

CITY OF NEOSHO, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2015

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	8
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	17
Statement of Activities.....	18
Balance Sheet – Governmental Funds	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Net Position – Proprietary Funds.....	26
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	27
Statement of Cash Flows – Proprietary Funds.....	28
Notes to Financial Statements.....	29
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Position Asset and Related Ratios.....	64
Schedule of Contributions.....	65
Notes to Schedule of Contributions	66

TABLE OF CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION (continued)

Budgetary Comparison Schedule – General Fund.....	67
Budgetary Comparison Schedule – Hotel/Motel Tax Fund.....	69
Budgetary Comparison Schedule – Golf Fund	70
Budgetary Comparison Schedule – Street Sales Tax Fund	71
Budgetary Comparison Schedule – Fire Sales Tax Fund	72
Budgetary Comparison Schedule – Tax Increment Financing Fund	73
Note to Budgetary Comparison Schedules	74

OTHER FINANCIAL INFORMATION

Combining Balance Sheet – Nonmajor Governmental Funds.....	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds.....	78
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 <i>Government Auditing Standards</i>	80
Schedule of Findings and Responses	82



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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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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Honorable Mayor and City Council
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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, 2015, 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.

Change in Accounting Principles

As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*, during the year ended September 30, 2015.

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 pension information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate 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.

Honorable Mayor and City Council
City of Neosho
Neosho, Missouri

The combining nonmajor fund financial statements 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 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 January 26, 2016, 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
January 26, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2015

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, 2015. Please read it in conjunction with the City's financial statements, which begin on page 17.

Financial Highlights

- The net position of the City's governmental activities increased by \$669,407 as a result of current year activities. The net position of the City's business activities increased by \$72,108 for the year.
- The assets and deferred outflow of resources of the City exceeded liabilities and deferred inflow of resources by \$42.4 million (net position), as of September 30, 2015. Of this amount, \$9.7 million was unrestricted and may be used to meet future obligations of the City (up \$287,662 from October 1, 2014), \$5.5 million was restricted and \$27.2 million represents capital assets (net of related debt) of the City.
- Total long-term liabilities of the City decreased by \$1,544,303 to a total of \$23.5 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, Property Taxes, Franchise Fees, and Fuel & Motor Vehicle Tax. Unemployment expenses continue to reduce and all budgets and expenses are continually scrutinized by all department heads with every employee diligently participating in cost saving ideas and input to use every dollar wisely and ensuring careful stewardship of all City funds. The City continues to ensure we operate on a balanced budget and exceed fund reserve requirements per our bond covenants and the City's fiscal & investment policy.
- The City has been very diligent in monitoring and utilizing every opportunity to reduce the City's long-term debt expenses without extending the terms of these debts. Over the past four years, the City has saved the taxpayers over \$1.5 million in interest cost through refinancing City debts without adding to or extending the terms of the debts. The final changes in long-term liabilities were due to a refinancing of the city's 2006A and 2006B COP debt, allowing the City to capture lower interest rates with savings of \$739,246 total net debt service savings, net present value ("PV") savings of \$603,740 without extending the terms of the COP's payoff period.
- In FY 2015, the City continued to make its annual scheduled repayment on all of the intrafund loans that stemmed from misappropriations in prior years. The City paid the final payment of these past misappropriations in March 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, 2015

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 deferred outflow of resources and liabilities and deferred inflow of resources – 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2015

Fund Financial Statements

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

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

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2015

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of September 30, 2015 and 2014, as restated:

	Governmental Activities	Business-Type Activities	Total September 30, 2015	Total September 30, 2014
ASSETS				
Current and other assets	\$ 8,479,258	\$ 4,588,364	\$ 13,067,622	\$ 12,363,429
Net pension asset	1,995,324	597,098	2,592,422	3,321,171
Capital assets	28,974,828	23,220,568	52,195,396	53,356,209
TOTAL ASSETS	<u>39,449,410</u>	<u>28,406,030</u>	<u>67,855,440</u>	<u>69,040,809</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred pension outflow	585,529	188,612	774,141	317,093
Deferred charge on refundings	122,048	-	122,048	131,820
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>707,577</u>	<u>188,612</u>	<u>896,189</u>	<u>448,913</u>
LIABILITIES				
Long-term liabilities outstanding	10,427,458	13,073,095	23,500,553	25,044,856
Other liabilities	1,656,382	977,003	2,633,385	2,720,948
TOTAL LIABILITIES	<u>12,083,840</u>	<u>14,050,098</u>	<u>26,133,938</u>	<u>27,765,804</u>
DEFERRED INFLOW OF RESOURCES				
Deferred pension inflow	208,363	30,010	238,373	86,115
NET POSITION				
Net investment in capital assets	17,743,296	9,458,868	27,202,164	26,714,467
Restricted	5,263,282	251,110	5,514,392	4,972,912
Unrestricted	4,858,206	4,804,556	9,662,762	9,950,424
TOTAL NET POSITION	<u>\$ 27,864,784</u>	<u>\$ 14,514,534</u>	<u>\$ 42,379,318</u>	<u>\$ 41,637,803</u>

Total net position of the City increased by \$741,515 for the year due to current year activities. Total liabilities for the City decreased by \$1,631,866. Net investment in capital assets increased \$487,697.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2015

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2015	Total Year Ended September 30, 2014
REVENUES				
Program Revenues				
Charges for services	\$ 1,168,445	\$ 4,638,994	\$ 5,807,439	\$ 5,694,037
Operating grants and contributions	69,107	-	69,107	141,858
Capital grants and contributions	210,294	-	210,294	652,244
General Revenues				
Property taxes	418,835	-	418,835	413,888
Sales taxes	6,098,570	-	6,098,570	5,663,874
Motor vehicle and gas taxes	461,288	-	461,288	443,660
Other taxes	308,803	-	308,803	302,793
Franchise fees	813,084	-	813,084	852,394
Interest	17,184	10,913	28,097	48,411
Other revenue	56,244	6,774	63,018	66,211
Gain (loss) on sale of capital assets	6,000	-	6,000	4,903
Transfers	97,224	(97,224)	-	-
TOTAL REVENUES	9,725,078	4,559,457	14,284,535	14,284,273
EXPENSES				
General government	1,652,768	-	1,652,768	1,071,612
Auditorium	218,060	-	218,060	209,090
Police	1,478,562	-	1,478,562	1,383,126
Fire	1,883,432	-	1,883,432	1,706,556
Emergency management	29,986	-	29,986	27,041
Court	106,265	-	106,265	101,644
Airport	500,965	-	500,965	458,057
Drainage	114,225	-	114,225	97,247
Street	1,035,644	-	1,035,644	1,247,808
Parks	585,825	-	585,825	499,239
Recreation	27,515	-	27,515	23,667
Senior center	127,392	-	127,392	115,372
Recycling center	99,157	-	99,157	94,494
Information technology	65,017	-	65,017	120,934
Property control	50,913	-	50,913	52,943
Golf course	638,798	-	638,798	597,284
Tourism development	42,474	-	42,474	48,005
Human resources	106,729	-	106,729	91,080
Other	676	-	676	790
Debt service	291,268	-	291,268	596,067
Water and sewer	-	4,487,349	4,487,349	4,102,487
TOTAL EXPENSES	9,055,671	4,487,349	13,543,020	12,644,543
INCREASE IN NET POSITION	\$ 669,407	\$ 72,108	\$ 741,515	\$ 1,639,730

