

CITY OF NEOSHO, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2011

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DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Neosho
Neosho, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Neosho, Missouri, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Neosho, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Neosho, Missouri, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended September 30, 2011.

Honorable Mayor and City Council
City of Neosho
Neosho, Missouri

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information, and the schedule of funding progress are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Neosho, Missouri's basic financial statements as a whole. The data contained under Other Financial Information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Other Financial Data and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
March 1, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2011

The management's discussion and analysis of the City of Neosho's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2011. Please read it in conjunction with the City's financial statements, which begin on page 14.

Financial Highlights

- The net assets of the City's governmental activities increased by \$3,614,738 as a result of current year activities. The net assets of the City's business activities increased by \$1,733,040 for the year.
- The assets of the City exceeded liabilities by \$32.7 million (net assets), as of September 30, 2011. Of this amount, \$4.2 million was unrestricted and may be used to meet future obligations of the City (up from just over \$600,000 on October 1, 2010), \$4.0 million was restricted and \$24.5 million represents capital assets (net of related debt) of the City.
- Total long-term liabilities of the City increased by \$576,233 to a total of \$19.5 million. The increase was substantially due to the issuance of debt under the 2009B Revenue Bonds related to the enhancements to the Wastewater System. The City made timely payments on all of its debt obligations.
- The Water and Sewer Enterprise experienced \$517,295 improvement in operating income for the year, which was due to an 8% increase in revenues and a 6% decrease in operating expenses.
- Governmental Funds experienced \$856,761 increase in tax revenues. Roughly half of this increase was attributable to commencement of the real property tax assessment.
- Administrative expenses were down roughly \$70,000 compared to the prior year. In addition, the Police, Fire, and Street Departments saw dramatic decreases in expenditures: \$425 thousand, \$310 thousand, and \$592 thousand, respectively.
- The City made annual scheduled repayment on the intrafund loans that stemmed from misappropriations in prior years.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2011

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net assets and changes in them. The City's net assets – the difference between assets and liabilities – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- Governmental Activities – Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.
- Business-Type Activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer services are provided here.

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant funds and not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes and grants.

- Governmental Funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds are shown in a reconciliation following the fund financial statement.
- Enterprise Funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Enterprise funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2011

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

NET ASSETS

The following table presents the condensed Statement of Net Assets for the City as of September 30, 2011 and 2010:

	Governmental Activities	Business-Type Activities	Total September 30, 2011	Total September 30, 2010
Current and other assets	\$ 6,632,390	\$ 3,164,907	\$ 9,797,297	\$ 6,502,439
Capital assets	29,485,263	16,214,903	45,700,166	42,624,596
TOTAL ASSETS	36,117,653	19,379,810	55,497,463	49,127,035
Long-term liabilities outstanding	13,564,601	5,802,010	19,366,611	18,790,378
Other liabilities	1,610,862	1,787,333	3,398,195	2,951,778
TOTAL LIABILITIES	15,175,463	7,589,343	22,764,806	21,742,156
Net assets:				
Invested in capital assets				
net of related debt	15,253,916	9,285,046	24,538,962	23,383,987
Restricted	3,828,754	129,914	3,958,668	3,372,971
Unrestricted	1,859,520	2,375,507	4,235,027	627,921
TOTAL NET ASSETS	<u>\$ 20,942,190</u>	<u>\$ 11,790,467</u>	<u>\$ 32,732,657</u>	<u>\$ 27,384,879</u>

Total net assets of the City increased by \$5,347,778 for the year due to current year activities. Total liabilities for the City have increased by \$1,022,650, primarily due to issuance of 2009B Revenue Bonds in the current year. Capital assets, net of accumulated depreciation, increased \$3,075,570.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2011

CHANGES IN NET ASSETS

	Governmental Activities	Business-Type Activities	Year Ended September 30, 2011	Year Ended September 30, 2010
REVENUES				
Program Revenues				
Charges for services	\$ 1,145,538	\$ 4,131,098	\$ 5,276,636	\$ 5,080,060
Operating grants and contributions	513,351	-	513,351	81,377
Capital grants and contributions	837,538	600,326	1,437,864	3,446,144
General Revenues				
Property taxes	406,885	-	406,885	-
Sales taxes	5,467,062	-	5,467,062	4,998,362
Motor vehicle and gas taxes	403,255	-	403,255	396,745
Other taxes	271,827	-	271,827	218,653
Franchise fees	962,319	-	962,319	1,040,827
Interest	9,274	3,465	12,739	8,225
Other revenue	118,683	16,832	135,515	144,057
Sale of capital assets	465,251	-	465,251	-
Transfers	(170,677)	170,677	-	-
TOTAL REVENUES	10,430,306	4,922,398	15,352,704	15,414,450
EXPENSES				
General government	929,289	-	929,289	688,063
Auditorium	178,111	-	178,111	244,021
Police	957,541	-	957,541	1,524,665
Fire	981,044	-	981,044	1,369,541
Emergency management	181,213	-	181,213	22,376
Court	92,536	-	92,536	107,153
Airport	569,835	-	569,835	730,824
Drainage	38,991	-	38,991	4,298
Street	1,020,534	-	1,020,534	982,695
Economic development	5,822	-	5,822	192,305
Parks	386,538	-	386,538	210,355
Recreation	17,174	-	17,174	302,358
Senior Center	102,310	-	102,310	116,340
Recycling Center	60,046	-	60,046	51,517
Communications	-	-	-	637
Information technology	58,018	-	58,018	37,589
Concessions	-	-	-	28,107
Property control	48,569	-	48,569	47,050
Golf course	554,199	-	554,199	573,497
Tourism development	23,800	-	23,800	8,772
Human resources	83,031	-	83,031	111,872
Other	745	-	745	23,011
Debt service	526,222	-	526,222	524,570
Water and sewer	-	3,189,358	3,189,358	3,424,900
TOTAL EXPENSES	6,815,568	3,189,358	10,004,926	11,326,516
INCREASE IN NET ASSETS	\$ 3,614,738	\$ 1,733,040	\$ 5,347,778	\$ 4,087,934

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2011

Governmental Activities

Governmental activities increased the net assets of the City by \$3,614,738. Tax revenues for the City were \$6,549,029 which represents 63% of the funding of these activities. Program revenues for the functions totaled \$2,496,427 or 24% of the funding. The following table shows the cost of the City's programs as well as each programs' net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

**NET COST OF THE CITY OF NEOSHO'S
GOVERNMENTAL ACTIVITIES**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government	\$ 929,289	\$ 803,173
Auditorium	178,111	156,513
Police	957,541	711,671
Fire	981,044	623,634
Emergency management	181,213	8,129
Court	92,536	80,764
Airport	569,835	(14,353)
Drainage	38,991	38,991
Street	1,020,534	630,438
Economic development	5,822	5,822
Parks	386,538	305,541
Recreation	17,174	(54,819)
Senior center	102,310	102,310
Recycling center	60,046	9,482
Information technology	58,018	58,018
Property control	48,569	48,569
Golf course	554,199	171,460
Tourism development	23,800	23,800
Human resources	83,031	83,031
Other	745	745
Debt service	526,222	526,222
	<u>\$ 6,815,568</u>	<u>\$ 4,319,141</u>

Business-Type Activities

Business-type activities increased the City's net assets by \$1,733,040. This is down from the increase received last year from the City's business-type activities. The increase in the prior year was \$2,986,436.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2011

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2011, were \$5,706,245. The combined fund balances are up by \$2,664,267 over the prior year. Faced with a financial crisis, the City took strong measures to return the City to a position of financial stability, including significant reductions in police, fire, and street expenditures. In addition, the City initiated a real property tax to improve revenues.

General Fund Budgetary Highlights

Differences between the original, the final amended budget, and the actual results can be summarized as follows:

- The original General Fund revenue budget of \$3,885,920 increased to \$4,684,748.
- The original expenditures budget of \$4,044,956 was increased to \$4,889,786.
- Budget adjustments were presented and approved by the Board of Aldermen. Budgeted revenues were \$657,887 below actual, and budgeted expenditures were \$917,243 above actual.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$29,485,263 (net of accumulated depreciation) as of September 30, 2011. This represents a \$32,559 decrease from the prior year. Capital assets for business-type activities were \$16,214,903 as of September 30, 2011. This represents an increase of \$3,108,129 from the prior year.

Debt

Total debt of the governmental activities as of September 30, 2011, was \$14,408,216, which is down \$933,006.

Total debt of the business-type activities as of September 30, 2011, was \$6,967,910, which is up \$2,491,852 from the prior year primarily due to the issuance of 2009B ARRA Revenue Bonds.

Economic Factors and Next Year's Budget

- The economy continues to improve which has been reflected in higher than expected sales tax revenues since the end of the FY11 period. In addition, the May 22, 2011 tornado which struck Joplin (our neighbor to the north) inflicting epic damage to the residential and commercial districts has resulted in a boom in retail sales in the City of Neosho. The City is monitoring sales tax revenues to determine if the benefit may be short-lived.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2011

Economic Factors and Next Year's Budget (continued)

- The following related to the FY12 budget approved by the City Council:
 - The greatest asset the City has is its staff of dedicated employees. Even when times and funds would not allow for a salary increase, they stuck it out for the sake of the City. Increasing City employee compensation by 3.5% across the board was a priority.
 - Revenues are expected to remain strong, as expenditures continue to be reined in to avoid waste and excess.
 - The deep cuts experienced by police, fire and public works, were substantially reversed, resulting in the restoration of services to a level that will provide more adequately for these essential services.
 - Continued improvements to the water and sewer infrastructure are incorporated into the budget through a \$9.5 million State Revolving Fund loan through the Missouri Department of Natural Resources which will provide for new water mains along Kodiak Road on the western expansion corridor, much needed improvements to the operations and security of the water plan, and replacement of mains in the downtown area which have exceeded their useful life. Operational improvements from these investments will serve the City for decades to come.
 - Also included in this budget are funds for enhancing golf operations, including much needed improvements to the greens and fairways as well as replacement of the aged golf cart fleet.
 - Access to complete, timely and intelligible information is essential to effective management of the City. Just over \$220 thousand has been included for replacement of antiquated hardware and software with the implementation of a new financial management system. Beyond improved efficiency, the new system will bring real time information to the fingertips of management; facilitate a collaborative budgeting process; dramatically improved information, billing and payment options for utility customers; and provide an online portal for employees.
- The debt of the City needs to remain a focus of the City Council for the foreseeable future. Debt schedules are included in the notes to the financial statements. The City's overall financial picture has improved greatly over recent months, but will require careful and concise planning to fulfill its obligations to both debtors and the citizens of the City.

