Operating Activities	\$ 56,953

The notes to the financial statements are an integral part of this statement.

CITY OF BYRNES MILL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET WITH THE GOVERNMENT-WIDE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017

Amounts reported for governmental and business-type activities in the statement of net position are different because:

Total Fund Balance - Governmental Funds	\$ 1,073,477
Total Fund Balance - Proprietary Funds	728,653
There are no reconciling items.	<u>-</u>
Total Net Position - Governmental and Business-type Activities	<u><u>\$ 1,802,130</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF BYRNES MILL
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 FOR THE YEAR ENDED JUNE 30, 2017

Changes in Fund Balance		
Governmental Funds - Modified Cash Basis	\$ 94,566	
Proprietary Fund - Modified Cash Basis	<u>18,702</u>	
Total net change in fund balances		113,268
Reconciling items		
There are no reconciling items.		-
Change in net position		<u><u>\$ 113,268</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF BYRNES MILL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Byrnes Mill, Missouri was incorporated in 1986. The City operates under the Mayoral form of government. The Board of Aldermen consists of six members. The City of Byrnes Mill is a fourth class city and operates under the Missouri State statute regulating cities of this class.

The financial statements of the City of Byrnes Mill have been presented on a modified cash basis of accounting, which is a comprehensive basis of accounting (OCBOA) other than generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. This modified cash 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.

Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. A decision whether to include a potential component unit in the reporting entity would be made by applying criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has determined that no other outside agency meets the above criteria and therefore, no other agency has been included as a component unit in the City's financial statements. In addition, the City is not aware of any entity that would exercise such oversight which would result in the City being considered a component unit of the entity.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

CITY OF BYRNES MILL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City, the primary government as a whole. These statements include the non-fiduciary financial activities of the City. These statements report those activities of the City that are governmental (i.e. generally supported by taxes and intergovernmental revenues).

The Statement of Net Position presents the financial position of the City's governmental activities at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions (including related investment earnings) that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues.

Fund Financial Statements

The City maintains fund accounting in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detailed level. Separate financial statements are provided for governmental funds and proprietary funds. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The required financial statements for governmental funds are a balance sheet, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. The required financial statements for the proprietary fund are a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

Governmental Funds

Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they are to be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's principal governmental funds:

CITY OF BYRNES MILL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds (concluded)

General Fund: The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds

Proprietary funds include enterprise and internal service funds. Enterprise funds account for ongoing organizations and activities, which are similar to those often found in the private sector.

The measurement focus is determined upon the change in net position. The City's only proprietary fund is the following enterprise fund:

Sewer Fund: This enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is to finance or recover, through user charges, the costs of providing goods or services to the general public.

Measurement Focus/Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves modifications to the cash basis of accounting to report in the statement of net position or balance sheet cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, inventories, receivables, capital assets, deferred outflows, short-term liabilities, long-term liabilities, and deferred inflows arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid, and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event (such as donated assets and postemployment benefit obligations) are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the City utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types (if any) would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

CITY OF BYRNES MILL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus/Basis of Accounting (concluded)

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenues from property taxes are recognized in the period for which the taxes are collected. Revenues from grants, entitlements and donations are recognized when all eligibility requirements imposed by the provider have been satisfied.

Eligibility requirements include timing requirements, which specify the year required to use the resources or the year when use is first permitted, matching requirements and expenditure requirements in which the resources are provided to the City on a reimbursement basis.

Proprietary funds distinguish between operating revenues and expenses from nonoperating items. Operating revenues and expenses normally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Investment income is reported as nonoperating revenue.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable Fund Balance consists of assets that are not available to meet current obligations either because of the nature of the assets (inventories) or because of outside legal restrictions (the principal of an endowment).
- Restricted Fund Balance consists of assets that are subject to externally enforceable legal restrictions. Creditors, grantors, contributors or state laws usually impose such restrictions.
- Committed Fund Balance consists of assets that are restricted in use by limitations placed on them by the governing body of a government unit. Committed fund balance must be approved by official action of the Board of Aldermen and can only be changed by official action of the Board.
- Assigned Fund Balance consists of assets that are restricted in use by limitations placed on them by a government unit. The difference between assigned and committed fund balance is that assigned fund balance does not require official action of the Board. Assigned fund balance is a declaration of intent by the Board, but does not bind the Board to use the assets for the assigned purpose.
- Unassigned Fund Balance consists of the amount of fund balance that remains after assigning assets to the first four categories. Only the General Fund may report unassigned fund balance since all other funds by the nature of their creation must fall into one of the first four categories of fund balance.

CITY OF BYRNES MILL
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classification (concluded)

The City will spend restricted dollars before less restricted, in the following order: non-spendable (if the funds become available), restricted, committed, assigned and unassigned.