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2015**

Governmental Activities

Governmental activities increased the net position of the City by \$669,407. Tax revenues for the City were \$8,100,580 which represents 83% of the funding of these activities. Program revenues for the functions totaled \$1,447,846 or 15% 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	\$ 1,652,768	\$ 1,499,069
Auditorium	218,060	201,754
Police	1,478,562	1,196,750
Fire	1,883,432	1,758,312
Emergency management	29,986	29,986
Court	106,265	90,929
Airport	500,965	294,398
Drainage	114,225	114,225
Street	1,035,644	1,018,017
Parks	585,825	377,281
Recreation	27,515	(40,615)
Senior center	127,392	118,392
Recycling center	99,157	82,336
Information technology	65,017	65,017
Property control	50,913	50,913
Golf course	638,798	309,914
Tourism development	42,474	42,474
Human resources	106,729	106,729
Other	676	676
Debt service	291,268	291,268
	\$ 9,055,671	\$ 7,607,825

Business-Type Activities

Business-type activities increased the City's net position by \$72,108. This is down from the increase received last year from the City's business-type activities. The increase in the prior year was \$499,703.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2015

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2015, were \$8,038,253. The combined fund balances are up \$379,120 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. All budgets and expenses are continually scrutinized by all department heads with every employee diligently participating in cost saving ideas and input to use every dollar wisely and ensuring careful stewardship of all City funds. The City continues to ensure we operate on a balanced budget and exceed fund reserve requirements per our bond covenants and the City's fiscal and investment policy.

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 \$4,200,310 was amended to \$4,653,448.
- The original expenditures budget of \$3,646,717 was amended to \$3,171,308.
- Budget adjustments were presented and approved by the City Council. Final amended budgeted revenues were \$44,772 below actual, and budgeted expenditures were \$58,347 below actual.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$28,974,828 (net of accumulated depreciation) as of September 30, 2015. This represents a \$345,222 decrease from the prior year. Capital assets for business-type activities were \$23,220,568 as of September 30, 2015. This represents a decrease of \$815,591 from the prior year.

Debt

Total debt of the governmental activities as of September 30, 2015, was \$11,391,672, which is down \$930,731. The debt balance is net of deferred losses on refundings. The decrease is due to principal payments made in the current year.

Total debt of the business-type activities as of September 30, 2015, was \$13,820,225, which is down \$727,099. The decrease is due to principal payments made in the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2015

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 2013 and 2014. 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 Neosho is underway as was anticipated. In FY 2015, a Love's Travel Plaza which includes two restaurants and a tire shop was completed and open for business in 2015. This brought 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. FY 2015 was a good year for Neosho in new construction and FY 2016 is projected to exceed 2015.

The City Administration also knows that it is imperative to be efficient and effective. This is done by ensuring that the City's fleet and equipment are continually updated and properly maintained. The City Administration has worked hard over the past four 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 were completed in 2015 and more projects are anticipated to be beginning in FY 2016. Assessed valuation grew by 2% to \$141.1 million in 2015. 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 12,134 in 2014. Major employers and taxpayers appear to be quite stable with more expansions noted in 2015 and other currently underway in 2016.

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 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. In October 2015, the City entered into a three year contract with Alliance Water Resources for the management of the City's water treatment and wastewater facilities. Furthermore, these improvements will ensure the efficient delivery of quality drinking water and treatment of wastewater for the City of Neosho. In addition, the City is continuing its water meter replacement program by replacing all older style meters with new radio read meters which are more accurate and efficient. The City has already experienced reduced water loss due to the installation of the new radio read meters.

The City continues to look toward the future through proper planning, budgeting, and efficiency of all City staff and resources. The City also continues to embrace and foster economic development and growth.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2015

Economic Factors and Next Year's Budget (continued)

The City realizes that the infrastructure of the city is a vital asset to the City and the quality of life that the citizens and business owners deserve. In FY 2015, the City continued to implement 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 two of this program during FY 2015 and has budgeted to complete year three in FY 2016.

Access to complete, accurate and timely information is essential to effective management of the City. Beyond improved efficiency, the City 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 City continues to strive to ensure the City Council and the citizens of Neosho are supplied with up-to-date financial information to ensure informed quality decisions are made on behalf of the City.

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 continues to maintain very strong reserves with no additional debt plans in the immediate future. Over the past four years, the City has saved the taxpayers over \$1.5 million in interest cost through refinancing City debts without adding to or extending the terms of the debts. The final changes in long-term liabilities were due to a refinancing of the city's 2006A and 2006B COP debt, allowing the City to capture lower interest rates with savings of \$739,246 total net debt service savings, net present value ("PV") savings of \$603,740 without extending the terms of the COP's payoff period.

Contacting the City's Financial Management

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

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

Troy Royer, City Manager	troyer@neoshomo.org
Daphne Pevahouse, Finance Director	dpevahouse@neoshomo.org
Dana Lytle, Interim City Clerk	dlytle@neoshomo.org

CITY OF NEOSHO, MISSOURI
STATEMENT OF NET POSITION
September 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 5,800,963	\$ 3,898,119	\$ 9,699,082
Sales tax receivable	1,002,582	-	1,002,582
Utilities receivable, net	-	383,398	383,398
Other accounts receivable	45,602	17,290	62,892
Court fines receivable, net	32,686	-	32,686
Inventory	74,065	-	74,065
Prepaid expenses	37,619	16,494	54,113
Noncurrent			
Restricted cash and cash equivalents	1,485,741	273,063	1,758,804
Net pension asset	1,995,324	597,098	2,592,422
Capital Assets:			
Non-depreciable	9,560,163	157,578	9,717,741
Depreciable, net	19,414,665	23,062,990	42,477,655
TOTAL ASSETS	39,449,410	28,406,030	67,855,440
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflow	585,529	188,612	774,141
Deferred charge on refundings	122,048	-	122,048
TOTAL DEFERRED OUTFLOWS OF RESOURCES	707,577	188,612	896,189
LIABILITIES			
Current			
Accounts payable	278,158	99,441	377,599
Accrued expenses	124,592	40,270	164,862
Accrued interest payable	129,115	68,209	197,324
Deposits held	38,255	-	38,255
Meter deposits held	-	21,953	21,953
Current maturities of long-term debt	1,086,262	747,130	1,833,392
	1,656,382	977,003	2,633,385
Noncurrent			
Capital leases payable	158,744	-	158,744
Loans payable	199,044	-	199,044
Certificates of participation payable	7,309,530	735,470	8,045,000
Bonds payable	2,600,000	12,279,100	14,879,100
Compensated absences payable	160,140	58,525	218,665
	10,427,458	13,073,095	23,500,553
TOTAL LIABILITIES	12,083,840	14,050,098	26,133,938
DEFERRED INFLOW OF RESOURCES			
Deferred pension inflow	208,363	30,010	238,373
NET POSITION			
Net investment in capital assets	17,743,296	9,458,868	27,202,164
Restricted	5,263,282	251,110	5,514,392
Unrestricted	4,858,206	4,804,556	9,662,762
TOTAL NET POSITION	\$ 27,864,784	\$ 14,514,534	\$ 42,379,318