Contacting the City's Financial Management

For additional information or questions, please contact any of the following officers at:

City of Neosho
203 East Main
Neosho, Missouri 64850
(417) 451-8050

Troy Royer, City Manager
Jane Obert, Finance Director
Nora Houdyshell, City Clerk

troyer@neoshomo.org
jobert@neoshomo.org
nhoudyshell@neoshomo.org

CITY OF NEOSHO, MISSOURI
STATEMENT OF NET ASSETS
September 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 3,625,879	\$ 2,113,632	\$ 5,739,511
Sales tax receivable	904,524	-	904,524
Utilities receivable, net	-	456,269	456,269
Other accounts receivable	78,076	16,542	94,618
Court fines receivable, net	21,094	-	21,094
Intergovernmental receivable	207,272	-	207,272
Inventory	142,682	-	142,682
Internal balances	(318,026)	318,026	-
Prepaid expenses	11,865	30,783	42,648
Noncurrent			
Restricted cash and cash equivalents	1,586,919	171,692	1,758,611
Deferred debt issuance costs	372,105	57,963	430,068
Capital Assets:			
Non-depreciable	10,751,520	2,801,611	13,553,131
Depreciable, net	18,733,743	13,413,292	32,147,035
TOTAL ASSETS	36,117,653	19,379,810	55,497,463
LIABILITIES			
Current			
Accounts payable	313,776	482,746	796,522
Accrued expenses	120,109	52,073	172,182
Accrued interest payable	321,504	38,442	359,946
Deposits held	11,858	-	11,858
Meter deposits payable	-	41,778	41,778
Deferred revenue	-	6,394	6,394
Current maturities of long-term debt	843,615	1,165,900	2,009,515
	1,610,862	1,787,333	3,398,195
Noncurrent			
Capital leases payable	4,476	-	4,476
Loans payable	564,862	-	564,862
Certificates of participation payable	12,818,394	1,010,000	13,828,394
Revenue bonds payable	-	4,753,957	4,753,957
Compensated absences payable	176,869	38,053	214,922
	13,564,601	5,802,010	19,366,611
TOTAL LIABILITIES	15,175,463	7,589,343	22,764,806
NET ASSETS			
Invested in capital assets, net of related debt	15,253,916	9,285,046	24,538,962
Restricted			
Non-expendable	191,532	-	191,532
Expendable	3,637,222	129,914	3,767,136
Unrestricted			
	1,859,520	2,375,507	4,235,027
TOTAL NET ASSETS	\$ 20,942,190	\$ 11,790,467	\$ 32,732,657

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses), Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
Administrative	\$ (427,857)	\$ 70,662	\$ -	\$ -	\$ (357,195)	\$ -	\$ (357,195)
Clerk/Council	(62,139)	-	-	-	(62,139)	-	(62,139)
City hall building	(392,492)	-	-	-	(392,492)	-	(392,492)
Auditorium	(178,111)	21,598	-	-	(156,513)	-	(156,513)
Building inspection	(46,801)	54,316	-	-	7,515	-	7,515
Animal control	-	1,138	-	-	1,138	-	1,138
Police	(957,541)	178,468	57,142	10,260	(711,671)	-	(711,671)
Fire	(981,044)	125,580	231,830	-	(623,634)	-	(623,634)
Emergency management	(181,213)	-	121,730	51,354	(8,129)	-	(8,129)
Court	(92,536)	11,772	-	-	(80,764)	-	(80,764)
Airport	(569,835)	182,170	-	402,018	14,353	-	14,353
Drainage	(38,991)	-	-	-	(38,991)	-	(38,991)
Street	(1,020,534)	-	64,634	325,462	(630,438)	-	(630,438)
Economic development	(5,822)	-	-	-	(5,822)	-	(5,822)
Parks	(386,538)	28,843	3,710	48,444	(305,541)	-	(305,541)
Recreation	(17,174)	66,268	5,725	-	54,819	-	54,819
Senior center	(102,310)	-	-	-	(102,310)	-	(102,310)
Recycling center	(60,046)	29,734	20,830	-	(9,482)	-	(9,482)
Information technology	(58,018)	-	-	-	(58,018)	-	(58,018)
Property control	(48,569)	-	-	-	(48,569)	-	(48,569)
Golf course	(554,199)	374,989	7,750	-	(171,460)	-	(171,460)
Tourism development	(23,800)	-	-	-	(23,800)	-	(23,800)
Human resources	(83,031)	-	-	-	(83,031)	-	(83,031)
Other	(745)	-	-	-	(745)	-	(745)
Debt service	(526,222)	-	-	-	(526,222)	-	(526,222)
TOTAL GOVERNMENTAL ACTIVITIES	(6,815,568)	1,145,538	513,351	837,538	(4,319,141)	-	(4,319,141)

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF ACTIVITIES (CONTINUED)
Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities							
Water and Sewer	(3,189,358)	4,131,098	-	600,326	-	1,542,066	1,542,066
TOTAL BUSINESS-TYPE ACTIVITIES	(3,189,358)	4,131,098	-	600,326	-	1,542,066	1,542,066
TOTAL GOVERNMENT	\$ (10,004,926)	\$ 5,276,636	\$ 513,351	\$ 1,437,864	(4,319,141)	1,542,066	(2,777,075)
General Revenues:							
Property taxes					406,885	-	406,885
Sales taxes					5,467,062	-	5,467,062
Motor vehicle and gas taxes					403,255	-	403,255
Other taxes					271,827	-	271,827
Franchise fees					962,319	-	962,319
Interest					9,274	3,465	12,739
Other revenue					118,683	16,832	135,515
Sale of Property					465,251	-	465,251
Transfers					(170,677)	170,677	-
Total General Revenues, Sale of Property, and Transfers					7,933,879	190,974	8,124,853
					Changes in Net Assets		
Net Assets, Beginning of year					3,614,738	1,733,040	5,347,778
Net Assets, End of year					17,327,452	10,057,427	27,384,879
					\$ 20,942,190	\$ 11,790,467	\$ 32,732,657

See accompanying notes.

CITY OF NEOSHO, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2011

	Special Revenue Funds					Debt Service Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Hotel/ Motel Tax Fund	Golf Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	2007 COP Fund		
ASSETS									
Cash and cash equivalents	\$ 1,865,992	\$ 156,669	\$ 31,165	\$ 583,675	\$ -	\$ 449,141	\$ 4,460	\$ 421,465	\$ 3,512,567
Taxes receivable	350,540	-	-	128,234	84,559	45,209	-	295,982	904,524
Other accounts receivable	70,463	-	7,613	-	-	-	-	-	78,076
Court fines receivable, net	21,094	-	-	-	-	-	-	-	21,094
Intergovernmental receivable	170,712	-	-	-	7,972	-	-	28,588	207,272
Inventory	142,682	-	-	-	-	-	-	-	142,682
Due from other funds	62,767	163,733	-	-	-	111,222	-	-	337,722
Prepaid expenses	7,498	-	4,367	-	-	-	-	-	11,865
Restricted cash and cash equivalents	29,930	-	-	-	-	-	749,678	807,311	1,586,919
TOTAL ASSETS	\$ 2,721,678	\$ 320,402	\$ 43,145	\$ 711,909	\$ 92,531	\$ 605,572	\$ 754,138	\$ 1,553,346	\$ 6,802,721
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ 232,868	\$ 3,669	\$ 21,212	\$ 26,459	\$ 9,237	\$ -	\$ 700	\$ 14,616	\$ 308,761
Accrued expenses	55,626	-	-	10,790	33,598	-	-	20,095	120,109
Deposits held	6,395	-	-	-	-	-	-	5,463	11,858
Due to other funds	468,147	300	-	90,395	-	-	-	96,906	655,748
TOTAL LIABILITIES	763,036	3,969	21,212	127,644	42,835	-	700	137,080	1,096,476

See accompanying notes.

CITY OF NEOSHO, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
September 30, 2011

	Special Revenue Funds					Debt Service Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Hotel/ Motel Tax Fund	Golf Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	2007 COP Fund		
Fund Balance									
Nonspendable:									
Parks	-	-	-	-	-	-	-	36,985	36,985
Inventory	142,682	-	-	-	-	-	-	-	142,682
Prepaid items	7,498	-	4,367	-	-	-	-	-	11,865
Restricted for:									
Public safety	-	-	-	-	-	-	-	11,500	11,500
Drainage	-	-	-	-	-	-	-	269,739	269,739
Streets	49,496	-	-	584,265	-	-	-	-	633,761
Emergency management	121,216	-	-	-	-	-	-	-	121,216
Parks and recreation	-	-	-	-	-	-	-	58,771	58,771
Senior Center	-	-	-	-	-	-	-	15,259	15,259
Economic development	-	-	-	-	-	-	-	46,047	46,047
Tourism development	-	316,433	-	-	-	-	-	-	316,433
TIF	-	-	-	-	-	605,572	-	-	605,572
Debt service	-	-	-	-	-	-	753,438	805,486	1,558,924
Assigned to:									
Public safety	-	-	-	-	49,696	-	-	-	49,696
Parks and recreation	-	-	-	-	-	-	-	89,220	89,220
Auditorium	-	-	-	-	-	-	-	5,478	5,478
Senior Center	-	-	-	-	-	-	-	12,000	12,000
Golf course	-	-	17,566	-	-	-	-	-	17,566
Street and bridge	-	-	-	-	-	-	-	65,781	65,781
Unassigned	1,637,750	-	-	-	-	-	-	-	1,637,750
TOTAL FUND BALANCES	1,958,642	316,433	21,933	584,265	49,696	605,572	753,438	1,416,266	5,706,245
TOTAL LIABILITIES									
AND FUND BALANCES	\$ 2,721,678	\$ 320,402	\$ 43,145	\$ 711,909	\$ 92,531	\$ 605,572	\$ 754,138	\$ 1,553,346	\$ 6,802,721

See accompanying notes.

