

CITY OF NEOSHO, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2014

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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, 2014, 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, 2014, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2015, 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
Springfield, Missouri
February 15, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2014

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, 2014. 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 \$1,140,027 as a result of current year activities. The net position of the City's business activities increased by \$499,703 for the year.
- The assets of the City exceeded liabilities by \$38.1 million (net position), as of September 30, 2014. Of this amount, \$6.4 million was unrestricted and may be used to meet future obligations of the City (up over \$500,000 from October 1, 2013), \$5.0 million was restricted and \$26.7 million represents capital assets (net of related debt) of the City.
- Total long-term liabilities of the City decreased by \$750,298 to a total of \$25.0 million. The decrease was due to the payment of principal during the year. The City made timely payments on all of its debt obligations.
- The City continues to see growth in revenues in several areas including Sales Tax, Franchise Fees, Fuel & Motor Vehicle Tax, and Fines and Forfeitures. Unemployment expenses continue to reduce and all budgets and expenses are continually scrutinized by all department heads with every employee diligently participating cost saving ideas and input to use every dollar wisely and ensuring careful stewardship of all City funds.
- The City continues to monitor and utilize every opportunity to reduce the city's long-term debt expenses without extending the terms of these debts. Over the past three years, the City has saved the taxpayers approximately \$890,000 in interest cost through refinancing City debts without adding to or extending the terms of the debts. Some changes in long-term liabilities were due to a refinancing of a 2007A and 2010 COP debt, allowing the City to capture lower interest rates with savings of \$366,633 gross, realizing net savings of \$273,513 without extending the terms of the COP's payoff period. The City also experienced a slight increase in debt as a result on an ongoing, multiyear fresh Water Project and an upgrade to the Water Treatment Plant facilities. This project was completed during FY 2014.
- In FY 2014, the City continued to make its annual scheduled repayment on all of the intrafund loans that stemmed from misappropriations in prior years. The City has been diligent to ensure any past misappropriations have been rectified and all taxpayer monies are properly and prudently administered in compliance with all applicable laws and regulations. These past intrafund loans will be paid off in full in FY 2015.
- As stated above, the net position of the City has and continues to increase and improve due to following strict fiscal policies and ensuring the City Council and Administration are fully informed of the City's financial position at all times. Decisions made by the City are always fully investigated and scrutinized in all aspects to ensure the financial stability of the City continues to improve for now and for generations to come.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2014

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.

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 two types 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2014

- 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.

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, 2014 and 2013:

	Governmental Activities	Business-Type Activities	Total September 30, 2014	Total September 30, 2013
Current and other assets	\$ 8,036,648	\$ 4,326,781	\$ 12,363,429	\$ 12,229,145
Capital assets	29,320,050	24,036,159	53,356,209	52,469,692
TOTAL ASSETS	<u>37,356,698</u>	<u>28,362,940</u>	<u>65,719,638</u>	<u>64,698,837</u>
Deferred charge on refundings	131,820	-	131,820	141,592
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>131,820</u>	<u>-</u>	<u>131,820</u>	<u>141,592</u>
Long-term liabilities outstanding	11,209,683	13,835,173	25,044,856	25,795,154
Other liabilities	1,747,322	973,626	2,720,948	2,599,351
TOTAL LIABILITIES	<u>12,957,005</u>	<u>14,808,799</u>	<u>27,765,804</u>	<u>28,394,505</u>
Net position:				
Net investment in capital assets	17,163,751	9,550,716	26,714,467	25,366,464
Restricted	4,721,772	251,140	4,972,912	5,202,721
Unrestricted	2,645,990	3,752,286	6,398,276	5,876,739
TOTAL NET POSITION	<u>\$ 24,531,513</u>	<u>\$ 13,554,141</u>	<u>\$ 38,085,654</u>	<u>\$ 36,445,924</u>

Total net position of the City increased by \$1,639,730 for the year due to current year activities. Total liabilities for the City decreased by \$628,701. Net investment in capital assets increased \$1,348,003.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2014

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2014	Total Year Ended September 30, 2013
REVENUES				
Program Revenues				
Charges for services	\$ 1,194,796	\$ 4,499,241	\$ 5,694,037	\$ 5,684,867
Operating grants and contributions	141,858	-	141,858	340,297
Capital grants and contributions	652,244	-	652,244	310,252
General Revenues				
Property taxes	413,888	-	413,888	433,582
Sales taxes	5,663,874	-	5,663,874	5,473,554
Motor vehicle and gas taxes	443,660	-	443,660	423,755
Other taxes	302,793	-	302,793	264,004
Franchise fees	852,394	-	852,394	831,251
Interest	42,070	6,341	48,411	10,149
Other revenue	49,459	16,752	66,211	67,814
Gain (loss) on sale of capital assets	4,903	-	4,903	(1,501)
Transfers	(79,856)	79,856	-	-
TOTAL REVENUES	9,682,083	4,602,190	14,284,273	13,838,024
EXPENSES				
General government	1,071,612	-	1,071,612	986,612
Auditorium	209,090	-	209,090	183,127
Police	1,383,126	-	1,383,126	1,356,104
Fire	1,706,556	-	1,706,556	1,588,790
Emergency management	27,041	-	27,041	26,538
Court	101,644	-	101,644	100,297
Airport	458,057	-	458,057	678,561
Drainage	97,247	-	97,247	80,041
Street	1,247,808	-	1,247,808	1,045,586
Parks	499,239	-	499,239	403,171
Recreation	23,667	-	23,667	36,575
Senior center	115,372	-	115,372	105,730
Recycling center	94,494	-	94,494	85,161
Information technology	120,934	-	120,934	151,534
Property control	52,943	-	52,943	46,530
Golf course	597,284	-	597,284	591,834
Tourism development	48,005	-	48,005	15,523
Human resources	91,080	-	91,080	106,774
Other	790	-	790	155
Debt service	596,067	-	596,067	738,899
Water and sewer	-	4,102,487	4,102,487	3,999,623
TOTAL EXPENSES	8,542,056	4,102,487	12,644,543	12,327,165
INCREASE IN NET POSITION	\$ 1,140,027	\$ 499,703	\$ 1,639,730	\$ 1,510,859

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2014**

Governmental Activities

Governmental activities increased the net position of the City by \$1,140,027. Tax revenues for the City were \$7,676,609 which represents 79% of the funding of these activities. Program revenues for the functions totaled \$1,988,898 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	\$ 1,071,612	\$ 945,251
Auditorium	209,090	191,233
Police	1,383,126	1,103,916
Fire	1,706,556	1,581,436
Emergency management	27,041	(77,993)
Court	101,644	85,433
Airport	458,057	178,692
Drainage	97,247	97,247
Street	1,247,808	1,247,808
Parks	499,239	(63,038)
Recreation	23,667	(42,846)
Senior center	115,372	103,372
Recycling center	94,494	65,995
Information technology	120,934	120,934
Property control	52,943	52,943
Golf course	597,284	226,833
Tourism development	48,005	48,005
Human resources	91,080	91,080
Other	790	790
Debt service	596,067	596,067
	\$ 8,542,056	\$ 6,553,158

Business-Type Activities

Business-type activities increased the City's net position by \$499,703. This is down from the increase received last year from the City's business-type activities. The increase in the prior year was \$502,309.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2014**

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2014, were \$7,659,133. The combined fund balances are down \$144,286 from 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 revenue budget of \$5,313,653 was amended to \$4,894,696.
- The original expenditures budget of \$4,296,902 was amended to \$3,665,484.
- Budget adjustments were presented and approved by the City Council. Final amended budgeted revenues were \$102,365 below actual, and budgeted expenditures were \$127,642 above actual.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$29,320,050 (net of accumulated depreciation) as of September 30, 2014. This represents a \$530,742 increase from the prior year. Capital assets for business-type activities were \$24,036,159 as of September 30, 2014. This represents an increase of \$355,775 from the prior year. The increase is mainly due to the completion of the water plant additions.

Debt

Total debt of the governmental activities as of September 30, 2014, was \$12,322,403, which is down \$628,355. The debt balance is net of deferred losses on refundings.

