

CITY OF NEOSHO, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2013

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CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Neosho
Neosho, Missouri

Report on Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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Neosho, Missouri

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), budgetary comparison information, and the 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.

Other Information

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. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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.

Honorable Mayor and City Council
City of Neosho
Neosho, Missouri

The combining nonmajor fund financial statements 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities* during the year ended September 30, 2013.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2014, on our consideration of the City of Neosho, Missouri’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Neosho, Missouri’s internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
February 28, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2013

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, 2013. Please read it in conjunction with the City's financial statements, which begin on page 16.

Financial Highlights

- The net position of the City's governmental activities increased by \$1,008,550 as a result of current year activities. The net position of the City's business activities increased by \$502,309 for the year.
- The assets of the City exceeded liabilities by \$36.4 million (net position), as of September 30, 2013. Of this amount, \$5.9 million was unrestricted and may be used to meet future obligations of the City (up over \$1,100,000 from October 1, 2012), \$5.2 million was restricted and \$25.4 million represents capital assets (net of related debt) of the City.
- Total long-term liabilities of the City increased by \$2,590,406 to a total of \$25.8 million. The increase was substantially due to the issuance of debt under the 2011 Revenue Bonds related 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 Sales Tax, Property tax, Fuel & Motor Vehicle tax, and Fines and Forfeitures. Additionally in fiscal year 2013, the City took over complete operations of the golf course and as a result, the Golf Course Fund realized an increase in revenues and a decrease in expenses. Unemployment expenses continue to reduce and 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.
- Some changes in long-term liabilities were due to a refinancing of a 2007B COP, allowing the City to capture lower interest rates with savings of \$431,373 gross, realizing net savings of \$353,984 without extending the terms of the COP's payoff period. 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 2013, the City continued to make its annual scheduled repayment on all of the intrafund loans that stemmed from misappropriations in prior years.

Using This Annual Report

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2013

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 Position 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 position and changes in them. The City's net position – 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 position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position 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 Position and the Statement of Activities) and the governmental funds are shown in a reconciliation following the fund financial statement.
- Enterprise Funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Enterprise funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2013

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 POSITION

The following table presents the condensed Statement of Net Position for the City as of September 30, 2013 and 2012:

	Governmental Activities	Business-Type Activities	Total September 30, 2013	Total September 30, 2012
Current and other assets	\$ 8,128,549	\$ 4,100,596	\$ 12,229,145	\$ 12,056,328
Capital assets	28,789,308	23,680,384	52,469,692	49,741,988
TOTAL ASSETS	<u>36,917,857</u>	<u>27,780,980</u>	<u>64,698,837</u>	<u>61,798,316</u>
Deferred charge on refundings	141,592	-	141,592	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>141,592</u>	<u>-</u>	<u>141,592</u>	<u>-</u>
Long-term liabilities outstanding	12,112,019	13,683,135	25,795,154	23,204,748
Other liabilities	1,555,944	1,043,407	2,599,351	3,658,503
TOTAL LIABILITIES	<u>13,667,963</u>	<u>14,726,542</u>	<u>28,394,505</u>	<u>26,863,251</u>
Net position:				
Net investment in capital assets	15,998,514	9,367,950	25,366,464	25,858,364
Restricted	4,956,079	246,642	5,202,721	4,865,250
Unrestricted	2,436,893	3,439,846	5,876,739	4,211,451
TOTAL NET POSITION	<u>\$ 23,391,486</u>	<u>\$ 13,054,438</u>	<u>\$ 36,445,924</u>	<u>\$ 34,935,065</u>

Total net position of the City increased by \$1,510,859 for the year due to current year activities. Total liabilities for the City have increased by \$1,531,254. Net investment in capital assets decreased \$491,900.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2013

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2013	Total Year Ended September 30, 2012
REVENUES				
Program Revenues				
Charges for services	\$ 1,298,285	\$ 4,386,582	\$ 5,684,867	\$ 5,843,605
Operating grants and contributions	340,297	-	340,297	459,269
Capital grants and contributions	310,252	-	310,252	412,631
General Revenues				
Property taxes	433,582	-	433,582	430,446
Sales taxes	5,473,554	-	5,473,554	5,604,888
Motor vehicle and gas taxes	423,755	-	423,755	416,366
Other taxes	264,004	-	264,004	262,975
Franchise fees	831,251	-	831,251	831,049
Interest	6,477	3,672	10,149	17,202
Other revenue	52,576	15,238	67,814	75,756
Gain (loss) on sale of capital assets	(1,501)	-	(1,501)	5,560
Transfers	(96,440)	96,440	-	-
TOTAL REVENUES	9,336,092	4,501,932	13,838,024	14,359,747
EXPENSES				
General government	986,612	-	986,612	795,744
Auditorium	183,127	-	183,127	183,822
Police	1,356,104	-	1,356,104	1,253,010
Fire	1,588,790	-	1,588,790	1,454,558
Emergency management	26,538	-	26,538	222,542
Court	100,297	-	100,297	95,891
Airport	678,561	-	678,561	565,995
Drainage	80,041	-	80,041	61,528
Street	1,045,586	-	1,045,586	1,327,263
Economic development	-	-	-	17
Parks	403,171	-	403,171	207,525
Recreation	36,575	-	36,575	19,781
Senior Center	105,730	-	105,730	96,678
Recycling Center	85,161	-	85,161	69,778
Information technology	151,534	-	151,534	60,321
Property control	46,530	-	46,530	49,050
Golf course	591,834	-	591,834	669,105
Tourism development	15,523	-	15,523	11,995
Human resources	106,774	-	106,774	88,603
Other	155	-	155	4,137
Debt service	738,899	-	738,899	698,183
Water and sewer	-	3,999,623	3,999,623	3,672,405
TOTAL EXPENSES	8,327,542	3,999,623	12,327,165	11,607,931
INCREASE IN NET POSITION	\$ 1,008,550	\$ 502,309	\$ 1,510,859	\$ 2,751,816

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2013**

Governmental Activities

Governmental activities increased the net position of the City by \$1,008,550. Tax revenues for the City were \$7,426,146 which represents 79% of the funding of these activities. Program revenues for the functions totaled \$1,948,834 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	\$ 986,612	\$ 878,963
Auditorium	183,127	166,320
Police	1,356,104	1,000,596
Fire	1,588,790	1,203,826
Emergency management	26,538	16,798
Court	100,297	80,245
Airport	678,561	187,404
Drainage	80,041	80,041
Street	1,045,586	1,033,650
Parks	403,171	342,508
Recreation	36,575	(27,105)
Senior center	105,730	93,730
Recycling center	85,161	47,609
Information technology	151,534	151,534
Property control	46,530	46,530
Golf course	591,834	214,708
Tourism development	15,523	15,523
Human resources	106,774	106,774
Other	155	155
Debt service	738,899	738,899
	\$ 8,327,542	\$ 6,378,708

Business-Type Activities

Business-type activities increased the City's net position by \$502,309. This is down from the increase received last year from the City's business-type activities. The increase in the prior year was \$989,539.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2013

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2013, were \$7,803,419. The combined fund balances are up \$633,468 over the prior year. The City continues to take strong measures to ensure the City stays in a position of financial stability. The staff in all City departments strives to bring a level of service the Citizens of Neosho expect and deserve.

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 \$4,542,029 increased to \$4,694,329.
- The original expenditures budget of \$3,464,901 was increased to \$3,671,670.
- Budget adjustments were presented and approved by the City Council. Budgeted revenues were \$116,178 above actual, and budgeted expenditures were \$260,712 above actual.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$28,789,308 (net of accumulated depreciation) as of September 30, 2013. This represents a \$215,900 decrease from the prior year. Capital assets for business-type activities were \$23,680,384 as of September 30, 2013. This represents an increase of \$2,943,604 from the prior year. The increase is mainly due to the completion of the sewer plant additions and work in progress of the water plant additions.

Debt

Total debt of the governmental activities as of September 30, 2013, was \$12,950,758, which is down \$682,939. The debt balance is net of deferred losses on refundings.

Total debt of the business-type activities as of September 30, 2013, was \$14,376,729, which is up \$3,921,978 from the prior year primarily due to the issuance of 2011 Revenue Bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2013

Economic Factors and Next Year's Budget

The economy continues to remain stable, but at a slower pace than in fiscal years 2012 and 2013, 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 ensure the stability of the city government. As predicted, the continual rebuilding of Joplin after the May 2011 tornado has continued to impacted retail sales in the City of Neosho; 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.

Revenues are expected to remain stable, as expenditures continue to be closely monitored to avoid waste and excess spending. Assessed valuation grew by 0.5% to \$137.1 million in 2013. 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.