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2015

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	\$ (1,130,097)	\$ 31,115	\$ -	\$ -	\$ (1,098,982)	\$ -	\$ (1,098,982)
Clerk/Council	(96,502)	-	-	-	(96,502)	-	(96,502)
City hall building	(421)	-	-	-	(421)	-	(421)
Auditorium	(218,060)	16,306	-	-	(201,754)	-	(201,754)
Development services	(425,748)	122,584	-	-	(303,164)	-	(303,164)
Police	(1,478,562)	220,745	52,223	8,844	(1,196,750)	-	(1,196,750)
Fire	(1,883,432)	125,020	100	-	(1,758,312)	-	(1,758,312)
Emergency management	(29,986)	-	-	-	(29,986)	-	(29,986)
Court	(106,265)	15,336	-	-	(90,929)	-	(90,929)
Airport	(500,965)	187,665	-	18,902	(294,398)	-	(294,398)
Drainage	(114,225)	-	-	-	(114,225)	-	(114,225)
Street	(1,035,644)	-	-	17,627	(1,018,017)	-	(1,018,017)
Parks	(585,825)	31,198	12,425	164,921	(377,281)	-	(377,281)
Recreation	(27,515)	68,130	-	-	40,615	-	40,615
Senior center	(127,392)	9,000	-	-	(118,392)	-	(118,392)
Recycling center	(99,157)	12,462	4,359	-	(82,336)	-	(82,336)
Information technology	(65,017)	-	-	-	(65,017)	-	(65,017)
Property control	(50,913)	-	-	-	(50,913)	-	(50,913)
Golf course	(638,798)	328,884	-	-	(309,914)	-	(309,914)
Tourism development	(42,474)	-	-	-	(42,474)	-	(42,474)
Human resources	(106,729)	-	-	-	(106,729)	-	(106,729)
Other	(676)	-	-	-	(676)	-	(676)
Debt service	(291,268)	-	-	-	(291,268)	-	(291,268)
TOTAL GOVERNMENTAL ACTIVITIES	(9,055,671)	1,168,445	69,107	210,294	(7,607,825)	-	(7,607,825)

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF ACTIVITIES (continued)
Year Ended September 30, 2015

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	(4,487,349)	4,638,994	-	-	-	151,645	151,645
TOTAL BUSINESS-TYPE ACTIVITIES	(4,487,349)	4,638,994	-	-	-	151,645	151,645
TOTAL GOVERNMENT	<u>\$ (13,543,020)</u>	<u>\$ 5,807,439</u>	<u>\$ 69,107</u>	<u>\$ 210,294</u>	(7,607,825)	151,645	(7,456,180)
General Revenues:							
Property taxes					418,835	-	418,835
Sales taxes					6,098,570	-	6,098,570
Motor vehicle and gas taxes					461,288	-	461,288
Other taxes					308,803	-	308,803
Franchise fees					813,084	-	813,084
Interest					17,184	10,913	28,097
Other revenue					56,244	6,774	63,018
Gain on sale of property					6,000	-	6,000
Transfers					97,224	(97,224)	-
Total General Revenues and Transfers					8,277,232	(79,537)	8,197,695
Changes in Net Position					669,407	72,108	741,515
Net Position, Beginning of year, as restated					27,195,377	14,442,426	41,637,803
Net Position, End of year					<u>\$ 27,864,784</u>	<u>\$ 14,514,534</u>	<u>\$ 42,379,318</u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2015

	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	\$ 1,520,538	\$ 330,160	\$ -	\$ 520,686	\$ -	\$ 1,999,103	\$ 1,217,814	\$ 5,588,301
Taxes receivable	393,068	-	-	136,980	91,320	61,592	319,622	1,002,582
Other accounts receivable	40,365	-	5,237	-	-	-	-	45,602
Court fines receivable, net	32,686	-	-	-	-	-	-	32,686
Inventory	74,065	-	-	-	-	-	-	74,065
Prepaid expenses	20,985	-	1,691	3,965	10,978	-	-	37,619
Restricted cash and cash equivalents	32,543	-	-	-	-	-	1,453,198	1,485,741
TOTAL ASSETS	\$ 2,114,250	\$ 330,160	\$ 6,928	\$ 661,631	\$ 102,298	\$ 2,060,695	\$ 2,990,634	\$ 8,266,596
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 29,134	\$ -	\$ 2,569	\$ 18,846	\$ 1,745	\$ -	\$ 13,202	\$ 65,496
Accrued expenses	75,269	-	-	9,549	39,699	-	75	124,592
Deposits held	14,089	-	-	-	-	-	24,166	38,255
TOTAL LIABILITIES	118,492	-	2,569	28,395	41,444	-	37,443	228,343

See accompanying notes.

CITY OF NEOSHO, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
September 30, 2015

	Special Revenue Funds						Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Hotel/ Motel Tax Fund	Golf Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund		
Fund Balance								
Nonspendable:								
Parks	-	-	-	-	-	-	53,497	53,497
Inventory	74,065	-	-	-	-	-	-	74,065
Prepaid items	20,985	-	1,691	3,965	10,978	-	-	37,619
Restricted for:								
Public safety	-	-	-	-	-	-	4,742	4,742
Drainage	-	-	-	-	-	-	676,342	676,342
Auditorium	-	-	-	-	-	-	35,972	35,972
Streets	-	-	-	629,271	-	-	-	629,271
Economic development	-	-	-	-	-	-	76,576	76,576
Street and bridge	-	-	-	-	-	-	20,844	20,844
Tourism development	-	330,160	-	-	-	-	-	330,160
TIF	-	-	-	-	-	2,060,695	-	2,060,695
Debt service	-	-	-	-	-	-	1,428,680	1,428,680
Assigned to:								
Drainage	-	-	-	-	-	-	5,773	5,773
Public safety	-	-	-	-	49,876	-	-	49,876
Parks and recreation	-	-	-	-	-	-	345,017	345,017
Auditorium	-	-	-	-	-	-	47,856	47,856
Senior center	-	-	-	-	-	-	20,445	20,445
Economic development	-	-	-	-	-	-	94,814	94,814
Golf course	-	-	2,668	-	-	-	-	2,668
Street and bridge	-	-	-	-	-	-	142,633	142,633
Unassigned	1,900,708	-	-	-	-	-	-	1,900,708
TOTAL FUND BALANCES	1,995,758	330,160	4,359	633,236	60,854	2,060,695	2,953,191	8,038,253
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,114,250	\$ 330,160	\$ 6,928	\$ 661,631	\$ 102,298	\$ 2,060,695	\$ 2,990,634	\$ 8,266,596

See accompanying notes.

CITY OF NEOSHO, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF
 NET POSITION
 September 30, 2015

Fund balance - total governmental funds	\$ 8,038,253
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	57,869,942
Less accumulated depreciation	<u>(28,895,114)</u>
	28,974,828
The net pension asset and deferred costs are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Net pension asset	1,995,324
Deferred outflows due to pensions	585,529
Deferred inflows due to pensions	<u>(208,363)</u>
	2,372,490
Interest on long-term debt is not accrued in governmental funds, A1 but rather is recognized as an expenditure when due	(129,115)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(11,391,672)</u>
Net Position of Governmental Activities	<u>\$ 27,864,784</u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended September 30, 2015