CITY OF NEOSHO, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF
 NET ASSETS
 September 30, 2011

Fund balance - total governmental funds	\$ 5,706,245
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	53,712,789
Less accumulated depreciation	<u>(24,227,526)</u>
	29,485,263
Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets	108,297
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(321,504)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(14,408,216)
Unamortized debt issuance costs	<u>372,105</u>
Net assets of governmental activities	<u><u>\$ 20,942,190</u></u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
 Year Ended September 30, 2011

	General Fund	Hotel/ Motel Tax Fund	Golf Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	2007 COP Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES									
Taxes	\$ 3,657,086	\$ 85,117	\$ -	\$ 1,196,720	\$ 528,973	\$ 192,788	\$ -	\$ 1,850,664	\$ 7,511,348
Licenses and permits	86,842	-	-	-	-	-	-	-	86,842
Intergovernmental revenues	1,034,471	-	-	-	84,114	-	-	159,216	1,277,801
Charges for services	241,231	-	374,988	-	125,580	-	-	122,683	864,482
Fines and forfeitures	190,240	-	-	-	-	-	-	-	190,240
Donations and other contributions	37,204	-	-	-	3,500	-	-	18,408	59,112
Miscellaneous	95,561	-	12,717	3,658	9,462	21,578	43	1,055	144,074
TOTAL REVENUES	5,342,635	85,117	387,705	1,200,378	751,629	214,366	43	2,152,026	10,133,899
EXPENDITURES									
Current									
Administrative	386,089	-	-	-	-	-	-	-	386,089
Clerk/Council	62,634	-	-	-	-	-	-	-	62,634
City hall building	395,616	-	-	-	-	-	-	-	395,616
Auditorium	-	-	-	-	-	-	-	43,712	43,712
Building inspection	43,772	-	-	-	-	-	-	-	43,772
Police	953,982	-	-	-	-	-	-	29,736	983,718
Fire	-	-	-	-	966,066	-	-	136,967	1,103,033
Emergency management	178,316	-	-	-	-	-	-	-	178,316
Court	94,568	-	-	-	-	-	-	-	94,568
Airport	1,206,194	-	-	-	-	-	-	-	1,206,194
Drainage	-	-	-	-	-	-	-	63,390	63,390
Street	394,220	-	-	575,994	-	-	-	-	970,214
Economic development	-	-	-	-	-	-	-	5,868	5,868
Parks and recreation	-	-	-	-	-	-	-	353,614	353,614
Recreation	13,292	-	-	-	-	-	-	-	13,292
Senior center	-	-	-	-	-	-	-	84,050	84,050
Recycling center	54,242	-	-	-	-	-	-	-	54,242
Information technology	58,018	-	-	-	-	-	-	-	58,018
Property control	48,569	-	-	-	-	-	-	-	48,569
Human resources	83,031	-	-	-	-	-	-	-	83,031
Golf course	-	-	345,762	-	-	-	-	-	345,762
Tourism development	-	23,800	-	-	-	-	-	-	23,800
Other	-	-	-	-	-	-	-	745	745
Debt Service									
Principal and interest	-	-	23,265	-	-	-	550,019	597,927	1,171,211
TOTAL EXPENDITURES	3,972,543	23,800	369,027	575,994	966,066	-	550,019	1,316,009	7,773,458

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
Year Ended September 30, 2011

	General Fund	Hotel/ Motel Tax Fund	Golf Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	2007 COP Fund	Nonmajor Governmental Funds	Total Governmental Funds
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	1,370,092	61,317	18,678	624,384	(214,437)	214,366	(549,976)	836,017	2,360,441
OTHER FINANCING SOURCES (USES)									
Operating transfers in (out)	458,060	(650)	(21,514)	(144,538)	194,518	(56,302)	544,335	(1,137,167)	(163,258)
Sale of assets	465,251	-	-	-	-	-	-	-	465,251
Insurance proceeds	-	-	-	-	-	-	-	1,833	1,833
TOTAL OTHER FINANCING SOURCES (USES)	<u>923,311</u>	<u>(650)</u>	<u>(21,514)</u>	<u>(144,538)</u>	<u>194,518</u>	<u>(56,302)</u>	<u>544,335</u>	<u>(1,135,334)</u>	<u>303,826</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	2,293,403	60,667	(2,836)	479,846	(19,919)	158,064	(5,641)	(299,317)	2,664,267
FUND BALANCE, October 1	84,897	255,766	24,769	-	-	447,508	759,079	1,469,959	3,041,978
EQUITY TRANSFER	<u>(419,658)</u>	<u>-</u>	<u>-</u>	<u>104,419</u>	<u>69,615</u>	<u>-</u>	<u>-</u>	<u>245,624</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 1,958,642</u>	<u>\$ 316,433</u>	<u>\$ 21,933</u>	<u>\$ 584,265</u>	<u>\$ 49,696</u>	<u>\$ 605,572</u>	<u>\$ 753,438</u>	<u>\$ 1,416,266</u>	<u>\$ 5,706,245</u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended September 30, 2011

Net change in fund balances - total governmental funds \$ 2,664,267

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

Internal Service Fund receipts and disbursements are included in the statement of activities 39,475

Governmental funds report capital outlays as expenditures. However, in the statement
 of activities the cost of these assets is allocated over their estimated useful lives on a
 straight line basis and reported as depreciation expense. The following is the detail of
 the amount by which depreciation and net disposals exceeded capital outlay for the year.

Capital outlay	1,305,227
Depreciation	(1,264,310)
Disposal of capital assets, net	(73,476)
	<u>(32,559)</u>

The issuance of long-term debt provides current financial resources to governmental
 funds. The repayment of the principal of long-term debt is a use of current
 financial resources of governmental funds. Also, governmental funds report
 the effect of issuance costs and similar items when debt is issued, whereas
 these amounts are deferred and amortized in the statement of activities. In
 the statement of activities, interest is accrued on outstanding debt whereas
 in the governmental funds, an interest expenditure is reported when due.
 The following is the detail of the net affect of these differences.

Repayment of principal on bonds, leases and loans	686,575
Issuance cost amortization	(22,830)
Deferred loss on refunding	(6,706)
Change in accrued interest payable	40,085
	<u>697,124</u>

Some expenditures reported in the governmental funds represent the use of current
 financial resources and were recognized in the statement of activities when incurred. 246,431

Change in net assets of governmental activities \$ 3,614,738

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
September 30, 2011

	Water and Sewer Fund	Internal Service Fund
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,113,632	\$ 113,312
Utilities receivable, net	456,269	-
Due from other funds	318,026	-
Other accounts receivable	16,542	-
Prepaid expenses	30,783	-
TOTAL CURRENT ASSETS	2,935,252	113,312
Restricted Assets		
Cash and cash equivalents	171,692	-
TOTAL RESTRICTED ASSETS	171,692	-
Deferred Bond Issuance Costs	57,963	-
Property, Plant and Equipment		
Land	157,578	-
Work in progress	2,644,033	-
Buildings and improvements	35,591	-
Water plant and equipment	13,552,911	-
Sewer plant and equipment	15,487,884	-
	31,877,997	-
Less accumulated depreciation	(15,663,094)	-
TOTAL PROPERTY, PLANT AND EQUIPMENT	16,214,903	-
TOTAL ASSETS	19,379,810	113,312
LIABILITIES		
Current Liabilities		
Accounts payable	482,746	5,015
Accrued expenses	52,073	-
Accrued interest payable	38,442	-
Meter deposits payable	41,778	-
Deferred revenue	6,394	-
Current maturities of long-term debt	1,165,900	-
TOTAL CURRENT LIABILITIES	1,787,333	5,015
Long-Term Liabilities		
Revenue bonds payable	4,753,957	-
Certificates of participation	1,010,000	-
Compensated absences payable	38,053	-
TOTAL LONG-TERM LIABILITES	5,802,010	-
TOTAL LIABILITIES	7,589,343	5,015
NET ASSETS		
Invested in capital assets, net of related debt	9,285,046	-
Restricted for debt service	129,914	-
Unrestricted	2,375,507	108,297
TOTAL NET ASSETS	\$ 11,790,467	\$ 108,297

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS
Year Ended September 30, 2011

	Water and Sewer Fund	Internal Service Fund
OPERATING REVENUES		
Charges for services		
Water and sewer	\$ 4,131,098	\$ -
Insurance contributions	-	587,626
	<u>4,131,098</u>	<u>587,626</u>
TOTAL OPERATING REVENUES	4,131,098	587,626
OPERATING EXPENSES		
Personnel services	1,074,848	-
Contractual services	462,272	-
Repairs and maintenance	287,751	-
Supplies	184,799	-
Utilities	504,751	-
Insurance	78,478	-
Depreciation	427,249	-
Miscellaneous	15,918	-
Insurance claims	-	294,809
Insurance premiums	-	227,366
Administrative fees	-	18,557
	<u>3,036,066</u>	<u>540,732</u>
TOTAL OPERATING EXPENSES	3,036,066	540,732
OPERATING INCOME	1,095,032	46,894
NONOPERATING REVENUES (EXPENSES)		
Interest income	3,465	-
Other revenue	16,832	-
Intergovernmental revenues	600,326	-
Interest expense	(153,292)	-
	<u>467,331</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	467,331	-
INCOME BEFORE OPERATING TRANSFERS	1,562,363	46,894
OPERATING TRANSFERS IN (OUT)	<u>170,677</u>	<u>(7,419)</u>
NET INCOME	1,733,040	39,475
NET ASSETS, October 1	<u>10,057,427</u>	<u>68,822</u>
NET ASSETS, September 30	<u><u>\$ 11,790,467</u></u>	<u><u>\$ 108,297</u></u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended September 30, 2011

	Water and Sewer Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,046,158	\$ 587,626
Cash paid to suppliers	(2,319,728)	(535,717)
Cash paid to employees	(1,213,880)	-
Other cash received for nonoperating revenues	16,832	-
	NET CASH PROVIDED BY OPERATING ACTIVITIES	51,909
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfer in	170,677	(7,419)
Loans to other funds	79,417	-
	NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(7,419)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	(3,231,468)	-
Payment of principal on leases	(173,301)	-
Payment of principal on bonds	(150,500)	-
Bond proceeds	2,930,971	-
Capital contributions	825,614	-
Payment of interest expense	(152,494)	-
	NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	3,465	-
	NET CASH PROVIDED BY INVESTING ACTIVITIES	-
	NET INCREASE IN CASH AND CASH EQUIVALENTS	44,490
CASH AND CASH EQUIVALENTS, Beginning of year	1,453,561	68,822
CASH AND CASH EQUIVALENTS, End of year	2,285,324	113,312
LESS RESTRICTED CASH AND CASH EQUIVALENTS	(171,692)	-
UNRESTRICTED CASH AND CASH EQUIVALENTS	\$ 2,113,632	\$ 113,312
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 1,095,032	\$ 46,894
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	427,249	-
(Increase) decrease in:		
Utilities receivable	(83,766)	-
Other accounts receivable	(800)	-
Prepaid expenses	26,877	-
Increase (decrease) in:		
Accounts payable	(812,636)	5,015
Accrued expenses	(23,714)	-
Meter deposits payable	(6,768)	-
Deferred revenue	6,394	-
Compensated absences	(115,318)	-
Other cash received for nonoperating revenues	16,832	-
	NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 51,909

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Neosho, Missouri, (the City) adopted a home rule charter in 1973 and operates under the Council/City Manager form of government. The City provides the following services as authorized by its charter: public safety (police and fire), streets, culture-recreation, public works, planning, and general administrative services. Other services include water and sewer operations and golf course.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. In accordance with GASB Section 1600.131 (Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting), the proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, except those pronouncements that conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable means the primary government is accountable for the component unit and the primary government is able to impose its will or the component unit may provide financial benefits or impose a financial burden on the primary government. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City is a primary government, which is governed by an elected board. As required by accounting principles generally accepted in the United States of America, the City has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that no other outside entity meets the above criteria and therefore, no other entity has been included as a component unit in the City's financial statements. In addition, the City is not aware of any entity for which the City would be considered as a component unit of that entity.