As stated in prior years, the greatest asset the City has is its staff of well trained, 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.

Improvements were substantially completed to the water and sewer infrastructure in fiscal year 2013 and are incorporated into the budget through a \$9.5 million State Revolving Fund loan through the Missouri Department of Natural Resources. These improvements provided new water mains along Kodiak Road on the western expansion corridor, much needed improvements to the operations and security of the water plant, and replacement of mains in the downtown area which had exceeded their useful life. Operational improvements from these investments will serve the City for decades to come. This multi-year project is closing out in fiscal year 2014.

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.

In March 2013, the City took over the golf course operations which had previously been contracted out. As a result, the Golf Course Fund realized an increase in revenues and a decrease in expenses. Future plans include continued improvements to the operations, appearance, carts, greens and fairways.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2013

Economic Factors and Next Year's Budget (continued)

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. In fiscal year 2013, the City refinanced the 2007B COP debt, allowing the City to capture lower interest rates with a savings of \$431,373 gross, realizing net savings of \$353,984 without extending the terms of the COP's payoff period. The City will continue to monitor and refinance debt, when allowed, if lower interest rates can be obtained and City funds can be saved without extending the life of any debt.

Contacting the City's Financial Management

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

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

Troy Royer, City Manager
Daphne Pevahouse, Finance Director
Nora Houdyshell, City Clerk

troyer@neoshomo.org
dpevahouse@neoshomo.org
nhoudyshell@neoshomo.org

CITY OF NEOSHO, MISSOURI
STATEMENT OF NET POSITION
September 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 5,546,461	\$ 3,245,826	\$ 8,792,287
Sales tax receivable	844,642	-	844,642
Utilities receivable, net	-	394,213	394,213
Other accounts receivable	32,897	17,290	50,187
Court fines receivable, net	41,790	-	41,790
Intergovernmental receivable	33,489	-	33,489
Inventory	75,291	-	75,291
Internal balances	(159,036)	159,036	-
Prepaid expenses	237,224	16,494	253,718
Noncurrent			
Restricted cash and cash equivalents	1,475,791	267,737	1,743,528
Capital Assets:			
Non-depreciable	9,560,163	8,949,603	18,509,766
Depreciable, net	19,229,145	14,730,781	33,959,926
TOTAL ASSETS	36,917,857	27,780,980	64,698,837
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refundings	141,592	-	141,592
TOTAL DEFERRED OUTFLOWS OF RESOURCES	141,592	-	141,592
LIABILITIES			
Current			
Accounts payable	122,195	173,573	295,768
Accrued expenses	179,749	83,271	263,020
Accrued interest payable	250,483	71,874	322,357
Deposits held	23,186	-	23,186
Meter deposits payable	-	21,095	21,095
Current maturities of long-term debt	980,331	693,594	1,673,925
	1,555,944	1,043,407	2,599,351
Noncurrent			
Capital leases payable	77,245	-	77,245
Loans payable	387,116	-	387,116
Certificates of participation payable	8,522,694	897,306	9,420,000
Bonds payable	2,965,000	12,721,534	15,686,534
Compensated absences payable	159,964	64,295	224,259
	12,112,019	13,683,135	25,795,154
TOTAL LIABILITIES	13,667,963	14,726,542	28,394,505
NET POSITION			
Net investment in capital assets	15,998,514	9,367,950	25,366,464
Restricted			
Non-expendable	359,772	-	359,772
Expendable	4,596,307	246,642	4,842,949
Unrestricted	2,436,893	3,439,846	5,876,739
TOTAL NET POSITION	\$ 23,391,486	\$ 13,054,438	\$ 36,445,924

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses), Revenues and Changes in Net Position</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	\$ (617,707)	\$ 70,554	\$ -	\$ -	\$ (547,153)	\$ -	\$ (547,153)
Clerk/Council	(68,326)	-	-	-	(68,326)	-	(68,326)
Auditorium	(183,127)	16,807	-	-	(166,320)	-	(166,320)
Building inspection	(300,579)	37,095	-	-	(263,484)	-	(263,484)
Police	(1,356,104)	269,279	48,928	37,301	(1,000,596)	-	(1,000,596)
Fire	(1,588,790)	125,000	259,964	-	(1,203,826)	-	(1,203,826)
Emergency management	(26,538)	-	-	9,740	(16,798)	-	(16,798)
Court	(100,297)	20,052	-	-	(80,245)	-	(80,245)
Airport	(678,561)	248,573	-	242,584	(187,404)	-	(187,404)
Drainage	(80,041)	-	-	-	(80,041)	-	(80,041)
Street	(1,045,586)	-	-	11,936	(1,033,650)	-	(1,033,650)
Parks	(403,171)	43,221	8,751	8,691	(342,508)	-	(342,508)
Recreation	(36,575)	63,680	-	-	27,105	-	27,105
Senior center	(105,730)	12,000	-	-	(93,730)	-	(93,730)
Recycling center	(85,161)	14,898	22,654	-	(47,609)	-	(47,609)
Information technology	(151,534)	-	-	-	(151,534)	-	(151,534)
Property control	(46,530)	-	-	-	(46,530)	-	(46,530)
Golf course	(591,834)	377,126	-	-	(214,708)	-	(214,708)
Tourism development	(15,523)	-	-	-	(15,523)	-	(15,523)
Human resources	(106,774)	-	-	-	(106,774)	-	(106,774)
Other	(155)	-	-	-	(155)	-	(155)
Debt service	(738,899)	-	-	-	(738,899)	-	(738,899)
TOTAL GOVERNMENTAL ACTIVITIES	(8,327,542)	1,298,285	340,297	310,252	(6,378,708)	-	(6,378,708)

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF ACTIVITIES (continued)
Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities							
Water and Sewer	(3,999,623)	4,386,582	-	-	-	386,959	386,959
TOTAL BUSINESS-TYPE ACTIVITIES	(3,999,623)	4,386,582	-	-	-	386,959	386,959
TOTAL GOVERNMENT	\$ (12,327,165)	\$ 5,684,867	\$ 340,297	\$ 310,252	(6,378,708)	386,959	(5,991,749)
General Revenues:							
Property taxes					433,582	-	433,582
Sales taxes					5,473,554	-	5,473,554
Motor vehicle and gas taxes					423,755	-	423,755
Other taxes					264,004	-	264,004
Franchise fees					831,251	-	831,251
Interest					6,477	3,672	10,149
Other revenue					52,576	15,238	67,814
(Loss) on sale of capital assets					(1,501)	-	(1,501)
Transfers					(96,440)	96,440	-
					7,387,258	115,350	7,502,608
					Total General Revenues and Transfers		
					1,008,550	502,309	1,510,859
					Changes in Net Position		
					22,382,936	12,552,129	34,935,065
					Net Position, Beginning of year, as restated		
					\$ 23,391,486	\$ 13,054,438	\$ 36,445,924
					Net Position, End of year		

See accompanying notes.

CITY OF NEOSHO, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2013

	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	\$ 2,073,469	\$ 303,105	\$ 46,581	\$ 684,650	\$ 138,849	\$ 1,153,765	\$ 385	\$ 1,145,657	\$ 5,546,461
Taxes receivable	345,916	-	-	121,290	80,860	13,600	-	282,976	844,642
Other accounts receivable	27,660	-	5,237	-	-	-	-	-	32,897
Court fines receivable, net	41,790	-	-	-	-	-	-	-	41,790
Intergovernmental receivable	33,489	-	-	-	-	-	-	-	33,489
Inventory	75,291	-	-	-	-	-	-	-	75,291
Due from other funds	54,070	81,866	-	-	-	55,610	-	-	191,546
Prepaid expenses	20,591	-	1,691	3,965	210,977	-	-	-	237,224
Restricted cash and cash equivalents	28,543	-	-	-	-	-	376,664	1,070,584	1,475,791
TOTAL ASSETS	\$ 2,700,819	\$ 384,971	\$ 53,509	\$ 809,905	\$ 430,686	\$ 1,222,975	\$ 377,049	\$ 2,499,217	\$ 8,479,131
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ 90,888	\$ -	\$ 2,906	\$ 18,956	\$ 2,433	\$ -	\$ 6	\$ 7,006	\$ 122,195
Accrued expenses	83,109	-	-	18,256	71,542	-	-	6,842	179,749
Deposits held	13,014	-	(719)	-	-	-	-	10,891	23,186
Due to other funds	278,979	300	-	-	-	-	-	71,303	350,582
TOTAL LIABILITIES	465,990	300	2,187	37,212	73,975	-	6	96,042	675,712

See accompanying notes.

