

**CITY OF LAWSON, MISSOURI**  
**BASIC FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S**  
**REPORT**

**JUNE 30, 2015**

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-3
FINANCIAL STATEMENTS	
Statement of Net Position	4
Statement of Activities	5
Balance Sheet - Governmental Fund	6
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Fund	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – Governmental Fund	9
Statement of Net Position – Proprietary Funds	10
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	11
Statement of Cash Flows – Proprietary Funds	12
Notes to the Basic Financial Statements	13-26
REQUIRED SUPPLEMENTARY INFORMATION	
Statements of Changes in Revenues, Expenditures, and Changes in Fund Balance, Budget to Actual – General Fund	28
Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	29-30



## **KenneyDHales, CPA, PC**

2 Victory Drive, Suite 230 D, Liberty, MO 64068  
P: 816 679 1331 F: 816 817 1030

### **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and  
Members of the Board of Aldermen  
City of Lawson, Missouri

#### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Lawson, Missouri, (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

## **INDEPENDENT AUDITOR'S REPORT – CONTINUED**

Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, except of the departure outlined in the preceding paragraph, the financial statements referred to above do present fairly, in all material aspects, the respective financial position of the governmental activities, business-type activities and each major fund of the City of Lawson, Missouri as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that Management Discussion & Analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic or historical context. The City has omitted the Management Discussion & Analysis as of and for the period ended June 30, 2015. Therefore, I was unable to perform audit procedures and therefore express no opinion on it. This does not affect the opinions on the basic financial statements. I have applied certain limited procedures to the budgetary comparison information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

## INDEPENDENT AUDITOR'S REPORT – CONTINUED

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated December 15, 2015, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the City of Lawson, Missouri's internal control over financial reporting and compliance.

*Kenney D Hales*

Kenney D. Hales, CPA, PC  
Liberty, Missouri  
December 15, 2015

**CITY OF LAWSON, MISSOURI**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Pooled cash and investments	\$ 365,461	\$ 388,429	\$ 753,890
Certificates of deposit	200,148	248,635	448,783
Cash and investments - restricted	280,175	771,281	1,051,456
Accounts receivable	27,602	121,471	149,073
Taxes receivable	43,274	-	43,274
Net Pension Asset	63,805	-	63,805
Bond costs, net of amortization	2,511	-	2,511
Capital assets			
Land	235,000	22,000	257,000
Sewer system		1,607,640	1,607,640
Water distribution system		2,100,746	2,100,746
Buildings and improvements	825,137	56,035	881,172
Machinery and equipment	200,689	399,245	599,934
Infrastructure	404,210	-	404,210
Less: Accumulated depreciation	(730,756)	(2,016,299)	(2,747,055)
Total capital assets	<u>934,280</u>	<u>2,169,367</u>	<u>3,103,647</u>
Total assets	<u>1,917,256</u>	<u>3,699,183</u>	<u>5,616,439</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	36,478	87,545	124,023
Premium on bonds payable	-	27,993	27,993
Meter deposits	-	75,199	75,199
Long-term liabilities			
Due within one year			
Bonds, capital leases and certificates	333,236	105,000	438,236
Accrued interest	6,941	21,054	27,995
Due in more than one year			
Bonds, capital leases and certificates	178,713	1,346,112	1,524,825
Total liabilities	<u>555,368</u>	<u>1,662,903</u>	<u>2,218,271</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	422,331	718,255	1,140,586
Restricted			
Debt service	180,964	696,082	877,046
Court bonds	2,241	-	2,241
Parks	96,970	-	96,970
Unrestricted	659,382	621,943	1,281,325
Total net position	<u>\$ 1,361,888</u>	<u>\$ 2,036,280</u>	<u>\$ 3,398,168</u>