Government-Wide and Fund Financial Statements

The basic financial statements include both the government-wide (the Statement of Net Assets and the Statement of Activities) and fund financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements display information about the government as a whole. Interfund activity has been eliminated from these statements to minimize the duplication of internal activities. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services for support.

In the government-wide Statement of Net Assets, both the governmental and business-type activities are consolidated and presented on the full accrual, economic resources basis of accounting. The consolidated presentation incorporates long-term assets and receivables as well as long-term debt and obligations, and it provides information to improve analysis and comparability.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a program or a function. Program revenues include charges for goods or services offered by the programs and grants and contributions that are restricted to meet operating and capital expenses of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

Separate fund financial statements report information on the City's governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds in their respective categories.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Consequently, the emphasis on near-term inflows and outflows of resources do not present the long-term impact of transactions. Conversely, the proprietary fund statements incorporate the accrual basis of accounting and focus on the change in total economic resources. This presentation records long-term assets and liabilities, and recognizes revenues and expenses when transactions occur, regardless of their impact on the flow of cash. Since the accounting differs significantly between the governmental funds and the proprietary funds, it is necessary to convert the governmental fund data to arrive at the government-wide financial statements. Therefore, reconciliations have been provided following the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance identifying categories that required conversion from the fund statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major governmental funds:

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.

Hotel/Motel Tax Fund: The Hotel/Motel Tax Fund of the City is used to account for resources related to tourism development within the City.

Golf Fund: The Golf Fund accounts for the activities and capital improvements of the City's golf course.

Street Sales Tax Fund: The Street Sales Tax Fund accounts for sales tax revenues that are restricted, committed, or assigned for the purpose of funding street maintenance, improvements, and indebtedness.

Fire Sales Tax Fund: The Fire Sales Tax Fund accounts for sales tax revenues that are restricted, committed, or assigned for the purpose of funding fire department operations.

Tax Increment Financing Fund: The Tax Increment Financing Fund accounts for activities associated with infrastructure improvements within the identified redevelopment area.

2007 COP Fund: The 2007 COP Fund accounts for revenues and other financing sources used for the payment of principal and interest on the 2007A and 2007B Certificates of Participation.

The City reports the following major proprietary funds:

Water and Sewer Fund: The Water and Sewer Fund accounts for the activities and capital improvements of the City's water and sewer system.

Internal Service Fund: The Internal Service Fund accounts for the costs of self-insurance funds on a cost-reimbursement basis.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, storm sewers, and similar items) and are included in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, excluding land, are defined by the City as assets with a cost of \$5,000 or greater and an estimated useful life of at least one year. All land purchases are capitalized regardless of cost. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Historically, governmental infrastructure assets have not been capitalized and reported in the financial statements. In conformity with GASB 34, infrastructure, such as streets and storm sewers, has been capitalized. Additionally, the city elected to depreciate its infrastructure assets. Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Major moveable equipment	2 to 10 years
Sewer mains, lines and treatment plant	30 to 50 years
Water wells, mains and lines	15 to 40 years
Buildings and improvements	10 to 50 years
Streets	25 years
Bridges	50 years
Traffic lights and signals	25 years
Land improvements	25 years

Expenditures for maintenance and repairs are charged to expense; renewals and betterments are capitalized.

Pooled Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in interest-bearing accounts.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Inventory usage is recognized on the consumption method.

Revenue Recognition

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after December 31 of that year.

Compensated Absences

The City's vacation policy grants an employee two weeks vacation after one year of service and three weeks vacation after ten years. Vacations not taken within one year are forfeited unless written permission is granted to carry unused vacation forward. Unused vacation at termination of employment is paid to the terminated employee provided proper notice was given by the employee.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with FASB ASC Topic No. 835-20-30 – *The Amount of Interest Costs to be Capitalized in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants*. There was no interest capitalized during the current fiscal year.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Pronouncement

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of nonspendable and spendable resources. The City adopted GASB 54 for the current financial statements and has disclosed information about the fund balance reporting.

Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted fund balance – This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment.

Assigned fund balance – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) 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 fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City first applies restricted net assets.

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the City's deposits be collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2011, all bank balances on deposit were entirely insured or collateralized.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE C – RESTRICTED CASH AND CASH EQUIVALENTS

Primary Government

Cash has been restricted in the following funds:

	<u>Restricted Cash and Cash Equivalents</u>
GENERAL FUND	
Court bonds	\$ 12,644
Police evidence	10,891
Deposits held	<u>6,395</u>
	<u>\$ 29,930</u>
2007 COP FUND	
2007A COP lease revenue trust fund	\$ 75,796
2007A COP lease reserve trust fund	305,800
2007B COP lease revenue trust fund	76,430
2007B COP lease reserve trust fund	<u>291,652</u>
	<u>\$ 749,678</u>
NONMAJOR GOVERNMENTAL FUNDS	
Auditorium deposits held	\$ 5,463
2010 COP debt service trust fund	150,915
2006A COP reserve trust fund	521,663
2006B COP reserve trust fund	36,500
2003 COP lease revenue trust fund	8
2003 COP reserve trust fund	<u>92,762</u>
	<u>\$ 807,311</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE C – RESTRICTED CASH AND CASH EQUIVALENTS (continued)

Water and Sewer Fund

Restricted assets are deposited in various banks and consist of the following at September 30, 2011:

	<u>Restricted Cash and Cash Equivalents</u>
Customer deposits	\$ 41,778
1992B Bond principal trust fund	8,750
1992B Bond interest trust fund	4,638
2003 COP reserve trust fund	40,000
2009B Bond principal trust fund	58,600
2009B Bond interest trust fund	17,926
	<u>\$ 171,692</u>

NOTE D – ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN

The assessed valuation of the tangible property and the tax levy per \$100 assessed valuation of that property were as follows:

	<u>2010</u>
Assessed Valuation	
Real estate	\$ 96,185,250
Personal property	34,393,014
	<u>\$ 130,578,264</u>
	TOTAL
Tax Rate Per \$100 of Assessed Valuation	
General Fund (Real Property)	<u>\$ 0.4225</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE D – ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN (continued)

The legal debt margin at September 30, 2011, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 13,057,826	\$ 13,057,826	\$ 26,115,653
General Obligation Bonds payable	-	-	-
LEGAL DEBT MARGIN	\$ 13,057,826	\$ 13,057,826	\$ 26,115,653

(1) Under Article VI, Section 26(b) and (c), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may incur an indebtedness for any purposes authorized in the charter of the City or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the City.

(2) Under Article VI, Section 26(d) and (e), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may become indebted not exceeding in the aggregate an additional ten percent for the purpose of acquiring rights-of-way, construction, extending, and improving streets and avenues, and/or sanitary or storm sewer systems; and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed twenty percent of the value of the taxable tangible property in the City.

NOTE E – ACCOUNTS RECEIVABLE

Accounts receivable is presented net of an allowance for doubtful accounts as follows:

	Gross Receivable	Allowance	Net Receivable
TAXES RECEIVABLE			
General Fund	\$ 350,540	\$ -	\$ 350,540
Street Sales Tax Fund	128,234	-	128,234
Fire Sales Tax Fund	84,559	-	84,559
Tax Increment Financing Fund	45,209	-	45,209
Nonmajor Governmental Funds	295,982	-	295,982
	\$ 904,524	\$ -	\$ 904,524

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE E – ACCOUNTS RECEIVABLE (continued)

	<u>Gross</u> <u>Receivable</u>	<u>Allowance</u>	<u>Net</u> <u>Receivable</u>
UTILITIES RECEIVABLE			
Water and Sewer Fund	\$ 464,972	\$ 8,703	\$ 456,269
OTHER ACCOUNTS RECEIVABLE			
General Fund	\$ 70,463	\$ -	\$ 70,463
Golf Fund	7,613	-	7,613
Water and Sewer Fund	16,542	-	16,542
	<u>\$ 94,618</u>	<u>\$ -</u>	<u>\$ 94,618</u>
COURT FINES RECEIVABLE			
General Fund	<u>\$ 112,426</u>	<u>\$ 91,332</u>	<u>\$ 21,094</u>

NOTE F – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES

The business-type activities long-term debt at September 30, 2011, consists of the 1992B, 2009B, and 2010A Revenue Bond issues, portions of 2003 and 2006A Certificates of Participation, and compensated absences payable.

Revenue Bonds

\$420,000 in combined waterworks and sewerage system revenue bonds Series 1992B, issued June 1992, due in varying annual installments through July 1, 2012; interest at 3.75% to 6.55% plus administrative fees of 1%, current maturities of \$35,000.

\$ 35,000

\$825,000 in waterworks system revenue bonds Series 2010A, issued January 2010, due on January 1, 2012; interest at 2.5%.

\$ 825,000

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE F – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

Sewerage System Refunding and Improvement Revenue Bonds – ARRA Direct Loan Program

On August 5, 2008, the City approved the issuance of sewerage system revenue bonds in an amount not to exceed \$8.5 million for the purpose of paying all or part of the costs of improving the sewerage system. On November 10, 2009, the City approved the Series 2009B sewerage system refunding and improvement revenue bonds (State of Missouri - Direct Loan Program - ARRA) in the maximum principal of \$5,488,800 for the purpose of refunding the Series 2009A revenue bonds in the amount of \$1,676,101, and fund sewerage system improvements in an amount up to \$3,812,699. As of September 30, 2011, \$4,989,857 of the bonds have been issued. Five-year maturities of principal and interest are not presented since the project was not complete as of September 30, 2011.