CITY OF NEOSHO, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
September 30, 2013

	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	-	-	-	-	-	-	-	47,257	47,257
Inventory	75,291	-	-	-	-	-	-	-	75,291
Prepaid items	20,591	-	1,691	3,965	210,977	-	-	-	237,224
Restricted for:									
Public safety	-	-	-	-	-	-	-	12,716	12,716
Drainage	-	-	-	-	-	-	-	500,091	500,091
Streets	4,073	-	-	768,728	-	-	-	-	772,801
Airport	29,416	-	-	-	-	-	-	-	29,416
Parks and recreation	-	-	-	-	-	-	-	124,849	124,849
Senior Center	-	-	-	-	-	-	-	10,833	10,833
Economic development	-	-	-	-	-	-	-	102,149	102,149
Tourism development	-	384,671	-	-	-	-	-	-	384,671
TIF	-	-	-	-	-	1,222,975	-	-	1,222,975
Debt service	-	-	-	-	-	-	377,043	1,058,763	1,435,806
Assigned to:									
Public safety	-	-	-	-	145,734	-	-	-	145,734
Parks and recreation	-	-	-	-	-	-	-	332,092	332,092
Auditorium	-	-	-	-	-	-	-	13,041	13,041
Senior Center	-	-	-	-	-	-	-	38,823	38,823
Economic development	-	-	-	-	-	-	-	31,484	31,484
Golf course	-	-	49,631	-	-	-	-	-	49,631
Street and bridge	-	-	-	-	-	-	-	131,077	131,077
Unassigned	2,105,458	-	-	-	-	-	-	-	2,105,458
TOTAL FUND BALANCES	2,234,829	384,671	51,322	772,693	356,711	1,222,975	377,043	2,403,175	7,803,419
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,700,819	\$ 384,971	\$ 53,509	\$ 809,905	\$ 430,686	\$ 1,222,975	\$ 377,049	\$ 2,499,217	\$ 8,479,131

See accompanying notes.

CITY OF NEOSHO, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF
NET POSITION
September 30, 2013

Fund balance - total governmental funds	\$ 7,803,419
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	55,439,721
Less accumulated depreciation	<u>(26,650,413)</u>
	28,789,308
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(250,483)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(12,950,758)</u>
Net Position of Governmental Activities	<u><u>\$ 23,391,486</u></u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
 Year Ended September 30, 2013

	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	\$ 3,543,969	\$ 71,957	\$ -	\$ 1,219,184	\$ 530,243	\$ 205,183	\$ -	\$ 1,855,611	\$ 7,426,147
Licenses and permits	71,942	-	-	-	-	-	-	-	71,942
Intergovernmental revenues	348,243	-	-	-	-	-	-	282,984	631,227
Charges for services	272,620	-	370,024	-	125,000	-	-	123,289	890,933
Fines and forfeitures	253,736	-	-	-	-	-	-	-	253,736
Donations and other contributions	-	-	-	-	-	-	-	19,323	19,323
Miscellaneous	87,641	338	8,023	29,501	982	2,129	-	8,981	137,595
TOTAL REVENUES	4,578,151	72,295	378,047	1,248,685	656,225	207,312	-	2,290,188	9,430,903
EXPENDITURES									
Current									
Administrative	559,408	-	-	-	-	-	-	-	559,408
Clerk/Council	68,326	-	-	-	-	-	-	-	68,326
Auditorium	-	-	-	-	-	-	-	58,240	58,240
Development services	298,883	-	-	-	-	-	-	-	298,883
Police	1,339,248	-	-	-	-	-	-	33,786	1,373,034
Fire	-	-	-	-	1,114,376	-	-	370,144	1,484,520
Emergency management	34,774	-	-	-	-	-	-	-	34,774
Court	99,097	-	-	-	-	-	-	-	99,097
Airport	593,453	-	-	-	-	-	-	-	593,453
Drainage	-	-	-	-	-	-	-	75,047	75,047
Street	-	-	-	1,144,380	-	-	-	-	1,144,380
Parks and recreation	-	-	-	-	-	-	-	432,913	432,913
Recreation	31,714	-	-	-	-	-	-	-	31,714
Senior center	-	-	-	-	-	-	-	84,827	84,827
Recycling center	81,217	-	-	-	-	-	-	-	81,217
Information technology	151,534	-	-	-	-	-	-	-	151,534
Property control	46,530	-	-	-	-	-	-	-	46,530
Human resources	106,774	-	-	-	-	-	-	-	106,774
Golf course	-	-	450,275	-	-	-	-	-	450,275
Tourism development	-	15,523	-	-	-	-	-	-	15,523
Other	-	-	-	-	-	-	-	155	155
Debt Service									
Principal and interest	-	-	-	-	-	-	3,639,194	999,246	4,638,440
TOTAL EXPENDITURES	3,410,958	15,523	450,275	1,144,380	1,114,376	-	3,639,194	2,054,358	11,829,064

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)
Year Ended September 30, 2013

	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	1,167,193	56,772	(72,228)	104,305	(458,151)	207,312	(3,639,194)	235,830	(2,398,161)
OTHER FINANCING SOURCES (USES)									
Operating transfers in (out)	(1,355,929)	(52,585)	117,457	(149,963)	787,841	128,917	3,270,545	(2,862,784)	(116,501)
Sale of assets	280	-	-	-	-	-	-	-	280
Bond proceeds	-	-	-	-	-	-	-	3,147,850	3,147,850
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,355,649)</u>	<u>(52,585)</u>	<u>117,457</u>	<u>(149,963)</u>	<u>787,841</u>	<u>128,917</u>	<u>3,270,545</u>	<u>285,066</u>	<u>3,031,629</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(188,456)	4,187	45,229	(45,658)	329,690	336,229	(368,649)	520,896	633,468
FUND BALANCE, October 1	<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>
FUND BALANCE, September 30	<u>\$ 2,234,829</u>	<u>\$ 384,671</u>	<u>\$ 51,322</u>	<u>\$ 772,693</u>	<u>\$ 356,711</u>	<u>\$ 1,222,975</u>	<u>\$ 377,043</u>	<u>\$ 2,403,175</u>	<u>\$ 7,803,419</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, 2013

Net change in fund balances - total governmental funds	\$ 633,468
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	(141,307)
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	1,084,075
Depreciation	(1,298,474)
Disposal of capital assets, net	(1,501)
	<u>(215,900)</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. 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	3,850,191
Bond proceeds	(3,145,000)
Change in accrued interest payable	49,350
	<u>754,541</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.	<u>(22,252)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,008,550</u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
September 30, 2013

	Water and Sewer Fund	Internal Service Fund
	<u> </u>	<u> </u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,245,826	\$ -
Utilities receivable, net	394,213	-
Due from other funds	159,036	-
Other accounts receivable	17,290	-
Prepaid expenses	16,494	-
	<u> </u>	<u> </u>
TOTAL CURRENT ASSETS	3,832,859	-
Restricted Assets		
Cash and cash equivalents	267,737	-
	<u> </u>	<u> </u>
TOTAL RESTRICTED ASSETS	267,737	-
Property, Plant and Equipment		
Land	157,578	-
Work in progress	8,792,025	-
Buildings and improvements	163,900	-
Water plant and equipment	13,753,111	-
Sewer plant and equipment	17,495,056	-
	<u> </u>	<u> </u>
	40,361,670	-
Less accumulated depreciation	(16,681,286)	-
	<u> </u>	<u> </u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	23,680,384	-
TOTAL ASSETS	27,780,980	-
LIABILITIES		
Current Liabilities		
Accounts payable	173,573	-
Accrued expenses	83,271	-
Accrued interest payable	71,874	-
Meter deposits payable	21,095	-
Current maturities of long-term debt	693,594	-
	<u> </u>	<u> </u>
TOTAL CURRENT LIABILITIES	1,043,407	-
Long-Term Liabilities		
Certificates of participation	897,306	-
Revenue bonds payable	12,721,534	-
Compensated absences payable	64,295	-
	<u> </u>	<u> </u>
TOTAL LONG-TERM LIABILITES	13,683,135	-
TOTAL LIABILITIES	14,726,542	-
NET POSITION		
Net investment in capital assets	9,367,950	-
Restricted for debt service	246,642	-
Unrestricted	3,439,846	-
	<u> </u>	<u> </u>
TOTAL NET POSITION	<u>\$ 13,054,438</u>	<u>\$ -</u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY
FUNDS
Year Ended September 30, 2013