The accompanying notes are an integral part of these financial statements

**CITY OF LAWSON, MISSOURI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program	Net (Expense) Revenue and Changes in Net Assets		
		Revenues Charges for Services & Fines	Governmental Activities	Business-Type Activities	Total
<b>Primary government</b>					
Governmental activities					
General government	\$ 338,469	\$ 25,368	\$ (313,101)	\$ -	\$ (313,101)
Police and court	401,682	66,680	(335,002)	-	(335,002)
Parks	67,783	9,287	(58,496)	-	(58,496)
Street	111,352	-	(111,352)	-	(111,352)
Total governmental activities	<u>919,286</u>	<u>101,335</u>	<u>(817,951)</u>	<u>-</u>	<u>(817,951)</u>
Business-type activities					
Water	586,979	670,460	-	83,481	83,481
Sewer	333,350	228,365	-	(104,985)	(104,985)
Trash	128,803	130,392	-	1,589	1,589
Total business-type activities	<u>1,049,132</u>	<u>1,029,217</u>	<u>-</u>	<u>(19,915)</u>	<u>(19,915)</u>
Total primary government	<u>1,968,418</u>	<u>1,130,552</u>	<u>(817,951)</u>	<u>(19,915)</u>	<u>(837,866)</u>
Taxes					
Property			539,485	-	539,485
Sales			368,848	-	368,848
Franchise fees			225,074	-	225,074
Vehicle			98,671	-	98,671
Surtax			67,520	-	67,520
Unrestricted investment earnings			474	818	1,292
Transfers			(79,031)	79,031	-
Total general revenues			<u>1,221,041</u>	<u>79,849</u>	<u>1,300,890</u>
Changes in net assets			<u>403,090</u>	<u>59,934</u>	<u>463,024</u>
<b>Net assets - beginning</b>			<u>958,798</u>	<u>1,897,315</u>	<u>2,856,113</u>
<b>Net assets - ending</b>			<u>\$ 1,361,888</u>	<u>\$ 1,957,249</u>	<u>\$ 3,319,137</u>

The accompanying notes are an integral part of these financial statements

**CITY OF LAWSON, MISSOURI  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2015**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 565,609
Accounts receivable	27,602
Taxes receivable	43,274
Restricted cash and investments	<u>280,175</u>
Total assets	<u><u>916,660</u></u>
 <b>LIABILITIES</b>	
Liabilities	
Accrued expenses	23,729
Court bond liability	1,283
Payroll withholdings	<u>11,466</u>
Total liabilities	<u><u>36,478</u></u>
 <b>FUND BALANCES</b>	
Assigned	
Court	2,241
Parks	96,970
Debt service	180,964
Unassigned	<u>600,007</u>
Total fund balance	<u><u>\$ 880,182</u></u>

The accompanying notes are in integral part of these financial statements



**CITY OF LAWSON, MISSOURI  
RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
GOVERNMENTAL FUND  
JUNE 30, 2015**

Fund balances of governmental funds	\$ 880,182
Amounts reported for governmental activities in the Statement of Net Position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental fund statements	934,280
Certain other assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets	2,511
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.	(6,941)
The change in net pension liability is now reported in the financial statements and is not recorded in the governmental fund statements	63,805
Long-term liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental-wide statements	
Bonds and capital leases	(511,949)
Net assets of governmental activities	<u>\$ 1,361,888</u>

The accompanying notes are an integral part of these financial statements

**CITY OF LAWSON, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Total Governmental Funds
<b>Revenues</b>	
Taxes	\$ 1,074,524
Franchise fees	225,074
Fines	66,680
Parks	9,287
Licenses, fees and permits	25,368
Interest	474
Total revenues	1,401,407
<b>Expenditures</b>	
General government	258,820
Police and municipal court	401,682
Street	111,352
Parks	67,783
Capital outlay	57,395
Debt service	351,000
Total expenditures	1,248,032
<b>Net change in fund balance</b>	153,375
<b>Fund balance - beginning</b>	726,807
<b>Fund balance - ending</b>	\$ 880,182

The accompanying notes are an integral part of these financial statements

**CITY OF LAWSON, MISSOURI  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

Net change in fund balances - total governmental funds	\$	153,375
<p>Amounts reported for governmental activities in the  Statement of Activities are different because:</p>		
Governmental funds report capital outlays as expenditures. In the Statement of Activites the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(17,523)
Governmental funds report repayment of bond principal payments as an expenditure. In contrast, the Statement of Net Assets reports repayment as a reduction to long-term liabilities. This is the amount by which proceeds exceed repayments.		271,969
Government funds report premiums and discounts as other financing sources. In contrast, those items are capitalized on the Statement of Net Assets and amortized over the life of the bonds on the Statement of Activities. This is the net amount of the premiums, discounts, and amortization.		<u>(4,731)</u>
Change in net assets of governmental activities	\$	<u><u>403,090</u></u>