Total debt of the business-type activities as of September 30, 2014, was \$14,547,324, which is up \$170,595. Overall debt increased primarily due to the issuance of the 2011 Revenue Bonds, which are pay-as-you-go type bonds. All bonds of the Series 2011 Revenue Bonds were issued at September 30, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2014

Economic Factors and Next Year's Budget

The economy in the City appears to be slightly improving from that of the pace realized in fiscal years 2012 and 2013. The City continues to monitor sales tax revenues closely to ensure the stability of the City government. With the change from Highway 71 to Interstate 49, which runs through Neosho, growth in commercial industry in the Neosho is underway as was anticipated. In FY 2015, a Love's Travel Plaza which includes two restaurants will be open for business. This will bring increased sales taxes and increased property taxes to the City and we anticipate further commercial growth on the Highway 86 corridor. Additionally, the City is experiencing commercial growth in the City's Industrial Park. 2014 was a good year for Neosho in new construction. The City received \$116,000 in building permits representing a construction value of more than \$17.5 million. This is in comparison to 2013's numbers of \$67,000 and \$9.6 million respectively. It is a remarkable 82 percent increase in construction value alone. In permit revenue it is a 73 percent increase. Building permits have already exceeded what was anticipated in FY 2015.

The City also knows that it is imperative to be efficient and effective. This is done by ensuring that the City's fleet and equipment are updated and properly maintained. The City Administration has worked hard over the past three years to properly budget to replace an aging fleet of vehicles and equipment saving the City undue maintenance costs and time. The City Administration also has worked hard to ensure all employees receive the proper external and internal training needed to ensure they are the most efficient at the jobs of their expertise.

Revenues are expected to increase, as several economic development projects are anticipated to be beginning in FY 2015. Assessed valuation grew by 0.2% to \$139.7million in 2014. The City serves 11,835 residents as of the 2010 U.S. Census, a 12.7% increase since the 2000 Census. The city limits population moved from 11,835 in 2010 to an estimated 12,157 in 2013, an average of about 107 new residents a year. To accommodate the new citizens, 65 single family residential housing units were added in 2014, including 47 houses and nine duplexes. This is compared to 30 new units in 2013. Major employers and taxpayers appear to be quite stable with some expansions noted in 2014 and other currently underway in 2015.

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 completed to the water and sewer infrastructure in fiscal year 2014 and are incorporated into the budget through a \$9.425 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 was closed out in FY 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2014

Economic Factors and Next Year's Budget (continued)

The City realizes that the infrastructure of the city is vital asset to the City and the quality of life that the citizens and business owners deserve. In FY 2014, the City implemented a seven year street replacement and upgrade program. This program broke the city up into seven quadrants one to be redone each year for seven years and then to be rotated each year thereafter. The City completed year one of this program during FY 2014 and has budgeted to complete year two in FY 2015.

Access to complete, accurate and timely information is essential to effective management of the City. Just over \$220 thousand was spent in fiscal years 2012 and 2013 for replacement of antiquated hardware and software with the implementation of a new financial management system. The City has continued to enhance this system during the FY 2014. Beyond improved efficiency, the new system has brought real time information to the fingertips of management; facilitated a collaborative budgeting process; dramatically improved information, and improved billing and payment options for utility customers.

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 2014, the City refinanced the 2007A and 2010 COP debts, allowing the City to capture lower interest rates with a savings of \$366,633 gross, realizing net savings of \$273,513 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

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CITY OF NEOSHO, MISSOURI
STATEMENT OF NET POSITION
September 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 5,565,992	\$ 3,546,322	\$ 9,112,314
Sales tax receivable	1,042,633	-	1,042,633
Utilities receivable, net	-	392,293	392,293
Other accounts receivable	32,897	17,290	50,187
Court fines receivable, net	29,031	-	29,031
Intergovernmental receivable	46,919	-	46,919
Inventory	97,735	-	97,735
Internal balances	(79,541)	79,541	-
Prepaid expenses	37,767	16,494	54,261
Noncurrent			
Restricted cash and cash equivalents	1,263,215	274,842	1,538,057
Capital Assets:			
Non-depreciable	9,560,163	157,578	9,717,741
Depreciable, net	19,759,887	23,878,581	43,638,468
TOTAL ASSETS	37,356,698	28,362,940	65,719,638
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refundings	131,820	-	131,820
TOTAL DEFERRED OUTFLOWS OF RESOURCES	131,820	-	131,820
LIABILITIES			
Current			
Accounts payable	171,332	97,579	268,911
Accrued expenses	157,300	68,197	225,497
Accrued interest payable	139,210	71,997	211,207
Deposits held	34,940	-	34,940
Meter deposits payable	-	23,702	23,702
Current maturities of long-term debt	1,244,540	712,151	1,956,691
	1,747,322	973,626	2,720,948
Noncurrent			
Capital leases payable	259,180	-	259,180
Loans payable	294,399	-	294,399
Certificates of participation payable	7,705,000	826,449	8,531,449
Bonds payable	2,785,000	12,946,843	15,731,843
Compensated absences payable	166,104	61,881	227,985
	11,209,683	13,835,173	25,044,856
TOTAL LIABILITIES	12,957,005	14,808,799	27,765,804
NET POSITION			
Net investment in capital assets	17,163,751	9,550,716	26,714,467
Restricted	4,721,772	251,140	4,972,912
Unrestricted	2,645,990	3,752,286	6,398,276
TOTAL NET POSITION	\$ 24,531,513	\$ 13,554,141	\$ 38,085,654

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2014

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
Governmental Activities							
Administrative	\$ (766,962)	\$ 61,313	\$ -	\$ -	\$ (705,649)	\$ -	\$ (705,649)
Clerk/Council	(70,179)	-	-	-	(70,179)	-	(70,179)
Auditorium	(209,090)	17,857	-	-	(191,233)	-	(191,233)
Development services	(234,471)	65,048	-	-	(169,423)	-	(169,423)
Police	(1,383,126)	221,570	51,493	6,147	(1,103,916)	-	(1,103,916)
Fire	(1,706,556)	125,120	-	-	(1,581,436)	-	(1,581,436)
Emergency management	(27,041)	-	64,978	40,056	77,993	-	77,993
Court	(101,644)	16,211	-	-	(85,433)	-	(85,433)
Airport	(458,057)	191,628	442	87,295	(178,692)	-	(178,692)
Drainage	(97,247)	-	-	-	(97,247)	-	(97,247)
Street	(1,247,808)	-	-	-	(1,247,808)	-	(1,247,808)
Parks	(499,239)	42,695	836	518,746	63,038	-	63,038
Recreation	(23,667)	66,513	-	-	42,846	-	42,846
Senior center	(115,372)	12,000	-	-	(103,372)	-	(103,372)
Recycling center	(94,494)	5,275	23,224	-	(65,995)	-	(65,995)
Information technology	(120,934)	-	-	-	(120,934)	-	(120,934)
Property control	(52,943)	-	-	-	(52,943)	-	(52,943)
Golf course	(597,284)	369,566	885	-	(226,833)	-	(226,833)
Tourism development	(48,005)	-	-	-	(48,005)	-	(48,005)
Human resources	(91,080)	-	-	-	(91,080)	-	(91,080)
Other	(790)	-	-	-	(790)	-	(790)
Debt service	(596,067)	-	-	-	(596,067)	-	(596,067)
TOTAL GOVERNMENTAL ACTIVITIES	(8,542,056)	1,194,796	141,858	652,244	(6,553,158)	-	(6,553,158)

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF ACTIVITIES (continued)
Year Ended September 30, 2014

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	(4,102,487)	4,499,241	-	-	-	396,754	396,754
TOTAL BUSINESS-TYPE ACTIVITIES	(4,102,487)	4,499,241	-	-	-	396,754	396,754
TOTAL GOVERNMENT	\$ (12,644,543)	\$ 5,694,037	\$ 141,858	\$ 652,244	(6,553,158)	396,754	(6,156,404)
General Revenues:							
Property taxes					413,888	-	413,888
Sales taxes					5,663,874	-	5,663,874
Motor vehicle and gas taxes					443,660	-	443,660
Other taxes					302,793	-	302,793
Franchise fees					852,394	-	852,394
Interest					42,070	6,341	48,411
Other revenue					49,459	16,752	66,211
Gain on sale of property					4,903	-	4,903
Transfers					(79,856)	79,856	-
Total General Revenues and Transfers					7,693,185	102,949	7,796,134
Changes in Net Position					1,140,027	499,703	1,639,730
Net Position, Beginning of year					23,391,486	13,054,438	36,445,924
Net Position, End of year					\$ 24,531,513	\$ 13,554,141	\$ 38,085,654

See accompanying notes.