	<u>Water and Sewer Fund</u>	<u>Internal Service Fund</u>
OPERATING REVENUES		
Charges for services		
Water and sewer	\$ 4,386,582	\$ -
Insurance contributions	-	656,034
	<u>4,386,582</u>	<u>656,034</u>
TOTAL OPERATING REVENUES	4,386,582	656,034
OPERATING EXPENSES		
Personnel services	1,352,879	-
Contractual services	431,717	-
Repairs and maintenance	309,984	-
Supplies	269,173	-
Utilities	622,162	-
Insurance	98,174	-
Capital expenses	108,898	-
Depreciation	548,142	-
Miscellaneous	5,661	-
Insurance claims and premiums	-	609,318
Administrative fees	-	208,084
	<u>3,746,790</u>	<u>817,402</u>
TOTAL OPERATING EXPENSES	3,746,790	817,402
OPERATING INCOME (LOSS)	639,792	(161,368)
NONOPERATING REVENUES (EXPENSES)		
Interest income	3,672	-
Other revenue	15,238	-
Interest expense	(252,833)	-
	<u>(233,923)</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	(233,923)	-
INCOME (LOSS) BEFORE OPERATING TRANSFERS	405,869	(161,368)
OPERATING TRANSFERS IN	<u>96,440</u>	<u>20,061</u>
NET INCOME	502,309	(141,307)
NET POSITION, October 1, as restated	<u>12,552,129</u>	<u>141,307</u>
NET POSITION, September 30	<u><u>\$ 13,054,438</u></u>	<u><u>\$ -</u></u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended September 30, 2013

	Water and Sewer Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,794,617	\$ 656,034
Cash paid to suppliers	(3,368,311)	(842,770)
Cash paid to employees	(1,340,525)	-
Other cash received for nonoperating revenues	15,238	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	101,019	(186,736)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfer in	96,440	20,061
Repayment of loans to other funds	79,429	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	175,869	20,061
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	(3,491,746)	-
Payment of principal on leases	(60,000)	-
Payment of principal on bonds	(241,200)	-
Bond proceeds	4,225,995	-
Payment of interest expense	(232,299)	-
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	200,750	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	3,672	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,672	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	481,310	(166,675)
CASH AND CASH EQUIVALENTS, Beginning of year	3,032,253	166,675
CASH AND CASH EQUIVALENTS, End of year	3,513,563	-
LESS RESTRICTED CASH AND CASH EQUIVALENTS	(267,737)	-
UNRESTRICTED CASH AND CASH EQUIVALENTS	\$ 3,245,826	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 639,792	\$ (161,368)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	548,142	-
(Increase) decrease in:		
Utilities receivable	45,129	-
Other accounts receivable	382,133	-
Prepaid expenses	26,563	-
Increase (decrease) in:		
Accounts payable	(1,549,105)	(25,368)
Accrued expenses	15,171	-
Meter deposits payable	(19,227)	-
Compensated absences	(2,817)	-
Other cash received for nonoperating revenues	15,238	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 101,019	\$ (186,736)

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. The following is a summary of the more significant policies.

Financial Reporting Entity

The City is organized under laws of the State of Missouri and 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 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 Position and the Statement of Activities) and fund financial statements.

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 Position, 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Position

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

Net Investment in Capital Assets – 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 position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net position that does not meet the definition of restricted or net investment in capital assets.

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

New Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 63 – *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* for reporting periods beginning after December 15, 2011. This statement provides financial reporting guidance and standardization for deferred outflows of resources and deferred inflows of resources. This statement also amends the net asset reporting requirements of Statement No. 34 – *Basic Financial Statements and Management’s Discussion and Analysis*, by incorporating deferred inflows and deferred outflows into the definition of the required components of residual measure and by renaming that measure as net position, rather than net assets.

The Governmental Accounting Standards Board (GASB) issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities* (GASB 65) effective for reporting periods beginning after December 15, 2012, though early application was encouraged. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

The City adopted GASB Statements No. 63 and 65 for the year ended September 30, 2013.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the City’s deposits be insured or 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, 2013, 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:

	<u>Restricted Cash and Cash Equivalents</u>
GENERAL FUND	
Court bonds	\$ 7,595
Police evidence	11,005
Deposits held	9,943
	<u>\$ 28,543</u>
2007 COP FUND	
2007A COP revenue trust fund	\$ 70,864
2007A COP reserve trust fund	305,800
	<u>\$ 376,664</u>
NONMAJOR GOVERNMENTAL FUNDS	
Auditorium deposits held	\$ 10,891
Police donations	930
2010 COP debt service trust fund	161,050
2006A COP reserve trust fund	521,663
2006B COP reserve trust fund	36,500
2012A/B COP revenue trust fund	1,194
2012A/B COP reserve trust fund	42,501
2013 Bond investment escrow account	4,202
2013 Bond reserve trust fund	291,653
	<u>\$ 1,070,584</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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, 2013:

	<u>Restricted Cash and Cash Equivalents</u>
WATER AND SEWER FUND	
Meter deposits	\$ 21,095
1992B Bond principal trust fund	5,629
2009B Bond principal and interest trust funds	79,686
2011 Bond principal and interest trust funds	130,822
2012A COP reserve trust fund	30,505
	<u>\$ 267,737</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>2012</u>
Assessed Valuation	
Real estate	\$ 102,082,506
Personal property	35,062,093
	<u>\$ 137,144,599</u>
	TOTAL
Tax Rate Per \$100 of Assessed Valuation	
General Fund (Real Property)	<u>\$.4256</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

The legal debt margin at September 30, 2013, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 13,714,460	\$ 13,714,460	\$ 27,428,920
General Obligation Bonds payable	-	-	-
LEGAL DEBT MARGIN	\$ 13,714,460	\$ 13,714,460	\$ 27,428,920

(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	\$ 345,916	\$ -	\$ 345,916
Street Sales Tax Fund	121,290	-	121,290
Fire Sales Tax Fund	80,860	-	80,860
Tax Increment Financing Fund	13,600	-	13,600
Nonmajor Governmental Funds	282,976	-	282,976
	\$ 844,642	\$ -	\$ 844,642

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE E – ACCOUNTS RECEIVABLE (continued)

	<u>Gross Receivable</u>	<u>Allowance</u>	<u>Net Receivable</u>
UTILITIES RECEIVABLE			
Water and Sewer Fund	<u>\$ 402,916</u>	<u>\$ 8,703</u>	<u>\$ 394,213</u>
OTHER ACCOUNTS RECEIVABLE			
General Fund	\$ 27,660	\$ -	\$ 27,660
Golf Fund	5,237	-	5,237
Water and Sewer Fund	<u>17,290</u>	<u>-</u>	<u>17,290</u>
	<u>\$ 50,187</u>	<u>\$ -</u>	<u>\$ 50,187</u>
COURT FINES RECEIVABLE			
General Fund	<u>\$ 196,906</u>	<u>\$ 155,116</u>	<u>\$ 41,790</u>

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

The business-type activities long-term debt at September 30, 2013, consists of the 2011 and 2009B 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. Bonds are issued as the project progresses. As of September 30, 2013, \$8,471,234 of the bonds have been issued and are outstanding. Five-year maturities of principal and interest are not presented since the project was not complete as of September 30, 2013.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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 to provide funding for sewerage system improvements. The bonds bear interest at 1.51%. Principal and interest payments are due January 1 and July 1 of each year. The bonds outstanding at September 30, 2013, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 245,900	\$ 318,908	\$ 564,808
2015	250,600	319,878	570,478
2016	255,600	321,075	576,675
2017	260,600	322,197	582,797
2018	265,700	323,342	589,042
2019	270,900	324,511	595,411
2020	276,100	325,601	601,701
2021	281,500	326,812	608,312
2022	287,000	328,040	615,040
2023	292,600	329,285	621,885
2024	298,300	330,546	628,846
2025	304,100	331,820	635,920
2026	310,100	333,205	643,305
2027	316,100	334,500	650,600
2028	322,300	335,903	658,203
2029	328,600	337,314	665,914
2030	330,200	333,927	664,127
	<u>\$ 4,896,200</u>	<u>\$ 5,576,864</u>	<u>\$ 10,473,064</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

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, 2013, are due as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 65,631</u>	<u>\$ 385,631</u>

Amount recorded in:

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

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

A summary of the changes in long-term debt – business-type activities for the year ended September 30, 2013, is as follows:

	Balance September 30, <u>2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2013</u>
Revenue Bonds				
2009B Revenue Bonds -ARRA				
Direct Loan Program	\$ 5,053,989	\$ 83,411	\$ 241,200	\$ 4,896,200
2011 Revenue Bonds - Direct				
Loan Program	4,328,650	4,142,584	-	8,471,234
Certificates of Participation				
2006A Certificates of Participation	700,000	-	60,000	640,000
2012A Certificates of Participation	305,000	-	-	305,000
Compensated Absences Payable	<u>67,112</u>	<u>-</u>	<u>2,817</u>	<u>64,295</u>
TOTAL	<u>\$10,454,751</u>	<u>\$ 4,225,995</u>	<u>\$ 304,017</u>	<u>\$14,376,729</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at September 30, 2013, consists of two capital lease obligations; 2006A, 2006B, 2007A, 2010, 2012A and 2012B certificates of participation; the 2013 special obligation refunding bond; compensated absences payable; and one loan obligation.