The accompanying notes are an integral part of these financial statements

**CITY OF LAWSON, MISSOURI**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	<u>Water</u>	<u>Sewer</u>	<u>Trash</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 410,835	\$ 194,588	\$ 31,641	\$ 637,064
Accounts receivable	79,808	26,973	14,690	121,471
Restricted cash	75,199	696,082	-	771,281
Capital assets - net of depreciation	1,207,341	962,026	-	2,169,367
Total assets	<u>1,773,183</u>	<u>1,879,669</u>	<u>46,331</u>	<u>3,699,183</u>
<b>LIABILITIES</b>				
Accounts payable	22,585	19,330	10,193	52,108
Accrued expenses	34,565	21,926	-	56,491
Refundable deposits	75,199	-	-	75,199
Premium on bonds payable	-	27,993	-	27,993
Bonds payable due within one year	-	105,000	-	105,000
Bonds payable due in more than one year	-	1,346,112	-	1,346,112
Total liabilities	<u>132,349</u>	<u>1,520,361</u>	<u>10,193</u>	<u>1,662,903</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	1,207,341	(489,086)	-	718,255
Restricted for debt service	75,199	696,082	-	771,281
Unrestricted	358,294	152,312	36,138	546,744
Total net position	<u>1,640,834</u>	<u>359,308</u>	<u>36,138</u>	<u>2,036,280</u>
Total liabilities and net position	<u>\$ 1,773,183</u>	<u>\$ 1,879,669</u>	<u>\$ 46,331</u>	<u>\$ 3,699,183</u>

The accompanying notes are an integral part of these financial statements

**CITY OF LAWSON, MISSOURI**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Water</u>	<u>Sewer</u>	<u>Trash</u>	<u>Total</u>
<b>Operating revenues</b>				
Charges for services	\$ 670,460	\$ 228,365	\$ 130,392	\$ 1,029,217
Total operating revenues	<u>670,460</u>	<u>228,365</u>	<u>130,392</u>	<u>1,029,217</u>
<b>Operating expenses</b>				
Production costs	348,366	20,258	-	368,624
Personnel	74,390	74,384	-	148,774
Repairs and maintenance	24,693	87,419	-	112,112
Fuel	2,578	3,506	-	6,084
Utilities	10,320	10,974	-	21,294
Depreciation	79,030	40,400	-	119,430
Trash contract	-	-	128,803	128,803
Administrative	47,602	17,378	-	64,980
Total operating expenses	<u>586,979</u>	<u>254,319</u>	<u>128,803</u>	<u>970,101</u>
Operating income	83,481	(25,954)	1,589	59,116
<b>Nonoperating revenues (expenses)</b>				
Interfund transfers		79,031	-	79,031
Interest paid	-	(79,031)	-	(79,031)
Interest and fiscal fees	818	-	-	818
Total nonoperating revenues	<u>818</u>	<u>-</u>	<u>-</u>	<u>818</u>
<b>Change in net assets</b>	84,299	(25,954)	1,589	59,934
<b>Net assets at beginning of year</b>	1,556,535	385,262	34,549	1,976,346
<b>Net assets at end of year</b>	<u>\$ 1,640,834</u>	<u>\$ 359,308</u>	<u>\$ 36,138</u>	<u>\$ 2,036,280</u>

The accompanying notes are an integral part of these financial statements

**CITY OF LAWSON, MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 1,029,217
Payments to suppliers	(468,720)
Payments to employees	(368,624)
Other payments	<u>(27,378)</u>
Net cash provided by operating activities	<u>164,495</u>
<b>Cash flows from capital and related financing activities</b>	
Proceeds from restricted monies	95,765
Principal paid on debt	(105,000)
Purchases of capital assets	-
Interest paid on debt	<u>(79,031)</u>
Net cash used in capital and related financing activities	<u>(88,266)</u>
Net increase in cash and cash equivalents	76,229
<b>Cash - beginning</b>	<u>560,835</u>
<b>Cash - ending</b>	<u><u>\$ 637,064</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating income	\$ 59,116
Depreciation and amortization	124,161
Adjustments to reconcile operating income to net cash provided by operating activities	
Increase (decrease) in:	
Accounts receivable	2,231
Accounts payable and accrued expenses	<u>(21,013)</u>
Net cash provided by operating activities	<u><u>\$ 164,495</u></u>