CITY OF NEOSHO, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2014

	Special Revenue Funds							Total Governmental Funds
	General Fund	Hotel/ Motel Tax Fund	Golf Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	Nonmajor Governmental Funds	
ASSETS								
Cash and cash equivalents	\$ 1,901,361	\$ 303,009	\$ 4,874	\$ 623,029	\$ -	\$ 1,484,924	\$ 1,226,444	\$ 5,543,641
Taxes receivable	412,726	-	-	142,845	95,230	55,535	336,297	1,042,633
Other accounts receivable	27,660	-	5,237	-	-	-	-	32,897
Court fines receivable, net	29,031	-	-	-	-	-	-	29,031
Intergovernmental receivable	46,919	-	-	-	-	-	-	46,919
Inventory	97,735	-	-	-	-	-	-	97,735
Due from other funds	54,070	40,932	-	-	-	27,805	-	122,807
Prepaid expenses	21,133	-	1,691	3,965	10,978	-	-	37,767
Restricted cash and cash equivalents	31,941	-	-	-	-	-	1,231,274	1,263,215
TOTAL ASSETS	\$ 2,622,576	\$ 343,941	\$ 11,802	\$ 769,839	\$ 106,208	\$ 1,568,264	\$ 2,794,015	\$ 8,216,645
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 89,646	\$ 1,150	\$ 9,019	\$ 40,466	\$ 5,019	\$ -	\$ 17,624	\$ 162,924
Accrued expenses	73,825	-	-	15,734	63,422	-	4,319	157,300
Deposits held	12,039	-	98	-	-	-	22,803	34,940
Due to other funds	147,978	300	-	-	-	-	54,070	202,348
TOTAL LIABILITIES	323,488	1,450	9,117	56,200	68,441	-	98,816	557,512

See accompanying notes.

CITY OF NEOSHO, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
September 30, 2014

	Special Revenue Funds							Total Governmental Funds
	General Fund	Hotel/ Motel Tax Fund	Golf Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	Nonmajor Governmental Funds	
Fund Balance								
Nonspendable:								
Parks	-	-	-	-	-	-	48,824	48,824
Inventory	97,735	-	-	-	-	-	-	97,735
Prepaid items	21,133	-	1,691	3,965	10,978	-	-	37,767
Restricted for:								
Public safety	-	-	-	-	-	-	3,299	3,299
Drainage	-	-	-	-	-	-	553,136	553,136
Auditorium	-	-	-	-	-	-	16,672	16,672
Streets	-	-	-	709,674	-	-	-	709,674
Airport	46,919	-	-	-	-	-	-	46,919
Economic development	-	-	-	-	-	-	79,813	79,813
Tourism development	-	342,491	-	-	-	-	-	342,491
TIF	-	-	-	-	-	1,568,264	-	1,568,264
Debt service	-	-	-	-	-	-	1,217,178	1,217,178
Assigned to:								
Drainage	-	-	-	-	-	-	4,223	4,223
Public safety	-	-	-	-	26,789	-	-	26,789
Parks and recreation	-	-	-	-	-	-	486,993	486,993
Auditorium	-	-	-	-	-	-	31,101	31,101
Senior center	-	-	-	-	-	-	48,590	48,590
Economic development	-	-	-	-	-	-	63,057	63,057
Golf course	-	-	994	-	-	-	-	994
Street and bridge	-	-	-	-	-	-	142,313	142,313
Unassigned	2,133,301	-	-	-	-	-	-	2,133,301
TOTAL FUND BALANCES	2,299,088	342,491	2,685	713,639	37,767	1,568,264	2,695,199	7,659,133
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,622,576	\$ 343,941	\$ 11,802	\$ 769,839	\$ 106,208	\$ 1,568,264	\$ 2,794,015	\$ 8,216,645

See accompanying notes.

CITY OF NEOSHO, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF
 NET POSITION
 September 30, 2014

Fund balance - total governmental funds	\$ 7,659,133
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	56,893,829
Less accumulated depreciation	<u>(27,573,779)</u>
	29,320,050
Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net position	13,943
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(139,210)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(12,322,403)</u>
Net Position of Governmental Activities	<u><u>\$ 24,531,513</u></u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended September 30, 2014

	General Fund	Hotel/ Motel Tax Fund	Golf Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES								
Taxes	\$ 3,627,851	\$ 69,964	\$ -	\$ 1,267,077	\$ 548,843	\$ 240,072	\$ 1,922,802	\$ 7,676,609
Licenses and permits	89,602	-	-	-	-	-	-	89,602
Intergovernmental revenues	770,112	-	-	-	-	-	10,542	780,654
Charges for services	207,609	-	369,566	-	125,120	-	128,117	830,412
Fines and forfeitures	203,280	-	-	-	-	-	-	203,280
Donations and other contributions	-	-	-	-	-	-	12,133	12,133
Miscellaneous	98,607	525	885	20,617	2,662	2,374	38,676	164,346
TOTAL REVENUES	4,997,061	70,489	370,451	1,287,694	676,625	242,446	2,112,270	9,757,036
EXPENDITURES								
Current								
Administrative	543,506	-	-	-	-	-	-	543,506
Clerk/Council	70,179	-	-	-	-	-	-	70,179
Auditorium	-	-	-	-	-	-	71,409	71,409
Development services	763,653	-	-	-	-	-	-	763,653
Police	1,352,201	-	-	-	-	-	21,082	1,373,283
Fire	-	-	-	-	2,127,560	-	-	2,127,560
Emergency management	10,762	-	-	-	-	-	-	10,762
Court	100,444	-	-	-	-	-	-	100,444
Airport	321,740	-	-	-	-	-	-	321,740
Drainage	-	-	-	-	-	-	152,513	152,513
Street	-	-	-	1,217,231	-	-	-	1,217,231
Parks and recreation	-	-	-	-	-	-	458,356	458,356
Recreation	19,850	-	-	-	-	-	-	19,850
Senior center	-	-	-	-	-	-	94,469	94,469
Recycling center	90,550	-	-	-	-	-	-	90,550
Information technology	120,934	-	-	-	-	-	-	120,934
Property control	52,943	-	-	-	-	-	-	52,943
Human resources	91,080	-	-	-	-	-	-	91,080
Golf course	-	-	455,277	-	-	-	-	455,277
Tourism development	-	48,005	-	-	-	-	-	48,005
Other	-	-	-	-	-	-	790	790
Debt Service								
Principal and interest	-	-	-	-	-	-	1,732,459	1,732,459
TOTAL EXPENDITURES	3,537,842	48,005	455,277	1,217,231	2,127,560	-	2,531,078	9,916,993

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)
Year Ended September 30, 2014

	General Fund	Hotel/ Motel Tax Fund	Golf Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	Nonmajor Governmental Funds	Total Governmental Funds
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	1,459,219	22,484	(84,826)	70,463	(1,450,935)	242,446	(418,808)	(159,957)
OTHER FINANCING SOURCES (USES)								
Certificates of participation proceeds	-	-	-	-	-	-	3,900,000	3,900,000
Operating transfers in (out)	(1,396,962)	(64,664)	36,189	(129,517)	781,367	102,843	290,888	(379,856)
Sale of assets	2,002	-	-	-	-	-	2,901	4,903
Refunded debt	-	-	-	-	-	-	(3,860,000)	(3,860,000)
Lease proceeds	-	-	-	-	350,624	-	-	350,624
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,394,960)</u>	<u>(64,664)</u>	<u>36,189</u>	<u>(129,517)</u>	<u>1,131,991</u>	<u>102,843</u>	<u>333,789</u>	<u>15,671</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	64,259	(42,180)	(48,637)	(59,054)	(318,944)	345,289	(85,019)	(144,286)
FUND BALANCE, October 1	<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>2,780,218</u>	<u>7,803,419</u>
FUND BALANCE, September 30	<u>\$ 2,299,088</u>	<u>\$ 342,491</u>	<u>\$ 2,685</u>	<u>\$ 713,639</u>	<u>\$ 37,767</u>	<u>\$ 1,568,264</u>	<u>\$ 2,695,199</u>	<u>\$ 7,659,133</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, 2014

Net change in fund balances - total governmental funds \$ (144,286)

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 13,943

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 capital outlay exceeded depreciation for the year.

