

CITY OF NEOSHO, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2012

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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, 2012, 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, 2012, 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.

Honorable Mayor and City Council
City of Neosho
Neosho, Missouri

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 as a whole.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
March 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2012

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, 2012. Please read it in conjunction with the City's financial statements, which begin on page 15.

Financial Highlights

- The net assets of the City's governmental activities increased by \$1,762,277 as a result of current year activities. The net assets of the City's business activities increased by \$989,539 for the year.
- The assets of the City exceeded liabilities by \$35.5 million (net assets), as of September 30, 2012. Of this amount, \$4.8 million was unrestricted and may be used to meet future obligations of the City (up over \$600,000 from October 1, 2011), \$4.7 million was restricted and \$25.9 million represents capital assets (net of related debt) of the City.
- Total long-term liabilities of the City increased by \$3,838,137 to a total of \$23.2 million. The increase was substantially due to the issuance of debt under the 2011 Revenue Bonds relate to the enhancements to the Water System. The City made timely payments on all of its debt obligations.
- Growth in revenues was experienced in several areas including the Swimming Pool (due to remodeling of the pool facilities and the very hot summer weather), Parks & Recreation, and a large insurance claim at the Pool. Revenue increases were also noted in Sales Tax, Property tax, Fuel & Motor Vehicle tax, Fines, and Charges for Services. Additionally, Airport Hangers were completed in FY11 and all Hangers were leased in FY12, bringing in additional revenue to repay the STAR Loan. Unemployment expenses were down, as City layoffs have virtually ceased. Lastly, expenses are continually scrutinized by all departments with every employee diligently participating cost saving ideas and input to use every dollar wisely and ensuring careful stewardship of City funds.
- Business activities of the City were enhanced in FY12, in part, by collecting a full fiscal year of increased Water/Sewer rates enacted in late FY11.
- Some changes in long-term liabilities were due to a refinancing of a 2003 COP (A-\$320,000, B-\$410,000), allowing the City to capture lower interest rates with savings of \$89,000 gross, realizing net savings of \$46,000 without extending the terms of the COP's payoff period. Additionally, 183 acres of land were freed from collateral on the 2003 COP. The City also experienced an increase in debt as a result on an ongoing, multiyear fresh Water Project and an upgrade to the Water Treatment Plant facilities.
- In FY 2012, the City continued to make its annual scheduled repayment on all of the intrafund loans that stemmed from misappropriations in prior years.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2012

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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2012

- 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.

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, 2012 and 2011:

	Governmental Activities	Business-Type Activities	Total September 30, 2012	Total September 30, 2011
Current and other assets	\$ 8,225,319	\$ 4,380,417	\$ 12,605,736	\$ 9,797,297
Capital assets	29,005,208	20,736,780	49,741,988	45,700,166
TOTAL ASSETS	<u>37,230,527</u>	<u>25,117,197</u>	<u>62,347,724</u>	<u>55,497,463</u>
Long-term liabilities outstanding	12,784,997	10,419,751	23,204,748	19,366,611
Other liabilities	1,741,063	1,917,440	3,658,503	3,398,195
TOTAL LIABILITIES	<u>14,526,060</u>	<u>12,337,191</u>	<u>26,863,251</u>	<u>22,764,806</u>
Net assets:				
Invested in capital assets				
net of related debt	15,509,223	10,349,141	25,858,364	24,538,962
Restricted	4,734,159	131,091	4,865,250	3,958,668
Unrestricted	2,461,085	2,299,774	4,760,859	4,235,027
TOTAL NET ASSETS	<u>\$ 22,704,467</u>	<u>\$ 12,780,006</u>	<u>\$ 35,484,473</u>	<u>\$ 32,732,657</u>

Total net assets of the City increased by \$2,751,816 for the year due to current year activities. Total liabilities for the City have increased by \$4,098,445, primarily due to issuance of 2012B Revenue Bonds in the current year. Capital assets, net of accumulated depreciation, increased \$4,041,822.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2012

CHANGES IN NET ASSETS

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2012	Total Year Ended September 30, 2011
REVENUES				
Program Revenues				
Charges for services	\$ 1,194,842	\$ 4,648,763	\$ 5,843,605	\$ 5,276,636
Operating grants and contributions	459,269	-	459,269	513,351
Capital grants and contributions	355,786	56,845	412,631	1,437,864
General Revenues				
Property taxes	430,446	-	430,446	406,885
Sales taxes	5,604,888	-	5,604,888	5,467,062
Motor vehicle and gas taxes	416,366	-	416,366	403,255
Other taxes	262,975	-	262,975	271,827
Franchise fees	831,049	-	831,049	962,319
Interest	9,759	7,443	17,202	12,739
Other revenue	66,186	9,570	75,756	135,515
Sale of capital assets	5,560	-	5,560	465,251
Transfers	60,677	(60,677)	-	-
TOTAL REVENUES	9,697,803	4,661,944	14,359,747	15,352,704
EXPENSES				
General government	795,744	-	795,744	929,289
Auditorium	183,822	-	183,822	178,111
Police	1,253,010	-	1,253,010	957,541
Fire	1,454,558	-	1,454,558	981,044
Emergency management	222,542	-	222,542	181,213
Court	95,891	-	95,891	92,536
Airport	565,995	-	565,995	569,835
Drainage	61,528	-	61,528	38,991
Street	1,327,263	-	1,327,263	1,020,534
Economic development	17	-	17	5,822
Parks	207,525	-	207,525	386,538
Recreation	19,781	-	19,781	17,174
Senior Center	96,678	-	96,678	102,310
Recycling Center	69,778	-	69,778	60,046
Information technology	60,321	-	60,321	58,018
Property control	49,050	-	49,050	48,569
Golf course	669,105	-	669,105	554,199
Tourism development	11,995	-	11,995	23,800
Human resources	88,603	-	88,603	83,031
Other	4,137	-	4,137	745
Debt service	698,183	-	698,183	526,222
Water and sewer	-	3,672,405	3,672,405	3,189,358
TOTAL EXPENSES	7,935,526	3,672,405	11,607,931	10,004,926
INCREASE IN NET ASSETS	\$ 1,762,277	\$ 989,539	\$ 2,751,816	\$ 5,347,778

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2012

Governmental Activities

Governmental activities increased the net assets of the City by \$1,762,277. Tax revenues for the City were \$7,545,724 which represents 78% of the funding of these activities. Program revenues for the functions totaled \$2,009,897 or 21% 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**

	Total Cost of Services	Net Cost of Services
General government	\$ 795,744	\$ 698,647
Auditorium	183,822	162,849
Police	1,253,010	931,934
Fire	1,454,558	952,645
Emergency management	222,542	124,282
Court	95,891	81,143
Airport	565,995	276,723
Drainage	61,528	61,528
Street	1,327,263	1,318,645
Economic development	17	17
Parks	207,525	35,154
Recreation	19,781	(59,027)
Senior center	96,678	96,678
Recycling center	69,778	13,748
Information technology	60,321	60,321
Property control	49,050	49,050
Golf course	669,105	318,374
Tourism development	11,995	11,995
Human resources	88,603	88,603
Other	4,137	4,137
Debt service	698,183	698,183
	\$ 7,935,526	\$ 5,925,629

Business-Type Activities

Business-type activities increased the City's net assets by \$989,539. This is down from the increase received last year from the City's business-type activities. The increase in the prior year was \$1,733,040.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2012

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2012, were \$7,169,951. The combined fund balances are up by \$1,463,706 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. The staff in these three departments has gradually been increase to bring a level of service the Citizens of Neosho expect and deserve. 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 \$3,987,154 increased to \$4,176,624.
- The original expenditures budget of \$2,765,203 was increased to \$3,407,255.
- Budget adjustments were presented and approved by the Board of Aldermen. Budgeted revenues were \$454,453 below actual, and budgeted expenditures were \$60,551 above actual.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$29,005,208 (net of accumulated depreciation) as of September 30, 2012. This represents a \$480,055 decrease from the prior year. Capital assets for business-type activities were \$20,736,780 as of September 30, 2012. This represents an increase of \$4,521,877 from the prior year.

Debt

Total debt of the governmental activities as of September 30, 2012, was \$13,633,698, which is down \$774,518.

Total debt of the business-type activities as of September 30, 2012, was \$10,454,751, which is up \$4,311,841 from the prior year primarily due to the issuance of 2012B Revenue Bonds.