The accompanying notes are an integral part of these financial statements

**CITY OF LAWSON, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**1. Summary of Significant Accounting Policies**

The City of Lawson, Missouri (the City) is a fourth class city and incorporated as a political subdivision of the State of Missouri, duly created, organized and existing under and by virtue of the Constitution and laws of the State of Missouri. The City government consists of a mayor and board of aldermen. The City provides services to its residents in the areas of general government, public safety, water, sewer, and trash services.

The following is a summary of the City's more significant accounting policies.

**A. Basic Financial Statements – Government-Wide Statements**

In evaluating the City's financial reporting entity, management has considered all potential component units. The accompanying basic financial statements present the City and the component units over which the City is financially accountable. Financial accountability is based primarily on operational or financial relationships with City. Currently, the City does not have any component units.

The City's basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize the City's primary activities as either governmental or business type. The City's public safety, parks, street and general administrative services are classified as governmental activities. The City's water, sewer and trash services are classified as business-type activities.

The Statement of Financial Position and Statement of Activities display information about the City as a whole. 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.

**B. Basic Financial Statements – Fund Financial Statements**

The financial transactions of the City are reported by major fund in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following funds are used by the City:

**CITY OF LAWSON, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Summary of Significant Accounting Policies - continued**

**Governmental Funds**

The focus of the government funds' measurement is upon determination of financial position and changes in financial position rather than upon net income. The following is a description of the governmental funds of the City:

**General Fund** - The General Fund is the main 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 Fund**

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

**Water, Sewer and Trash Funds** – The Water, Sewer and Trash 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 that the costs (expenses, including depreciation) of providing goods or services to the general public be financed or recovered primarily through user charges.

**C. Basis of Accounting**

The City prepares its government-wide financial statements on the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Real estate taxes are recognized as revenues in the year for which they are levied. Derived tax revenues such as wage, business privilege, and income taxes are recognized when the underlying exchange transaction has taken place. Grant and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue in the government-wide financial statements include: (1) charges to customers or applicants for goods received, services rendered or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions.



**CITY OF LAWSON, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Summary of Significant Accounting Policies - continued**

Internally dedicated resources are reported as general revenues rather than program specific revenues. Accordingly, general revenues include all taxes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other programs of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various programs concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred as under accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. However, those expenditures may be accrued if they are to be liquidated with available resources. Imposed nonexchange revenues such as real estate taxes are recognized when the enforceable legal claim arises and the resources are available. Derived tax revenues, such as wage, business privilege, and income taxes, are recognized when the underlying exchange transaction has occurred and the resources are available. Grant revenues are recognized when all the applicable eligibility requirements have been met and the resources are available. All other revenue items are recognized only when cash is received by the City because they are not measurable until that time.

Significant revenues include property taxes, franchise taxes, grants, state road taxes, and certain state and federal grants and entitlements. Expenditures, including capital outlays, are recorded in all governmental funds when the related liability is both measurable and incurred except for general obligation debt principal and interest which are reported as expenditures in the year due.

**D. Use of Estimates**

The preparation of basic financial statements on an accrual basis of accounting requires the City's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the basic financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF LAWSON, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Summary of Significant Accounting Policies - continued**

**E. Cash and Investments**

Deposits – Missouri Statutes permit the City to invest in prime money market instruments and securities, such as U.S. Government obligations, repurchase agreements, Missouri bank certificates of deposit, demand accounts, and savings accounts. As of June 30, 2015, the City had cash in demand deposits and money market instruments.