	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	\$ 3,749,237	\$ 80,628	\$ -	\$ 1,344,418	\$ 588,658	\$ 280,373	\$ 2,057,267	\$ 8,100,581
Licenses and permits	114,034	-	-	-	-	-	-	114,034
Intergovernmental revenues	220,158	-	-	17,627	-	-	19,593	257,378
Charges for services	212,379	-	328,884	-	125,020	-	128,019	794,302
Fines and forfeitures	216,464	-	-	-	-	-	-	216,464
Donations and other contributions	-	-	-	-	-	-	11,998	11,998
Miscellaneous	96,404	876	8,441	4,114	2,144	5,031	10,087	127,097
TOTAL REVENUES	4,608,676	81,504	337,325	1,366,159	715,822	285,404	2,226,964	9,621,854
EXPENDITURES								
Current								
Administrative	518,180	-	-	-	-	-	-	518,180
Clerk/Council	90,753	-	-	-	-	-	-	90,753
Auditorium	-	-	-	-	-	-	79,958	79,958
Development services	456,556	-	-	-	-	-	-	456,556
Police	1,371,024	-	-	-	-	-	27,652	1,398,676
Fire	-	-	-	-	1,653,658	-	-	1,653,658
Emergency management	13,706	-	-	-	-	-	-	13,706
Court	97,493	-	-	-	-	-	-	97,493
Airport	241,352	-	-	-	-	-	-	241,352
Drainage	-	-	-	-	-	-	92,102	92,102
Street	-	-	-	1,186,728	-	-	-	1,186,728
Parks and recreation	-	-	-	-	-	-	518,634	518,634
Recreation	21,309	-	-	-	-	-	-	21,309
Senior center	-	-	-	-	-	-	108,095	108,095
Recycling center	90,305	-	-	-	-	-	-	90,305
Information technology	64,176	-	-	-	-	-	-	64,176
Property control	50,913	-	-	-	-	-	-	50,913
Human resources	97,194	-	-	-	-	-	-	97,194
Golf course	-	-	471,373	-	-	-	-	471,373
Tourism development	-	42,474	-	-	-	-	-	42,474
Other	-	-	-	-	-	-	676	676
Debt Service								
Principal and interest	-	-	-	-	-	-	1,226,130	1,226,130
TOTAL EXPENDITURES	3,112,961	42,474	471,373	1,186,728	1,653,658	-	2,053,247	8,520,441

See accompanying notes.

CITY OF NEOSHO, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)
 Year Ended September 30, 2015

	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	1,495,715	39,030	(134,048)	179,431	(937,836)	285,404	173,717	1,101,413
OTHER FINANCING SOURCES (USES)								
Operating transfers in (out)	(1,805,045)	(51,361)	135,722	(259,834)	960,923	207,027	84,275	(728,293)
Sale of assets	6,000	-	-	-	-	-	-	6,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,799,045)</u>	<u>(51,361)</u>	<u>135,722</u>	<u>(259,834)</u>	<u>960,923</u>	<u>207,027</u>	<u>84,275</u>	<u>(722,293)</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(303,330)	(12,331)	1,674	(80,403)	23,087	492,431	257,992	379,120
FUND BALANCE, October 1	<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>
FUND BALANCE, September 30	<u>\$ 1,995,758</u>	<u>\$ 330,160</u>	<u>\$ 4,359</u>	<u>\$ 633,236</u>	<u>\$ 60,854</u>	<u>\$ 2,060,695</u>	<u>\$ 2,953,191</u>	<u>\$ 8,038,253</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, 2015

Net change in fund balances - total governmental funds \$ 379,120

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 depreciation exceeded capital outlay for the year.

Capital outlay	991,885
Depreciation	(1,337,107)
	<u>(345,222)</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	924,767
Change in accrued interest payable	10,095
	<u>934,862</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Change in pension related costs	(291,374)
Change in compensated absences	5,964
	<u>(285,410)</u>

Change in Net Position of Governmental Activities	<u>\$ 669,407</u>
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See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
September 30, 2015

	Water and Sewer Fund	Internal Service Fund
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,898,119	\$ 212,662
Utilities receivable, net	383,398	-
Other accounts receivable	17,290	-
Prepaid expenses	16,494	-
TOTAL CURRENT ASSETS	4,315,301	212,662
Noncurrent Assets		
Restricted cash and cash equivalents	273,063	-
Net pension asset	597,098	-
Capital assets:		
Nondepreciable	157,578	-
Depreciable, net	23,062,990	-
TOTAL NONCURRENT ASSETS	24,090,729	-
TOTAL ASSETS	28,406,030	212,662
DEFERRED OUTFLOW OF RESOURCES		
Deferred pension outflow	188,612	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	188,612	-
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	28,594,642	212,662
LIABILITIES		
Current Liabilities		
Accounts payable	99,441	212,662
Accrued expenses	40,270	-
Accrued interest payable	68,209	-
Meter deposits payable	21,953	-
Current maturities of long-term debt	747,130	-
TOTAL CURRENT LIABILITIES	977,003	212,662
Long-Term Liabilities		
Certificates of participation	735,470	-
Revenue bonds payable	12,279,100	-
Compensated absences payable	58,525	-
TOTAL LONG-TERM LIABILITES	13,073,095	-
TOTAL LIABILITIES	14,050,098	212,662
DEFERRED INFLOW OF RESOURCES		
Deferred pension inflow	30,010	-
NET POSITION		
Net investment in capital assets	9,458,868	-
Restricted for debt service	251,110	-
Unrestricted	4,804,556	-
TOTAL NET POSITION	\$ 14,514,534	\$ -

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY
FUNDS
Year Ended September 30, 2015

	Water and Sewer Fund	Internal Service Fund
	<u> </u>	<u> </u>
OPERATING REVENUES		
Charges for services		
Water and sewer	\$ 4,638,994	\$ -
Insurance contributions	-	650,997
	<u>4,638,994</u>	<u>650,997</u>
TOTAL OPERATING REVENUES	4,638,994	650,997
OPERATING EXPENSES		
Personnel services	1,408,881	-
Contractual services	555,211	-
Repairs and maintenance	324,860	-
Supplies	234,689	-
Utilities	572,169	-
Insurance	77,893	-
Capital expenses	16,514	-
Depreciation	977,904	-
Miscellaneous	8,673	-
Insurance claims and premiums	-	1,163,894
Administrative fees	-	326,563
	<u>4,176,794</u>	<u>1,490,457</u>
TOTAL OPERATING EXPENSES	4,176,794	1,490,457
OPERATING INCOME (LOSS)	462,200	(839,460)
NONOPERATING REVENUES (EXPENSES)		
Interest income	10,913	-
Other revenue	6,774	-
Interest expense	(310,555)	-
	<u>(292,868)</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	(292,868)	-
INCOME (LOSS) BEFORE OPERATING TRANSFERS	169,332	(839,460)
OPERATING TRANSFERS IN (OUT)	<u>(97,224)</u>	<u>825,517</u>
NET INCOME (LOSS)	72,108	(13,943)
NET POSITION, October 1, as restated	<u>14,442,426</u>	<u>13,943</u>
NET POSITION, September 30	<u>\$ 14,514,534</u>	<u>\$ -</u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended September 30, 2015

	Water and Sewer Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,646,140	\$ 650,997
Cash paid to suppliers	(1,788,147)	(1,286,203)
Cash paid to employees	(1,307,579)	-
Other cash received for nonoperating revenues	6,774	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,557,188	(635,206)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers (to) from other funds	(97,224)	825,517
Repayment of loans from other funds	79,541	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(17,683)	825,517
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	(162,313)	-
Payment of principal on leases	(65,000)	-
Payment of principal on bonds	(658,743)	-
Payment of interest expense	(314,343)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,200,399)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	10,913	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	10,913	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	350,019	190,311
CASH AND CASH EQUIVALENTS, Beginning of year	3,821,163	22,351
CASH AND CASH EQUIVALENTS, End of year	4,171,182	212,662
LESS RESTRICTED CASH AND CASH EQUIVALENTS	(273,063)	-
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u>\$ 3,898,119</u>	<u>\$ 212,662</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 462,200	\$ (839,460)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	977,904	-
(Increase) decrease in:		
Utilities receivable	8,895	-
Net pension asset	232,182	-
Deferred pension outflow	(108,034)	-
Increase (decrease) in:		
Accounts payable	1,862	204,254
Accrued expenses	(27,927)	-
Meter deposits payable	(1,749)	-
Deferred pension inflow	8,437	-
Compensated absences	(3,356)	-
Other cash received for nonoperating revenues	6,774	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,557,188	\$ (635,206)

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 council. 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:

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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 Council 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.