Capital outlay	1,754,269
Depreciation	(1,223,527)
	<u>530,742</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	4,885,119
Lease proceeds	(350,624)
Certificate of participation proceeds	(3,900,000)
Change in accrued interest payable	111,273
	<u>745,768</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. (6,140)

Change in Net Position of Governmental Activities \$ 1,140,027

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
September 30, 2014

	Water and Sewer Fund	Internal Service Fund
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,546,322	\$ 22,351
Utilities receivable, net	392,293	-
Due from other funds	79,541	-
Other accounts receivable	17,290	-
Prepaid expenses	16,494	-
TOTAL CURRENT ASSETS	4,051,940	22,351
Restricted Assets		
Cash and cash equivalents	274,842	-
TOTAL RESTRICTED ASSETS	274,842	-
Property, Plant and Equipment		
Land	157,578	-
Buildings and improvements	163,900	-
Water plant and equipment	13,753,111	-
Sewer plant and equipment	27,240,912	-
	41,315,501	-
Less accumulated depreciation	(17,279,342)	-
TOTAL PROPERTY, PLANT AND EQUIPMENT	24,036,159	-
TOTAL ASSETS	28,362,940	22,351
LIABILITIES		
Current Liabilities		
Accounts payable	97,579	8,408
Accrued expenses	68,197	-
Accrued interest payable	71,997	-
Meter deposits payable	23,702	-
Current maturities of long-term debt	712,151	-
TOTAL CURRENT LIABILITIES	973,626	8,408
Long-Term Liabilities		
Certificates of participation	826,449	-
Revenue bonds payable	12,946,843	-
Compensated absences payable	61,881	-
TOTAL LONG-TERM LIABILITIES	13,835,173	-
TOTAL LIABILITIES	14,808,799	8,408
NET POSITION		
Net investment in capital assets	9,550,716	-
Restricted for debt service	251,140	-
Unrestricted	3,752,286	13,943
TOTAL NET POSITION	\$ 13,554,141	\$ 13,943

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY
FUNDS
Year Ended September 30, 2014

	<u>Water and Sewer Fund</u>	<u>Internal Service Fund</u>
OPERATING REVENUES		
Charges for services		
Water and sewer	\$ 4,499,241	\$ -
Insurance contributions	-	771,384
	<u>4,499,241</u>	<u>771,384</u>
TOTAL OPERATING REVENUES	4,499,241	771,384
OPERATING EXPENSES		
Personnel services	1,351,767	-
Contractual services	438,582	-
Repairs and maintenance	251,062	-
Supplies	260,001	-
Utilities	589,722	-
Insurance	89,410	-
Capital expenses	172,779	-
Depreciation	622,763	-
Miscellaneous	6,618	-
Insurance claims and premiums	-	842,525
Administrative fees	-	214,916
	<u>3,782,704</u>	<u>1,057,441</u>
TOTAL OPERATING EXPENSES	3,782,704	1,057,441
OPERATING INCOME (LOSS)	716,537	(286,057)
NONOPERATING REVENUES (EXPENSES)		
Interest income	6,341	-
Other revenue	16,752	-
Interest expense	(319,783)	-
	<u>(296,690)</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	(296,690)	-
INCOME (LOSS) BEFORE OPERATING TRANSFERS	419,847	(286,057)
OPERATING TRANSFERS IN	<u>79,856</u>	<u>300,000</u>
NET INCOME	499,703	13,943
NET POSITION, October 1	<u>13,054,438</u>	<u>-</u>
NET POSITION, September 30	<u><u>\$ 13,554,141</u></u>	<u><u>\$ 13,943</u></u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended September 30, 2014

	Water and Sewer Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,503,768	\$ 771,384
Cash paid to suppliers	(1,884,168)	(1,049,033)
Cash paid to employees	(1,369,255)	-
Other cash received for nonoperating revenues	16,752	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,267,097	(277,649)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfer in	79,856	300,000
Repayment of loans to other funds	79,495	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	159,351	300,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	(978,538)	-
Payment of principal on leases	(65,000)	-
Payment of principal on bonds	(645,900)	-
Bond proceeds	883,909	-
Payment of interest expense	(319,660)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,125,189)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	6,341	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	6,341	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	307,600	22,351
CASH AND CASH EQUIVALENTS, Beginning of year	3,513,563	-
CASH AND CASH EQUIVALENTS, End of year	3,821,163	22,351
LESS RESTRICTED CASH AND CASH EQUIVALENTS	(274,842)	-
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u>\$ 3,546,322</u>	<u>\$ 22,351</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 716,537	\$ (286,057)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	622,763	-
(Increase) decrease in:		
Utilities receivable	1,920	-
Increase (decrease) in:		
Accounts payable	(75,994)	8,408
Accrued expenses	(15,074)	-
Meter deposits payable	2,607	-
Compensated absences	(2,414)	-
Other cash received for nonoperating revenues	16,752	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,267,097	\$ (277,649)

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.

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 is reduced by interest earned on the investment of funds borrowed for construction in accordance with GASB Section 1400-120-137-30 – *Capitalization of Interest Costs*. 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assigned fund balance – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

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

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

Net 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.

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, 2014, all bank balances on deposit were entirely insured or collateralized.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2014

NOTE C – RESTRICTED CASH AND CASH EQUIVALENTS

Cash has been restricted in the following funds:

	<u>Restricted Cash and Cash Equivalents</u>
GENERAL FUND	
Court bonds	\$ 9,596
Police evidence	11,702
Deposits held	<u>10,643</u>
	<u>\$ 31,941</u>
NONMAJOR GOVERNMENTAL FUNDS	
Auditorium deposits held	\$ 12,804
Police donations	1,152
Skate park donations	140
2006A COP reserve trust fund	521,663
2006B COP reserve trust fund	36,500
2012A/B COP revenue trust fund	1,195
2012A/B COP reserve trust fund	42,501
2013 Bond investment escrow account	14,119
2013 Bond reserve trust fund	291,853
2014B Delivery costs	4,130
2014A Delivery costs	1,717
2014A Reserve	<u>303,500</u>
	<u>\$ 1,231,274</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2014

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, 2014:

	<u>Restricted Cash and Cash Equivalents</u>
WATER AND SEWER FUND	
Meter deposits	\$ 23,703
1992B Bond principal trust fund	5,625
2009B Bond principal and interest trust funds	79,907
2011 Bond principal and interest trust funds	135,102
2012A COP reserve trust fund	30,505
	<u>\$ 274,842</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>2013</u>
Assessed Valuation	
Real estate	\$ 104,587,160
Personal property	33,200,371
	<u>\$ 137,787,531</u>
	TOTAL
Tax Rate Per \$100 of Assessed Valuation	
General Fund (Real Property)	<u>\$.4043</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2014

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

The legal debt margin at September 30, 2014, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 13,778,753	\$ 13,778,753	\$ 27,557,506
General Obligation Bonds payable	-	-	-
LEGAL DEBT MARGIN	\$ 13,778,753	\$ 13,778,753	\$ 27,557,506

(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	\$ 412,726	\$ -	\$ 412,726
Street Sales Tax Fund	142,845	-	142,845
Fire Sales Tax Fund	95,230	-	95,230
Tax Increment Financing Fund	55,535	-	55,535
Nonmajor Governmental Funds	336,297	-	336,297
	\$ 1,042,633	\$ -	\$ 1,042,633

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2014

NOTE E – ACCOUNTS RECEIVABLE (continued)

	Gross Receivable	Allowance	Net Receivable
UTILITIES RECEIVABLE			
Water and Sewer Fund	\$ 400,996	\$ 8,703	\$ 392,293
OTHER ACCOUNTS RECEIVABLE			
General Fund	\$ 27,660	\$ -	\$ 27,660
Golf Fund	5,237	-	5,237
Water and Sewer Fund	17,290	-	17,290
	<u>\$ 50,187</u>	<u>\$ -</u>	<u>\$ 50,187</u>
COURT FINES RECEIVABLE			
General Fund	\$ 212,703	\$ 183,672	\$ 29,031

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

The business-type activities long-term debt at September 30, 2014, 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 to fund waterwork system improvements. Bonds were issued as the project progressed, and as of September 30, 2014, all of the bonds have been issued. Bonds outstanding at September 30, 2014, are due as follows:

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2014

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

Year Ended September 30,	Principal	Interest	Total
2015	\$ 408,143	\$ 133,515	\$ 541,658
2016	412,000	127,512	539,512
2017	420,000	121,260	541,260
2018	428,000	114,888	542,888
2019	438,000	108,388	546,388
2020	446,000	101,744	547,744
2021	456,000	94,972	550,972
2022	464,000	88,056	552,056
2023	474,000	81,012	555,012
2024	484,000	73,816	557,816
2025	493,000	66,478	559,478
2026	503,000	58,996	561,996
2027	513,000	51,363	564,363
2028	524,000	43,571	567,571
2029	535,000	35,621	570,621
2030	545,000	27,504	572,504
2031	557,000	19,230	576,230
2032	567,000	10,781	577,781
2033	288,000	2,174	290,174
	<u>\$ 8,955,143</u>	<u>\$ 1,360,881</u>	<u>\$ 10,316,024</u>

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, 2014, are due as follows:

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2014

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

Year Ended September 30,	Principal	Interest	Total
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>\$ 4,650,300</u>	<u>\$ 5,257,956</u>	<u>\$ 9,908,256</u>

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, 2014, are due as follows:

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2014

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

Year Ended September 30,	Principal	Interest	Total
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>\$ 56,356</u>	<u>\$ 376,356</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, 2014

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, 2014, is as follows:

	Balance September 30, 2013	Additions	Retirements	Balance September 30, 2014
Revenue Bonds				
2009B Revenue Bonds -ARRA				
Direct Loan Program	\$ 4,896,200	\$ -	\$ 245,900	\$ 4,650,300
2011 Revenue Bonds - Direct				
Loan Program	8,471,234	883,909	400,000	8,955,143
Certificates of Participation				
2006A Certificates of Participation	640,000	-	65,000	575,000
2012A Certificates of Participation	305,000	-	-	305,000
Compensated Absences Payable	64,295	(2,414)	-	61,881
TOTAL	<u>\$14,376,729</u>	<u>\$ 881,495</u>	<u>\$ 710,900</u>	<u>\$14,547,324</u>

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at September 30, 2014, consists of two capital lease obligations; 2006A, 2006B, 2012A, 2012B, 2014A and 2014B certificates of participation; the 2013 special obligation refunding bond; compensated absences payable; and one loan obligation.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2014

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

Capital Lease Obligations

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%.

On October 17, 2013, the City entered into a lease agreement with U.S. Bank to finance the purchase of a fire truck for \$350,624. The lease requires an annual payment of \$72,939, which includes interest at 4.00%.

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, 2014, are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Golf Carts</u>	<u>Fire Truck</u>	<u>Total</u>
2015	\$ 31,390	\$ 72,939	\$ 104,329
2016	31,390	72,939	104,329
2017	18,311	72,939	91,250
2018	-	72,939	72,939
TOTAL MINIMUM LEASE PAYMENTS	81,091	291,756	372,847
LESS AMOUNT REPRESENTING INTEREST	<u>(3,845)</u>	<u>(12,999)</u>	<u>(16,844)</u>
PRINCIPAL BALANCE, SEPTEMBER 30, 2014	<u>\$ 77,246</u>	<u>\$ 278,757</u>	<u>\$ 356,003</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2014

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

Certificates of Participation

On August 15, 2014, the City issued \$3,035,000 in Series 2014A tax-exempt refunding Certificates of Participation and \$865,000 in Series 2014B taxable refunding Certificates of Participation for the purpose of refunding the 2007A and 2010 Certificates of Participation. \$2,435,000 refunded the auditorium portion of the 2007A Certificates of Participation and \$600,000 refunded the Senior Center portion of the 2007A Certificates of Participation. Additionally, \$865,000 refunded the 2010 Certificates of Participation. The Certificates of Participation bear interest at various rates ranging between 2.00% and 3.25% with principal and interest payments due April 1 and October 1 each year. The certificates outstanding at September 30, 2014, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 175,000	\$ 59,644	\$ 234,644
2016	360,000	90,913	450,913
2017	370,000	85,540	455,540
2018	375,000	79,162	454,162
2019	385,000	71,881	456,881
2020	395,000	63,656	458,656
2021	230,000	54,912	284,912
2022	240,000	48,012	288,012
2023	245,000	42,012	287,012
2024	255,000	35,276	290,276
2025	260,000	27,626	287,626
2026	280,000	19,825	299,825
2027	330,000	10,725	340,725
	<u>\$ 3,900,000</u>	<u>\$ 689,184</u>	<u>\$ 4,589,184</u>

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, 2014, are due as follows:

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2014

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

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 5,055,000</u>	<u>\$ 2,173,110</u>	<u>\$ 7,228,110</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>
2015	\$ 110,000	\$ 3,700	\$ 113,700
2016	75,000	1,500	76,500
	<u>\$ 185,000</u>	<u>\$ 5,200</u>	<u>\$ 190,200</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2014

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, 2014, are due as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,965,000</u>	<u>\$ 679,170</u>	<u>\$ 3,644,170</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, 2014

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

The annual loan payments required at September 30, 2014, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 387,116</u>	<u>\$ 28,281</u>	<u>\$ 415,397</u>

A summary of the changes in long-term debt – governmental activities for the year ended September 30, 2014, is as follows:

	<u>Balance September 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2014</u>
Capital Lease Obligations				
2011 Street sweeper	\$ 44,906	\$ -	\$ 44,906	\$ -
2012 Golf carts	105,234	-	27,988	77,246
Fire truck	-	350,624	71,867	278,757
	<u>150,140</u>	<u>350,624</u>	<u>144,761</u>	<u>356,003</u>
Loan Obligation				
2008 STAR loan	477,246	-	90,130	387,116

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

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

	Balance September 30, 2013	Additions	Retirements	Balance September 30, 2014
Certificates of Participation				
Series 2006A	4,385,000	-	220,000	4,165,000
Series 2006B	340,000	-	25,000	315,000
Series 2007A	3,040,000	-	3,040,000	-
Series 2012A	15,000	-	-	15,000
Series 2012B	300,000	-	115,000	185,000
Series 2014A	-	3,035,000	-	3,035,000
Series 2014B	-	865,000	-	865,000
Series 2010	1,080,000	-	1,080,000	-
	<u>9,160,000</u>	<u>3,900,000</u>	<u>4,480,000</u>	<u>8,580,000</u>
Less: Deferred loss on debt refunding	(141,592)	-	(9,772)	(131,820)
	<u>9,018,408</u>	<u>3,900,000</u>	<u>4,470,228</u>	<u>8,448,180</u>
Special Obligation Refunding Bonds				
Series 2013	3,145,000	-	180,000	2,965,000
Compensated absences payable	159,964	6,140	-	166,104
TOTAL	<u>\$ 12,950,758</u>	<u>\$ 4,256,764</u>	<u>\$ 4,885,119</u>	<u>\$ 12,322,403</u>

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	Balance September 30, 2013	Additions	Deletions	Balance September 30, 2014
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 9,560,163	\$ -	\$ -	\$ 9,560,163
Total Non-Depreciable Capital Assets	9,560,163	<u>\$ -</u>	<u>\$ -</u>	9,560,163

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2014

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2013	Additions	Deletions	Balance September 30, 2014
Depreciable Capital Assets:				
Land improvements	624,251	\$ -	\$ -	624,251
Building and improvements	10,098,876	-	-	10,098,876
Machinery and equipment	5,159,574	765,203	300,161	5,624,616
Golf course infrastructure	3,373,207	-	-	3,373,207
Infrastructure	26,623,650	989,066	-	27,612,716
Total Depreciable Capital Assets	45,879,558	<u>\$ 1,754,269</u>	<u>\$ 300,161</u>	47,333,666
Less Accumulated Depreciation	26,650,413	<u>\$ 1,223,527</u>	<u>\$ 300,161</u>	27,573,779
Total Depreciable Capital Assets, Net	<u>19,229,145</u>			<u>19,759,887</u>
Total Capital Assets - Governmental Activities, Net	<u>\$ 28,789,308</u>			<u>\$ 29,320,050</u>

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

Administration	\$ 66,125
Auditorium	137,681
Police	33,613
Fire	32,151
Emergency management	16,279
Recycling	3,944
Senior center	20,903
Golf course	163,507
Court	1,200
Airport	254,794
Parks	58,125
Recreation	3,817
Drainage	6,606
Street	424,782
	<u>\$ 1,223,527</u>