**F. Budgets**

Budgets for the City are prepared and adopted on the cash basis of accounting for all governmental and proprietary funds. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revision that alter the total expenditures of any fund must be approved by the Board of Aldermen. The fund level constitutes the City's legal level of budgetary control. Reported budget amounts are as originally adopted or amended by Board of Aldermen resolution. Annual operating budgets are adopted for the General and Proprietary Funds. Appropriations lapse at fiscal year-end, but may be appropriated again in the following year. The actual results of operations are presented in comparison to the budget on the statement of revenues, expenditures and changes in fund balances. The actual results are presented in accordance with the cash basis of accounting and reconciled to the modified accrual basis of accounting used for governmental-type funds.

**G. Statement of Cash Flows**

A statement of cash flows has been presented in accordance with Governmental Accounting Standards Board Statement No. 9 for the Proprietary Funds. For purposes of the statement of cash flows, demand deposit, and all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalent.

**H. Restricted Cash**

Cash has been restricted for sinking and reserve funds associated with various bond issues, court appearance bonds, protested taxes, meter deposits and construction projects.

**I. Accounts Receivable**

Accounts receivable for water, sewer and trash services are accounted for in the Proprietary Fund. Because the City bills its citizens at month-end, there are no unbilled amounts included in accounts receivable.

**CITY OF LAWSON, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Summary of Significant Accounting Policies - continued**

**J. Capital Assets**

**Government-wide**

Capital assets are recorded as expenditures in the General Funds at the time payment is made. In the Proprietary Funds, the costs of normal maintenance and repairs, which do not add to the value of the asset or materially extend the asset life, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Interest costs associated with construction of capital assets are capitalized in the Proprietary Funds.

Public domain “infrastructure” assets consist of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

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 or estimated historical cost if actual cost is unavailable. Also, depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Net Position.

Depreciation of buildings, equipment and vehicles is computed using the straight-line method over the following estimated useful lives:

Machinery and equipment	5-10 years
Sewer system	10-40 years
Water distribution system	10-40 years
Building and improvements	20-40 years
Infrastructure	20 years

**K. Compensated Absences**

The City permits employees to accumulate earned but unused vacation and sick pay benefits based on the number of years of service. Accumulated vacation payable is accrued when incurred in the government-wide financial statements and proprietary fund statements. In the government fund financial statements, a liability is accrued when it has matured, for example, as a result of employee resignations and retirements.

**CITY OF LAWSON, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Summary of Significant Accounting Policies – continued**

**L. Fund Equity – Government-Wide Statements**

Equity is classified as net assets and displayed in three components:

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 improvement of those assets.

Restricted net assets – Consists of net assets with constraints place on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Unrestricted net assets – Consists of all other net assets that do not meet the definition of any of the other above captioned categories.

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.

**M. Fund Equity**

In the fund financial statements, governmental funds report aggregate amounts for five classification of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in a spendable form or legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining classifications:

Restricted – This classification reflects the constraints impose on resources either externally by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Aldermen. Those committed amounts cannot be used for any other purpose unless the Board of Aldermen removes the specified use by taking the same type of action imposing the commitment. This classification also included contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**CITY OF LAWSON, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Summary of Significant Accounting Policies – continued**

**M. Fund Equity (continued)**

Assigned – This classification reflects the amounts constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The Board of Aldermen and the City Administrator have the authority to assign amounts to be used for specific purposes. This category include all remaining amounts that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other government funds.

When both restricted and unrestricted resources are available for use, the City uses externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

**2. Deposits and Investments**

Deposits – Missouri Statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At June 30, 2015, all of the bank balances were covered by federal depository insurance. Any remainder would be covered by pledges of various securities by the bank and held in safekeeping subject to a joint custody receipt issued by the custodial financial institution which is not the pledging institution.

Investments – At June 30, 2015, all investments were part of the State Revolving Fund Series Trust Accounts and Money Market Accounts which are not subject to risk classifications, because they are not evidenced by securities that exist in physical or book entry form. It is the City’s policy to present investments with maturities of one year or more at the time of purchase at fair value. The fair value of these investments totaled \$1,051,456.

**3. Accounts Receivable**

As a result of providing water, sewer and trash services to its citizens, the City has extended credit to them. Accounts receivable for all Proprietary Funds are presented with a combined \$10,755 allowance for doubtful accounts.