Capital Lease Obligations

On December 14, 2011 the City entered into a lease purchase agreement with TYMCO, Inc. to finance the purchase of a street sweeper for \$88,467. The lease requires two annual payments of \$46,294 each, which includes interest at 3.09%.

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 \$2,616, 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 date, 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, 2013, are as follows:

Year Ended September 30,	Golf Carts	Street Sweeper	Total
2014	\$ 31,390	\$ 46,294	\$ 77,684
2015	31,390	-	31,390
2016	31,390	-	31,390
2017	18,311	-	18,311
TOTAL MINIMUM LEASE PAYMENTS	112,481	46,294	158,775
LESS AMOUNT REPRESENTING INTEREST	(7,247)	(1,388)	(8,635)
PRINCIPAL BALANCE, SEPTEMBER 30, 2013	\$ 105,234	\$ 44,906	\$ 150,140

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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, 2013, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 5,365,000</u>	<u>\$ 2,447,847</u>	<u>\$ 7,812,847</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

Water and Sewer Fund/Business-Type Activities	\$ 640,000
Governmental Activities	<u>4,725,000</u>
TOTAL	<u><u>\$ 5,365,000</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, 2013, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>585,000</u>	<u>28,080</u>	<u>613,080</u>
	<u><u>\$ 3,040,000</u></u>	<u><u>\$ 1,297,537</u></u>	<u><u>\$ 4,337,537</u></u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

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, 2013, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	180,000	10,637	190,637
	<u>\$ 1,080,000</u>	<u>\$ 264,213</u>	<u>\$ 1,344,213</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, 2013, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 115,000	\$ 6,000	\$ 121,000
2015	110,000	3,700	113,700
2016	75,000	1,500	76,500
	<u>\$ 300,000</u>	<u>\$ 11,200</u>	<u>\$ 311,200</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

Bonds

On April 2, 2013, the City issued \$3,145,000 in Special Obligation Refunding Bonds for the purpose of refunding the 2007B Certificates of Participation. The bonds bear interest at various rates ranging from 2.000% to 3.250% with principal payments due April 1 and interest payments due April 1 and October 1 each year. The bonds outstanding at September 30, 2013, are due as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 180,000	\$ 81,974	\$ 261,974
2015	180,000	78,603	258,603
2016	185,000	75,003	260,003
2017	185,000	71,303	256,303
2018	190,000	67,603	257,603
2019	195,000	63,803	258,803
2020	200,000	59,903	259,903
2021	205,000	55,402	260,402
2022	205,000	50,277	255,277
2023	210,000	44,537	254,537
2024	215,000	38,657	253,657
2025	230,000	31,992	261,992
2026	235,000	24,862	259,862
2027	530,000	17,225	547,225
	<u>\$ 3,145,000</u>	<u>\$ 761,144</u>	<u>\$ 3,906,144</u>

Loan

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, 2013

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

The annual loan payments required at September 30, 2013, are as follows:

Year Ended September 30,	Principal	Interest	Total
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	100,930	2,908	103,838
	<u>\$ 477,246</u>	<u>\$ 42,033</u>	<u>\$ 519,279</u>

A summary of the changes in long-term debt – governmental activities for the year ended September 30, 2013, is as follows:

	Balance September 30, 2012	Additions	Retirements	Balance September 30, 2013
Capital Lease Obligations				
2008 Toro mower	\$ 4,474	\$ -	\$ 4,474	\$ -
2011 Street sweeper	-	88,467	43,561	44,906
2012 Golf carts	132,213	-	26,979	105,234
	<u>136,687</u>	<u>88,467</u>	<u>75,014</u>	<u>150,140</u>
Loan Obligation				
2008 STAR loan	564,862	-	87,616	477,246
Certificates of Participation				
2006A	4,590,000	-	205,000	4,385,000
2006B	355,000	-	15,000	340,000
2007A	3,165,000	-	125,000	3,040,000
2012A	15,000	-	-	15,000
2012B	410,000	-	110,000	300,000
2007B	3,205,000	-	3,205,000	-
2010	1,205,800	-	125,800	1,080,000
	<u>12,945,800</u>	<u>-</u>	<u>3,785,800</u>	<u>9,160,000</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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

	Balance September 30, 2012	Additions	Retirements	Balance September 30, 2013
Less: Deferred loss on debt refunding	(151,364)	-	(9,772)	(141,592)
	12,794,436	-	3,776,028	9,018,408
Special Obligation Refunding Bonds 2013	-	3,145,000	-	3,145,000
Compensated absences payable	137,712	22,252	-	159,964
TOTAL	<u>\$ 13,633,697</u>	<u>\$ 3,255,719</u>	<u>\$ 3,938,658</u>	<u>\$ 12,950,758</u>

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance September 30, 2012	Additions	Deletions	Balance September 30, 2013
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 9,560,163	\$ -	\$ -	\$ 9,560,163
Work in progress	595,918	-	595,918	-
Total Non-Depreciable Capital Assets	10,156,081	<u>\$ -</u>	<u>\$ 595,918</u>	9,560,163

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2012	Additions	Deletions	Balance September 30, 2013
Depreciable Capital Assets:				
Land improvements	574,149	\$ 50,102	\$ -	624,251
Building and improvements	9,504,812	608,401	14,337	10,098,876
Machinery and equipment	4,941,872	361,054	143,352	5,159,574
Golf course infrastructure	3,373,207	-	-	3,373,207
Infrastructure	25,963,214	660,436	-	26,623,650
Total Depreciable Capital Assets	44,357,254	<u>\$ 1,679,993</u>	<u>\$ 157,689</u>	45,879,558
Less Accumulated Depreciation	25,508,127	<u>\$ 1,298,474</u>	<u>\$ 156,188</u>	26,650,413
Total Depreciable Capital Assets, Net	<u>18,849,127</u>			<u>19,229,145</u>
Total Capital Assets - Governmental Activities, Net	<u>\$ 29,005,208</u>			<u>\$ 28,789,308</u>

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

Administration	\$ 58,179
Auditorium	137,369
Building inspection	1,696
Police	48,386
Fire	47,991
Emergency management	14,517
Recycling	3,944
Senior center	20,903
Golf course	176,265
Court	1,200
Airport	314,307
Parks	55,379
Recreation	4,861
Drainage	4,994
Street	408,483
	<u>\$ 1,298,474</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2012	Additions	Deletions	Balance September 30, 2013
Business-Type Activities				
Water and Sewer				
Non-Depreciable Capital Assets:				
Land	\$ 157,578	\$ -	\$ -	\$ 157,578
Work in progress	7,491,218	3,243,640	1,942,833	8,792,025
Total Non-Depreciable Capital Assets	7,648,796	<u>\$ 3,243,640</u>	<u>\$ 1,942,833</u>	8,949,603
Depreciable Capital Assets:				
Buildings	35,591	\$ 128,309	\$ -	163,900
Water plant and equipment	13,655,729	97,382	-	13,753,111
Sewer plant and equipment	15,529,808	1,965,248	-	17,495,056
Total Depreciable Capital Assets	29,221,128	<u>\$ 2,190,939</u>	<u>\$ -</u>	31,412,067
Less Accumulated Depreciation	16,133,144	<u>\$ 548,142</u>	<u>\$ -</u>	16,681,286
Total Depreciable Capital Assets, Net	<u>13,087,984</u>			<u>14,730,781</u>
Total Capital Assets - Business-Type Activities, Net	<u>\$ 20,736,780</u>			<u>\$ 23,680,384</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, 2013

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 401(a) and it is tax exempt.