Economic Factors and Next Year's Budget

The economy continues to improve and remain stable, but at a slower pace than in fiscal years 2011 and 2012, which have been reflected in the leveling of sales tax revenues since the middle of the fiscal year 2012 period. The City continues to monitor sales tax revenues closely to determine if the positive trend in the economy will continue. As predicted, the rebuilding of Joplin after the May 2011 tornado has impacted retail sales in the city; however, as stated above, sales tax revenue has remained stable. Additionally, with the change from Intrastate Highway 71 to Interstate 49, which runs through Neosho, growth in commercial industry in the Neosho area is anticipated.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2012

Economic Factors and Next Year's Budget (continued)

Revenues are expected to remain strong, as expenditures continue to be reined in to avoid waste and excess spending. Assessed valuation grew by 3.8% to \$136.7 million in 2012. Estimated market value is \$543.8 million, which we view as adequate at \$45,950 per capita. The City serves 11,835 residents as of the 2010 U.S. Census, a 12.7% increase since the 2000 Census. Major employers and taxpayers appear to be quite stable and the county unemployment was 6.2% in 2012, lower than the state's 7.1% and the nation's 8.1%.

As stated last year, the greatest asset the City has is its staff of dedicated employees. Gradually increasing City staff in vital City departments and improving the quality of staff and services through training and cross-training among positions is a priority to better serve the needs of the city and its citizens. The deep cuts experienced by police, fire and public works, have been 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 is providing 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. This multi-year project will come to an end in fiscal year 2013.

Access to complete, accurate and timely information is essential to effective management of the City. Just over \$220 thousand has been spent in fiscal years 2012 and 2013 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, and improved billing and payment options for utility customers.

As of March 1, 2013, the City has taken over the golf course operations which had previously been contracted out. Future plans include continued improvements to the operations, greens and fairways. Replacement of the aged golf cart fleet with a long term lease/purchase agreement took place in fiscal year 2012.

The debt of the City continues to be 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 years, but will continue to require careful and concise planning to fulfill obligations to both debtors and the citizens of the City. The City has very strong reserves with a low debt burden with no additional debt plans in the immediate future.

MANAGEMENT’S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2012

Quoting from the Standard & Poor’s recent “A” rating of the City published March 21, 2013:

In our opinion, finances have improved significantly since ending fiscal 2009 with a negative general fund balance. Fiscal 2012 results reflect a \$465,000 operating surplus, resulting in a \$2.1 million unassigned general fund balance, which we consider very strong at 63% of expenditures. The City ended fiscal 2011, the most-recent audited fiscal year, by increasing the general fund balance by \$1.9 million; the resulting available fund balance, all of which was unassigned, was \$1.6 million, which we view as a very strong at 41.2% of general fund expenditures. In 2012, sales tax revenue increased by 5.3% while per capita retail sales were 136% of the national average. In our view, overall net debt is low at \$1,307 per capita and 2.8% of estimated market value. The stable outlook reflects Standard & Poor's opinion of Neosho's very strong finances. We believe that Neosho's management team has made necessary changes to maintain structural balance and provide future financial stability. Given the City's overall credit profile, we do not expect to change the rating over the outlook's two-year period.

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

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Pete Ramsour, Finance Director	pramsour@neoshomo.org
Nora Houdyshell, City Clerk	nhoudyshell@neoshomo.org

CITY OF NEOSHO, MISSOURI
STATEMENT OF NET ASSETS
September 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 5,298,993	\$ 2,860,840	\$ 8,159,833
Sales tax receivable	864,894	-	864,894
Utilities receivable, net	-	439,342	439,342
Other accounts receivable	40,934	342,578	383,512
Court fines receivable, net	29,683	-	29,683
Intergovernmental receivable	193,511	56,845	250,356
Inventory	134,375	-	134,375
Internal balances	(238,465)	238,465	-
Prepaid expenses	36,327	43,057	79,384
Noncurrent			
Restricted cash and cash equivalents	1,543,536	171,413	1,714,949
Deferred debt issuance costs	321,531	227,877	549,408
Capital Assets:			
Non-depreciable	10,156,081	7,648,796	17,804,877
Depreciable, net	18,849,127	13,087,984	31,937,111
TOTAL ASSETS	37,230,527	25,117,197	62,347,724
LIABILITIES			
Current			
Accounts payable	437,602	1,722,678	2,160,280
Accrued expenses	139,082	68,100	207,182
Accrued interest payable	299,834	51,340	351,174
Deposits held	15,845	-	15,845
Meter deposits payable	-	40,322	40,322
Current maturities of long-term debt	848,700	35,000	883,700
	1,741,063	1,917,440	3,658,503
Noncurrent			
Capital leases payable	100,602	-	100,602
Loans payable	477,247	-	477,247
Certificates of participation payable	12,069,436	970,000	13,039,436
Revenue bonds payable	-	9,382,639	9,382,639
Compensated absences payable	137,712	67,112	204,824
	12,784,997	10,419,751	23,204,748
TOTAL LIABILITIES	14,526,060	12,337,191	26,863,251
NET ASSETS			
Invested in capital assets, net of related debt	15,509,223	10,349,141	25,858,364
Restricted			
Non-expendable	211,717	-	211,717
Expendable	4,522,442	131,091	4,653,533
Unrestricted			
	2,461,085	2,299,774	4,760,859
TOTAL NET ASSETS	\$ 22,704,467	\$ 12,780,006	\$ 35,484,473

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2012

<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	\$ (496,755)	\$ 61,856	\$ -	\$ -	\$ (434,899)	\$ -	\$ (434,899)
Clerk/Council	(59,355)	-	-	-	(59,355)	-	(59,355)
City hall building	(149,652)	-	-	-	(149,652)	-	(149,652)
Auditorium	(183,822)	20,973	-	-	(162,849)	-	(162,849)
Building inspection	(89,982)	35,241	-	-	(54,741)	-	(54,741)
Police	(1,253,010)	202,788	48,328	69,960	(931,934)	-	(931,934)
Fire	(1,454,558)	125,450	376,463	-	(952,645)	-	(952,645)
Emergency management	(222,542)	-	-	98,260	(124,282)	-	(124,282)
Court	(95,891)	14,748	-	-	(81,143)	-	(81,143)
Airport	(565,995)	240,835	-	48,437	(276,723)	-	(276,723)
Drainage	(61,528)	-	-	-	(61,528)	-	(61,528)
Street	(1,327,263)	-	8,618	-	(1,318,645)	-	(1,318,645)
Economic development	(17)	-	-	-	(17)	-	(17)
Parks	(207,525)	33,242	-	139,129	(35,154)	-	(35,154)
Recreation	(19,781)	72,298	6,510	-	59,027	-	59,027
Senior center	(96,678)	-	-	-	(96,678)	-	(96,678)
Recycling center	(69,778)	36,680	19,350	-	(13,748)	-	(13,748)
Information technology	(60,321)	-	-	-	(60,321)	-	(60,321)
Property control	(49,050)	-	-	-	(49,050)	-	(49,050)
Golf course	(669,105)	350,731	-	-	(318,374)	-	(318,374)
Tourism development	(11,995)	-	-	-	(11,995)	-	(11,995)
Human resources	(88,603)	-	-	-	(88,603)	-	(88,603)
Other	(4,137)	-	-	-	(4,137)	-	(4,137)
Debt service	(698,183)	-	-	-	(698,183)	-	(698,183)
TOTAL GOVERNMENTAL ACTIVITIES	(7,935,526)	1,194,842	459,269	355,786	(5,925,629)	-	(5,925,629)

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF ACTIVITIES (CONTINUED)
Year Ended September 30, 2012

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	(3,672,405)	4,648,763	-	56,845	-	1,033,203	1,033,203
TOTAL BUSINESS-TYPE ACTIVITIES	(3,672,405)	4,648,763	-	56,845	-	1,033,203	1,033,203
TOTAL GOVERNMENT	\$ (11,607,931)	\$ 5,843,605	\$ 459,269	\$ 412,631	(5,925,629)	1,033,203	(4,892,426)
General Revenues:							
Property taxes					430,446	-	430,446
Sales taxes					5,604,888	-	5,604,888
Motor vehicle and gas taxes					416,366	-	416,366
Other taxes					262,975	-	262,975
Franchise fees					831,049	-	831,049
Interest					9,759	7,443	17,202
Other revenue					66,186	9,570	75,756
Sale of Property					5,560	-	5,560
Transfers					60,677	(60,677)	-
Total General Revenues, Sale of Property, and Transfers					<u>7,687,906</u>	<u>(43,664)</u>	<u>7,644,242</u>
					Changes in Net Assets		
					1,762,277	989,539	2,751,816
Net Assets, Beginning of year					<u>20,942,190</u>	<u>11,790,467</u>	<u>32,732,657</u>
Net Assets, End of year					<u>\$ 22,704,467</u>	<u>\$ 12,780,006</u>	<u>\$ 35,484,473</u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2012