**CITY OF LAWSON, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**4. Restricted Cash and Restricted Investments**

Restricted cash at June 30, 2015, consisted of the following:

Park sales tax	\$ 180,964
Capital improvements	96,970
Court appearance bonds	<u>2,241</u>
Total General Fund restricted cash	<u>\$ 280,175</u>
Bond covenant requirements	\$ 696,082
Meter deposits	<u>75,199</u>
Total Proprietary Funds restricted cash	<u>\$ 771,281</u>

**5. Capital Assets**

Land is a non-depreciable capital asset. Depreciation expense in the General Fund was \$74,918 and \$114,699 in the Proprietary Funds. Capital asset activity for the year ended June 30, 2015, consisted of the following:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Land	\$ 235,000	\$ -	\$ -	\$ 235,000
Buildings and improvements	767,742	57,395	-	825,137
Machinery and equipment	200,689	-	-	200,689
Infrastructure	<u>404,210</u>	<u>-</u>	<u>-</u>	<u>404,210</u>
Total capital assets, General Fund	1,607,641	57,395	-	1,665,036
Less accumulated depreciation	<u>(655,838)</u>	<u>(74,918)</u>	<u>-</u>	<u>(730,756)</u>
General Fund capital assets	<u>\$ 951,803</u>	<u>\$ (17,523)</u>	<u>\$ -</u>	<u>\$ 934,280</u>
Land	\$ 22,000	\$ -	\$ -	\$ 22,000
Buildings and improvements	56,035	-	-	56,035
Machinery and equipment	399,245	-	-	399,245
Sewer system	1,607,640	-	-	1,607,640
Water distribution system	<u>2,100,746</u>	<u>-</u>	<u>-</u>	<u>2,100,746</u>
Total capital assets, Proprietary Funds	4,185,666	-	-	4,185,666
Less accumulated depreciation	<u>(1,901,600)</u>	<u>(114,699)</u>	<u>-</u>	<u>(2,016,299)</u>
Proprietary Funds, capital assets	<u>\$ 2,284,066</u>	<u>\$(114,699)</u>	<u>\$ -</u>	<u>\$ 2,169,367</u>

**CITY OF LAWSON, MISSOURI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**6. Long-Term Debt**

Total City long-term debt at June 30, 2015, payable from proprietary resources consisted of the following:

General Fund bond:

\$974,000 July 23, 2013, General Obligation Bonds, due in annual installments varying from year to year, until maturity on March 1, 2016, interest at 3.25%	<u>\$ 307,000</u>
---	-------------------

Proprietary Fund revenue bonds:

\$550,000 April 18, 2001, Water Pollution Control and Drinking Water Revenue Bonds, due in annual installments varying from year to year, until maturity on January 1, 2022, interest at 4% - 5%	\$ 215,000
--	------------

\$1,080,000 November 2, 2002, Water Pollution Control and Drinking Water Revenue Bonds, due in annual installments varying from year to year, until maturity on July 1, 2023, interest at 2.05% - 5%	\$ 655,000
--	------------

\$330,000 May 19, 2005, Water Pollution Control and Drinking Water Revenue Bonds, due in annual installments varying from year to year, until maturity on July 1, 2025, interest at 3% - 5%	<u>\$ 195,000</u>
	<u>\$ 1,065,000</u>

State Revolving Fund Loans:

State Revolving Fund Loan establishing reserve for Series 2001 Water Pollution Control and Drinking Water Revenue Bonds	\$ 150,717
---	------------

State Revolving Fund Loan establishing reserve for Series 2002 Water Pollution Control and Drinking Water Revenue Bonds	<u>\$ 340,395</u>
	<u>\$ 491,112</u>

Aggregate annual principal and interest payments applicable to long-term debt are as follows:

Year Ending June 30	Principal	Interest	Governmental Bonds Payable
2016	<u>\$ 307,000</u>	<u>\$ 9,978</u>	<u>\$ 316,978</u>