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2014

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2013	Additions	Deletions	Balance September 30, 2014
Business-Type Activities				
Water and Sewer				
Non-Depreciable Capital Assets:				
Land	\$ 157,578	\$ -	\$ -	\$ 157,578
Work in progress	8,792,025	478,234	9,270,259	-
Total Non-Depreciable Capital Assets	8,949,603	<u>\$ 478,234</u>	<u>\$ 9,270,259</u>	157,578
Depreciable Capital Assets:				
Buildings	163,900	\$ -	\$ -	163,900
Water plant and equipment	13,753,111	-	-	13,753,111
Sewer plant and equipment	17,495,056	9,770,563	24,708	27,240,911
Total Depreciable Capital Assets	31,412,067	<u>\$ 9,770,563</u>	<u>\$ 24,708</u>	41,157,922
Less Accumulated Depreciation	16,681,286	<u>\$ 622,763</u>	<u>\$ 24,708</u>	17,279,341
Total Depreciable Capital Assets, Net	<u>14,730,781</u>			<u>23,878,581</u>
Total Capital Assets - Business-Type Activities, Net	<u>\$ 23,680,384</u>			<u>\$ 24,036,159</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, 2014

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 7.9% (General), 7.2% (Police) and 12.5% (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	\$ 347,843
Interest on net pension obligation	4,137
Adjustment to annual required contribution	(7,539)
Annual pension cost	<u>344,441</u>
Actual contributions	<u>333,581</u>
Increase (decrease) in NPO	10,860
NPO beginning of year	<u>57,062</u>
NPO end of year	<u><u>\$ 67,922</u></u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2014

NOTE I – EMPLOYEE PENSION PLAN (continued)

The annual required contribution (ARC) was determined as part of the February 28, 2011, and February 29, 2012, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2014, 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, 2011, was 30 years for the General division, 30 years for the Police division, and 30 years for the Fire division. The amortization period at February 29, 2012, was 4 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
2012	\$ 321,076	94.0%	\$ 36,658
2013	367,428	94.4%	57,062
2014	344,441	96.8%	67,922

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) (Excess) Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2014	\$ 7,694,231	\$ 6,797,878	\$ (896,353)	113%	\$ 3,657,825	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, 2014

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, 2014, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 63,014	\$ 1,459,976
Hotel/Motel Tax Fund	-	64,664
Golf Fund	298,770	262,581
Street Sales Tax Fund	90,396	219,913
Fire Sales Tax Fund	837,527	56,160
Tax Increment Financing Fund	209,117	106,274
SAFER Grant	-	10,169
Drainage Sales Tax Fund	-	123,266
Parks Sales Tax Fund	109,784	217,930
Auditorium Fund	-	325,309
Senior Center Sales Tax Fund	2,731	59,181
Economic Development Sales Tax Fund	31,409	296,758
Street/Bridge Sales Tax Fund	9,094	271,958
2014 COP Fund	-	3,509,601
2013 Bond Fund	261,503	-
2012 COP Fund	122,886	-
2010 COP Fund	1,027,859	-
2007 Bond Fund	2,944,238	-
2006 COP Fund	491,729	-
Star Loan Fund	103,827	-
Water and Sewer Fund	79,856	-
Internal Service Fund	300,000	-
	<u>\$ 6,983,740</u>	<u>\$ 6,983,740</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2014

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, 2014, consisted of the following:

	General Fund	Hotel/ Motel Tax Fund	Tax Increment Financing Fund	Non-Major Funds	Water and Sewer Fund
Internal balances	<u>\$ (93,908)</u>	<u>\$ 40,632</u>	<u>\$ 27,805</u>	<u>\$ (54,070)</u>	<u>\$ 79,541</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, 2014, 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, 2014, 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, 2014

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, 2014, 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 \$106,101. Changes in the estimated benefit obligation during the past year are as follows:

Estimated Benefit Obligation, beginning of year	\$ 127,185
Claims incurred	829,843
Claims paid	<u>(850,927)</u>
Estimated Benefit Obligation, end of year	<u><u>\$ 106,101</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%. The advance refunding resulted in the recognition of a deferred loss of \$167,640 in the governmental activities. The deferred loss is amortized as an adjustment to interest expense over a period of 25 years.

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 refunding resulted in the recognition of a deferred loss of \$30,664 in the governmental activities. The deferred loss is being amortized as an adjustment to interest expense over a period of 10 years.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2014

NOTE O – DEBT REFUNDING LOSS (continued)

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

	Balance September 30, 2013	Additions	Current Amortization	Balance September 30, 2014
Governmental Activities	<u>\$ 141,592</u>	<u>\$ -</u>	<u>\$ (9,772)</u>	<u>\$ 131,820</u>

NOTE P – CURRENT YEAR DEBT REFUNDING

On August 15, 2014, the City issued \$3,900,000 in Refunding Certificates of Participation with interest rates ranging from 0.70% to 3.25%. The City used the proceeds to advance refund on April 1, 2015, the Series 2007A Certificates of Participation and 2010 Certificates of Participation, which had interest rates ranging from 4.375% to 4.80% and 5.75%, respectively.

As a result of the refunding, the City reduced its debt service requirements by \$366,633, which resulted in an economic gain (difference between the present value of the debt service payments on old and new debt) of \$273,513.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEOSHO, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended September 30, 2014

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
2/29/2012	\$ 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%
2/28/2014	7,694,231	6,797,878	(896,353)	113%	3,657,825	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, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Property tax	\$ 400,000	\$ 409,781	\$ 413,888	\$ 4,107
City sales tax	2,142,000	2,235,600	2,298,403	62,803
Financial institution tax	5,200	5,200	5,200	-
Utility franchise tax	825,000	852,000	852,394	394
Cigarette tax	60,000	60,000	57,966	(2,034)
	<u>3,432,200</u>	<u>3,562,581</u>	<u>3,627,851</u>	<u>65,270</u>
Licenses and Permits				
Occupational licenses	25,000	25,000	23,204	(1,796)
Building permits	36,000	63,700	64,094	394
Animal licenses and fees	3,000	3,000	2,304	(696)
	<u>64,000</u>	<u>91,700</u>	<u>89,602</u>	<u>(2,098)</u>
Intergovernmental Revenues				
Grants	1,266,231	742,871	770,112	27,241
	<u>1,266,231</u>	<u>742,871</u>	<u>770,112</u>	<u>27,241</u>
Charges for Services				
Sanitation	35,000	35,000	36,759	1,759
Airport fuel sales	175,000	128,000	131,074	3,074
Recycling center fees	24,000	5,300	5,275	(25)
Other	41,022	32,022	34,501	2,479
	<u>275,022</u>	<u>200,322</u>	<u>207,609</u>	<u>7,287</u>
Fines and Forfeitures				
City court fines	183,400	183,400	199,102	15,702
Police training fees	6,000	6,000	4,178	(1,822)
	<u>189,400</u>	<u>189,400</u>	<u>203,280</u>	<u>13,880</u>
Miscellaneous				
Leases and rent income	83,000	83,000	72,611	(10,389)
Interest	2,000	2,000	4,316	2,316
Other	1,800	22,822	21,680	(1,142)
	<u>86,800</u>	<u>107,822</u>	<u>98,607</u>	<u>(9,215)</u>
TOTAL REVENUES	<u>5,313,653</u>	<u>4,894,696</u>	<u>4,997,061</u>	<u>102,365</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	542,736	543,636	543,506	130
Clerk/Council	68,511	74,388	70,179	4,209
Development services	960,924	753,798	763,653	(9,855)
Police	1,484,533	1,417,386	1,352,201	65,185
Emergency management	15,200	15,200	10,762	4,438
Court	104,361	108,861	100,444	8,417
Airport	702,011	356,011	321,740	34,271
Lampo community center	24,756	24,356	19,850	4,506
Recycling center	110,028	95,128	90,550	4,578
Information technology	125,539	125,539	120,934	4,605
Fleet maintenance	55,377	55,377	52,943	2,434
Human resources	102,926	95,804	91,080	4,724
TOTAL EXPENDITURES	4,296,902	3,665,484	3,537,842	127,642
EXCESS OF REVENUES OVER EXPENDITURES	1,016,751	1,229,212	1,459,219	230,007
OTHER FINANCING SOURCES (USES)				
Operating transfers in	144,964	144,964	63,014	(81,950)
Operating transfers (out)	(1,402,725)	(1,320,728)	(1,459,976)	(139,248)
Sale of assets	4,500	5,000	2,002	(2,998)
TOTAL OTHER FINANCING SOURCES (USES)	(1,253,261)	(1,170,764)	(1,394,960)	(224,196)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(236,510)	58,448	64,259	5,811
FUND BALANCE, October 1	2,152,621	2,234,829	2,234,829	-
FUND BALANCE, September 30	<u>\$ 1,916,111</u>	<u>\$ 2,293,277</u>	<u>\$ 2,299,088</u>	<u>\$ 5,811</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – HOTEL/MOTEL TAX FUND
 Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Motel taxes	\$ 70,000	\$ 70,000	\$ 69,964	\$ (36)
Miscellaneous	200	200	525	325
TOTAL REVENUES	70,200	70,200	70,489	289
EXPENDITURES				
Current				
Tourism development	60,000	60,000	48,005	11,995
TOTAL EXPENDITURES	60,000	60,000	48,005	11,995
EXCESS OF REVENUES OVER EXPENDITURES	10,200	10,200	22,484	12,284
OTHER FINANCING SOURCES (USES)				
Operating transfers in	40,934	-	-	-
Operating transfers (out)	(64,664)	(64,664)	(64,664)	-
TOTAL OTHER FINANCING SOURCES (USES)	(23,730)	(64,664)	(64,664)	-
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(13,530)	(54,464)	(42,180)	12,284
FUND BALANCE, October 1	419,619	384,671	384,671	-
FUND BALANCE, September 30	\$ 406,089	\$ 330,207	\$ 342,491	\$ 12,284