Deferred Outflow/Inflow of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the City has two items that qualify for reporting in this category, deferred amounts relating to employer contributions to the retirement plan and deferred amounts relating to debt refunding.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category, deferred pension inflow relating to the retirement plan. These amounts are recognized as an inflow of resources in the period that the amounts become available.

Pensions

For purposes of measuring the net pension asset, deferred outflow of resources and deferred inflow of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to / deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

New Pronouncement

The Government Accounting Standards Board (GASB) issued Statement No. 68 – *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for reporting periods beginning after June 15, 2014. The statement establishes standards for measuring and recognizing assets and liabilities, deferred inflow and outflow of resources, and expenses relating to pensions, note disclosures, and required supplementary information. The City adopted GASB Statement Nos. 68 and 71 for the year ended September 30, 2015.

Certain October 1, 2014, amounts have been reclassified to the September 30, 2015, presentation.

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, 2015, all bank balances on deposit were entirely insured or collateralized.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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	\$ 6,838
Police evidence	11,616
Deposits held	14,089
	<u>\$ 32,543</u>
NONMAJOR GOVERNMENTAL FUNDS	
Auditorium deposits held	\$ 14,166
Economic development deposit held	10,000
Police donations	988
Skate park donations	104
2006A COP reserve trust fund	521,665
2006B COP reserve trust fund	36,500
2012A/B COP revenue trust fund	1,199
2012A/B COP reserve trust fund	42,501
2013 Bond investment escrow account	14,155
2013 Bond reserve trust fund	292,666
2014A Lease revenue fund	38,756
2014A Reserve	303,500
2014B Lease revenue fund	176,998
	<u>\$ 1,453,198</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE C – RESTRICTED CASH AND CASH EQUIVALENTS (continued)

Water and Sewer Fund

Restricted assets and restricted net position consist of the following at September 30, 2015:

	Restricted Cash and Cash Equivalents	Restricted Net Position
	<u> </u>	<u> </u>
WATER AND SEWER FUND		
Meter deposits	\$ 21,953	\$ -
1992B Bond principal trust fund	5,625	5,625
2009B Bond principal and interest trust funds	80,211	80,211
2011 Bond principal and interest trust funds	134,769	134,769
2012A COP reserve trust fund	30,505	30,505
	<u>\$ 273,063</u>	<u>\$ 251,110</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>2014</u>
Assessed Valuation	
Real estate	\$ 107,426,854
Personal property	33,299,990
	<u> </u>
	TOTAL <u>\$ 140,726,844</u>
Tax Rate Per \$100 of Assessed Valuation	
General Fund (Real Property)	<u>\$.4043</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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

The legal debt margin at September 30, 2015, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 14,072,684	\$ 14,072,684	\$ 28,145,368
General Obligation Bonds payable	-	-	-
LEGAL DEBT MARGIN	\$ 14,072,684	\$ 14,072,684	\$ 28,145,368

(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	\$ 393,068	\$ -	\$ 393,068
Street Sales Tax Fund	136,980	-	136,980
Fire Sales Tax Fund	91,320	-	91,320
Tax Increment Financing Fund	61,592	-	61,592
Nonmajor Governmental Funds	319,622	-	319,622
	\$ 1,002,582	\$ -	\$ 1,002,582

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE E – ACCOUNTS RECEIVABLE (continued)

	Gross Receivable	Allowance	Net Receivable
UTILITIES RECEIVABLE			
Water and Sewer Fund	\$ 392,101	\$ 8,703	\$ 383,398
OTHER ACCOUNTS RECEIVABLE			
General Fund	\$ 40,365	\$ -	\$ 40,365
Golf Fund	5,237	-	5,237
Water and Sewer Fund	17,290	-	17,290
	<u>\$ 62,892</u>	<u>\$ -</u>	<u>\$ 62,892</u>
COURT FINES RECEIVABLE			
General Fund	\$ 228,454	\$ 195,768	\$ 32,686

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

The business-type activities long-term debt at September 30, 2015, consists of the 2011 and 2009B revenue bond issues, portions of the 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, 2015, all of the bonds have been issued. Bonds outstanding at September 30, 2015, are due as follows:

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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

Year Ended September 30,	Principal	Interest	Total
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>\$ 8,547,000</u>	<u>\$ 1,227,366</u>	<u>\$ 9,774,366</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, 2015, are due as follows:

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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

Year Ended September 30,	Principal	Interest	Total
2016	\$ 255,600	\$ 65,475	\$ 321,075
2017	260,600	61,597	322,197
2018	265,700	57,642	323,342
2019	270,900	53,611	324,511
2020	276,100	49,501	325,601
2021	281,500	45,311	326,811
2022	287,000	41,040	328,040
2023	292,600	36,685	329,285
2024	298,300	32,246	330,546
2025	304,100	27,720	331,820
2026	310,100	23,105	333,205
2027	316,100	18,400	334,500
2028	322,300	13,604	335,904
2029	328,600	8,714	337,314
2030	330,200	3,727	333,927
	<u>\$ 4,399,700</u>	<u>\$ 538,378</u>	<u>\$ 4,938,078</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, 2015, are due as follows:

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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

Year Ended September 30,	Principal	Interest	Total
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>\$ 47,081</u>	<u>\$ 367,081</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, 2015

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, 2015, is as follows:

	Balance September 30, 2014	Additions	Retirements	Balance September 30, 2015	Amounts Due Within One Year
Revenue Bonds					
2009B Revenue Bonds -ARRA					
Direct Loan Program	\$ 4,650,300	\$ -	\$ 250,600	\$ 4,399,700	\$ 255,600
2011 Revenue Bonds - Direct					
Loan Program	8,955,143	-	408,143	8,547,000	412,000
Certificates of Participation					
2006A Certificates of Participation	575,000	-	65,000	510,000	70,000
2012A Certificates of Participation	305,000	-	-	305,000	9,530
Compensated Absences Payable	61,881	-	3,356	58,525	-
TOTAL	<u>\$ 14,547,324</u>	<u>\$ -</u>	<u>\$ 727,099</u>	<u>\$ 13,820,225</u>	<u>\$ 747,130</u>

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at September 30, 2015, consists of two capital lease obligations; portions of the 2006A and 2012A certificates of participation; the 2006B, 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, 2015

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, 2015, are as follows:

Year Ended September 30,	Golf Carts	Fire Truck	Total
2016	\$ 31,390	\$ 72,939	\$ 104,329
2017	18,311	72,939	91,250
2018	-	72,939	72,939
TOTAL MINIMUM LEASE PAYMENTS	49,701	218,817	268,518
LESS AMOUNT REPRESENTING INTEREST	(1,490)	(7,847)	(9,337)
PRINCIPAL BALANCE, SEPTEMBER 30, 2015	<u>\$ 48,211</u>	<u>\$ 210,970</u>	<u>\$ 259,181</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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, 2015, are due as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 3,725,000</u>	<u>\$ 629,540</u>	<u>\$ 4,354,540</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, 2015, are due as follows:

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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

Year Ended September 30,	Principal	Interest	Total
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>\$ 4,710,000</u>	<u>\$ 1,912,965</u>	<u>\$ 6,622,965</u>

Amount recorded in:

Water and Sewer Fund/Business-Type Activities	\$ 510,000
Governmental Activities	<u>4,200,000</u>
TOTAL	<u>\$ 4,710,000</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, 2015, are due as follows:

Year Ended September 30,	Principal	Interest	Total
2016	<u>\$ 75,000</u>	<u>\$ 1,500</u>	<u>\$ 76,500</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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

Bonds

On April 2, 2013, the City issued \$3,145,000 in Series 2013 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, 2015, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,785,000</u>	<u>\$ 600,567</u>	<u>\$ 3,385,567</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%.