**CITY OF LAWSON, MISSOURI  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**6. Long-Term Debt (continued)**

Year Ending June 30	Principal	Interest	Proprietary Bonds Payable
2016	\$ 105,000	\$ 51,999	\$ 156,999
2017	110,000	46,743	156,743
2018	110,000	40,993	150,993
2019	115,000	35,075	150,075
2020	120,000	28,912	148,912
2021	125,000	22,675	147,675
2022	135,000	16,400	151,400
2023	100,000	6,750	106,750
2024	105,000	4,625	109,625
2025	20,000	1,500	21,500
2026	<u>20,000</u>	<u>500</u>	<u>20,500</u>
Total	<u>\$1,065,000</u>	<u>\$ 256,172</u>	<u>\$ 1,321,172</u>

The City is required to deposit monies into a debt service account sufficient to meet maturity dates of principal and interest. The City is also required to charge rates for its services in order to create net revenues available for debt service that equal at least 110% of its debt service requirements.

The City has three debt issues which are part of the State of Missouri Revolving Fund Program. In conjunction with the bond issuance, the City entered into an agreement with the Missouri Department of Natural Resources, whereby the State of Missouri will advance monies to establish a reserve fund in an amount up to 70% of the outstanding bonds. This Reserve Fund serves as collateral on the bonds in the event of default, and interest earnings on the Reserve Fund will be used to reduce the City's interest payments on the outstanding bonds. As the bonds are retired, the reserve fund is reduced, and therefore the City's loan payable is reduced. The reserve amount is reflected as restricted cash in the Sewer Fund. Interest earnings on the Reserve Fund have been recorded as interest income.

**7. Capital Lease**

The City entered into a lease agreement to refinance the lease payments on selected capital assets. The lease agreement qualifies as a capital lease for accounting purposes, and therefore have been recorded at the present value of their future minimum lease payments as of the inception dates. The assets acquired through the capital lease are as follows:

Street lights	\$ 42,150
Ballfield lights	349,380
Land/lake	<u>200,000</u>
Total	<u>\$ 591,530</u>



**CITY OF LAWSON, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**7. Capital Lease (continued)**

Future minimum lease payments under the capital lease together with the present value of net minimum lease payments at 3.07% interest consist of the following:

Year Ending June 30	Amount
2016	\$ 26,236
2017	26,236
2018	26,236
2019	26,236
2020	26,236
2021 - 2024	<u>104,944</u>
	236,124
Less amount representing Interest	<u>(31,175)</u>
Total	<u>\$ 204,949</u>

**8. Property Taxes**

Property taxes are attached by an enforceable lien on property as of January 1st each year. Taxes are levied by November 1st and are payable by December 31st. All unpaid taxes become delinquent January 1<sup>st</sup> of the following year.

The assessed valuation of the tangible property for the purpose of local taxation for the year ended June 30, 2015 was as follows:

Real estate – Ray County	\$ 15,573,493
Real estate – Clay County	3,147,890
Personal property – Ray County	3,715,942
Personal property – Clay County	<u>948,826</u>
Total	<u>\$ 23,386,151</u>

The tax rate per \$100 of assessed valuation of tangible taxable property for the calendar year 2014 for purposes of local taxation was as follows:

General revenue	\$ 0.7183
Debt service	<u>1.8530</u>
Total	<u>\$ 2.5713</u>

**CITY OF LAWSON, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**9. Risk Management**

The City is exposed to various risks of loss related to theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases casualty, fidelity bonds, and various types of liability coverage from commercial insurance companies in order to reduce its exposure to various types of potential losses. Most of these policies carry a co-insurance or a deductible clause. There were no significant changes in the commercial insurance coverage for the City in 2015, nor any significant losses.

The City has received financial assistance from various Federal, state and local agencies in the form of grants and entitlements. These programs are subject to audit by agents of the granting authority. Management does not believe that liabilities for reimbursements will materially affect the basic financial statements of the City.

**10. Retirement Plan**

The City participates in 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 is governed by statute section RSMO. 70.600 - 70.755. As such, it is LAGERS' responsibility to administer the law in accordance with the expressed intent of the General Assembly. LAGERS is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

LAGERS issues a publicly available financial report that includes basic financial statements and required supplementary information. That report may be obtained by writing to LAGERS, PO Box 1665, Jefferson City, Missouri, 65102 or by calling 1-800-447-4334.