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

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 9.2% (General), 9.3% (Police) and 13.2% (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	\$ 369,174
Interest on net pension obligation	2,658
Adjustment to annual required contribution	(4,404)
Annual pension cost	<u>367,428</u>
Actual contributions	<u>347,024</u>
Increase (decrease) in NPO	20,404
NPO beginning of year	<u>36,658</u>
NPO end of year	<u><u>\$ 57,062</u></u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE I – EMPLOYEE PENSION PLAN (continued)

The annual required contribution (ARC) was determined as part of the February 28, 2010, and February 28, 2011, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013, 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, 2010, was 30 years for the General division, 10 years for the Police division, and 30 years for the Fire division. The amortization period at February 28, 2011, was 30 years for the General division, 30 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
2011	\$ 305,783	94.3%	\$ 17,430
2012	321,076	94.0%	36,658
2013	367,428	94.4%	57,062

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

	(a) Actuarial Valuation Date	Entry Age Actuarial Accrued Liability	(Excess) Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	UAL as a Percentage of Covered Payroll
	2/28/2013	\$ 6,572,356	\$ 6,078,617	108%	\$ 3,153,133	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.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

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 – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2013, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 40,245	\$ 1,396,174
Hotel/Motel Tax Fund	-	52,585
Golf Fund	357,954	240,497
Street Sales Tax Fund	90,396	240,359
Fire Sales Tax Fund	925,474	137,633
Tax Increment Financing Fund	230,982	102,065
SAFER Grant	109,472	-
Drainage Sales Tax Fund	-	166,193
Parks Sales Tax Fund	63,865	118,345
Auditorium Fund	-	348,471
Senior Center Sales Tax Fund	2,731	56,558
Economic Development Sales Tax Fund	31,409	295,583
Street/Bridge Sales Tax Fund	33,226	266,118
2013 Bond Fund	40,873	2,785,152
2012 COP Fund	118,292	-
2010 COP Fund	193,100	-
2007 Bond Fund	3,270,545	-
2006 COP Fund	476,841	-
Star Loan Fund	103,827	-
Water and Sewer Fund	96,440	-
Internal Service Fund	20,061	-
	<u>\$ 6,205,733</u>	<u>\$ 6,205,733</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE K – INTERFUND TRANSFERS (continued)

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

NOTE L – INTERNAL BALANCES

Internal balances as of September 30, 2013, consisted of the following:

	General Fund	Hotel/ Motel Tax Fund	Tax Increment Financing Fund	Non-Major Funds	Water and Sewer Fund
Internal balances	<u>\$ (224,909)</u>	<u>\$ 81,566</u>	<u>\$ 55,610</u>	<u>\$ (71,303)</u>	<u>\$ 159,036</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, 2013, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

NOTE M – 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, 2013, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE N – 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, 2013, 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 \$127,185. Changes in the estimated benefit obligation during the past year are as follows:

Estimated Benefit Obligation, beginning of year	\$ 55,106
Claims incurred	615,092
Claims paid	<u>(543,013)</u>
Estimated Benefit Obligation, end of year	<u><u>\$ 127,185</u></u>

NOTE O – 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%.

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.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2013

NOTE O – DEBT REFUNDING LOSS (continued)

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

	Balance September 30, 2012	Additions	Current Amortization	Balance September 30, 2013
Governmental Activities	<u>\$ 151,364</u>	<u>\$ -</u>	<u>\$ (9,772)</u>	<u>\$ 141,592</u>

NOTE P – COMMITMENTS

At September 30, 2013, the City was committed to David E. Ross Construction Co., Inc. for water plant improvements in the amount of \$361,439.

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 the subsequent five years. As of September 30, 2013, the City has made the planned repayments.

NOTE Q – CURRENT YEAR DEBT REFUNDING

In 2013, the City issued \$3,145,000 in Special Obligation Refunding Bonds with interest rates ranging from 2.0% to 3.25%. The City used the proceeds along with reserve funds to prepay the Series 2007B Certificates of Participation on May 1, 2013.

As a result of the refunding, the City reduced its debt service requirements by \$431,373, which resulted in an economic gain (difference between the present value of the debt service payments on old and new debt) of \$353,984.

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE R – RESTATEMENT

During the year ended September 30, 2013, the City adopted the provisions of GASB Statement Number 65 – *Items Previously Reported as Assets and Liabilities*. Net position has been restated as follows:

Governmental Activities

Net Position, as previously stated, September 30, 2012	\$ 22,704,467
Deferred bond issue costs	(321,531)
Net Position, as restated, October 1, 2012	<u>\$ 22,382,936</u>

Water and Sewer Fund / Business-Type Activities

Net Position, as previously stated, September 30, 2012	\$ 12,780,006
Deferred bond issue costs	(227,877)
Net Position, as restated, October 1, 2012	<u>\$ 12,552,129</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEOSHO, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended September 30, 2013

Missouri Local Government Employees Retirement System (LAGERS)

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	(Excess) Accrued Liability (UAL)	Funded Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
2/28/2011	\$ 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%
2/28/2013	6,572,356	6,078,617	(493,739)	108%	3,153,133	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, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Property tax	\$ 400,000	\$ 427,820	\$ 433,582	\$ 5,762
City sales tax	2,142,000	2,225,806	2,214,586	(11,220)
Financial institution tax	6,000	6,000	5,282	(718)
Utility franchise tax	825,000	831,200	831,251	51
Cigarette tax	64,000	64,000	59,268	(4,732)
	<u>3,437,000</u>	<u>3,554,826</u>	<u>3,543,969</u>	<u>(10,857)</u>
Licenses and Permits				
Occupational licenses	25,000	33,000	33,875	875
Building permits	36,100	39,100	34,520	(4,580)
Animal licenses and fees	4,500	1,500	3,547	2,047
	<u>65,600</u>	<u>73,600</u>	<u>71,942</u>	<u>(1,658)</u>
Intergovernmental Revenues				
Grants	431,334	457,808	348,243	(109,565)
	<u>431,334</u>	<u>457,808</u>	<u>348,243</u>	<u>(109,565)</u>
Charges for Services				
Sanitation	35,000	35,000	35,407	407
Airport fuel sales	184,400	184,400	186,720	2,320
Recycling center fees	40,000	40,000	14,898	(25,102)
Other	35,595	35,595	35,595	-
	<u>294,995</u>	<u>294,995</u>	<u>272,620</u>	<u>(22,375)</u>
Fines and Forfeitures				
City court fines	216,500	216,500	249,306	32,806
Police training fees	8,100	8,100	4,430	(3,670)
	<u>224,600</u>	<u>224,600</u>	<u>253,736</u>	<u>29,136</u>
Miscellaneous				
Leases and rent income	83,300	83,300	75,180	(8,120)
Interest	4,000	4,000	2,895	(1,105)
Other	1,200	1,200	9,566	8,366
	<u>88,500</u>	<u>88,500</u>	<u>87,641</u>	<u>(859)</u>
TOTAL REVENUES	4,542,029	4,694,329	4,578,151	(116,178)