The annual loan payments required at September 30, 2015, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 95,355	\$ 8,483	\$ 103,838
2017	98,114	5,735	103,849
2018	100,930	2,908	103,838
	<u>\$ 294,399</u>	<u>\$ 17,126</u>	<u>\$ 311,525</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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

A summary of the changes in long-term debt – governmental activities for the year ended September 30, 2015, is as follows:

	Balance September 30, 2014	Additions	Retirements	Balance September 30, 2015	Amounts Due Within One Year
Capital Lease Obligations					
2012 Golf carts	\$ 77,246	\$ -	\$ 29,035	\$ 48,211	\$ 30,121
Fire truck	<u>278,757</u>	<u>-</u>	<u>67,787</u>	<u>210,970</u>	<u>70,316</u>
	356,003	-	96,822	259,181	100,437
Loan Obligation					
2008 STAR loan	387,116	-	92,717	294,399	95,355
Certificates of Participation					
Series 2006A	4,165,000	-	255,000	3,910,000	240,000
Series 2006B	315,000	-	25,000	290,000	30,000
Series 2012A	15,000	-	-	15,000	470
Series 2012B	185,000	-	110,000	75,000	75,000
Series 2014A	3,035,000	-	175,000	2,860,000	190,000
Series 2014B	<u>865,000</u>	<u>-</u>	<u>-</u>	<u>865,000</u>	<u>170,000</u>
	8,580,000	-	565,000	8,015,000	705,470
Less: Deferred loss on debt refunding	<u>(131,820)</u>	<u>-</u>	<u>(9,772)</u>	<u>(122,048)</u>	<u>-</u>
	8,448,180	-	555,228	7,892,952	705,470
Special Obligation Refunding Bonds					
Series 2013	2,965,000	-	180,000	2,785,000	185,000
Compensated absences payable	<u>166,104</u>	<u>-</u>	<u>5,964</u>	<u>160,140</u>	<u>-</u>
TOTAL	<u>\$ 12,322,403</u>	<u>\$ -</u>	<u>\$ 930,731</u>	<u>\$ 11,391,672</u>	<u>\$ 1,086,262</u>

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance September 30, 2014	Additions	Deletions	Balance September 30, 2015
	<u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>2015</u>
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
Depreciable Capital Assets:				
Land improvements	624,251	\$ -	\$ -	624,251
Building and improvements	10,098,876	94,818	-	10,193,694
Machinery and equipment	5,624,616	313,982	15,772	5,922,826
Golf course infrastructure	3,373,207	-	-	3,373,207
Infrastructure	27,612,716	583,085	-	28,195,801
Total Depreciable Capital Assets	47,333,666	<u>\$ 991,885</u>	<u>\$ 15,772</u>	48,309,779
Less Accumulated Depreciation	27,573,779	<u>\$ 1,337,107</u>	<u>\$ 15,772</u>	28,895,114
Total Depreciable Capital Assets, Net	<u>19,759,887</u>			<u>19,414,665</u>
Total Capital Assets - Governmental Activities, Net	<u>\$ 29,320,050</u>			<u>\$ 28,974,828</u>

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE H – CAPITAL ASSETS (continued)

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

Administration	\$ 65,652
Auditorium	137,681
Building inspection	3,172
Police	43,947
Fire	45,046
Emergency management	16,280
Recycling	3,944
Senior center	21,239
Golf course	174,067
Court	1,200
Airport	261,785
Parks	63,982
Recreation	6,206
Drainage	14,831
Street	478,075
	<u>478,075</u>
	<u>\$ 1,337,107</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2014	Additions	Deletions	Balance September 30, 2015
Business-Type Activities				
Water and Sewer				
Non-Depreciable Capital Assets:				
Land	\$ 157,578	\$ -	\$ -	\$ 157,578
Total Non-Depreciable Capital Assets	157,578	\$ -	\$ -	157,578
Depreciable Capital Assets:				
Buildings	163,900	\$ -	\$ -	163,900
Water plant and equipment	13,753,111	52,413	-	13,805,524
Sewer plant and equipment	27,240,911	109,900	49,535	27,301,276
Total Depreciable Capital Assets	41,157,922	\$ 162,313	\$ 49,535	41,270,700
Less Accumulated Depreciation	17,279,341	\$ 977,904	\$ 49,535	18,207,710
Total Depreciable Capital Assets, Net	23,878,581			23,062,990
Total Capital Assets - Business-Type Activities, Net	\$ 24,036,159			\$ 23,220,568

NOTE I – EMPLOYEE PENSION PLAN

General Information about the Pension Plan

Plan Description. The City’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

Benefits Provided. LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

	<u>2015 Valuation</u>
Benefit Multiplier	1.50% for life, plus 0.50% to age 65
Final Average Salary	3 Years
Member Contributions	0%

Benefit terms provide for annual post retirement adjustments to each member’s retirement allowance subsequent to the member’s retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees Covered by Benefit Terms. At June 30, 2015, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	52	14	13	79
Inactive employees entitled to but not yet receiving benefits	36	14	8	58
Active employees	<u>63</u>	<u>16</u>	<u>23</u>	<u>102</u>
	<u>151</u>	<u>44</u>	<u>44</u>	<u>239</u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year. With an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 7.5% (General), 4.9% (Police), and 12.0% (Fire) of annual covered payroll.

Net Pension Asset. The employer’s net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 28, 2015.

NOTE I – EMPLOYEE PENSION PLAN (continued)

Actuarial Assumptions. The total pension liability in the February 28, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5% wage inflation; 3.0% price inflation
Salary Increase	3.5% to 6.8% including wage inflation for general and police 3.5% to 8.6% including wage inflation for fire
Investment rate of return	7.25%, net of investment and administrative expenses

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 3 years for both males and females.