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GOLF FUND
 Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Charges for services	\$ 363,600	\$ 371,425	\$ 369,566	\$ (1,859)
Miscellaneous	200	200	885	685
TOTAL REVENUES	363,800	371,625	370,451	(1,174)
EXPENDITURES				
Current				
Golf course	448,693	465,893	455,277	10,616
TOTAL EXPENDITURES	448,693	465,893	455,277	10,616
(DEFICIT) OF REVENUES OVER EXPENDITURES				
	(84,893)	(94,268)	(84,826)	9,442
OTHER FINANCING SOURCES (USES)				
Operating transfers in	298,770	306,770	298,770	(8,000)
Operating transfers (out)	(258,094)	(262,834)	(262,581)	253
TOTAL OTHER FINANCING SOURCES (USES)	40,676	43,936	36,189	(7,747)
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)				
	(44,217)	(50,332)	(48,637)	1,695
FUND BALANCE, October 1	44,217	51,322	51,322	-
FUND BALANCE, September 30	\$ -	\$ 990	\$ 2,685	\$ 1,695

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET SALES TAX FUND
 Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Street sales taxes	\$ 766,500	\$ 801,800	\$ 823,417	\$ 21,617
Motor vehicle taxes	404,000	442,200	443,660	1,460
Miscellaneous	200,500	18,900	20,617	1,717
TOTAL REVENUES	1,371,000	1,262,900	1,287,694	24,794
EXPENDITURES				
Current				
Street	1,681,082	1,238,928	1,217,231	21,697
TOTAL EXPENDITURES	1,681,082	1,238,928	1,217,231	21,697
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(310,082)	23,972	70,463	46,491
OTHER FINANCING SOURCES (USES)				
Operating transfers in	90,396	-	90,396	90,396
Operating transfers (out)	(285,731)	(294,977)	(219,913)	75,064
TOTAL OTHER FINANCING SOURCES (USES)	(195,335)	(294,977)	(129,517)	165,460
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(505,417)	(271,005)	(59,054)	211,951
FUND BALANCE, October 1	561,295	772,693	772,693	-
FUND BALANCE, September 30	\$ 55,878	\$ 501,688	\$ 713,639	\$ 211,951

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – FIRE SALES TAX FUND
 Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Fire sales taxes	\$ 509,250	\$ 534,450	\$ 548,843	\$ 14,393
Charges for services	125,500	125,500	125,120	(380)
Miscellaneous	1,000	2,047	2,662	615
TOTAL REVENUES	<u>635,750</u>	<u>661,997</u>	<u>676,625</u>	<u>14,628</u>
EXPENDITURES				
Current				
Fire	<u>1,646,817</u>	<u>2,127,560</u>	<u>2,127,560</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,646,817</u>	<u>2,127,560</u>	<u>2,127,560</u>	<u>-</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(1,011,067)	(1,465,563)	(1,450,935)	14,628
OTHER FINANCING SOURCES (USES)				
Operating transfers in	836,154	836,154	837,527	1,373
Operating transfers (out)	(22,500)	(86,609)	(56,160)	30,449
Lease proceeds	<u>-</u>	<u>550,624</u>	<u>350,624</u>	<u>(200,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>813,654</u>	<u>1,300,169</u>	<u>1,131,991</u>	<u>(168,178)</u>
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(197,413)	(165,394)	(318,944)	(153,550)
FUND BALANCE, October 1	<u>197,413</u>	<u>356,711</u>	<u>356,711</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ -</u>	<u>\$ 191,317</u>	<u>\$ 37,767</u>	<u>\$ (153,550)</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – TAX INCREMENT FINANCING FUND
 Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 185,000	\$ 185,000	\$ 240,072	\$ 55,072
Miscellaneous	-	-	2,374	2,374
TOTAL REVENUES	185,000	185,000	242,446	57,446
EXPENDITURES				
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	185,000	185,000	242,446	57,446
OTHER FINANCING SOURCES (USES)				
Operating transfers in	250,606	222,800	209,117	(13,683)
Operating transfers (out)	(106,760)	(106,760)	(106,274)	486
TOTAL OTHER FINANCING SOURCES (USES)	143,846	116,040	102,843	(13,197)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	328,846	301,040	345,289	44,249
FUND BALANCE, October 1	1,261,753	1,222,975	1,222,975	-
FUND BALANCE, September 30	\$ 1,590,599	\$ 1,524,015	\$ 1,568,264	\$ 44,249

CITY OF NEOSHO, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2014

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, 2014

	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	\$ 2,147	\$ -	\$ -	\$ 487,997	\$ 428,321	\$ 32,132	\$ 27,061	\$ 105,255	\$ 94,707
Sales tax receivable	-	-	-	69,822	73,023	73,673	24,558	47,615	47,606
Cash and cash equivalents - restricted	-	1,152	-	-	140	12,804	-	-	-
TOTAL ASSETS	\$ 2,147	\$ 1,152	\$ -	\$ 557,819	\$ 501,484	\$ 118,609	\$ 51,619	\$ 152,870	\$ 142,313
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ 460	\$ 10,401	\$ 3,878	\$ 2,885	\$ -	\$ -
Accrued expenses	-	-	-	-	4,090	85	144	-	-
Deposits held	-	-	-	-	-	12,803	-	10,000	-
Due to other funds	-	-	-	-	-	54,070	-	-	-
TOTAL LIABILITIES	-	-	-	460	14,491	70,836	3,029	10,000	-
Fund Balance									
Nonspendable									
Permanent	-	-	-	-	-	-	-	-	-
Restricted for:									
Public safety	2,147	1,152	-	-	-	-	-	-	-
Drainage	-	-	-	553,136	-	-	-	-	-
Auditorium	-	-	-	-	-	16,672	-	-	-
Economic development	-	-	-	-	-	-	-	79,813	-
Debt service	-	-	-	-	-	-	-	-	-
Assigned to:									
Drainage	-	-	-	4,223	-	-	-	-	-
Parks and recreation	-	-	-	-	486,993	-	-	-	-
Auditorium	-	-	-	-	-	31,101	-	-	-
Senior center	-	-	-	-	-	-	48,590	-	-
Economic development	-	-	-	-	-	-	-	63,057	-
Street and bridge	-	-	-	-	-	-	-	-	142,313
TOTAL FUND BALANCES	2,147	1,152	-	557,359	486,993	47,773	48,590	142,870	142,313
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,147	\$ 1,152	\$ -	\$ 557,819	\$ 501,484	\$ 118,609	\$ 51,619	\$ 152,870	\$ 142,313

CITY OF NEOSHO, MISSOURI
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS (continued)
 September 30, 2014