\$ 4,989,857

Principal and interest payments on the 1992B and 2010A revenue bonds are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest and Admin. Fees</u>	<u>Total</u>
2012	<u>\$ 860,000</u>	<u>\$ 12,956</u>	<u>\$ 872,956</u>

Certificates of Participation

In 2003, the City issued \$1,510,000 in Certificates of Participation for the purpose of refunding the Series 2000 Certificates of Participation and providing funds for water and sewer improvements. \$465,000 of the \$1,510,000 outstanding certificates was recorded as long-term debt within the business-type activities and \$1,045,000 was recorded in the governmental activities of the City. The Certificates of Participation bear interest at various rates ranging from 3.4% to 5.0% with principal payments due May 1 and interest payments due May 1 and November 1 of each year. The certificates outstanding at September 30, 2011, are due as follows:

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE F – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

Year Ended September 30,	Principal	Interest	Total
2012	\$ 95,000	\$ 37,333	\$ 132,333
2013	100,000	33,770	133,770
2014	105,000	29,770	134,770
2015	105,000	25,150	130,150
2016	40,000	20,530	60,530
2017	40,000	18,770	58,770
2018	40,000	17,010	57,010
2019	45,000	15,250	60,250
2020	45,000	13,000	58,000
2021	50,000	10,750	60,750
2022	50,000	8,250	58,250
2023	115,000	5,750	120,750
	<u>\$ 830,000</u>	<u>\$ 235,333</u>	<u>\$ 1,065,333</u>

Amount recorded in:

Water and Sewer Fund/Business-Type Activities	\$ 325,000
Governmental Activities	<u>505,000</u>
TOTAL	<u>\$ 830,000</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE F – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

A summary of the changes in long-term debt – business-type activities for the year ended September 30, 2011, is as follows:

	Balance September 30, 2010	Additions	Retirements	Balance September 30, 2011
Capital Lease Obligations				
UV treatment system lease	\$ 42,676	\$ -	\$ 42,676	\$ -
Loan Obligation				
Lowe's development project	55,625	-	55,625	-
Revenue Bonds				
1992B Revenue Bonds	70,000	-	35,000	35,000
2009B Revenue Bonds -ARRA				
Direct Loan Program	2,174,386	2,930,971	115,500	4,989,857
2010A Revenue Bonds	825,000	-	-	825,000
Certificates of Participation				
2003 Certificate of Participation	340,000	-	15,000	325,000
2006A Certificate of Participation	815,000	-	60,000	755,000
Compensated Absences Payable	153,371	-	115,318	38,053
TOTAL	<u>\$ 4,476,058</u>	<u>\$ 2,930,971</u>	<u>\$ 439,119</u>	<u>\$ 6,967,910</u>

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at September 30, 2011, consists of three capital lease obligations, 2003, 2006A, 2006B, 2007A, 2007B, and 2010 certificates of participation, compensated absences payable, and one loan obligation.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

Capital Lease Obligations

On August 17, 2007, the City entered into a cancelable lease purchase agreement as lessee to finance the purchase of golf carts in the amount of \$135,146. The lease requires varying monthly payments including interest at 5.4%.

On July 15, 2008, the City entered into a lease purchase agreement with Southwest Missouri Bank to finance the purchase of a 2008 Toro mower for \$20,463. The lease requires annual payments on July 1 of each year of \$4,693, which includes interest at 4.74%.

On December 12, 2007, the City entered into a lease purchase agreement with Southwest Missouri Bank to finance the purchase of a fire rescue truck for \$162,676. The lease requires annual payments on March 1 of each year of \$35,987, which includes interest at 4.74%.

Although the lease agreements provide for the cancellation of the leases if the City should fail to appropriate funds at the annual renewal dates, the City does not foresee exercising its options to cancel. Therefore, these leases are accounted for as noncancellable capital leases in accordance with ASC 840-10-25.

The total annual minimum lease payments required at September 30, 2011, are as follows:

Year Ended September 30,	Yamaha Golf Carts	2008 Toro Mower	2008 Fire Rescue Truck	Total
2012	\$ 92,228	\$ 4,693	\$ 35,987	\$ 132,908
2013	-	4,693	-	4,693
TOTAL MINIMUM LEASE PAYMENTS	92,228	9,386	35,987	137,601
LESS AMOUNT REPRESENTING INTEREST	(325)	(639)	(1,633)	(2,597)
PRINCIPAL BALANCE, SEPTEMBER 30, 2011	\$ 91,903	\$ 8,747	\$ 34,354	\$ 135,004

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

Certificates of Participation

On March 1, 2006, the City issued \$6,490,000 in Series 2006A and 2006B Certificates of Participation for the purpose of refunding the Series 1999 and 2000 Certificates of Participation and the Series 2000A Special Obligation Bonds. \$1,025,000 of the Series 2006A Certificates of Participation was recorded in the business-type activities. The Certificates of Participation bear interest at various rates ranging from 4.375% to 6.625% with principal payments due May 1 and interest payments due May 1 and November 1 each year. The certificates outstanding at September 30, 2011, are due as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 245,000	\$ 298,569	\$ 543,569
2013	280,000	287,637	567,637
2014	310,000	274,737	584,737
2015	345,000	260,145	605,145
2016	340,000	243,640	583,640
2017	385,000	226,965	611,965
2018	405,000	207,446	612,446
2019	415,000	186,937	601,937
2020	690,000	165,929	855,929
2021	180,000	131,359	311,359
2022	230,000	121,769	351,769
2023	170,000	108,740	278,740
2024	175,000	99,900	274,900
2025	180,000	90,800	270,800
2026	180,000	81,440	261,440
2027	200,000	72,080	272,080
2028	210,000	61,480	271,480
2029	225,000	50,350	275,350
2030	240,000	38,425	278,425
2031	485,000	25,705	510,705
	<u>\$ 5,890,000</u>	<u>\$ 3,034,053</u>	<u>\$ 8,924,053</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

Water and Sewer Fund/Business-Type Activities	\$ 755,000
Governmental Activities	<u>5,135,000</u>
TOTAL	<u><u>\$ 5,890,000</u></u>

On April 1, 2007, the City issued \$3,625,000 in Certificates of Participation, Series 2007A for the purpose of providing funds to pay the costs of renovating the City’s existing municipal auditorium and senior citizens center. The Certificates of Participation bear interest at various rates with principal payments due April 1 and interest payments due April 1 and October 1 of each year. The certificates outstanding at September 30, 2011, are due as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 110,000	\$ 151,592	\$ 261,592
2013	125,000	146,916	271,916
2014	130,000	141,728	271,728
2015	135,000	136,334	271,334
2016	140,000	130,428	270,428
2017	155,000	124,302	279,302
2018	165,000	117,250	282,250
2019	175,000	109,742	284,742
2020	185,000	101,780	286,780
2021	195,000	93,085	288,085
2022	210,000	83,920	293,920
2023	220,000	74,050	294,050
2024	235,000	63,600	298,600
2025	245,000	52,438	297,438
2026	265,000	40,800	305,800
2027	585,000	28,080	613,080
	<u><u>\$ 3,275,000</u></u>	<u><u>\$ 1,596,045</u></u>	<u><u>\$ 4,871,045</u></u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

On September 1, 2007, the City issued \$3,910,000 in Certificates of Participation, Series 2007B for the purpose of providing funds to pay the costs of constructing a railroad overpass, vehicle and pedestrian bridge and other roadway extensions and improvements. The Certificates of Participation bear interest at various rates with principal payments due April 1 and interest payments due April 1 and October 1 of each year. The certificates outstanding at September 30, 2011, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 135,000	\$ 152,860	\$ 287,860
2013	140,000	147,392	287,392
2014	150,000	141,652	291,652
2015	155,000	135,427	290,427
2016	160,000	128,917	288,917
2017	165,000	122,118	287,118
2018	175,000	115,023	290,023
2019	180,000	107,410	287,410
2020	190,000	99,400	289,400
2021	200,000	90,755	290,755
2022	205,000	81,555	286,555
2023	215,000	72,023	287,023
2024	225,000	61,595	286,595
2025	240,000	50,683	290,683
2026	250,000	39,043	289,043
2027	555,000	26,918	581,918
	<u>\$ 3,340,000</u>	<u>\$ 1,572,771</u>	<u>\$ 4,912,771</u>

On March 30, 2010, the City issued \$1,318,800 in taxable Certificates of Participation, Series 2010 for the purpose of providing funds to reimburse the City for the costs of completing the improvements to the municipal auditorium. The Certificates of Participation bear interest at 5.75% with principal payments due April 1 and interest payments due April 1 and October 1 of each year. The certificates outstanding at September 30, 2011, are due as follows:

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 113,000	\$ 75,785	\$ 188,785
2013	120,000	69,288	189,288
2014	130,000	62,388	192,388
2015	135,000	54,913	189,913
2016	145,000	47,150	192,150
2017	155,000	38,813	193,813
2018	165,000	29,900	194,900
2019	170,000	20,412	190,412
2020	185,800	10,637	196,437
	<u>\$ 1,318,800</u>	<u>\$ 409,286</u>	<u>\$ 1,728,086</u>

On March 1, 2008, the City entered into a loan agreement with the Missouri State Transportation Assistance Revolving (STAR) Fund to finance the construction of a two-phase hangar project in the amount of \$895,100. The agreement requires annual payments of \$103,827 through 2018, including interest at 2.87%.

The annual loan payments required at September 30, 2011, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 85,087	\$ 21,116	\$ 106,203
2013	87,615	16,276	103,891
2014	90,130	13,752	103,882
2015	92,717	11,155	103,872
2016	95,355	8,483	103,838
2017	98,114	5,735	103,849
2018	100,931	2,908	103,839
	<u>\$ 649,949</u>	<u>\$ 79,425</u>	<u>\$ 729,374</u>

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

A summary of the changes in long-term debt – governmental activities for the year ended September 30, 2011, is as follows:

	Balance September 30, 2010	Additions	Retirements	Balance September 30, 2011
Capital Lease Obligations				
Yamaha golf carts	\$ 106,251	\$ -	\$ 14,348	\$ 91,903
2008 Toro mower	12,826	-	4,079	8,747
2008 fire truck	67,158	-	32,804	34,354
	<u>186,235</u>	-	<u>51,231</u>	<u>135,004</u>
Loan Obligation				
2008 STAR loan	735,749	-	85,800	649,949
Lowe's development project	111,250	-	111,250	-
	<u>846,999</u>	-	<u>197,050</u>	<u>649,949</u>
Certificates of Participation				
2003	580,000	-	75,000	505,000
2006A	4,910,000	-	140,000	4,770,000
2006B	365,000	-	-	365,000
2007A	3,375,000	-	100,000	3,275,000
2007B	3,470,000	-	130,000	3,340,000
2010	1,318,800	-	-	1,318,800
	<u>14,018,800</u>	-	<u>445,000</u>	<u>13,573,800</u>
Less: Deferred loss on debt refunding	<u>(134,112)</u>	-	<u>(6,706)</u>	<u>(127,406)</u>
	13,884,688	-	438,294	13,446,394
Compensated absences payable	<u>423,300</u>	-	<u>246,431</u>	<u>176,869</u>
TOTAL	<u><u>\$ 15,341,222</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 933,006</u></u>	<u><u>\$ 14,408,216</u></u>