The actuarial assumptions used in the February 28, 2015, valuation were based on the results of an actuarial experience study for the period March 1, 2005, through February 28, 2010.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	48.50%	5.50%
Fixed Income	25.00%	2.25%
Real Assets	20.00%	4.50%
Strategic Assets	6.50%	7.50%

Discount Rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)
	(a)	(b)	(a) - (b)
<i>General Division</i>			
Balances at June 30, 2014	\$ 6,743,862	\$ 8,450,200	\$ (1,706,338)
Changes for the year:			
Service Cost	205,271	-	205,271
Interest	484,219	-	484,219
Difference between expected and actual experiences	(80,891)	-	(80,891)
Contributions - employer	-	165,797	(165,797)
Net investment income	-	159,987	(159,987)
Benefits paid, including refunds	(337,548)	(337,548)	-
Administrative expenses	-	(12,303)	12,303
Other changes	-	(182,622)	182,622
Net Changes	271,051	(206,689)	477,740
Balances at June 30, 2015	7,014,913	8,243,511	(1,228,598)
<i>Police Division</i>			
Balances at June 30, 2014	2,450,005	3,339,211	(889,206)
Changes for the year:			
Service Cost	73,659	-	73,659
Interest	176,227	-	176,227
Difference between expected and actual experiences	(138,913)	-	(138,913)
Contributions - employer	-	41,482	(41,482)
Net investment income	-	66,578	(66,578)
Benefits paid, including refunds	(112,915)	(112,915)	-
Administrative expenses	-	(3,542)	3,542
Other changes	-	(92,135)	92,135
Net Changes	(1,942)	(100,532)	98,590
Balances at June 30, 2015	2,448,063	3,238,679	(790,616)

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)
	(a)	(b)	(a) - (b)
<i>Fire Division</i>			
Balances at June 30, 2014	4,359,830	5,085,457	(725,627)
Changes for the year:			
Service Cost	120,531	-	120,531
Interest	313,930	-	313,930
Difference between expected and actual experiences	(75,194)	-	(75,194)
Contributions - employer	-	109,814	(109,814)
Net investment income	-	96,724	(96,724)
Benefits paid, including refunds	(181,107)	(181,107)	-
Administrative expenses	-	(4,101)	4,101
Other changes	-	4,411	(4,411)
Net Changes	178,160	25,741	152,419
Balances at June 30, 2015	4,537,990	5,111,198	(573,208)
Total Plan Balances at June 30, 2015	<u>\$ 14,000,966</u>	<u>\$ 16,593,388</u>	<u>\$ (2,592,422)</u>

Sensitivity of the Net Pension Asset to Changes in the Discount Rate. The following present the Net Pension Asset of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Asset would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
<i>General Division</i>			
Total Pension Liability	\$ 8,001,794	\$ 7,014,913	\$ 6,204,642
Fiduciary Net Position	8,243,511	8,243,511	8,243,511
Net Pension (Asset)	(241,717)	(1,228,598)	(2,038,869)
<i>Police Division</i>			
Total Pension Liability	2,869,395	2,448,063	2,107,923
Fiduciary Net Position	3,238,679	3,238,679	3,238,679
Net Pension (Asset)	(369,284)	(790,616)	(1,130,756)
<i>Fire Division</i>			
Total Pension Liability	5,197,276	4,537,990	3,993,403
Fiduciary Net Position	5,111,198	5,111,198	5,111,198
Net Pension Liability (Asset)	86,078	(573,208)	(1,117,795)
Total Net Pension (Asset)	<u>\$ (524,923)</u>	<u>\$ (2,592,422)</u>	<u>\$ (4,287,420)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended 2015, the employer recognized pension expense of \$309,223 in the general division, \$101,751 in the police division, and \$84,247 in the fire division. The employer reported deferred outflows and inflows of resources related to pensions from the following sources.

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
<i>General Division</i>			
Differences in experiences	\$ -	\$ (61,749)	\$ (61,749)
Excess (deficit) investment returns	351,674	-	351,674
Contributions subsequent to the measurement date*	36,415	-	36,415
	<u>388,089</u>	<u>(61,749)</u>	<u>326,340</u>
<i>Police Division</i>			
Differences in experiences	-	(110,322)	(110,322)
Excess (deficit) investment returns	135,650	-	135,650
Contributions subsequent to the measurement date*	9,050	-	9,050
	<u>144,700</u>	<u>(110,322)</u>	<u>34,378</u>
<i>Fire Division</i>			
Differences in experiences	-	(66,302)	(66,302)
Excess (deficit) investment returns	215,555	-	215,555
Contributions subsequent to the measurement date*	25,797	-	25,797
	<u>241,352</u>	<u>(66,302)</u>	<u>175,050</u>
Total	<u>\$ 774,141</u>	<u>\$ (238,373)</u>	<u>\$ 535,768</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an addition in the Net Pension Asset for the year ending September 30, 2016.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	General Net Deferred Outflow of Resources	Police Net Deferred Outflow of Resources	Fire Net Deferred Outflow of Resources	Total Net Deferred Outflow of Resources
2016	\$ 68,777	\$ 5,322	\$ 44,997	\$ 119,096
2017	68,777	5,322	44,997	119,096
2018	68,777	5,322	44,997	119,096
2019	83,594	9,362	44,996	137,952
2020	-	-	(8,892)	(8,892)
Thereafter	-	-	(21,842)	(21,842)
Total	\$ 289,925	\$ 25,328	\$ 149,253	\$ 464,506

Payable to the Pension Plan

At September 30, 2015, the City had no outstanding amounts of contributions to the pension plan required for the year ended September 30, 2015, therefore no payable was reported.

NOTE J – RESTATEMENT

Net position as of October 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

	Governmental Activities	Business-Type Activities	Total Funds
NET POSITION, as previously stated September 30, 2014	\$ 24,531,513	\$ 13,554,141	\$ 38,085,654
Deferred pension outflows	236,515	80,578	317,093
Deferred pension inflows	(64,542)	(21,573)	(86,115)
Net pension asset	2,491,891	829,280	3,321,171
NET POSITION, as restated October 1, 2014	\$ 27,195,377	\$ 14,442,426	\$ 41,637,803

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE K – 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 L – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2015, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 63,660	\$ 1,868,705
Hotel/Motel Tax Fund	-	51,361
Golf Fund	404,093	268,371
Street Sales Tax Fund	90,824	350,658
Fire Sales Tax Fund	1,105,249	144,326
Tax Increment Financing Fund	310,911	103,884
Drainage Sales Tax Fund	-	137,887
Parks Sales Tax Fund	102,997	362,372
Auditorium Fund	-	339,985
Senior Center Sales Tax Fund	4,756	80,404
Economic Development Sales Tax Fund	31,409	297,568
Street/Bridge Sales Tax Fund	-	273,448
2014 COP Fund	446,040	-
2013 Bond Fund	257,903	-
2012 COP Fund	114,480	-
2007 Bond Fund	800	-
2006 COP Fund	513,727	-
Star Loan Fund	103,827	-
Water and Sewer Fund	-	97,224
Internal Service Fund	825,517	-
	<u>\$ 4,376,193</u>	<u>\$ 4,376,193</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE L – INTERFUND TRANSFERS (continued)

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

NOTE M – 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, 2015, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

NOTE 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, 2015, 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 \$209,008. Changes in the estimated benefit obligation during the past year are as follows:

Estimated Benefit Obligation, beginning of year	\$ 106,101
Claims incurred	1,057,792
Claims paid	<u>(954,885)</u>
Estimated Benefit Obligation, end of year	<u><u>\$ 209,008</u></u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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.

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

	Balance September 30, 2014	Additions	Current Amortization	Balance September 30, 2015
Governmental Activities	\$ 131,820	\$ -	\$ (9,772)	\$ 122,048

NOTE P – COMMITMENTS

At September 30, 2015, the City was committed to Alliance Water Resource, Inc. for professional services which include providing management, operation, and maintenance services for the water and wastewater systems in the amount of \$995,808 for fiscal year 2016 and \$995,808 for fiscal year 2017.