	Debt Service Funds						Permanent Funds		Total Nonmajor Governmental Funds	
	STAR Loan Fund	2014 COP Fund	2013 Bond Fund	2012 COP Fund	2010 COP Fund	2007 COP Fund	2006 COP Fund	Abbot Brothers Fund		Morse Park Fund
ASSETS										
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,265	\$ 3,559	\$ 1,226,444
Sales tax receivable	-	-	-	-	-	-	-	-	-	336,297
Cash and cash equivalents - restricted	-	309,347	305,972	43,696	-	-	558,163	-	-	1,231,274
TOTAL ASSETS	\$ -	\$ 309,347	\$ 305,972	\$ 43,696	\$ -	\$ -	\$ 558,163	\$ 45,265	\$ 3,559	\$ 2,794,015
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,624
Accrued expenses	-	-	-	-	-	-	-	-	-	4,319
Deposits payable	-	-	-	-	-	-	-	-	-	22,803
Due to other funds	-	-	-	-	-	-	-	-	-	54,070
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	98,816
Fund Balance										
Nonspendable										
Permanent	-	-	-	-	-	-	-	45,265	3,559	48,824
Restricted for:										
Public safety	-	-	-	-	-	-	-	-	-	3,299
Drainage	-	-	-	-	-	-	-	-	-	553,136
Auditorium	-	-	-	-	-	-	-	-	-	16,672
Economic development	-	-	-	-	-	-	-	-	-	79,813
Debt service	-	309,347	305,972	43,696	-	-	558,163	-	-	1,217,178
Assigned to:										
Drainage	-	-	-	-	-	-	-	-	-	4,223
Parks and recreation	-	-	-	-	-	-	-	-	-	486,993
Auditorium	-	-	-	-	-	-	-	-	-	31,101
Senior center	-	-	-	-	-	-	-	-	-	48,590
Economic development	-	-	-	-	-	-	-	-	-	63,057
Street and bridge	-	-	-	-	-	-	-	-	-	142,313
TOTAL FUND BALANCES	-	309,347	305,972	43,696	-	-	558,163	45,265	3,559	2,695,199
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 309,347	\$ 305,972	\$ 43,696	\$ -	\$ -	\$ 558,163	\$ 45,265	\$ 3,559	\$ 2,794,015

CITY OF NEOSHO, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
 Year Ended September 30, 2014

	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	\$ -	\$ -	\$ -	\$ 329,306	\$ 493,959	\$ 413,390	\$ 137,796	\$ 274,422	\$ 273,929
Intergovernmental revenues	10,542	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	98,260	17,857	12,000	-	-
Donations and other contributions	-	11,287	-	-	846	-	-	-	-
Miscellaneous	-	5	-	840	3,489	203	57	164	171
TOTAL REVENUES	10,542	11,292	-	330,146	596,554	431,450	149,853	274,586	274,100
EXPENDITURES									
Current									
Police	10,012	11,070	-	-	-	-	-	-	-
Drainage	-	-	-	152,513	-	-	-	-	-
Parks and recreation	-	-	-	-	458,356	-	-	-	-
Auditorium	-	-	-	-	-	71,409	-	-	-
Senior center	-	-	-	-	-	-	94,469	-	-
Other	-	-	-	-	-	-	-	-	-
Debt Service									
Principal and interest	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	10,012	11,070	-	152,513	458,356	71,409	94,469	-	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	530	222	-	177,633	138,198	360,041	55,384	274,586	274,100
OTHER FINANCING SOURCES (USES)									
Certificate of participation proceeds	-	-	-	-	-	-	-	-	-
Sale of assets	-	-	-	2,901	-	-	-	-	-
Refunded debt	-	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	109,784	-	2,731	31,409	9,094
Operating transfers (out)	-	-	(10,169)	(123,266)	(217,930)	(325,309)	(59,181)	(296,758)	(271,958)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(10,169)	(120,365)	(108,146)	(325,309)	(56,450)	(265,349)	(262,864)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	530	222	(10,169)	57,268	30,052	34,732	(1,066)	9,237	11,236
FUND BALANCE, October 1	1,617	930	10,169	500,091	456,941	13,041	49,656	133,633	131,077
FUND BALANCE, September 30	\$ 2,147	\$ 1,152	\$ -	\$ 557,359	\$ 486,993	\$ 47,773	\$ 48,590	\$ 142,870	\$ 142,313

CITY OF NEOSHO, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS (continued)
 Year Ended September 30, 2014

	Debt Service Funds						Permanent Funds		Total Nonmajor Governmental Funds	
	STAR Loan Fund	2014 COP Fund	2013 Bond Fund	2012 COP Fund	2010 COP Fund	2007 COP Fund	2006 COP Fund	Abbot Brothers Fund		Morse Park Fund
REVENUES										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,922,802
Intergovernmental revenues	-	-	-	-	-	-	-	-	-	10,542
Charges for services	-	-	-	-	-	-	-	-	-	128,117
Donations and other contributions	-	-	-	-	-	-	-	-	-	12,133
Miscellaneous	-	21,272	10,117	-	-	-	-	2,348	10	38,676
TOTAL REVENUES	-	21,272	10,117	-	-	-	-	2,348	10	2,112,270
EXPENDITURES										
Current										
Police	-	-	-	-	-	-	-	-	-	21,082
Drainage	-	-	-	-	-	-	-	-	-	152,513
Parks and recreation	-	-	-	-	-	-	-	-	-	458,356
Auditorium	-	-	-	-	-	-	-	-	-	71,409
Senior center	-	-	-	-	-	-	-	-	-	94,469
Other	-	-	-	-	-	-	-	790	-	790
Debt Service										
Principal and interest	103,827	102,324	261,503	122,886	238,909	411,281	491,729	-	-	1,732,459
TOTAL EXPENDITURES	103,827	102,324	261,503	122,886	238,909	411,281	491,729	790	-	2,531,078
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(103,827)	(81,052)	(251,386)	(122,886)	(238,909)	(411,281)	(491,729)	1,558	10	(418,808)
OTHER FINANCING SOURCES (USES)										
Certificate of participation proceeds	-	3,900,000	-	-	-	-	-	-	-	3,900,000
Sale of assets	-	-	-	-	-	-	-	-	-	2,901
Refunded debt	-	-	-	-	(950,000)	(2,910,000)	-	-	-	(3,860,000)
Operating transfers in	103,827	-	261,503	122,886	1,027,859	2,944,238	491,729	-	-	5,105,060
Operating transfers (out)	-	(3,509,601)	-	-	-	-	-	-	-	(4,814,172)
TOTAL OTHER FINANCING SOURCES (USES)	103,827	390,399	261,503	122,886	77,859	34,238	491,729	-	-	333,789
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	-	309,347	10,117	-	(161,050)	(377,043)	-	1,558	10	(85,019)
FUND BALANCE, October 1	-	-	295,855	43,696	161,050	377,043	558,163	43,707	3,549	2,780,218
FUND BALANCE, September 30	\$ -	\$ 309,347	\$ 305,972	\$ 43,696	\$ -	\$ -	\$ 558,163	\$ 45,265	\$ 3,559	\$ 2,695,199



**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, 2014, 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 15, 2015.

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 summary schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

Honorable Mayor and City Council
City of Neosho
Neosho, Missouri

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 summary schedule of findings and questioned costs to be a material weakness. The deficiency is identified as item 2014-001.

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 summary schedule of findings and questioned costs. 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.

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
Springfield, Missouri
February 15, 2015



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 programs for the year ended September 30, 2014. The City of Neosho, Missouri's major federal programs are 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City of Neosho, Missouri's major federal programs 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.

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 programs for the year ended September 30, 2014.

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
Springfield, Missouri
February 15, 2015

CITY OF NEOSHO, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended September 30, 2014

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	\$ 88,207
Highway Planning and Construction	20.205	STP-3397(404)	11,806
		STP-4700(707)	296,964
		STP-4700(708)	<u>119,575</u>
			428,345
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	14-154-AL-070	6,283
		14-154-AL-062	<u>443</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			523,278
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct			
Bulletproof Vest Partnership Program	16.607	N/A	1,920
Public Safety Partnership and Community Policing Grant	16.710	2012-UM-WX-0109	36,281
Missouri Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-LLEBG-063	<u>3,909</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			42,110
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Missouri Department of Natural Resources			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW291308-01	<u>883,909</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>883,909</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,449,297</u></u>

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.

The City did not provide funds to sub-recipients in the current year.

CITY OF NEOSHO, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2014

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 programs tested as major programs were:

Capitalization Grants for Drinking Water State Revolving Funds	66.468
Highway Planning and Construction	20.205
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

2014-001 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, 2014

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, 2014

There were no prior audit findings.