	Special Revenue Funds						Debt Service Fund	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	\$ 2,415,974	\$ 257,984	\$ -	\$ 770,633	\$ -	\$ 793,388	\$ 2,586	\$ 891,753	\$ 5,132,318
Taxes receivable	351,502	-	-	128,321	83,362	9,942	-	291,767	864,894
Other accounts receivable	31,208	-	9,726	-	-	-	-	-	40,934
Court fines receivable, net	29,683	-	-	-	-	-	-	-	29,683
Intergovernmental receivable	150,039	-	-	-	-	-	-	43,472	193,511
Inventory	134,375	-	-	-	-	-	-	-	134,375
Due from other funds	54,136	122,800	-	-	-	83,416	-	-	260,352
Prepaid expenses	30,219	-	6,108	-	-	-	-	-	36,327
Restricted cash and cash equivalents	29,137	-	-	-	-	-	744,606	769,793	1,543,536
TOTAL ASSETS	\$ 3,226,273	\$ 380,784	\$ 15,834	\$ 898,954	\$ 83,362	\$ 886,746	\$ 747,192	\$ 1,996,785	\$ 8,235,930
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ 303,679	\$ -	\$ 9,741	\$ 66,479	\$ 16,235	\$ -	\$ 1,500	\$ 14,600	\$ 412,234
Accrued expenses	63,666	-	-	14,124	40,106	-	-	21,187	139,083
Deposits held	8,430	-	-	-	-	-	-	7,415	15,845
Due to other funds	427,213	300	-	-	-	-	-	71,304	498,817
TOTAL LIABILITIES	802,988	300	9,741	80,603	56,341	-	1,500	114,506	1,065,979

See accompanying notes.

CITY OF NEOSHO, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
September 30, 2012

	Special Revenue Funds						Debt Service Fund	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	-	-	-	-	-	-	-	41,015	41,015
Inventory	134,375	-	-	-	-	-	-	-	134,375
Prepaid items	30,219	-	6,108	-	-	-	-	-	36,327
Restricted for:									
Public safety	4,387	-	-	-	-	-	-	13,616	18,003
Drainage	-	-	-	-	-	-	-	422,702	422,702
Streets	139,053	-	-	818,351	-	-	-	-	957,404
Emergency management	6,599	-	-	-	-	-	-	-	6,599
Parks and recreation	-	-	-	-	-	-	-	190,135	190,135
Senior Center	-	-	-	-	-	-	-	19,690	19,690
Economic development	-	-	-	-	-	-	-	132,609	132,609
Tourism development	-	380,484	-	-	-	-	-	-	380,484
TIF	-	-	-	-	-	886,746	-	-	886,746
Debt service	-	-	-	-	-	-	745,692	762,378	1,508,070
Assigned to:									
Public safety	-	-	-	-	27,021	-	-	-	27,021
Parks and recreation	-	-	-	-	-	-	-	171,942	171,942
Auditorium	-	-	-	-	-	-	-	5,243	5,243
Senior Center	-	-	-	-	-	-	-	24,050	24,050
Golf course	-	-	(15)	-	-	-	-	-	(15)
Street and bridge	-	-	-	-	-	-	-	98,899	98,899
Unassigned	2,108,652	-	-	-	-	-	-	-	2,108,652
TOTAL FUND BALANCES	2,423,285	380,484	6,093	818,351	27,021	886,746	745,692	1,882,279	7,169,951
TOTAL LIABILITIES									
AND FUND BALANCES	\$ 3,226,273	\$ 380,784	\$ 15,834	\$ 898,954	\$ 83,362	\$ 886,746	\$ 747,192	\$ 1,996,785	\$ 8,235,930

See accompanying notes.

CITY OF NEOSHO, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF
 NET ASSETS
 September 30, 2012

Fund balance - total governmental funds	\$ 7,169,951
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	54,513,335
Less accumulated depreciation	<u>(25,508,127)</u>
	29,005,208
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	141,307
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(299,832)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(13,633,698)
Unamortized debt issuance costs	<u>321,531</u>
Net assets of governmental activities	<u><u>\$ 22,704,467</u></u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
 Year Ended September 30, 2012

	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	\$ 3,600,646	\$ 87,310	\$ -	\$ 1,231,576	\$ 543,387	\$ 181,044	\$ -	\$ 1,901,759	\$ 7,545,722
Licenses and permits	60,826	-	-	-	-	-	-	-	60,826
Intergovernmental revenues	383,754	-	-	-	-	-	-	378,463	762,217
Charges for services	279,967	-	350,730	-	125,450	-	-	133,088	889,235
Fines and forfeitures	217,536	-	-	-	-	-	-	-	217,536
Donations and other contributions	32,977	-	-	-	-	-	-	13,350	46,327
Miscellaneous	55,371	382	532	1,948	1,009	1,204	8	49,249	109,703
TOTAL REVENUES	4,631,077	87,692	351,262	1,233,524	669,846	182,248	8	2,475,909	9,631,566
EXPENDITURES									
Current									
Administrative	447,340	-	-	-	-	-	-	-	447,340
Clerk/Council	59,176	-	-	-	-	-	-	-	59,176
Non-departmental	148,520	-	-	-	-	-	-	-	148,520
Auditorium	-	-	-	-	-	-	-	46,652	46,652
Development services	86,454	-	-	-	-	-	-	-	86,454
Police	1,234,119	-	-	-	-	-	-	16,868	1,250,987
Fire	-	-	-	-	1,045,674	-	-	372,835	1,418,509
Emergency management	322,480	-	-	-	-	-	-	-	322,480
Court	94,424	-	-	-	-	-	-	-	94,424
Airport	380,025	-	-	-	-	-	-	-	380,025
Drainage	-	-	-	-	-	-	-	56,422	56,422
Street	296,949	-	-	950,942	-	-	-	-	1,247,891
Parks and recreation	-	-	-	-	-	-	-	357,684	357,684
Recreation	13,409	-	-	-	-	-	-	-	13,409
Senior center	-	-	-	-	-	-	-	75,775	75,775
Recycling center	65,834	-	-	-	-	-	-	-	65,834
Information technology	60,321	-	-	-	-	-	-	-	60,321
Property control	49,050	-	-	-	-	-	-	-	49,050
Human resources	88,603	-	-	-	-	-	-	-	88,603
Golf course	-	-	493,768	-	-	-	-	-	493,768
Tourism development	-	11,995	-	-	-	-	-	-	11,995
Other	-	-	-	-	-	-	-	4,137	4,137
Debt Service									
Principal and interest	-	-	110,320	-	-	-	553,634	1,281,627	1,945,581
TOTAL EXPENDITURES	3,346,704	11,995	604,088	950,942	1,045,674	-	553,634	2,212,000	8,725,037

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
Year Ended September 30, 2012

	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	1,284,373	75,697	(252,826)	282,582	(375,828)	182,248	(553,626)	263,909	906,529
OTHER FINANCING SOURCES (USES)									
Operating transfers in (out)	(825,290)	(11,646)	93,821	(48,496)	353,153	98,926	545,880	(195,671)	10,677
Sale of assets	5,560	-	-	-	-	-	-	-	5,560
Lease issuance costs	-	-	-	-	-	-	-	(27,225)	(27,225)
Lease Proceeds	-	-	143,165	-	-	-	-	425,000	568,165
TOTAL OTHER FINANCING SOURCES (USES)	<u>(819,730)</u>	<u>(11,646)</u>	<u>236,986</u>	<u>(48,496)</u>	<u>353,153</u>	<u>98,926</u>	<u>545,880</u>	<u>202,104</u>	<u>557,177</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	464,643	64,051	(15,840)	234,086	(22,675)	281,174	(7,746)	466,013	1,463,706
FUND BALANCE, October 1	<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>
FUND BALANCE, September 30	<u>\$ 2,423,285</u>	<u>\$ 380,484</u>	<u>\$ 6,093</u>	<u>\$ 818,351</u>	<u>\$ 27,021</u>	<u>\$ 886,746</u>	<u>\$ 745,692</u>	<u>\$ 1,882,279</u>	<u>\$ 7,169,951</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, 2012

Net change in fund balances - total governmental funds \$ 1,463,706

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 33,010

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 exceeded capital outlay for the year.