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	635,074	686,552	559,408	127,144
Clerk/Council	76,146	74,176	68,326	5,850
Development Services	149,962	217,483	298,883	(81,400)
Police	1,400,688	1,419,483	1,339,248	80,235
Emergency management	42,600	42,600	34,774	7,826
Court	102,016	103,573	99,097	4,476
Airport	640,061	678,594	593,453	85,141
Lampo Community Center	17,453	34,051	31,714	2,337
Recycling Center	87,058	91,563	81,217	10,346
Information technology	150,000	158,952	151,534	7,418
Fleet Maintenance	48,608	49,408	46,530	2,878
Human resources	115,235	115,235	106,774	8,461
TOTAL EXPENDITURES	3,464,901	3,671,670	3,410,958	260,712
EXCESS OF REVENUES OVER EXPENDITURES	1,077,128	1,022,659	1,167,193	144,534
OTHER FINANCING SOURCES (USES)				
Operating transfers in	42,766	42,766	40,245	(2,521)
Operating transfers (out)	(1,521,103)	(1,556,235)	(1,396,174)	160,061
Sale of assets	7,000	14,724	280	(14,444)
TOTAL OTHER FINANCING SOURCES (USES)	(1,471,337)	(1,498,745)	(1,355,649)	143,096
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(394,209)	(476,086)	(188,456)	287,630
FUND BALANCE, October 1	2,423,285	2,423,285	2,423,285	-
FUND BALANCE, September 30	<u>\$ 2,029,076</u>	<u>\$ 1,947,199</u>	<u>\$ 2,234,829</u>	<u>\$ 287,630</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – HOTEL/MOTEL TAX FUND
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Motel taxes	\$ 57,750	\$ 57,750	\$ 71,957	\$ 14,207
Miscellaneous	-	-	338	338
TOTAL REVENUES	<u>57,750</u>	<u>57,750</u>	<u>72,295</u>	<u>14,545</u>
EXPENDITURES				
Current				
Tourism development	<u>60,000</u>	<u>60,000</u>	<u>15,523</u>	<u>44,477</u>
TOTAL EXPENDITURES	<u>60,000</u>	<u>60,000</u>	<u>15,523</u>	<u>44,477</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(2,250)	(2,250)	56,772	59,022
OTHER FINANCING SOURCES (USES)				
Operating transfers in	40,934	40,934	-	(40,934)
Operating transfers (out)	<u>(55,106)</u>	<u>(55,106)</u>	<u>(52,585)</u>	<u>2,521</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(14,172)</u>	<u>(14,172)</u>	<u>(52,585)</u>	<u>(38,413)</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(16,422)	(16,422)	4,187	20,609
FUND BALANCE, October 1	<u>380,484</u>	<u>380,484</u>	<u>380,484</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 364,062</u>	<u>\$ 364,062</u>	<u>\$ 384,671</u>	<u>\$ 20,609</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GOLF FUND
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Charges for services	\$ 381,500	\$ 406,200	\$ 370,024	\$ (36,176)
Miscellaneous	500	500	8,023	7,523
TOTAL REVENUES	382,000	406,700	378,047	(28,653)
EXPENDITURES				
Current				
Golf course	486,283	552,208	450,275	101,933
TOTAL EXPENDITURES	486,283	552,208	450,275	101,933
(DEFICIT) OF REVENUES OVER EXPENDITURES				
	(104,283)	(145,508)	(72,228)	73,280
OTHER FINANCING SOURCES (USES)				
Operating transfers in	345,165	380,297	357,954	(22,343)
Operating transfers (out)	(240,882)	(240,882)	(240,497)	385
TOTAL OTHER FINANCING SOURCES (USES)	104,283	139,415	117,457	(21,958)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)				
	-	(6,093)	45,229	51,322
FUND BALANCE, October 1	6,093	6,093	6,093	-
FUND BALANCE, September 30	\$ 6,093	\$ -	\$ 51,322	\$ 51,322

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET SALES TAX FUND
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Street sales taxes	\$ 766,500	\$ 799,100	\$ 795,429	\$ (3,671)
Motor vehicle taxes	393,000	413,000	423,755	10,755
Miscellaneous	1,500	30,350	29,501	(849)
TOTAL REVENUES	<u>1,161,000</u>	<u>1,242,450</u>	<u>1,248,685</u>	<u>6,235</u>
EXPENDITURES				
Current				
Street	<u>1,071,736</u>	<u>1,561,988</u>	<u>1,144,380</u>	<u>417,608</u>
TOTAL EXPENDITURES	<u>1,071,736</u>	<u>1,561,988</u>	<u>1,144,380</u>	<u>417,608</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	89,264	(319,538)	104,305	423,843
OTHER FINANCING SOURCES (USES)				
Operating transfers in	90,396	90,396	90,396	-
Operating transfers (out)	<u>(249,875)</u>	<u>(249,875)</u>	<u>(240,359)</u>	<u>9,516</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(159,479)</u>	<u>(159,479)</u>	<u>(149,963)</u>	<u>9,516</u>
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(70,215)	(479,017)	(45,658)	433,359
FUND BALANCE, October 1	<u>818,351</u>	<u>818,351</u>	<u>818,351</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 748,136</u>	<u>\$ 339,334</u>	<u>\$ 772,693</u>	<u>\$ 433,359</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – FIRE SALES TAX FUND
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Fire sales taxes	\$ 509,250	\$ 532,650	\$ 530,243	\$ (2,407)
Charges for services	125,500	125,500	125,000	(500)
Miscellaneous	1,000	1,000	982	(18)
TOTAL REVENUES	635,750	659,150	656,225	(2,925)
EXPENDITURES				
Current				
Fire	1,353,658	1,356,613	1,114,376	242,237
TOTAL EXPENDITURES	1,353,658	1,356,613	1,114,376	242,237
(DEFICIT) OF REVENUES OVER EXPENDITURES				
	(717,908)	(697,463)	(458,151)	239,312
OTHER FINANCING SOURCES (USES)				
Operating transfers in	925,474	925,474	925,474	-
Operating transfers (out)	(207,566)	(207,566)	(137,633)	69,933
TOTAL OTHER FINANCING SOURCES (USES)	717,908	717,908	787,841	69,933
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)				
	-	20,445	329,690	309,245
FUND BALANCE, October 1	27,021	27,021	27,021	-
FUND BALANCE, September 30	<u>\$ 27,021</u>	<u>\$ 47,466</u>	<u>\$ 356,711</u>	<u>\$ 309,245</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – TAX INCREMENT FINANCING FUND
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 205,000	\$ 205,000	\$ 205,183	\$ 183
Miscellaneous	-	-	2,129	2,129
TOTAL REVENUES	205,000	205,000	207,312	2,312
EXPENDITURES				
Current				
Other	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	205,000	205,000	207,312	2,312
OTHER FINANCING SOURCES (USES)				
Operating transfers in	250,606	250,606	230,982	(19,624)
Operating transfers (out)	(102,854)	(102,854)	(102,065)	789
TOTAL OTHER FINANCING SOURCES (USES)	147,752	147,752	128,917	(18,835)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	352,752	352,752	336,229	(16,523)
FUND BALANCE, October 1	886,746	886,746	886,746	-
FUND BALANCE, September 30	<u>\$ 1,239,498</u>	<u>\$ 1,239,498</u>	<u>\$ 1,222,975</u>	<u>\$ (16,523)</u>

CITY OF NEOSHO, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2013

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, 2013

	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	Street/Bridge Sales Tax Fund
ASSETS									
Cash	\$ 1,617	\$ -	\$ 28,775	\$ 439,053	\$ 403,755	\$ 9,325	\$ 31,991	\$ 93,203	\$ 90,681
Sales tax receivable	-	-	-	61,200	60,090	60,645	20,215	40,430	40,396
Cash and cash equivalents - restricted	-	930	-	-	-	10,891	-	-	-
TOTAL ASSETS	\$ 1,617	\$ 930	\$ 28,775	\$ 500,253	\$ 463,845	\$ 80,861	\$ 52,206	\$ 133,633	\$ 131,077
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ 16	\$ 2,021	\$ 2,764	\$ 2,205	\$ -	\$ -
Accrued expenses	-	-	1,373	146	4,883	95	345	-	-
Deposits payable	-	-	-	-	-	10,891	-	-	-
Due to other funds	-	-	17,233	-	-	54,070	-	-	-
TOTAL LIABILITIES	-	-	18,606	162	6,904	67,820	2,550	-	-
Fund Balance									
Nonspendable									
Permanent	-	-	-	-	-	-	-	-	-
Restricted for:									
Public safety	1,617	930	10,169	-	-	-	-	-	-
Drainage	-	-	-	500,091	-	-	-	-	-
Parks and recreation	-	-	-	-	124,849	-	-	-	-
Senior Center	-	-	-	-	-	-	10,833	-	-
Economic Development	-	-	-	-	-	-	-	102,149	-
Debt service	-	-	-	-	-	-	-	-	-
Assigned to:									
Parks and recreation	-	-	-	-	332,092	-	-	-	-
Auditorium	-	-	-	-	-	13,041	-	-	-
Senior Center	-	-	-	-	-	-	38,823	-	-
Economic Development	-	-	-	-	-	-	-	31,484	-
Street and bridge	-	-	-	-	-	-	-	-	131,077
TOTAL FUND BALANCES	1,617	930	10,169	500,091	456,941	13,041	49,656	133,633	131,077
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,617	\$ 930	\$ 28,775	\$ 500,253	\$ 463,845	\$ 80,861	\$ 52,206	\$ 133,633	\$ 131,077

CITY OF NEOSHO, MISSOURI
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS (continued)
 September 30, 2013