As of June 30, 2017, fund balance components other than unassigned fund balances consist of the following:

	Nonspendable	Restricted	Committed	Assigned
General Fund	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -

Budgets and Budgetary Accounting

A cash basis budget for revenues and expenditures is prepared for the General Fund and for the Sewer Fund.

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

- 1) The Budget Committee approves the operating budget for the fiscal year commencing July 1. The operating budget includes proposed operating expenditures, capital expenditures, and the means for financing them. All annual appropriations lapse at fiscal year end.
- 2) Public hearings are conducted to obtain comments from all interested parties.
- 3) The budget for the coming year is formally adopted on or before the last day of the current fiscal year.
- 4) The Board of Aldermen is authorized to transfer budgeted amounts within any department.
- 5) Under Missouri Law, expenditures may not legally exceed budgeted appropriations at the fund level. If expenditures for a fund exceed the budget, either then the budget must be amended or the Board of Aldermen must pass a resolution authorizing the expenditures in excess of the budget.

Cash and Cash Equivalents

The City considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2017, cash equivalents consisted primarily of bank accounts.

CITY OF BYRNES MILL
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Compensated Employee Absences

Accumulated unpaid sick pay is not accrued on the government-wide financial statements due to the application of the modified cash basis of accounting. Vacation and sick pay is not accrued and paid at termination or death.

Post-Employment Benefits

COBRA Benefits - Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured on or before the tenth (10th) day of the month for the actual month covered. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the City under this program, and there were no participants in the program as of June 30, 2017.

II. CASH AND INVESTMENTS

DEPOSITS

At year end, the City's carrying amount of deposits and investments was \$1,809,817 and the bank balance was \$1,835,733. The balances of the City's deposits are sufficiently collateralized.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law. State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the state of Missouri; bonds of any city having a population of not less than two thousand, county, school, City or special road City of the State of Missouri; bonds of any state, tax anticipation notes issued by any first class county, or a surety bond having an aggregate value at least equal to the amount of the deposits.

The deposits and investments held at June 30, 2017, for the governmental and proprietary funds are reported at fair market value and are as follows:

<u>TYPE</u>	<u>MATURITIES</u>	<u>FMV</u>
<u>Governmental Funds</u>		
Deposits:		
Demand Deposits	N/A	\$ 1,034,370
SUBTOTAL DEPOSITS		1,034,370
Investments:		
Certificates of Deposits	6 Months	18,031
SUBTOTAL INVESTMENTS		18,031
TOTAL GOVERNMENTAL DEPOSITS AND INVESTMENTS		\$ 1,052,401
<u>Proprietary Funds</u>		
Deposits:		
Sewer Fund – Cash	N/A	\$ 757,416
TOTAL PROPRIETARY DEPOSITS		757,416
GRAND TOTAL DEPOSITS AND INVESTMENTS		<u>\$ 1,809,817</u>

CITY OF BYRNES MILL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

II. CASH AND INVESTMENTS (CONCLUDED)

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's investment policy does not include custodial credit risk requirements. The City's deposits were not exposed to custodial credit risk for the year ended June 30, 2017.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the City or its agent but not in the government's name. The City does not have a policy for custodial credit risk relating to investments. All investments, evidenced by individual securities, are registered in the name of the City or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk with which changes in interest rates will adversely affect the fair value of an investment. The City does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the City for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The City does not have a policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The City's deposits were not exposed to concentration of investment credit risk for the year ended June 30, 2017.

III. TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are payable by December 31. All unpaid taxes become delinquent January 1 of the following year. The county collects the property taxes and remits them to the City on a monthly basis.

The City also receives sales tax collected and remitted by the State.

The assessed valuation of the tangible taxable property (including state assessed railroad and utilities) for the calendar year 2016, for purposes of local taxation, was:

Real Estate:		
Residential	\$	26,253,400
Agricultural		58,115
Commercial		4,774,304
Personal Property		8,335,630
TOTAL	\$	<u>39,421,449</u>

CITY OF BYRNES MILL
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

III. TAXES (CONCLUDED)

The tax levy per \$100 of the assessed valuation of tangible taxable property for the fiscal year 2016-2017 for purposes of local taxation, was:

	UNADJUSTED	ADJUSTED
General Fund	\$ 0.4035	\$ 0.4035
TOTAL	\$ 0.4035	\$ 0.4035

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2017, aggregated approximately 95.22% of the current assessment computed on the basis of the levy as shown above.