Capital outlay	800,546
Depreciation	(1,280,601)
	<u>(480,055)</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	1,303,527
Lease proceeds	(568,165)
Issuance cost amortization	(50,573)
Change in accrued interest payable	21,670
	<u>706,459</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. 39,157

Change in net assets of governmental activities \$ 1,762,277

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
September 30, 2012

	Water and Sewer Fund	Internal Service Fund
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,860,840	\$ 166,675
Utilities receivable, net	439,342	-
Intergovernmental receivable	56,845	-
Due from other funds	238,465	-
Other accounts receivable	342,578	-
Prepaid expenses	43,057	-
	<u>3,981,127</u>	<u>166,675</u>
TOTAL CURRENT ASSETS	3,981,127	166,675
Restricted Assets		
Cash and cash equivalents	171,413	-
	<u>171,413</u>	<u>-</u>
TOTAL RESTRICTED ASSETS	171,413	-
Deferred Bond Issuance Costs	227,877	-
Property, Plant and Equipment		
Land	157,578	-
Work in progress	7,491,218	-
Buildings and improvements	35,591	-
Water plant and equipment	13,655,729	-
Sewer plant and equipment	15,529,808	-
	<u>36,869,924</u>	<u>-</u>
Less accumulated depreciation	(16,133,144)	-
	<u>20,736,780</u>	<u>-</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	20,736,780	-
TOTAL ASSETS	25,117,197	166,675
LIABILITIES		
Current Liabilities		
Accounts payable	1,722,678	25,368
Accrued expenses	68,100	-
Accrued interest payable	51,340	-
Meter deposits payable	40,322	-
Current maturities of long-term debt	35,000	-
	<u>1,917,440</u>	<u>25,368</u>
TOTAL CURRENT LIABILITIES	1,917,440	25,368
Long-Term Liabilities		
Revenue bonds payable	9,382,639	-
Certificates of participation	970,000	-
Compensated absences payable	67,112	-
	<u>10,419,751</u>	<u>-</u>
TOTAL LONG-TERM LIABILITES	10,419,751	-
TOTAL LIABILITIES	12,337,191	25,368
NET ASSETS		
Invested in capital assets, net of related debt	10,349,141	-
Restricted for debt service	131,091	-
Unrestricted	2,299,774	141,307
	<u>12,780,006</u>	<u>141,307</u>
TOTAL NET ASSETS	\$ 12,780,006	\$ 141,307

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS
Year Ended September 30, 2012

	<u>Water and Sewer Fund</u>	<u>Internal Service Fund</u>
OPERATING REVENUES		
Charges for services		
Water and sewer	\$ 4,648,763	\$ -
Insurance contributions	-	631,062
	<u>4,648,763</u>	<u>631,062</u>
OPERATING EXPENSES		
Personnel services	1,327,074	-
Contractual services	451,166	-
Repairs and maintenance	319,499	-
Supplies	205,335	-
Utilities	574,058	-
Insurance	41,227	-
Depreciation	525,977	-
Miscellaneous	26,451	-
Insurance claims and premiums	-	629,299
Administrative fees	-	18,753
	<u>3,470,787</u>	<u>648,052</u>
TOTAL OPERATING REVENUES		
	4,648,763	631,062
OPERATING INCOME (LOSS)		
	1,177,976	(16,990)
NONOPERATING REVENUES (EXPENSES)		
Interest income	7,443	-
Other revenue	9,570	-
Intergovernmental revenues	56,845	-
Interest expense	(201,618)	-
	<u>(127,760)</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		
	(127,760)	-
INCOME (LOSS) BEFORE OPERATING TRANSFERS		
	1,050,216	(16,990)
OPERATING TRANSFERS IN (OUT)		
	(60,677)	50,000
NET INCOME		
	989,539	33,010
NET ASSETS, October 1		
	<u>11,790,467</u>	<u>108,297</u>
NET ASSETS, September 30		
	<u>\$ 12,780,006</u>	<u>\$ 141,307</u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended September 30, 2012

	Water and Sewer Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,656,665	\$ 631,062
Cash paid to suppliers	(1,927,497)	(627,699)
Cash paid to employees	(1,281,988)	-
Other cash received for nonoperating revenues	9,570	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,456,750	3,363
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfer in (out)	(60,677)	50,000
Repayment of loans to other funds	79,561	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	18,884	50,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	(3,835,296)	-
Payment of principal on leases	(380,000)	-
Payment of principal on bonds	(1,095,900)	-
Lease proceeds	305,000	-
Bond proceeds	4,477,290	-
Payment of interest expense	(207,242)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(736,148)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	7,443	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	7,443	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	746,929	53,363
CASH AND CASH EQUIVALENTS, Beginning of year	2,285,324	113,312
CASH AND CASH EQUIVALENTS, End of year	3,032,253	166,675
LESS RESTRICTED CASH AND CASH EQUIVALENTS	(171,413)	-
UNRESTRICTED CASH AND CASH EQUIVALENTS	\$ 2,860,840	\$ 166,675
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 1,177,976	\$ (16,990)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	525,977	-
(Increase) decrease in:		
Utilities receivable	16,927	-
Other accounts receivable	(1,175)	-
Prepaid expenses	(12,274)	-
Increase (decrease) in:		
Accounts payable	(297,487)	20,353
Accrued expenses	16,027	-
Meter deposits payable	(1,456)	-
Deferred revenue	(6,394)	-
Compensated absences	29,059	-
Other cash received for nonoperating revenues	9,570	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,456,750	\$ 3,363

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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, 2012, all bank balances on deposit were entirely insured or collateralized.

NOTE C – RESTRICTED CASH AND CASH EQUIVALENTS

Primary Government

Cash has been restricted in the following funds:

	Restricted Cash and Cash Equivalents
GENERAL FUND	
Court bonds	\$ 9,702
Police evidence	11,005
Deposits held	8,430
	<u>\$ 29,137</u>
2007 COP FUND	
2007A COP lease revenue trust fund	\$ 73,458
2007A COP lease reserve trust fund	305,800
2007B COP lease revenue trust fund	73,696
2007B COP lease reserve trust fund	291,652
	<u>\$ 744,606</u>
NONMAJOR GOVERNMENTAL FUNDS	
Auditorium deposits held	\$ 7,415
2010 COP debt service trust fund	160,512
2006A COP reserve trust fund	521,663
2006B COP reserve trust fund	36,500
2003 COP lease revenue trust fund	8
2012 COP reserve fund	43,695
	<u>\$ 769,793</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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, 2012:

	<u>Restricted Cash and Cash Equivalents</u>
Customer deposits	\$ 40,323
1992B Bond principal trust fund	5,627
2012A Reserve Fund	33,908
2011 Bond principal and interest trust fund	12,465
2009B Bond principal and interest trust fund	79,090
	<u>\$ 171,413</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>2011</u>
Assessed Valuation	
Real estate	\$ 100,797,115
Personal property	<u>30,915,215</u>
	TOTAL <u>\$ 131,712,330</u>
Tax Rate Per \$100 of Assessed Valuation	
General Fund (Real Property)	<u>\$.4225</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

The legal debt margin at September 30, 2012, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 13,171,233	\$ 13,171,233	\$ 26,342,466
General Obligation Bonds payable	-	-	-
LEGAL DEBT MARGIN	\$ 13,171,233	\$ 13,171,233	\$ 26,342,466

(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	\$ 351,502	\$ -	\$ 351,502
Street Sales Tax Fund	128,321	-	128,321
Fire Sales Tax Fund	83,362	-	83,362
Tax Increment Financing Fund	9,942	-	9,942
Nonmajor Governmental Funds	291,767	-	291,767
	\$ 864,894	\$ -	\$ 864,894

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE E – ACCOUNTS RECEIVABLE (continued)

	<u>Gross Receivable</u>	<u>Allowance</u>	<u>Net Receivable</u>
UTILITIES RECEIVABLE			
Water and Sewer Fund	<u>\$ 448,045</u>	<u>\$ 8,703</u>	<u>\$ 439,342</u>
OTHER ACCOUNTS RECEIVABLE			
General Fund	\$ 31,208	\$ -	\$ 31,208
Golf Fund	9,726	-	9,726
Water and Sewer Fund	<u>342,578</u>	<u>-</u>	<u>342,578</u>
	<u>\$ 383,512</u>	<u>\$ -</u>	<u>\$ 383,512</u>
COURT FINES RECEIVABLE			
General Fund	<u>\$ 141,636</u>	<u>\$ 111,953</u>	<u>\$ 29,683</u>

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

The business-type activities long-term debt at September 30, 2012, consists of the 2009B and 2011 Revenue Bond issues, portions of 2006A and 2012A Certificates of Participation, and compensated absences payable.