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance September 30, 2010	Additions	Deletions	Balance September 30, 2011
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 9,560,163	\$ -	\$ -	\$ 9,560,163
Work in progress	1,318,139	555,418	682,200	1,191,357
Total Non-Depreciable Capital Assets	<u>10,878,302</u>	<u>555,418</u>	<u>682,200</u>	<u>10,751,520</u>
Depreciable Capital Assets:				
Land improvements	384,785	-	-	384,785
Building and improvements	9,090,304	-	345,000	8,745,304
Machinery and equipment	4,735,695	52,054	148,310	4,639,439
Golf course	3,626,878	-	253,671	3,373,207
Infrastructure	24,438,579	1,379,955	-	25,818,534
Total Depreciable Capital Assets	42,276,241	<u>\$ 1,432,009</u>	<u>\$ 746,981</u>	42,961,269
Less Accumulated Depreciation	<u>23,636,721</u>	<u>\$ 1,264,310</u>	<u>\$ 673,505</u>	<u>24,227,526</u>
Total Depreciable Capital Assets, Net	<u>18,639,520</u>			<u>18,733,743</u>
Total Capital Assets - Governmental Activities, Net	<u>\$ 29,517,822</u>			<u>\$ 29,485,263</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE H – CAPITAL ASSETS (continued)

Depreciation expense for governmental activities was charged to functions as follows:

Administration	\$ 51,595
Auditorium	136,432
Building inspection	3,393
Police	80,122
Fire	64,841
Emergency management	3,622
Recycling	3,944
Senior center	20,903
Golf course	174,276
Court	1,200
Airport	284,140
Parks	52,295
Recreation	7,588
Drainage	2,965
Street	376,994
	<u>\$ 1,264,310</u>

	Balance September 30, 2010	Additions	Deletions	Balance September 30, 2011
Business-Type Activities				
Water and Sewer				
Non-Depreciable Capital Assets:				
Land	\$ 157,578	\$ -	\$ -	\$ 157,578
Work in progress	5,185,678	3,535,378	6,077,023	2,644,033
Total Non-Depreciable Capital Assets	5,343,256	<u>\$ 3,535,378</u>	<u>\$ 6,077,023</u>	2,801,611

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2010	Additions	Deletions	Balance September 30, 2011
Depreciable Capital Assets:				
Buildings	35,591	\$ -	\$ -	35,591
Water plant and equipment	13,654,011	-	101,100	13,552,911
Sewer plant and equipment	9,430,888	6,077,023	20,027	15,487,884
Total Depreciable Capital Assets	23,120,490	\$ 6,077,023	\$ 121,127	29,076,386
Less Accumulated Depreciation	15,356,972	\$ 427,249	\$ 121,127	15,663,094
Total Depreciable Capital Assets, Net	7,763,518			13,413,292
Total Capital Assets - Business-Type Activities, Net	\$ 13,106,774			\$ 16,214,903

NOTE I – EMPLOYEE PENSION PLAN

Plan Description

The City of Neosho participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri.

LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

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

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE I – EMPLOYEE PENSION PLAN (continued)

Funding Status

Full-time employees of the City of Neosho do not contribute to the pension plan. The June 30th statutorily required contribution rates are 11.0% (General), 7.4% (Police) and 12.7% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

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

Annual required contribution	\$ 305,783
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>305,783</u>
Actual contributions	<u>288,353</u>
Increase (decrease) in NPO	17,430
NPO beginning of year	-
NPO end of year	<u><u>\$ 17,430</u></u>

The annual required contribution (ARC) was determined as part of the February 29, 2008, and February 28, 2009, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011, 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 and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women, and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 29, 2008, was 15 years for the General division, 15 years for the Police division, and 15 years for the Fire division. The amortization period at February 28, 2009, was 30 years for the General division, 4 years for the Police division, and 30 years for the Fire division.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE I – EMPLOYEE PENSION PLAN (continued)

Three-Year Trend Information			
Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 407,320	100.0%	\$ -
2010	385,469	100.0%	-
2011	305,783	94.3%	17,430

The actuarial valuation revealed the following relating to the financial position of the Plan:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) (Excess) Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2011	\$ 5,604,755	\$ 5,670,287	\$ 65,532	99%	\$ 2,674,925	2%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE J – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has transferred its risk by obtaining coverage from a public self-insured insurance pool. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE K – DEFERRED DEBT ISSUANCE COSTS

The deferred debt issuance cost for the business-type activities consists of the 1992B, 2009A, 2009B, and 2010A revenue bonds. The issue costs will be amortized as an adjustment to interest expense using straight-line amortization over 20 years.

The deferred debt issuance costs for governmental activities consist of the 2003, 2006A, 2006B, 2007A, 2007B, and 2010 COP issuance costs. The issue costs will be amortized as an adjustment to interest expense using straight-line amortization over the lives of the issues ranging from 10 to 25 years.

These deferred debt issuance costs are presented net of current amortization as follows:

	Total Debt Issue Costs	Accumulated Amortization September 30, 2010	Current Amortization	Net Debt Issue Costs
Water and Sewer Fund	\$ 81,169	\$ 16,363	\$ 6,843	\$ 57,963
Governmental Activities	\$ 520,800	\$ 125,865	\$ 22,830	\$ 372,105

NOTE L – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2011, consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 458,060	\$ -
Hotel/Motel Tax Fund	-	650
Golf Fund	-	21,514
Street Sales Tax Fund	-	144,538
Fire Sales Tax Fund	194,518	-
Tax Increment Financing District	-	56,302
2007 COP Fund	544,335	-
Nonmajor governmental funds	-	1,137,167
Water and Sewer Fund	170,677	-
ISF	-	7,419
	<u>\$ 1,367,590</u>	<u>\$ 1,367,590</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE L – INTERFUND TRANSFERS (continued)

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the Enterprise Funds and General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE M – INTERNAL BALANCES

Internal balances as of September 30, 2011, consisted of the following:

	General Fund	Hotel/ Motel Tax Fund	Street Sales Tax Fund	Tax Increment Financing Fund	Non-Major Funds	Water and Sewer Fund
Internal balances	<u>\$ (405,380)</u>	<u>\$ 163,433</u>	<u>\$ (90,395)</u>	<u>\$ 111,222</u>	<u>\$ (96,906)</u>	<u>\$ 318,026</u>

During the course of its operations, the City has numerous transactions between funds to finance operation, provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of September 30, 2011, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

NOTE N – CLAIMS AND ADJUSTMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of September 30, 2011, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE O – SELF-INSURANCE FUND

The City has established a self-funded health benefit plan for substantially all City employees to minimize the total cost of medical health insurance to the City. This program is for the benefit of all regular, full-time City employees. Medical claims exceeding an individual participant limit of \$50,000 are covered through a private insurance carrier.

The cash transactions of the health care plan are accounted for in the Self-Insurance Health Fund, an internal service fund. At September 30, 2011, the estimated obligation of health claims based on claims filed prior to, but not yet paid, as of year-end, claims incurred during the year but filed subsequent to year-end, and an additional amount for incurred but not reported claims based on prior experience was \$24,109. Changes in the estimated benefit obligation during the past year are as follows:

Estimated Benefit Obligation, beginning of year	\$ 39,055
Claims incurred	279,863
Claims paid	<u>(294,809)</u>
Estimated Benefit Obligation, end of year	<u><u>\$ 24,109</u></u>

NOTE P – DEBT LOSS REFUNDING

On March 1, 2006, the City issued \$6,490,000 in Series 2006A and 2006B Certificates of Participation with interest rates ranging from 4.375% to 6.625%. The City issued the certificates to refund \$2,845,000 of outstanding Series 2000 Special Obligation Bonds, \$1,535,000 of outstanding Series 2000 Certificates of Participation, and \$1,605,000 of outstanding Series 1999 Certificates of Participation with interest rates ranging from 4.15% to 6.63%.

The advanced refunding resulted in the recognition of a deferred loss on bond refunding of \$167,639 in the governmental activities. The deferred losses are being amortized as an adjustment to interest expense over a period of 25 years.

A summary of the deferred loss on bond refunding is listed below:

	Balance September 30, 2010	Additions	Current Amortization	Balance September 30, 2011
Governmental Activities	<u>\$ 134,112</u>	<u>\$ -</u>	<u>\$ (6,706)</u>	<u>\$ 127,406</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2011

NOTE Q – COMMITMENTS

At September 30, 2011, the City had a commitment to HDR/Archer in the amount of \$397,531 for airport improvements.

NOTE R – MISAPPROPRIATION OF FUNDS

During the year ended September 30, 2009, the City inappropriately borrowed monies in the amount of \$204,367 from the Hotel/Motel Tax Fund, \$139,027 from the Tax Increment Financing Fund, \$157,044 from the Economic Development Sales Tax, \$13,652 from the Senior Center Sales Tax, and \$451,976 from monies designated for the Street Department in order to meet cash requirements of the City. The City plans on repaying these funds over five years.

NOTE S – EQUITY TRANSFER

Equity transfers for the year ended September 30, 2011, consisted of the following:

	Equity Transfers In	Equity Transfers Out
General Fund	\$ -	\$ 419,658
Street Sales Tax Fund	104,419	-
Fire Sales Tax Fund	69,615	-
Police Donations Fund	1,979	-
Drainage Sales Tax Fund	52,211	-
Parks Sales Tax Fund	52,211	-
Auditorium Fund	52,211	-
Senior Center Sales Tax Fund	17,403	-
Economic Development Sales Tax Fund	34,808	-
Street/Bridge Sales Tax Fund	34,801	-
	<u>\$ 419,658</u>	<u>\$ 419,658</u>

Equity transfers are used to move fund balances from an existing fund to new funds deemed necessary by the City.

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

NOTE T – SUBSEQUENT EVENTS

On December 31, 2011, the City issued \$9,425,000 in Waterworks Refunding and Improvement Revenue Bonds, Series 2011.