IV. CHANGES IN LONG-TERM DEBT

Bonds Payable

As of October 31, 2001, voters authorized the issuance of an additional \$500,000 in Sewer Revenue Bonds. Of this, the City authorized the issuance of \$185,000 in Series 2001C State Revolving Fund Revenue Bonds at varying interest rates from 3.00% to 5.375%. Funds are paid to an Escrow account on June 30 of each year. This Escrow account releases funds paid by the City to pay principal due on July 1 of the following fiscal year.

The following is a summary of changes in long-term debt for the year ended June 30, 2017.

	Balance July 1, 2016	Additions	Principal Payments	Balance June 30, 2017
2001 C	\$ 50,000	\$ -	\$ 10,000	\$ 40,000
Total	\$ 50,000	\$ -	\$ 10,000	\$ 40,000

The annual requirements to amortize all bonded indebtedness outstanding as of June 30, 2017, including interest payments are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2018	\$ 10,000	\$ 2,038	\$ 12,038
2019	10,000	1,500	11,500
2020	10,000	1,000	11,000
2021	10,000	500	10,500
Total	\$ 40,000	\$ 5,038	\$ 45,038

Principal and Interest payments are paid out of the Water and Sewer Fund.

CITY OF BYRNES MILL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

IV. CHANGES IN LONG-TERM DEBT (CONTINUED)

Capital Leases

The City entered into a capital lease for a 2016 Ford Interceptor with Ford Motor Credit as of December 4, 2015, in the amount of \$27,745. This is payable over two years with an interest rate of 6.00%. The outstanding balance at June 30, 2017, was \$9,238.

The City entered into a capital lease for a 2013 Dodge Charger with Ally Dodge Leasing Company as of August 9, 2013, in the amount of \$23,899. This is payable over four years with an interest rate of 6.89%. The outstanding balance at June 30, 2017, was \$0.

The City entered into a lease for a copier with Document and Network Technologies (DNT) with monthly payments of \$150. The term is for five years and was approved on July 17, 2013. The outstanding balance at June 30, 2017, was \$2,038.

The City entered into a lease purchase agreement with Clayton Holdings on December 20, 2013, for a 20-year term for the construction and purchase of a building for the city hall.

The following are the changes in capital leases due for the year ended June 30, 2017.

	Balance July 1, 2016	Additions	Principal Payments	Balance June 30, 2017
Ford Interceptor	\$ 17,953	\$ -	\$ 8,715	\$ 9,238
Ally Dodge Lease – 2013 Charger	6,160	-	6,160	-
Copier Lease – DNT	3,695	-	1,657	2,038
Building Lease Purchase	<u>788,333</u>	<u>-</u>	<u>35,050</u>	<u>753,283</u>
Total	<u>\$ 816,141</u>	<u>\$ -</u>	<u>\$ 51,582</u>	<u>\$ 764,559</u>

CITY OF BYRNES MILL
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

IV. CHANGES IN LONG-TERM DEBT (CONCLUDED)

The annual requirements to amortize all capital leases outstanding as of June 30, 2017, including interest payments are as follows:

Fiscal year	Principal	Interest	Total
Ending June 30,			
2018	\$ 47,062	\$ 22,093	\$ 69,155
2019	37,449	20,414	57,863
2020	38,249	19,315	57,564
2021	39,379	18,185	57,564
2022	40,542	17,022	57,564
2023-2027	221,400	66,419	287,819
2028-2032	256,093	31,725	287,818
2033-2034	84,386	1,961	86,347
Total	<u>\$ 764,560</u>	<u>\$ 197,134</u>	<u>\$ 961,694</u>

Principal and interest payments are made out the General Revenue Fund and out of the Water and Sewer Fund.

V. CONTINGENCIES

Litigation

The City is involved in pending lawsuits and claims at June 30, 2017. No provision has been made in the financial statements for any loss that might arise in the event of an unfavorable outcome of these matters. City management believes that such litigation and claims will ultimately be resolved without material financial liability to the City.

Other Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. For the three previous years, the settlements did not exceed the insurance coverage provided by commercial insurance. There has been no significant reduction in insurance coverage from the preceding year.

VI. SUBSEQUENT EVENTS

The City of Byrnes Mill purchased two police cars on September 8, 2017 from Ford Motor Credit for \$56,514 at an interest rate of 5.45%.

CITY OF BYRNES MILL
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

VII. SECTION 302.341.2 RSMO REQUIREMENTS

Missouri House Bill No. 103 amending RSMo Section 302.341.2 now require municipalities to report an accounting of the percent of “annual general operating revenue” from fines and costs for traffic violations. Total fines and court costs revenue for the fiscal year, which include fines and court costs related to traffic violations, summed to \$169,602. “Annual general operating revenue of the City” is not defined in the amended statute and may or may not include various sources of the City’s revenues. The City is defining “annual general operating revenues of the City” as “Total General Fund Revenues.”