Waterworks Refunding and Improvement Revenue Bonds – Direct Loan Program

On December 19, 2011, the City approved issuing the Series 2011 waterworks refunding and improvement revenue bonds (State of Missouri - Direct Loan Program) in the maximum principal of \$9,425,000 for the purpose of refunding the Series 2010A revenue bonds and fund waterwork system improvements.

As of September 30, 2012, \$4,328,650 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, 2012.

\$ 4,328,650

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

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

On November 10, 2009, the City approved issuing 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 and fund sewerage system improvements. As of September 30, 2012, \$5,405,389 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, 2012.

\$ 5,053,989

Certificates of Participation

In 2012, the City issued \$320,000 in Certificates of Participation, Series 2012A for the purpose of refunding a portion of the Series 2003 Certificates of Participation. \$305,000 of the \$320,000 outstanding certificates was recorded as long-term debt within the business-type activities and \$15,000 was recorded in the governmental activities of the City. The Certificates of Participation bear interest at various rates ranging from 2.125% to 3.250% with principal payments due each May 1, beginning on May 1, 2016, and interest payments due May 1 and November 1 of each year. The certificates outstanding at September 30, 2012, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 8,167	\$ 8,167
2014	-	9,275	9,275
2015	-	9,275	9,275
2016	10,000	9,275	19,275
2017	45,000	9,062	54,062
2018	45,000	8,106	53,106
2019	45,000	7,150	52,150
2020	45,000	5,688	50,688
2021	50,000	4,225	54,225
2022	50,000	2,600	52,600
2023	30,000	975	30,975
	<u>\$ 320,000</u>	<u>\$ 73,798</u>	<u>\$ 393,798</u>

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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

Amount recorded in:

Water and Sewer Fund/Business-Type Activities	\$ 305,000
Governmental Activities	<u>15,000</u>
TOTAL	<u><u>\$ 320,000</u></u>

A summary of the changes in long-term debt – business-type activities for the year ended September 30, 2012, is as follows:

	Balance September 30, 2011	Additions	Retirements	Balance September 30, 2012
Revenue Bonds				
1992B Revenue Bonds	\$ 35,000	\$ -	\$ 35,000	\$ -
2009B Revenue Bonds -ARRA				
Direct Loan Program	4,989,857	300,032	235,900	5,053,989
2011 Revenue Bonds - Direct				
Loan Program	-	4,328,650	-	4,328,650
Certificates of Participation				
2003 Certificates of Participation	325,000	-	325,000	-
2006A Certificates of Participation	755,000	-	55,000	700,000
2012A Certificates of Participation	-	305,000	-	305,000
Compensated Absences Payable	<u>38,053</u>	<u>29,059</u>	<u>-</u>	<u>67,112</u>
TOTAL	<u><u>\$ 6,142,910</u></u>	<u><u>\$ 4,962,741</u></u>	<u><u>\$ 650,900</u></u>	<u><u>\$10,454,751</u></u>

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at September 30, 2012, consists of two capital lease obligations, 2006A, 2006B, 2007A, 2007B, 2010, 2012A and 2012B certificates of participation, compensated absences payable, and one loan obligation.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

Capital Lease Obligations

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 May 12, 2012, the City entered into a lease purchase agreement with PNC Equipment Finance to finance the purchase of golf carts for \$143,165. The lease requires monthly payments of \$2,613, which includes interest at 3.00%.

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, 2012, are as follows:

Year Ended September 30,	2008 Toro Mower	2012 Golf Carts	Total
2013	\$ 4,693	\$ 31,392	\$ 36,085
2014	-	31,392	31,392
2015	-	31,392	31,392
2016	-	31,392	31,392
2017	-	14,882	14,882
	TOTAL MINIMUM LEASE PAYMENTS	4,693 140,450	145,143
	LESS AMOUNT REPRESENTING INTEREST	(219) (8,237)	(8,456)
	PRINCIPAL BALANCE, SEPTEMBER 30, 2012	\$ 4,474 \$ 132,213	\$ 136,687

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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, 2012, are due as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 5,645,000</u>	<u>\$ 2,735,484</u>	<u>\$ 8,380,484</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

Water and Sewer Fund/Business-Type Activities	\$ 700,000
Governmental Activities	<u>4,945,000</u>
TOTAL	<u><u>\$ 5,645,000</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, 2012, are due as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 3,165,000</u>	<u>\$ 1,444,453</u>	<u>\$ 4,609,453</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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, 2012, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 3,205,000</u>	<u>\$ 1,419,911</u>	<u>\$ 4,624,911</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, 2012, are due as follows:

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,205,800</u>	<u>\$ 333,501</u>	<u>\$ 1,539,301</u>

On June 14, 2012, the City issued \$410,000 in Certificates of Participation, Series 2012B for the purpose of providing funds to advance refund a portion of the Series 2003 Certificates of Participation. The Certificates of Participation bear interest at 2.00% with principal payments due May 1 and interest payments due May 1 and November 1 of each year. The certificates outstanding at September 30, 2012, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 110,000	\$ 7,221	\$ 117,221
2014	115,000	6,000	121,000
2015	110,000	3,700	113,700
2016	75,000	1,500	76,500
	<u>\$ 410,000</u>	<u>\$ 18,421</u>	<u>\$ 428,421</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%.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

The annual loan payments required at September 30, 2012, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 564,862</u>	<u>\$ 58,309</u>	<u>\$ 623,171</u>

A summary of the changes in long-term debt – governmental activities for the year ended September 30, 2012, is as follows:

	<u>Balance September 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2012</u>
Capital Lease Obligations				
Yamaha golf carts	\$ 91,903	\$ -	\$ 91,903	\$ -
2008 Toro mower	8,747	-	4,273	4,474
2012 Golf carts	-	143,165	10,952	132,213
2008 fire truck	34,354	-	34,354	-
	<u>135,004</u>	<u>143,165</u>	<u>141,482</u>	<u>136,687</u>
Loan Obligation				
2008 STAR loan	649,949	-	85,087	564,862

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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

	Balance September 30, 2011	Additions	Retirements	Balance September 30, 2012
Certificates of Participation				
2003	505,000	-	505,000	-
2006A	4,770,000	-	180,000	4,590,000
2006B	365,000	-	10,000	355,000
2007A	3,275,000	-	110,000	3,165,000
2012A	-	15,000	-	15,000
2012B	-	410,000	-	410,000
2007B	3,340,000	-	135,000	3,205,000
2010	1,318,800	-	113,000	1,205,800
	13,573,800	425,000	1,053,000	12,945,800
Less: Deferred loss on debt refunding	(127,406)	(30,664)	(6,706)	(151,364)
	13,446,394	394,336	1,046,294	12,794,436
Compensated absences payable	176,869	-	39,157	137,712
TOTAL	<u>\$ 14,408,216</u>	<u>\$ 537,501</u>	<u>\$ 1,312,020</u>	<u>\$ 13,633,697</u>

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

	Balance September 30, 2011	Additions	Deletions	Balance September 30, 2012
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 9,560,163	\$ -	\$ -	\$ 9,560,163
Work in progress	1,191,357	89,155	684,594	595,918
Total Non-Depreciable Capital Assets	10,751,520	<u>\$ 89,155</u>	<u>\$ 684,594</u>	10,156,081

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2011	Additions	Deletions	Balance September 30, 2012
Depreciable Capital Assets:				
Land improvements	384,785	\$ 189,364	\$ -	574,149
Building and improvements	8,745,304	759,508	-	9,504,812
Machinery and equipment	4,639,439	302,433	-	4,941,872
Golf course	3,373,207	-	-	3,373,207
Infrastructure	25,818,534	144,680	-	25,963,214
Total Depreciable Capital Assets	42,961,269	<u>\$ 1,395,985</u>	<u>\$ -</u>	44,357,254
Less Accumulated Depreciation	24,227,526	<u>\$ 1,280,601</u>	<u>\$ -</u>	25,508,127
Total Depreciable Capital Assets, Net	<u>18,733,743</u>			<u>18,849,127</u>
Total Capital Assets - Governmental Activities, Net	<u>\$ 29,485,263</u>			<u>\$ 29,005,208</u>