Subsequent to September 30, 2011, the City entered into a contract to finance a street sweeper for \$163,467. The terms of the financing requires a down payment of \$75,000 and two additional annual payments of \$46,294 each.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEOSHO, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended September 30, 2011

Missouri Local Government Employees Retirement System (LAGERS)

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	(Excess) Accrued Liability (UAL)	Funded Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
2/28/2009	\$ 5,175,153	\$ 5,872,297	\$ 697,144	88%	\$ 3,915,556	18%
2/28/2010	5,951,506	6,329,478	377,972	94%	3,785,117	10%
2/28/2011	5,604,755	5,670,287	65,532	99%	2,674,925	2%

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

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Property tax	\$ 400,000	\$ 400,000	\$ 406,885	\$ 6,885
City sales tax	2,000,000	2,000,000	2,214,520	214,520
Financial institution tax	-	-	6,020	6,020
Utility franchise tax	875,000	875,000	962,319	87,319
Cigarette tax	64,000	64,000	67,342	3,342
	<u>3,339,000</u>	<u>3,339,000</u>	<u>3,657,086</u>	<u>318,086</u>
Licenses and Permits				
Occupational licenses	23,000	21,000	31,937	10,937
Building permits	40,000	40,000	50,980	10,980
Animal licenses and fees	-	-	1,138	1,138
Other	-	2,000	2,787	787
	<u>63,000</u>	<u>63,000</u>	<u>86,842</u>	<u>23,842</u>
Intergovernmental Revenues				
Grants	20,000	816,328	1,034,471	218,143
	<u>20,000</u>	<u>816,328</u>	<u>1,034,471</u>	<u>218,143</u>
Charges for Services				
Sanitation	59,000	59,000	32,342	(26,658)
Airport fuel sales	107,500	107,500	161,761	54,261
Recreational fees	30,000	15,000	12,250	(2,750)
Recycling center fees	20,500	30,000	29,734	(266)
Other	-	-	5,144	5,144
	<u>217,000</u>	<u>211,500</u>	<u>241,231</u>	<u>29,731</u>
Fines and Forfeitures				
City court fines	162,000	162,000	185,554	23,554
Police training fees	-	5,500	4,686	(814)
	<u>162,000</u>	<u>167,500</u>	<u>190,240</u>	<u>22,740</u>
Miscellaneous				
Leases and rent income	37,000	37,000	22,009	(14,991)
Interest	1,500	1,500	9,178	7,678
Donations and other contributions	33,420	33,420	37,204	3,784
Other	13,000	15,500	64,374	48,874
	<u>84,920</u>	<u>87,420</u>	<u>132,765</u>	<u>45,345</u>
TOTAL REVENUES	3,885,920	4,684,748	5,342,635	657,887

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	441,898	442,538	386,089	56,449
Clerk/Council	67,837	67,837	62,634	5,203
City hall building	1,188,280	1,222,380	395,616	826,764
Building inspection	45,976	45,976	43,772	2,204
Police	979,728	982,228	953,982	28,246
Emergency management	8,300	605,990	178,316	427,674
Court	100,180	100,180	94,568	5,612
Airport	926,424	926,424	1,206,194	(279,770)
Street	-	209,900	394,220	(184,320)
Recreation	13,850	13,850	13,292	558
Recycling Center	48,471	48,471	54,242	(5,771)
Information technology	85,162	85,162	58,018	27,144
Property control	48,988	48,988	48,569	419
Human resources	89,862	89,862	83,031	6,831
TOTAL EXPENDITURES	4,044,956	4,889,786	3,972,543	917,243
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	(159,036)	(205,038)	1,370,092	1,575,130
OTHER FINANCING SOURCES (USES)				
Operating transfers in	206,000	200,000	784,465	584,465
Operating transfers (out)	(90,000)	(90,000)	(326,405)	(236,405)
Sale of assets	150,000	375,000	465,251	90,251
TOTAL OTHER FINANCING SOURCES (USES)	266,000	485,000	923,311	438,311
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)				
	106,964	279,962	2,293,403	2,013,441
FUND BALANCE, October 1	84,897	84,897	84,897	-
EQUITY TRANSFER (OUT)	-	-	(419,658)	(419,658)
FUND BALANCE, September 30	\$ 191,861	\$ 364,859	\$ 1,958,642	\$ 1,593,783

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – HOTEL/MOTEL TAX FUND
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Motel taxes	\$ 60,000	\$ 60,000	\$ 85,117	\$ 25,117
TOTAL REVENUES	60,000	60,000	85,117	25,117
EXPENDITURES				
Current				
Tourism development	60,000	60,000	23,800	36,200
TOTAL EXPENDITURES	60,000	60,000	23,800	36,200
EXCESS OF REVENUES OVER EXPENDITURES	-	-	61,317	61,317
OTHER FINANCING (USES)				
Operating transfers (out)	-	-	(650)	(650)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER (USES)	-	-	60,667	60,667
FUND BALANCE, October 1	255,766	255,766	255,766	-
FUND BALANCE, September 30	<u>\$ 255,766</u>	<u>\$ 255,766</u>	<u>\$ 316,433</u>	<u>\$ 60,667</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GOLF FUND
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Charges for services	\$ 550,000	\$ 550,000	\$ 374,988	\$ (175,012)
Miscellaneous	-	-	12,717	12,717
TOTAL REVENUES	550,000	550,000	387,705	(162,295)
EXPENDITURES				
Current				
Golf course	333,030	333,030	345,762	(12,732)
Debt Service				
Principal and interest	23,693	23,693	23,265	428
TOTAL EXPENDITURES	356,723	356,723	369,027	(12,304)
EXCESS OF REVENUES OVER EXPENDITURES				
	193,277	193,277	18,678	(174,599)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	161,000	161,000
Operating transfers (out)	(185,824)	(185,824)	(182,514)	3,310
TOTAL OTHER FINANCING SOURCES (USES)	(185,824)	(185,824)	(21,514)	164,310
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)				
	7,453	7,453	(2,836)	(10,289)
FUND BALANCE, October 1	24,769	24,769	24,769	-
FUND BALANCE (DEFICIT), September 30	\$ 32,222	\$ 32,222	\$ 21,933	\$ (10,289)

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET SALES TAX FUND
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Street sales taxes	\$ 723,000	\$ 723,000	\$ 793,466	\$ 70,466
Motor vehicle taxes	385,000	385,000	403,254	18,254
Miscellaneous	1,000	1,000	3,658	2,658
TOTAL REVENUES	1,109,000	1,109,000	1,200,378	91,378
EXPENDITURES				
Current				
Street	703,732	703,732	575,994	127,738
TOTAL EXPENDITURES	703,732	703,732	575,994	127,738
EXCESS OF REVENUES OVER EXPENDITURES	405,268	405,268	624,384	219,116
OTHER FINANCING SOURCES (USES)				
Operating transfers in	175,219	175,219	175,219	-
Operating transfers (out)	(248,659)	(248,659)	(319,757)	(71,098)
TOTAL OTHER FINANCING SOURCES (USES)	(73,440)	(73,440)	(144,538)	(71,098)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	331,828	331,828	479,846	148,018
FUND BALANCE, October 1	-	-	-	-
EQUITY TRANSFER	-	-	104,419	104,419
FUND BALANCE, September 30	\$ 331,828	\$ 331,828	\$ 584,265	\$ 252,437

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – FIRE SALES TAX FUND
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Fire sales taxes	\$ 480,000	\$ 480,000	\$ 528,973	\$ 48,973
Intergovernmental revenues	93,670	93,670	84,114	(9,556)
Charges for services	125,450	125,450	125,580	130
Donations and other contributions	-	2,500	3,500	1,000
Miscellaneous	2,000	2,000	9,462	7,462
TOTAL REVENUES	701,120	703,620	751,629	48,009
EXPENDITURES				
Current				
Fire	1,056,830	1,059,330	966,066	93,264
TOTAL EXPENDITURES	1,056,830	1,059,330	966,066	93,264
(DEFICIT) OF REVENUES OVER EXPENDITURES	(355,710)	(355,710)	(214,437)	141,273
OTHER FINANCING SOURCES (USES)				
Operating transfers in	355,710	355,710	220,533	(135,177)
Operating transfers (out)	-	-	(26,015)	(26,015)
TOTAL OTHER FINANCING SOURCES (USES)	355,710	355,710	194,518	(161,192)
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	-	-	(19,919)	(19,919)
FUND BALANCE, October 1	-	-	-	-
EQUITY TRANSFER	-	-	69,615	69,615
FUND BALANCE, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,696</u>	<u>\$ 49,696</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – TAX INCREMENT FINANCING FUND
 Year Ended September 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 183,000	\$ 183,000	\$ 192,788	\$ 9,788
Miscellaneous	-	-	21,578	21,578
TOTAL REVENUES	183,000	183,000	214,366	31,366
EXPENDITURES				
Current				
Other	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	183,000	183,000	214,366	31,366
OTHER FINANCING SOURCES (USES)				
Operating transfers in	60,281	60,281	71,936	11,655
Operating transfers (out)	(127,339)	(127,339)	(128,238)	(899)
TOTAL OTHER FINANCING SOURCES (USES)	(67,058)	(67,058)	(56,302)	10,756
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	115,942	115,942	158,064	42,122
FUND BALANCE, October 1	447,508	447,508	447,508	-
FUND BALANCE, September 30	\$ 563,450	\$ 563,450	\$ 605,572	\$ 42,122

CITY OF NEOSHO, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2011

Budgets and Budgetary Accounting

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October, Administration submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the City Council in late August or early September to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to October 1, ordinances are passed by Council which provide for legally adopted budgets for all funds of the City.
4. The City operates on a program performance budget system, with legally adopted budgets prepared by fund, program and department. The level of budgetary control is at the department level. The City's manager may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of City Council.
5. Formal budgetary integration is employed as a management control device for all funds of the City.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by City Council on approved budget adjustment forms.

OTHER FINANCIAL INFORMATION

CITY OF NEOSHO, MISSOURI
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2011

	Special Revenue Funds							
	Police Grants Fund	Police Donations Fund	SAFER Grant Fund	Drainage Sales Tax Fund	Parks Sales Tax Fund	Auditorium Fund	Senior Center Sales Tax Fund	Economic Development Sales Tax Fund
ASSETS								
Cash	\$ -	\$ 4,251	\$ -	\$ 208,861	\$ 95,144	\$ -	\$ 13,932	\$ 35,176
Sales tax receivable	-	-	-	63,420	63,420	63,419	21,140	42,280
Intergovernmental receivable	324	-	28,264	-	-	-	-	-
Cash and cash equivalents - restricted	-	-	-	-	-	5,463	-	-
TOTAL ASSETS	\$ 324	\$ 4,251	\$ 28,264	\$ 272,281	\$ 158,564	\$ 68,882	\$ 35,072	\$ 77,456
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	-	-	1,457	517	7,048	3,111	2,483	-
Accrued expenses	-	-	11,185	2,025	3,525	760	2,600	-
Deposits payable	-	-	-	-	-	5,463	-	-
Due to other funds	324	-	8,373	-	-	54,070	2,730	31,409
TOTAL LIABILITIES	324	-	21,015	2,542	10,573	63,404	7,813	31,409
Fund Balance								
Nonspendable								
Permanent	-	-	-	-	-	-	-	-
Restricted for:								
Public safety	-	4,251	7,249	-	-	-	-	-
Drainage	-	-	-	269,739	-	-	-	-
Parks and recreation	-	-	-	-	58,771	-	-	-
Senior Center	-	-	-	-	-	-	15,259	-
Economic Development	-	-	-	-	-	-	-	46,047
Debt service	-	-	-	-	-	-	-	-
Assigned to:								
Parks and recreation	-	-	-	-	89,220	-	-	-
Auditorium	-	-	-	-	-	5,478	-	-
Senior Center	-	-	-	-	-	-	12,000	-
Street and bridge	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	-	4,251	7,249	269,739	147,991	5,478	27,259	46,047
TOTAL LIABILITIES AND FUND BALANCE	\$ 324	\$ 4,251	\$ 28,264	\$ 272,281	\$ 158,564	\$ 68,882	\$ 35,072	\$ 77,456