	Debt Service Funds					Permanent Funds		Total Nonmajor Governmental Funds	
	STAR Loan Fund	2013 Bond Fund	2012 COP Fund	2010 COP Fund	2006 COP Fund	2003 COP Fund	Abbot Brothers Fund		Morse Park Fund
ASSETS									
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,707	\$ 3,550	\$ 1,145,657
Sales tax receivable	-	-	-	-	-	-	-	-	282,976
Cash and cash equivalents - restricted	-	295,855	43,695	161,050	558,163	-	-	-	1,070,584
TOTAL ASSETS	\$ -	\$ 295,855	\$ 43,695	\$ 161,050	\$ 558,163	\$ -	\$ 43,707	\$ 3,550	\$ 2,499,217
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,006
Accrued expenses	-	-	-	-	-	-	-	-	6,842
Deposits payable	-	-	-	-	-	-	-	-	10,891
Due to other funds	-	-	-	-	-	-	-	-	71,303
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	96,042
Fund Balance									
Nonspendable									
Permanent	-	-	-	-	-	-	43,707	3,550	47,257
Restricted for:									
Public safety	-	-	-	-	-	-	-	-	12,716
Drainage	-	-	-	-	-	-	-	-	500,091
Parks and recreation	-	-	-	-	-	-	-	-	124,849
Senior Center	-	-	-	-	-	-	-	-	10,833
Economic Development	-	-	-	-	-	-	-	-	102,149
Debt service	-	295,855	43,695	161,050	558,163	-	-	-	1,058,763
Assigned to:									
Parks and recreation	-	-	-	-	-	-	-	-	332,092
Auditorium	-	-	-	-	-	-	-	-	13,041
Senior Center	-	-	-	-	-	-	-	-	38,823
Economic Development	-	-	-	-	-	-	-	-	31,484
Street and bridge	-	-	-	-	-	-	-	-	131,077
TOTAL FUND BALANCES	-	295,855	43,695	161,050	558,163	-	43,707	3,550	2,403,175
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 295,855	\$ 43,695	\$ 161,050	\$ 558,163	\$ -	\$ 43,707	\$ 3,550	\$ 2,499,217

CITY OF NEOSHO, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
 Year Ended September 30, 2013

	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	Street/ Bridge Sales Tax Fund
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ 318,147	\$ 477,221	\$ 397,585	\$ 132,528	\$ 265,123	\$ 265,007
Intergovernmental revenues	15,020	-	259,964	-	8,000	-	-	-	-
Charges for services	-	-	-	-	94,482	16,807	12,000	-	-
Donations and other contributions	-	18,572	-	-	751	-	-	-	-
Miscellaneous	-	2	-	482	1,803	117	42	75	63
TOTAL REVENUES	15,020	18,574	259,964	318,629	582,257	414,509	144,570	265,198	265,070
EXPENDITURES									
Current									
Police	13,403	20,383	-	-	-	-	-	-	-
Fire	-	-	370,144	-	-	-	-	-	-
Drainage	-	-	-	75,047	-	-	-	-	-
Parks and recreation	-	-	-	-	432,913	-	-	-	-
Auditorium	-	-	-	-	-	58,240	-	-	-
Senior Center	-	-	-	-	-	-	84,827	-	-
Other	-	-	-	-	-	-	-	-	-
Debt Service									
Principal and interest	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	13,403	20,383	370,144	75,047	432,913	58,240	84,827	-	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	1,617	(1,809)	(110,180)	243,582	149,344	356,269	59,743	265,198	265,070
OTHER FINANCING SOURCES (USES)									
Bond proceeds	-	-	-	-	-	-	-	-	-
Operating transfers in	-	-	109,472	-	63,865	-	2,731	31,409	33,226
Operating transfers (out)	-	-	-	(166,193)	(118,345)	(348,471)	(56,558)	(295,583)	(266,118)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	109,472	(166,193)	(54,480)	(348,471)	(53,827)	(264,174)	(232,892)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	1,617	(1,809)	(708)	77,389	94,864	7,798	5,916	1,024	32,178
FUND BALANCE, October 1	-	2,739	10,877	422,702	362,077	5,243	43,740	132,609	98,899
FUND BALANCE, September 30	\$ 1,617	\$ 930	\$ 10,169	\$ 500,091	\$ 456,941	\$ 13,041	\$ 49,656	\$ 133,633	\$ 131,077

CITY OF NEOSHO, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS (continued)
 Year Ended September 30, 2013

	Debt Service Funds						Permanent Funds		Total Nonmajor Governmental Funds
	STAR Loan Fund	2013 Bond Fund	2012 COP Fund	2010 COP Fund	2006 COP Fund	2003 COP Fund	Abbot Brothers Fund	Morse Park Fund	
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,855,611
Intergovernmental revenues	-	-	-	-	-	-	-	-	282,984
Charges for services	-	-	-	-	-	-	-	-	123,289
Donations and other contributions	-	-	-	-	-	-	-	-	19,323
Miscellaneous	-	-	-	-	-	-	6,393	4	8,981
TOTAL REVENUES	-	-	-	-	-	-	6,393	4	2,290,188
EXPENDITURES									
Current									
Police	-	-	-	-	-	-	-	-	33,786
Fire	-	-	-	-	-	-	-	-	370,144
Drainage	-	-	-	-	-	-	-	-	75,047
Parks and recreation	-	-	-	-	-	-	-	-	432,913
Auditorium	-	-	-	-	-	-	-	-	58,240
Senior Center	-	-	-	-	-	-	-	-	84,827
Other	-	-	-	-	-	-	155	-	155
Debt Service									
Principal and interest	103,827	107,716	118,292	192,562	476,841	8	-	-	999,246
TOTAL EXPENDITURES	103,827	107,716	118,292	192,562	476,841	8	155	-	2,054,358
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(103,827)	(107,716)	(118,292)	(192,562)	(476,841)	(8)	6,238	4	235,830
OTHER FINANCING SOURCES (USES)									
Bond proceeds	-	3,147,850	-	-	-	-	-	-	3,147,850
Operating transfers in	103,827	40,873	118,292	193,100	476,841	-	-	-	1,173,636
Operating transfers (out)	-	(2,785,152)	-	-	-	-	-	-	(4,036,420)
TOTAL OTHER FINANCING SOURCES (USES)	103,827	403,571	118,292	193,100	476,841	-	-	-	285,066
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	-	295,855	-	538	-	(8)	6,238	4	520,896
FUND BALANCE, October 1	-	-	43,695	160,512	558,163	8	37,469	3,546	1,882,279
FUND BALANCE, September 30	\$ -	\$ 295,855	\$ 43,695	\$ 161,050	\$ 558,163	\$ -	\$ 43,707	\$ 3,550	\$ 2,403,175



CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

**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, 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, the financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Neosho, Missouri's basic financial statements, and have issued our report thereon, dated February 28, 2014.

Internal Control over Financial Reporting

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

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

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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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. The deficiency is identified as item 13-1.

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*.

City of Neosho, Missouri's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain other matters that we have reported to management of the City in a separate letter dated February 28, 2014.

Purpose of This Report

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

KPM CPAs, PC

KPM CPAs, PC
February 28, 2014



CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor and City Council
City of Neosho
Neosho, Missouri

Compliance

We have audited the City of Neosho, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2013. The City of Neosho, Missouri's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Neosho, Missouri's major federal program based on our audit of the types of compliance requirements referred to above. 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's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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Honorable Mayor and City Council
City of Neosho
Neosho, Missouri

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Neosho, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Neosho, Missouri, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2013.

Internal Control over Compliance

Management of the City of Neosho, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, material weaknesses may exist that have not been identified.

Honorable Mayor and City Council
City of Neosho
Neosho, Missouri

This report is intended solely for the information and use of the City Council, management, others within the entity, 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.

KPM CPAs, PC

KPM CPAs, PC
February 28, 2014

CITY OF NEOSHO, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2013

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Missouri Department of Transportation			
Airport Improvement Program	20.106	12-096A-1	\$ 229,199
		12-096A-2	13,385
Highway Planning and Construction	20.205	STP-3397(404)	16,779
		STP-707	11,936
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	13-154-AL-051	4,985
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			276,284
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct			
Assistance to Firefighters Grant	97.044	N/A	259,963
Emergency Management Performance Grants	97.042	EMW-2011-EP-00004	25,687
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			285,650
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct			
Bulletproof Vest Partnership Program	16.607	N/A	952
Public Safety Partnership and Community Policing Grant	16.710	2012-UM-WX-0109	29,551
Missouri Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-LLEBG-056	8,815
TOTAL U.S. DEPARTMENT OF JUSTICE			39,318
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Missouri Department of Natural Resources			
Capitalization Grants for Clean Water State Revolving Funds	66.458	N/A	83,411
Capitalization Grants for Drinking Water State Revolving Funds	66.468	N/A	4,142,584
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			4,225,995
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,827,247

N/A – Not applicable

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, 2013

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on the basic financial statements.
2. One material weakness disclosed during the audit of 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*. There were no significant deficiencies disclosed in the report.
3. There were no instances of noncompliance material to the financial statements disclosed during the audit.
4. No significant deficiencies or material weaknesses 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 unmodified opinion.
6. There were no findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was:

Capitalization Grants for Drinking Water State Revolving Funds	66.468
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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

13-1 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, 2013

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, 2013

There were no prior audit findings.