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

Administration	\$ 48,183
Auditorium	136,432
Building inspection	3,393
Police	68,460
Fire	60,857
Emergency management	3,622
Recycling	3,944
Senior center	20,903
Golf course	173,764
Court	1,200
Airport	310,247
Parks	52,388
Recreation	6,322
Drainage	4,994
Street	385,892
	<u>\$ 1,280,601</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2011	Additions	Deletions	Balance September 30, 2012
Business-Type Activities				
Water and Sewer				
Non-Depreciable Capital Assets:				
Land	\$ 157,578	\$ -	\$ -	\$ 157,578
Work in progress	2,644,033	4,847,185	-	7,491,218
Total Non-Depreciable Capital Assets	2,801,611	<u>\$ 4,847,185</u>	<u>\$ -</u>	7,648,796
Depreciable Capital Assets:				
Buildings	35,591	\$ -	\$ -	35,591
Water plant and equipment	13,552,911	168,614	65,796	13,655,729
Sewer plant and equipment	15,487,884	41,924	-	15,529,808
Total Depreciable Capital Assets	29,076,386	<u>\$ 210,538</u>	<u>\$ 65,796</u>	29,221,128
Less Accumulated Depreciation	15,663,094	<u>\$ 525,977</u>	<u>\$ 55,927</u>	16,133,144
Total Depreciable Capital Assets, Net	<u>13,413,292</u>			<u>13,087,984</u>
Total Capital Assets - Business-Type Activities, Net	<u>\$ 16,214,903</u>			<u>\$ 20,736,780</u>

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.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE I – EMPLOYEE PENSION PLAN (continued)

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.

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 10.2% (General), 8.3% (Police) and 13.7% (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	\$ 320,774
Interest on net pension obligation	1,264
Adjustment to annual required contribution	(962)
Annual pension cost	<u>321,076</u>
Actual contributions	<u>301,848</u>
Increase (decrease) in NPO	19,228
NPO beginning of year	<u>17,430</u>
NPO end of year	<u><u>\$ 36,658</u></u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE I – EMPLOYEE PENSION PLAN (continued)

The annual required contribution (ARC) was determined as part of the February 28, 2009, and February 28, 2010, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2012, 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 28, 2009, was 30 years for the General division, 4 years for the Police division, and 30 years for the Fire division. The amortization period at February 28, 2010, was 30 years for the General division, 10 years for the Police division, and 30 years for the Fire division.

Three-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 385,469	100.0%	\$ -
2011	305,783	94.3%	17,430
2012	321,076	94.0%	36,658

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 Liability	(b-a) (Excess) (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2012	\$ 6,006,649	\$ 5,661,098	\$ (345,551)	106%	\$ 2,817,860	0%

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.

NOTE K – DEFERRED DEBT ISSUANCE COSTS

The deferred debt issuance cost for the business-type activities consists of the 2009B, 2011 revenue bonds, and 2012A Certificates of Participation. 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 2012B, 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, 2011	Current Amortization	Net Debt Issue Costs
Water and Sewer Fund	<u>\$ 245,242</u>	<u>\$ 6,030</u>	<u>\$ 11,335</u>	<u>\$ 227,877</u>
Governmental Activities	<u>\$ 517,707</u>	<u>\$ 145,602</u>	<u>\$ 50,574</u>	<u>\$ 321,531</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE L – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2012, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 825,290
Hotel/Motel Tax Fund	-	11,646
Golf Fund	93,821	-
Street Sales Tax Fund	-	48,496
Fire Sales Tax Fund	353,153	-
Tax Increment Financing District	98,926	-
2007 COP Fund	545,880	-
Nonmajor governmental funds	-	195,671
Water and Sewer Fund	-	60,677
ISF	50,000	-
	<u>\$ 1,141,780</u>	<u>\$ 1,141,780</u>

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, 2012, 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>\$ (373,077)</u>	<u>\$ 122,500</u>	<u>\$ -</u>	<u>\$ 83,416</u>	<u>\$ (71,304)</u>	<u>\$ 238,465</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, 2012, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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, 2012, 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.

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, 2012, 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 \$55,106. Changes in the estimated benefit obligation during the past year are as follows:

Estimated Benefit Obligation, beginning of year	\$ 39,055
Claims incurred	249,934
Claims paid	<u>(233,883)</u>
Estimated Benefit Obligation, end of year	<u><u>\$ 55,106</u></u>

NOTE P – DEBT REFUNDING LOSS

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%.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE P – DEBT REFUNDING LOSS (continued)

On June 14, 2012, the City issued \$730,000 in Series 2012A and 2012B Certificates of Participation with interest rates ranging from 2.00% to 3.250%. The City issued the certificates to refund \$735,000 of the outstanding Series 2003 Certificates of Participation with interest rates ranging from 3.40% to 5.0%.

The advanced refundings resulted in the recognition of a deferred loss on bond refunding of \$188,734 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, 2011	Additions	Current Amortization	Balance September 30, 2012
Governmental Activities	\$ 127,406	\$ 30,664	\$ (6,706)	\$ 151,364

NOTE Q – COMMITMENTS

At September 30, 2012, the City had the following commitments:

Rossetta Construction	Water and sewer system improvements	\$ 845,750
David E. Ross Construction	Water and sewer system improvements	2,654,014
Swift Construction	Street improvements	<u>511,959</u>
		<u>\$ 4,011,723</u>

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.

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE R – CURRENT YEAR DEBT REFUNDING

In 2012, the City issued \$730,000 in Series 2012A and 2012B Refunding Certificates of Participation with interest rates ranging from 2.0% to 3.25%. The City used the proceeds along with reserve funds to prepay the Series 2003 Certificates of Participation on June 14, 2012.

As a result of the refunding, the City reduced its debt service requirements by \$41,488, which resulted in an economic gain (difference between the present value of the debt service payments on old and new debt) of \$42,065.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEOSHO, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended September 30, 2012

Missouri Local Government Employees Retirement System (LAGERS)

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
2/28/2010	\$ 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%
2/28/2012	6,006,649	5,661,098	(345,551)	106%	2,817,860	0%

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, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Property tax	\$ 400,000	\$ 400,000	\$ 430,446	\$ 30,446
City sales tax	2,040,000	2,040,000	2,267,569	227,569
Financial institution tax	6,000	6,000	5,261	(739)
Utility franchise tax	850,000	850,000	831,049	(18,951)
Cigarette tax	64,000	64,000	66,321	2,321
	<u>3,360,000</u>	<u>3,360,000</u>	<u>3,600,646</u>	<u>240,646</u>
Licenses and Permits				
Occupational licenses	25,000	25,000	24,631	(369)
Building permits	38,000	38,000	32,329	(5,671)
Animal licenses and fees	500	2,500	3,487	987
Other	5,750	4,130	379	(3,751)
	<u>69,250</u>	<u>69,630</u>	<u>60,826</u>	<u>(8,804)</u>
Intergovernmental Revenues				
Grants	9,350	140,710	383,754	243,044
	<u>9,350</u>	<u>140,710</u>	<u>383,754</u>	<u>243,044</u>
Charges for Services				
Sanitation	35,000	35,000	34,967	(33)
Airport fuel sales	120,200	180,200	196,070	15,870
Recreational fees	-	-	12,250	12,250
Recycling center fees	40,000	40,000	36,680	(3,320)
Other	3,000	3,000	-	(3,000)
	<u>198,200</u>	<u>258,200</u>	<u>279,967</u>	<u>21,767</u>
Fines and Forfeitures				
City court fines	214,000	219,500	212,093	(7,407)
Police training fees	5,500	-	5,443	5,443
	<u>219,500</u>	<u>219,500</u>	<u>217,536</u>	<u>(1,964)</u>
Miscellaneous				
Leases and rent income	84,104	72,784	45,366	(27,418)
Interest	4,000	4,000	5,246	1,246
Donations and other contributions	32,650	32,650	32,977	327
Other	10,100	19,150	4,759	(14,391)
	<u>130,854</u>	<u>128,584</u>	<u>88,348</u>	<u>(40,236)</u>
TOTAL REVENUES	3,987,154	4,176,624	4,631,077	454,453