CITY OF NEOSHO, MISSOURI
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS (continued)
 September 30, 2011

	Special	Capital	Debt Service Funds			Permanent Funds		Total Nonmajor Governmental Funds
	Revenue Fund	Projects Fund	2010	2006	2003	Abbot	Morse	
	Street/Bridge Sales Tax Fund	STAR Loan Fund	2010 COP Fund	2006 COP Fund	2003 COP Fund	Abbot Brothers Fund	Morse Park Fund	
ASSETS								
Cash	\$ 23,478	\$ -	\$ -	\$ -	\$ 3,638	\$ 33,446	\$ 3,539	\$ 421,465
Sales tax receivable	42,303	-	-	-	-	-	-	295,982
Intergovernmental receivable	-	-	-	-	-	-	-	28,588
Cash and cash equivalents - restricted	-	-	150,915	558,163	92,770	-	-	807,311
TOTAL ASSETS	\$ 65,781	\$ -	\$ 150,915	\$ 558,163	\$ 96,408	\$ 33,446	\$ 3,539	\$ 1,553,346
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	-	-	-	-	-	-	-	14,616
Accrued expenses	-	-	-	-	-	-	-	20,095
Deposits payable	-	-	-	-	-	-	-	5,463
Due to other funds	-	-	-	-	-	-	-	96,906
TOTAL LIABILITIES	-	-	-	-	-	-	-	137,080
Fund Balance								
Nonspendable								
Permanent	-	-	-	-	-	33,446	3,539	36,985
Restricted for:								
Public safety	-	-	-	-	-	-	-	11,500
Drainage	-	-	-	-	-	-	-	269,739
Parks and recreation	-	-	-	-	-	-	-	58,771
Senior Center	-	-	-	-	-	-	-	15,259
Economic Development	-	-	-	-	-	-	-	46,047
Debt service	-	-	150,915	558,163	96,408	-	-	805,486
Assigned to:								
Parks and recreation	-	-	-	-	-	-	-	89,220
Auditorium	-	-	-	-	-	-	-	5,478
Senior Center	-	-	-	-	-	-	-	12,000
Street and bridge	65,781	-	-	-	-	-	-	65,781
TOTAL FUND BALANCES	65,781	-	150,915	558,163	96,408	33,446	3,539	1,416,266
TOTAL LIABILITIES AND FUND BALANCE	\$ 65,781	\$ -	\$ 150,915	\$ 558,163	\$ 96,408	\$ 33,446	\$ 3,539	\$ 1,553,346

CITY OF NEOSHO, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
 Year Ended September 30, 2011

	Police Grants Fund	Police Donations Fund	SAFER Grant Fund	Drainage Sales Tax Fund	Parks Sales Tax Fund	Auditorium Fund	Senior Center Sales Tax Fund	Economic Development Sales Tax Fund
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ 396,730	\$ 396,730	\$ 396,728	\$ 132,243	\$ 264,487
Intergovernmental revenues	15,000	-	144,216	-	-	-	-	-
Charges for services	-	-	-	-	89,086	21,597	12,000	-
Donations and other contributions	-	15,198	-	-	3,210	-	-	-
Miscellaneous	-	-	-	-	134	-	-	-
TOTAL REVENUES	15,000	15,198	144,216	396,730	489,160	418,325	144,243	264,487
EXPENDITURES								
Current								
Police	15,000	14,736	-	-	-	-	-	-
Fire	-	-	136,967	-	-	-	-	-
Drainage	-	-	-	63,390	-	-	-	-
Parks and recreation	-	-	-	-	353,614	-	-	-
Auditorium	-	-	-	-	-	43,712	-	-
Senior Center	-	-	-	-	-	-	84,050	-
Economic Development	-	-	-	-	-	-	-	5,868
Other	-	-	-	-	-	-	-	-
Debt Service								
Principal and interest	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	15,000	14,736	136,967	63,390	353,614	43,712	84,050	5,868
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	462	7,249	333,340	135,546	374,613	60,193	258,619
OTHER FINANCING SOURCES (USES)								
Insurance proceeds	-	-	-	-	-	-	-	-
Operating transfers in	-	1,810	-	-	-	-	-	-
Operating transfers (out)	-	-	-	(115,812)	(39,766)	(421,346)	(50,337)	(247,380)
TOTAL OTHER FINANCING SOURCES (USES)	-	1,810	-	(115,812)	(39,766)	(421,346)	(50,337)	(247,380)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	-	2,272	7,249	217,528	95,780	(46,733)	9,856	11,239
FUND BALANCE, October 1	-	-	-	-	-	-	-	-
EQUITY TRANSFER	-	1,979	-	52,211	52,211	52,211	17,403	34,808
FUND BALANCE, September 30	\$ -	\$ 4,251	\$ 7,249	\$ 269,739	\$ 147,991	\$ 5,478	\$ 27,259	\$ 46,047

CITY OF NEOSHO, MISSOURI

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS (continued)

Year Ended September 30, 2011

	Debt Service Funds					Permanent Funds		Total Nonmajor Governmental Funds
	Street/Bridge Sales Tax Fund	STAR Loan Fund	2010 COP Fund	2006 COP Fund	2003 COP Fund	Abbot Brothers Fund	Morse Park Fund	
REVENUES								
Taxes	\$ 263,746	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,850,664
Intergovernmental revenues	-	-	-	-	-	-	-	159,216
Charges for services	-	-	-	-	-	-	-	122,683
Donations and other contributions	-	-	-	-	-	-	-	18,408
Miscellaneous	-	-	-	39	14	868	-	1,055
TOTAL REVENUES	263,746	-	-	39	14	868	-	2,152,026
EXPENDITURES								
Current								
Police	-	-	-	-	-	-	-	29,736
Fire	-	-	-	-	-	-	-	136,967
Drainage	-	-	-	-	-	-	-	63,390
Parks and recreation	-	-	-	-	-	-	-	353,614
Auditorium	-	-	-	-	-	-	-	43,712
Senior Center	-	-	-	-	-	-	-	84,050
Economic Development	-	-	-	-	-	-	-	5,868
Other	-	-	-	-	-	745	-	745
Debt Service								
Principal and interest	-	-	77,302	415,956	104,669	-	-	597,927
TOTAL EXPENDITURES	-	-	77,302	415,956	104,669	745	-	1,316,009
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	263,746	-	(77,302)	(415,917)	(104,655)	123	-	836,017
OTHER FINANCING SOURCES (USES)								
Insurance proceeds	-	-	-	-	-	1,833	-	1,833
Operating transfers in	69,000	-	190,091	-	101,984	-	-	362,885
Operating transfers (out)	(301,766)	(739,200)	-	415,555	-	-	-	(1,500,052)
TOTAL OTHER FINANCING SOURCES (USES)	(232,766)	(739,200)	190,091	415,555	101,984	1,833	-	(1,135,334)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	30,980	(739,200)	112,789	(362)	(2,671)	1,956	-	(299,317)
FUND BALANCE, October 1	-	739,200	38,126	558,525	99,079	31,490	3,539	1,469,959
EQUITY TRANSFER	34,801	-	-	-	-	-	-	245,624
FUND BALANCE, September 30	\$ 65,781	\$ -	\$ 150,915	\$ 558,163	\$ 96,408	\$ 33,446	\$ 3,539	\$ 1,416,266



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

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

Honorable Mayor and City Council
City of Neosho
Neosho, Missouri

We have audited the financial statements of the City of Neosho, Missouri as of and for the year ended September 30, 2011, and have issued our report thereon dated March 1, 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Neosho, Missouri's internal control over financial reporting in order to determine our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

Honorable Mayor and City Council
City of Neosho
Neosho, Missouri

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. It is identified as item 11-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Neosho, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management of the City of Neosho, Missouri in a separate letter dated March 1, 2012.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Honorable Mayor and City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Lynn; Moots, PC

DAVIS, LYNN & MOOTS, P.C.
March 1, 2012



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council
City of Neosho
Neosho, Missouri

We have audited the compliance of the City of Neosho, Missouri with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2011. The City of Neosho, Missouri's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Neosho, Missouri's management. Our responsibility is to express an opinion on the City of Neosho, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Neosho, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Neosho, Missouri's compliance with those requirements.

Honorable Mayor and City Council
City of Neosho
Neosho, Missouri

In our opinion, the City of Neosho, Missouri complied, in all material respects, with the requirements referred to above that are applicable to the major federal program for the year ended September 30, 2011.

Internal Control Over Compliance

The management of the City of Neosho, Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Neosho, Missouri's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Honorable Mayor and City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Lynn; Moots, PC

DAVIS, LYNN & MOOTS, P.C.
March 1, 2012

CITY OF NEOSHO, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2011

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through Missouri Department of Transportation			
Airport Improvement Program	20.106	08-096A-1	\$ 346,288
Highway Planning and Construction	20.205	STP-4700(706) STP-4700(709)	3,987 11,744
Alcohol Impaired Driving Counter Measures Incentive Grant	20.601	11-K8-03-96	1,771
State and Community Highway Safety	20.600	11-PT-02-110	<u>2,969</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			366,759
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Missouri Department of Economic Development			
Community Development Block Program	14.228	2007-PF-24 2006-PF-39 2010-EM-04	9,900 19,538 <u>90,000</u>
TOTAL U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			119,438
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
State Emergency Management Agency			
Staffing for Adequate Fire and Emergency Response Grant	97.083	N/A	144,215
Disaster Grants - Public Assistance	97.036	FEMA-1961-DR-MO FEMA-1980-DR-MO	15,138 <u>49,496</u>
TOTAL U. S. DEPARTMENT OF HOMELAND SECURITY			208,849
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Missouri Department of Public Safety			
Bulletproof Vest Partnership Program	16.607	N/A	1,260
Edward Byrne Memorial Formula Grant Program	16.738	N/A	<u>9,000</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			10,260
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Passed Through Missouri Department of Natural Resources			
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	C295549.01	<u>3,451,332</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>3,451,332</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 4,156,638</u></u>

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is describe in Note A to the City's financial statements.

CITY OF NEOSHO, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements.
2. A deficiency disclosed during the audit of the financial statements is reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. This deficiency is reported as a material weaknesses.
3. There were no instances of noncompliance material to the financial statements disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. There were no findings required to be reported in accordance with Section 510(a) of Circular A-133.
7. The programs tested as major programs were:

ARRA – Capitalization Grants for Clean Water	
State Revolving Funds	66.458
8. The threshold for determining Type A programs was \$300,000.
9. The City of Neosho, Missouri was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

11-1 Segregation of duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

CITY OF NEOSHO, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2011

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The limited number of available personnel prohibits segregation of incompatible duties.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings or questioned costs for the major federal award programs.

CITY OF NEOSHO, MISSOURI
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2011

There were no prior audit findings.