The City's full-time employees do not contribute to the pension plan. The City is required by state statute to contribute at an actuarially determined rate; the current rate is 9.4% (general) and 8.9% (police) of annual covered payroll. The contribution requirements of plan members are determined by the Board of Aldermen. The contribution provisions of the City are established by state statute.

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

**CITY OF LAWSON, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**10. Retirement Plan (continued)**

Schedule of Changes in Net Pension Liability  
And Related Ratios  
June 30, 2015

	General	Police
Total Pension Liability		
Service cost	\$ 15,701	\$ 12,310
Interest on total pension liability	34,458	22,304
Changes in benefit terms	-	-
Difference between expected and actual experience	917	(21,443)
Changes in assumptions	-	-
Benefits payments, including refunds	<u>22,475</u>	<u>3,430</u>
Net change in total pension liability	28,601	9,741
Total pension liability – beginning	<u>478,605</u>	<u>303,283</u>
Total pension liability – ending	<u>507,206</u>	<u>313,024</u>
Plan Fiduciary Net Position		
Contributions – employer	\$ 18,989	\$ 16,053
Contributions – employee	-	-
Net investment income	9,972	6,466
Benefit payments, including refunds	22,475	3,430
Pension plan administrative expense	1,305	652
Other (net transfer)	<u>(16,947)</u>	<u>10,088</u>
Net change in plan fiduciary net position	(11,766)	28,525
Plan fiduciary net position – beginning	<u>541,786</u>	<u>325,490</u>
Plan fiduciary net position – ending	<u>530,020</u>	<u>354,015</u>
Net pension liability/(asset)	\$ (22,814)	\$ (40,991)
Plan fiduciary net position as a percentage of total pension liability	104.50%	113.10%
Covered-employee payroll	\$ 268,204	\$ 160,794
Net pension liability as a percentage of covered employee payroll	(8.51%)	(25.49%)

**CITY OF LAWSON, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**10. Retirement Plan (continued)**

The required contribution was determined as part of the February 29, 2012 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2015 included (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back zero years for men and zero years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back zero years for men and zero 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 29, 2012 was 7 years for the General division and 17 years for the Police division.

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and 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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LAWSON, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	Original & Final Budget	Actual	Variances Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$ 1,049,210	\$ 975,853	\$ (73,357)
Franchise fees	174,000	225,074	51,074
Licenses, fees and permits	14,900	25,368	10,468
Fines	48,800	66,680	17,880
Interest	500	474	(26)
Other	7,950	9,287	1,337
Total revenues	<u>\$ 1,295,360</u>	<u>\$ 1,302,736</u>	<u>\$ 6,039</u>
<b>Expenditures:</b>			
General government	\$ 227,037	\$ 183,902	\$ 43,135
Police and municipal court	429,294	401,682	27,612
Street	124,963	111,352	13,611
Parks	66,400	67,783	(1,383)
Capital outlay	206,200	197,550	8,650
Debt service	373,385	373,385	-
Total expenditures	<u>1,427,279</u>	<u>1,335,654</u>	<u>91,625</u>
<b>Change in fund balance</b>	<u><u>\$ (131,919)</u></u>	<u><u>\$ (32,918)</u></u>	<u><u>\$ 97,664</u></u>

Note: The City annually adopts a budget at the beginning of the year. Budgets are adopted on the cash basis which is not consistent with generally accepted accounting principles. However, there is no significant difference between the cash basis amounts presented in the financial statements.

A budget amount is not approved for depreciation, and capital expenditures are budgeted as expenditures in the General Fund.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**



**KenneyDHales, CPA, PC**

Honorable Mayor and  
Members of the Board of Aldermen  
City of Lawson, Missouri

I 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 statement of the governmental activities, the business-type activities, and each major fund, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Lawson, Missouri's basic financial statements, and have issued my report thereon dated December 15, 2015.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the City of Lawson, 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lawson, Missouri's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Lawson, Missouri'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

My consideration of internal control was for the limited purpose described in the first paragraph in 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Purpose of this Report**

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

*Kenney D Hales*

Kenney D. Hales, CPA, PC  
Liberty, Missouri  
December 15, 2015