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	426,160	447,631	447,340	291
Clerk/Council	79,388	79,388	59,176	20,212
Non-Departmental	265,300	321,221	148,520	172,701
Development Services	128,345	94,229	86,454	7,775
Police	1,194,395	1,339,893	1,234,119	105,774
Emergency management	61,200	105,195	322,480	(217,285)
Court	102,135	102,135	94,424	7,711
Airport	192,127	348,316	380,025	(31,709)
Street	-	258,664	296,949	(38,285)
Lampo Community Center	13,850	15,928	13,409	2,519
Recycling Center	59,398	61,352	65,834	(4,482)
Information technology	86,115	86,115	60,321	25,794
Fleet Maintenance	49,805	49,805	49,050	755
Human resources	106,985	97,383	88,603	8,780
TOTAL EXPENDITURES	2,765,203	3,407,255	3,346,704	60,551
EXCESS OF REVENUES OVER EXPENDITURES	1,221,951	769,369	1,284,373	515,004
OTHER FINANCING SOURCES (USES)				
Operating transfers in	200,000	200,000	205,660	5,660
Operating transfers (out)	(1,056,044)	(969,044)	(1,030,950)	(61,906)
Sale of assets	-	-	5,560	5,560
TOTAL OTHER FINANCING SOURCES (USES)	(856,044)	(769,044)	(819,730)	(50,686)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	365,907	325	464,643	464,318
FUND BALANCE, October 1	1,958,642	1,958,642	1,958,642	-
FUND BALANCE, September 30	<u>\$ 2,324,549</u>	<u>\$ 1,958,967</u>	<u>\$ 2,423,285</u>	<u>\$ 464,318</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – HOTEL/MOTEL TAX FUND
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Motel taxes	\$ 55,000	\$ 55,000	\$ 87,310	\$ 32,310
Miscellaneous	-	-	382	382
TOTAL REVENUES	55,000	55,000	87,692	32,692
EXPENDITURES				
Current				
Tourism development	60,000	60,000	11,995	48,005
TOTAL EXPENDITURES	60,000	60,000	11,995	48,005
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(5,000)	(5,000)	75,697	80,697
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	31,934	31,934	(11,646)	(43,580)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	26,934	26,934	64,051	37,117
FUND BALANCE, October 1	316,433	316,433	316,433	-
FUND BALANCE, September 30	\$ 343,367	\$ 343,367	\$ 380,484	\$ 37,117

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GOLF FUND
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Charges for services	\$ 433,500	\$ 433,500	\$ 350,730	\$ (82,770)
Miscellaneous	4,518	4,518	532	(3,986)
TOTAL REVENUES	438,018	438,018	351,262	(86,756)
EXPENDITURES				
Current				
Golf course	344,400	494,418	493,768	650
Debt Service				
Principal and interest	110,200	110,200	110,320	(120)
TOTAL EXPENDITURES	454,600	604,618	604,088	530
EXCESS OF REVENUES OVER EXPENDITURES				
	(16,582)	(166,600)	(252,826)	(86,226)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	247,600	247,600	292,855	45,255
Lease Proceeds	-	143,165	143,165	-
Operating transfers (out)	(231,018)	(231,018)	(199,034)	31,984
TOTAL OTHER FINANCING SOURCES (USES)	16,582	159,747	236,986	77,239
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)				
	-	(6,853)	(15,840)	(8,987)
FUND BALANCE, October 1	21,933	21,933	21,933	-
FUND BALANCE, September 30	\$ 21,933	\$ 15,080	\$ 6,093	\$ (8,987)

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET SALES TAX FUND
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Street sales taxes	\$ 730,000	\$ 730,000	\$ 815,211	\$ 85,211
Motor vehicle taxes	390,000	390,000	416,365	26,365
Miscellaneous	1,000	24,936	1,948	(22,988)
TOTAL REVENUES	1,121,000	1,144,936	1,233,524	88,588
EXPENDITURES				
Current				
Street	991,498	1,505,838	950,942	554,896
TOTAL EXPENDITURES	991,498	1,505,838	950,942	554,896
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	129,502	(360,902)	282,582	643,484
OTHER FINANCING SOURCES (USES)				
Operating transfers in	90,395	90,395	132,294	41,899
Operating transfers (out)	(226,915)	(226,915)	(180,790)	46,125
TOTAL OTHER FINANCING SOURCES (USES)	(136,520)	(136,520)	(48,496)	88,024
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(7,018)	(497,422)	234,086	731,508
FUND BALANCE, October 1	584,265	584,265	584,265	-
FUND BALANCE, September 30	\$ 577,247	\$ 86,843	\$ 818,351	\$ 731,508

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – FIRE SALES TAX FUND
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Fire sales taxes	\$ 485,000	\$ 485,000	\$ 543,387	\$ 58,387
Charges for services	125,500	125,500	125,450	(50)
Donations and other contributions	1,000	1,000	-	(1,000)
Miscellaneous	1,000	1,000	1,009	9
TOTAL REVENUES	612,500	612,500	669,846	57,346
EXPENDITURES				
Current				
Fire	1,025,266	1,069,301	1,045,674	23,627
TOTAL EXPENDITURES	1,025,266	1,069,301	1,045,674	23,627
(DEFICIT) OF REVENUES OVER EXPENDITURES	(412,766)	(456,801)	(375,828)	80,973
OTHER FINANCING SOURCES (USES)				
Operating transfers in	470,753	470,753	374,984	(95,769)
Operating transfers (out)	(57,987)	(57,987)	(21,831)	36,156
TOTAL OTHER FINANCING SOURCES (USES)	412,766	412,766	353,153	(59,613)
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	-	(44,035)	(22,675)	21,360
FUND BALANCE, October 1	49,696	49,696	49,696	-
FUND BALANCE, September 30	\$ 49,696	\$ 5,661	\$ 27,021	\$ 21,360

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – TAX INCREMENT FINANCING FUND
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 205,000	\$ 205,000	\$ 181,044	\$ (23,956)
Miscellaneous	-	-	1,204	1,204
TOTAL REVENUES	205,000	205,000	182,248	(22,752)
EXPENDITURES				
Current				
Other	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	205,000	205,000	182,248	(22,752)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	262,806	262,806	218,280	(44,526)
Operating transfers (out)	(121,594)	(121,594)	(119,354)	2,240
TOTAL OTHER FINANCING SOURCES (USES)	141,212	141,212	98,926	(42,286)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	346,212	346,212	281,174	(65,038)
FUND BALANCE, October 1	605,572	605,572	605,572	-
FUND BALANCE, September 30	<u>\$ 951,784</u>	<u>\$ 951,784</u>	<u>\$ 886,746</u>	<u>\$ (65,038)</u>

CITY OF NEOSHO, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2012

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, 2012

	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	\$ -	\$ 2,739	\$ -	\$ 362,743	\$ 310,527	\$ -	\$ 26,582	\$ 90,927
Sales tax receivable	-	-	-	62,701	62,342	62,522	20,841	41,682
Intergovernmental receivable	-	-	43,472	-	-	-	-	-
Cash and cash equivalents - restricted	-	-	-	-	-	7,415	-	-
TOTAL ASSETS	\$ -	\$ 2,739	\$ 43,472	\$ 425,444	\$ 372,869	\$ 69,937	\$ 47,423	\$ 132,609
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	-	-	3,457	924	6,588	2,563	1,068	-
Accrued expenses	-	-	11,904	1,818	4,204	646	2,615	-
Deposits payable	-	-	-	-	-	7,415	-	-
Due to other funds	-	-	17,234	-	-	54,070	-	-
TOTAL LIABILITIES	-	-	32,595	2,742	10,792	64,694	3,683	-
Fund Balance								
Nonspendable								
Permanent	-	-	-	-	-	-	-	-
Restricted for:								
Public safety	-	2,739	10,877	-	-	-	-	-
Drainage	-	-	-	422,702	-	-	-	-
Parks and recreation	-	-	-	-	190,135	-	-	-
Senior Center	-	-	-	-	-	-	19,690	-
Economic Development	-	-	-	-	-	-	-	132,609
Debt service	-	-	-	-	-	-	-	-
Assigned to:								
Parks and recreation	-	-	-	-	171,942	-	-	-
Auditorium	-	-	-	-	-	5,243	-	-
Senior Center	-	-	-	-	-	-	24,050	-
Street and bridge	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	-	2,739	10,877	422,702	362,077	5,243	43,740	132,609
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 2,739	\$ 43,472	\$ 425,444	\$ 372,869	\$ 69,937	\$ 47,423	\$ 132,609

CITY OF NEOSHO, MISSOURI
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS (continued)
 September 30, 2012