Total court fines and costs (all case types)	\$ 169,602
Total general operating revenue of the City	\$ 1,128,277
Court fines and costs as a percentage of total general operating revenues	15.03%

SUPPLEMENTARY INFORMATION

CITY OF BYRNES MILL
 BUDGETARY COMPARISON SCHEDULE
 MODIFIED CASH BASIS - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 152,000	\$ 152,000	\$ 151,464	\$ (536)
Taxes - Other	646,900	646,900	647,784	884
Fees & Fines	270,900	270,900	224,245	(46,655)
Grant Revenue	47,500	47,500	71,982	24,482
Interest	140	140	1,040	900
Other	1,500	1,500	31,762	30,262
Total Revenues	<u>1,118,940</u>	<u>1,118,940</u>	<u>1,128,277</u>	<u>9,337</u>
Expenditures				
General Government	237,735	237,735	263,123	25,388
Public Safety	519,060	519,060	483,529	(35,531)
Public Works	52,595	52,595	49,823	(2,772)
Street Department	309,550	309,550	237,236	(72,314)
Total Expenditures	<u>1,118,940</u>	<u>1,118,940</u>	<u>1,033,711</u>	<u>(85,229)</u>
Transfer In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Fund Balance	-	-	94,566	94,566
Total Fund Balance, July 1, 2016	<u>978,911</u>	<u>978,911</u>	<u>978,911</u>	<u>-</u>
Total Fund Balance, June 30, 2017	<u><u>\$ 978,911</u></u>	<u><u>\$ 978,911</u></u>	<u><u>\$ 1,073,477</u></u>	<u><u>\$ 94,566</u></u>

CITY OF BYRNES MILL
 BUDGETARY COMPARISON SCHEDULE
 MODIFIED CASH BASIS - PROPRIETARY FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Sewer Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Operating Revenues				
Water and Sewer Collections and Fees	\$ 458,500	\$ 458,500	\$ 483,501	\$ 25,001
Total Operating Revenues	458,500	458,500	483,501	25,001
Operating Expenses				
Salaries	101,018	101,018	93,401	(7,617)
Payroll Taxes and expenses	33,760	33,760	27,052	(6,708)
Contract Labor	20,000	20,000	18,339	(1,661)
Computer Equipment/Software	4,650	4,650	2,400	(2,250)
Supplies	2,000	2,000	8,355	6,355
Utilities and Telephone	71,338	71,338	71,183	(155)
Insurance	12,500	12,500	11,227	(1,273)
Property Maintenance	11,350	11,350	13,321	1,971
Administrative Fees	4,000	4,000	3,873	(127)
Mortgage	14,500	14,500	10,793	(3,707)
Sludge Removal	-	-	8,000	8,000
Postage	4,000	4,000	5,000	1,000
Capital Expenditures	116,584	116,584	-	(116,584)
Repairs & Equipment	51,400	51,400	182,367	130,967
Miscellaneous	1,500	1,500	-	(1,500)
Total Operating Expenses	448,600	448,600	455,311	6,711
Income (loss) before transfers and capital transactions	9,900	9,900	28,190	18,290
Investment and Interest Income	1,100	1,100	1,175	75
Debt Services:				
Bond Payments	(11,000)	(11,000)	(10,000)	1,000
Interest Charges	-	-	(663)	(663)
Transfer In (Out)	-	-	-	-
Change in Fund Balance	-	-	18,702	18,702
Total Fund Balance, July 1, 2016	709,951	709,951	709,951	-
Total Fund Balance, June 30, 2017	\$ 709,951	\$ 709,951	\$ 728,653	\$ 18,702

CITY OF BYRNES MILL
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A – BUDGETS

Budgets for City governmental funds are prepared on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. The City uses the cash basis for budgetary purposes to enhance cash management throughout the fiscal year.

In accordance with Chapter 67, RSMo, the City adopts a budget for each fund of the political subdivision.

Expenditures of a particular fund may not legally exceed the budgeted expenditures for that fund.

STATE COMPLIANCE SECTION

CITY OF BYRNES MILL
SCHEDULE OF STATE FINDINGS
YEAR ENDED JUNE 30, 2017

SCHEDULE OF STATE FINDINGS

The actual exceeded budgeted expenses in the proprietary fund for the year ended June 30, 2017.

FINDINGS AND RESPONSES

CITY OF BYRNES MILL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

I. FINANCIAL STATEMENT FINDINGS

There are no financial statement findings noted for the fiscal year ended June 30, 2017.

CITY OF BYRNES MILL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

I. FINANCIAL STATEMENT FINDINGS - PRIOR YEAR

There are no financial statement findings noted for the fiscal year ended June 30, 2016.