	Special	Debt Service Funds					Permanent Funds		Total Nonmajor Governmental Funds
	Revenue Fund Street/Bridge Sales Tax Fund	STAR Loan Fund	2012 COP Fund	2010 COP Fund	2006 COP Fund	2003 COP Fund	Abbot Brothers Fund	Morse Park Fund	
ASSETS									
Cash	\$ 57,220	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,469	\$ 3,546	\$ 891,753
Sales tax receivable	41,679	-	-	-	-	-	-	-	291,767
Intergovernmental receivable	-	-	-	-	-	-	-	-	43,472
Cash and cash equivalents - restricted	-	-	43,695	160,512	558,163	8	-	-	769,793
TOTAL ASSETS	\$ 98,899	\$ -	\$ 43,695	\$ 160,512	\$ 558,163	\$ 8	\$ 37,469	\$ 3,546	\$ 1,996,785
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	-	-	-	-	-	-	-	-	14,600
Accrued expenses	-	-	-	-	-	-	-	-	21,187
Deposits payable	-	-	-	-	-	-	-	-	7,415
Due to other funds	-	-	-	-	-	-	-	-	71,304
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	114,506
Fund Balance									
Nonspendable									
Permanent	-	-	-	-	-	-	37,469	3,546	41,015
Restricted for:									
Public safety	-	-	-	-	-	-	-	-	13,616
Drainage	-	-	-	-	-	-	-	-	422,702
Parks and recreation	-	-	-	-	-	-	-	-	190,135
Senior Center	-	-	-	-	-	-	-	-	19,690
Economic Development	-	-	-	-	-	-	-	-	132,609
Debt service	-	-	43,695	160,512	558,163	8	-	-	762,378
Assigned to:									
Parks and recreation	-	-	-	-	-	-	-	-	171,942
Auditorium	-	-	-	-	-	-	-	-	5,243
Senior Center	-	-	-	-	-	-	-	-	24,050
Street and bridge	98,899	-	-	-	-	-	-	-	98,899
TOTAL FUND BALANCES	98,899	-	43,695	160,512	558,163	8	37,469	3,546	1,882,279
TOTAL LIABILITIES AND FUND BALANCE	\$ 98,899	\$ -	\$ 43,695	\$ 160,512	\$ 558,163	\$ 8	\$ 37,469	\$ 3,546	\$ 1,996,785

CITY OF NEOSHO, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
 Year Ended September 30, 2012

	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
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ 326,033	\$ 489,048	\$ 407,527	\$ 135,842	\$ 271,694
Intergovernmental revenues	2,000	-	376,463	-	-	-	-	-
Charges for services	-	-	-	-	99,937	21,151	12,000	-
Donations and other contributions	-	13,350	-	-	-	-	-	-
Miscellaneous	-	6	-	542	40,203	-	50	159
TOTAL REVENUES	2,000	13,356	376,463	326,575	629,188	428,678	147,892	271,853
EXPENDITURES								
Current								
Police	2,000	14,868	-	-	-	-	-	-
Fire	-	-	372,835	-	-	-	-	-
Drainage	-	-	-	56,422	-	-	-	-
Parks and recreation	-	-	-	-	357,684	-	-	-
Auditorium	-	-	-	-	-	46,652	-	-
Senior Center	-	-	-	-	-	-	75,775	-
Other	-	-	-	-	-	-	-	-
Debt Service								
Principal and interest	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	2,000	14,868	372,835	56,422	357,684	46,652	75,775	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	-	(1,512)	3,628	270,153	271,504	382,026	72,117	271,853
OTHER FINANCING SOURCES (USES)								
Lease Proceeds	-	-	-	-	-	-	-	-
Lease Issuance Costs	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	11,646	33,907	5,461	-
Operating transfers (out)	-	-	-	(117,190)	(69,064)	(416,168)	(61,097)	(185,291)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(117,190)	(57,418)	(382,261)	(55,636)	(185,291)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	-	(1,512)	3,628	152,963	214,086	(235)	16,481	86,562
FUND BALANCE, October 1	-	4,251	7,249	269,739	147,991	5,478	27,259	46,047
FUND BALANCE, September 30	\$ -	\$ 2,739	\$ 10,877	\$ 422,702	\$ 362,077	\$ 5,243	\$ 43,740	\$ 132,609

CITY OF NEOSHO, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS (continued)
 Year Ended September 30, 2012

	Debt Service Funds						Permanent Funds		Total Nonmajor Governmental Funds
	Street/Bridge Sales Tax Fund	STAR Loan Fund	2012 COP Fund	2010 COP Fund	2006 COP Fund	2003 COP Fund	Abbot Brothers Fund	Morse Park Fund	
REVENUES									
Taxes	\$ 271,615	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,901,759
Intergovernmental revenues	-	-	-	-	-	-	-	-	378,463
Charges for services	-	-	-	-	-	-	-	-	133,088
Donations and other contributions	-	-	-	-	-	-	-	-	13,350
Miscellaneous	122	-	-	-	-	-	8,160	7	49,249
TOTAL REVENUES	271,737	-	-	-	-	-	8,160	7	2,475,909
EXPENDITURES									
Current									
Police	-	-	-	-	-	-	-	-	16,868
Fire	-	-	-	-	-	-	-	-	372,835
Drainage	-	-	-	-	-	-	-	-	56,422
Parks and recreation	-	-	-	-	-	-	-	-	357,684
Auditorium	-	-	-	-	-	-	-	-	46,652
Senior Center	-	-	-	-	-	-	-	-	75,775
Other	-	-	-	-	-	-	4,137	-	4,137
Debt Service									
Principal and interest	-	103,827	-	186,583	455,742	535,475	-	-	1,281,627
TOTAL EXPENDITURES	-	103,827	-	186,583	455,742	535,475	4,137	-	2,212,000
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	271,737	(103,827)	-	(186,583)	(455,742)	(535,475)	4,023	7	263,909
OTHER FINANCING SOURCES (USES)									
Lease Proceeds	-	-	425,000	-	-	-	-	-	425,000
Lease Issuance cost	-	-	(27,225)	-	-	-	-	-	(27,225)
Operating transfers in	58,923	103,827	1,653	196,180	-	460,698	-	-	872,295
Operating transfers (out)	(297,542)	-	(355,733)	-	455,742	(21,623)	-	-	(1,067,966)
TOTAL OTHER FINANCING SOURCES (USES)	(238,619)	103,827	43,695	196,180	455,742	439,075	-	-	202,104
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	33,118	-	43,695	9,597	-	(96,400)	4,023	7	466,013
FUND BALANCE, October 1	65,781	-	-	150,915	558,163	96,408	33,446	3,539	1,416,266
FUND BALANCE, September 30	\$ 98,899	\$ -	\$ 43,695	\$ 160,512	\$ 558,163	\$ 8	\$ 37,469	\$ 3,546	\$ 1,882,279



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**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, 2012, and have issued our report thereon dated March 11, 2013. 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 12-1.

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 11, 2013.

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 11, 2013



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**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, 2012. The City of Neosho, Missouri's major federal programs are 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 programs 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 programs for the year ended September 30, 2012.

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 11, 2013

CITY OF NEOSHO, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2012

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	12-096A-1	\$ 48,437
Highway Planning and Construction	20.205	STP-4700(709)	139,129
State and Community Highway Safety	20.600	12-PT-02-090	<u>2,000</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			189,566
<u>U.S. DEPARTMENT OF ENERGY</u>			
Passed Through Missouri Department of Natural Resources			
ARRA - Energy Efficiency and Conservation Block Grant	81.128	G10-EECBG-04-007793458	<u>56,845</u>
TOTAL U. S. DEPARTMENT OF ENERGY			56,845
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct			
Assistance to Firefighters Grant	97.044	N/A	<u>376,463</u>
TOTAL U. S. DEPARTMENT OF HOMELAND SECURITY			376,463
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Office of Homeland Security			
Public Safety Interoperable Communications Grant Program	11.555	2007-GS-H7-0001-4613	<u>60,966</u>
TOTAL U.S. DEPARTMENT OF COMMERCE			60,966
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct			
Bulletproof Vest Partnership Program	16.607	N/A	1,989
Missouri Department of Public Safety			
Local Law Enforcement Block Grant	16.738	2011-LLEBG-039	<u>8,994</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			10,983
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Passed Through Missouri Department of Natural Resources			
Capitalization Grants for Clean Water State Revolving Funds	66.458	N/A	<u>4,628,682</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>4,628,682</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,323,505</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, 2012

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:

Capitalization Grants for Clean Water	
State Revolving Funds	66.458
Assistance to Firefighters Grant	97.044
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

12-1 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, 2012

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, 2012

There were no prior audit findings.