NOTE Q – SUBSEQUENT EVENTS

On October 6, 2015, the City signed an agreement with Comprehensive Facility Services, LLC in the amount of \$45,604 for the Civic Auditorium lighting update project.

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE Q – SUBSEQUENT EVENTS (continued)

On January 5, 2016, the Council approved the sale of refunding Certificates of Participation in order to refinance the Series 2006A and 2006B Certificates of Participation.

On January 7, 2016, the City signed a contract with Polston Constructions in the amount of \$102,670 for a sewer extension project.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEOSHO, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
Year Ended September 30, 2015

Missouri Local Government Employees Retirement System (LAGERS)

	June 30, 2015
TOTAL PENSION LIABILITY	
Service Cost	\$ 399,461
Interest on the Total Pension Liability	974,376
Difference between expected and actual experience	(294,998)
Benefit payments including refunds	(631,570)
	<hr/>
NET CHANGE IN TOTAL PENSION LIABILITY	447,269
TOTAL PENSION LIABILITY, BEGINNING	13,553,697
	<hr/>
TOTAL PENSION LIABILITY, ENDING	14,000,966
PLAN FIDUCIARY NET POSITION	
Contributions - employer	317,093
Pension Plan Net Investment Income	323,289
Benefit payments, including refunds	(631,570)
Pension Plan Administrative Expense	(19,946)
Other	(270,346)
	<hr/>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(281,480)
PLAN FIDUCIARY NET POSITION, BEGINNING	16,874,868
	<hr/>
PLAN FIDUCIARY NET POSITION, ENDING	16,593,388
	<hr/>
EMPLOYER NET PENSION (ASSET)	\$ (2,592,422)
	<hr/> <hr/>
Plan fiduciary net position as a percentage of the total pension liability	118.52%
Covered employee payroll	\$ 3,553,838
Employer's net pension asset as a percentage of covered employee payroll	72.95%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF NEOSHO, MISSOURI
 SCHEDULE OF CONTRIBUTIONS
 Year Ended September 30, 2015

**Missouri Local Government Employees Retirement System (LAGERS)
 Schedule of Contributions
 Last 10 Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 312,806	\$ 327,508	\$ 350,617	\$ 312,365	\$ 308,754	\$ 341,256	\$ 413,655	\$ 409,298	\$ 188,247	\$ 160,418
Contributions in relation to the actuarially determined contribution	<u>312,806</u>	<u>327,508</u>	<u>350,617</u>	<u>308,288</u>	<u>287,073</u>	<u>341,256</u>	<u>413,655</u>	<u>408,386</u>	<u>362,637</u>	<u>293,570</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,077</u>	<u>\$ 21,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 912</u>	<u>\$ (174,390)</u>	<u>\$ (133,152)</u>
Covered-employee payroll	\$ 3,682,580	\$ 3,694,022	\$ 3,398,859	\$ 2,852,638	\$ 2,682,657	\$ 3,537,480	\$ 4,029,011	\$ 3,788,645	\$ 3,528,555	\$ 3,243,481
Contributions as a percentage of covered-employee payroll	8.49%	8.87%	10.32%	10.81%	10.70%	9.65%	10.27%	10.78%	10.28%	9.05%

CITY OF NEOSHO, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
Year Ended September 30, 2015

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: February 28, 2015.

Notes: The roll-forward of total pension liability from February 28, 2015, to June 30, 2015, reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method – Entry Age Normal

Amortization Method – Level Percentage of Payroll, Closed

Remaining Amortization Period – Multiple bases from 14 to 20 years

Asset Valuation Method – 5-Year smoothed market; 20% corridor

Inflation – 3.5% wage inflation; 3.0% price inflation

Salary Increases – 3.5% to 6.8% including wage inflation for the general and police division
3.5% to 8.6% including wage inflation for the fire division

Investment Rate of Return – 7.25%, net of investment and administrative expenses

Retirement Age – Experience-based table of rates that are specific to the type of eligibility condition

Mortality – 105% of the 1994 Group Annuity Mortality Table set back 0 years for men and 0 years for women. Based upon experience observed during the most recent 5-year period study, it appears that the current table provides for an approximate 13% margin for future mortality improvement.

Other Information – None

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Property tax	\$ 410,000	\$ 418,150	\$ 418,835	\$ 685
City sales tax	2,013,480	2,474,432	2,454,087	(20,345)
Financial institution tax	5,200	5,200	5,939	739
Utility franchise tax	665,000	813,084	813,084	-
Cigarette tax	60,000	60,000	57,292	(2,708)
	<u>3,153,680</u>	<u>3,770,866</u>	<u>3,749,237</u>	<u>(21,629)</u>
Licenses and Permits				
Occupational licenses	25,000	31,115	31,115	-
Building permits	36,000	81,053	81,052	(1)
Animal licenses and fees	2,500	1,867	1,867	-
	<u>63,500</u>	<u>114,035</u>	<u>114,034</u>	<u>(1)</u>
Intergovernmental Revenues				
Grants	485,508	265,171	220,158	(45,013)
	<u>485,508</u>	<u>265,171</u>	<u>220,158</u>	<u>(45,013)</u>
Charges for Services				
Sanitation	35,000	39,666	39,666	-
Airport fuel sales	146,000	123,474	123,535	61
Recycling center fees	5,000	12,462	12,462	-
Other	42,722	36,717	36,716	(1)
	<u>228,722</u>	<u>212,319</u>	<u>212,379</u>	<u>60</u>
Fines and Forfeitures				
City court fines	183,400	194,297	212,599	18,302
Police training fees	6,000	3,866	3,865	(1)
	<u>189,400</u>	<u>198,163</u>	<u>216,464</u>	<u>18,301</u>
Miscellaneous				
Leases and rent income	72,700	75,628	76,079	451
Interest	6,000	4,506	4,506	-
Other	800	12,760	15,819	3,059
	<u>79,500</u>	<u>92,894</u>	<u>96,404</u>	<u>3,510</u>
TOTAL REVENUES	<u>4,200,310</u>	<u>4,653,448</u>	<u>4,608,676</u>	<u>(44,772)</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	572,955	552,894	518,180	34,714
Clerk/Council	84,575	92,059	90,753	1,306
Development services	472,731	455,703	456,556	(853)
Police	1,540,914	1,389,315	1,371,024	18,291
Emergency management	15,450	14,170	13,706	464
Court	106,809	100,024	97,493	2,531
Airport	498,180	242,753	241,352	1,401
Lampo community center	20,512	20,512	21,309	(797)
Recycling center	96,978	89,978	90,305	(327)
Information technology	79,415	64,682	64,176	506
Fleet maintenance	59,291	51,673	50,913	760
Human resources	98,907	97,545	97,194	351
TOTAL EXPENDITURES	3,646,717	3,171,308	3,112,961	58,347
EXCESS OF REVENUES OVER EXPENDITURES	553,593	1,482,140	1,495,715	13,575
OTHER FINANCING SOURCES (USES)				
Operating transfers in	104,715	63,660	63,660	-
Operating transfers (out)	(1,532,335)	(1,548,643)	(1,868,705)	(320,062)
Sale of assets	11,500	6,000	6,000	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,416,120)	(1,478,983)	(1,799,045)	(320,062)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(862,527)	3,157	(303,330)	(306,487)
FUND BALANCE, October 1	2,103,612	2,299,088	2,299,088	-
FUND BALANCE, September 30	<u>\$ 1,241,085</u>	<u>\$ 2,302,245</u>	<u>\$ 1,995,758</u>	<u>\$ (306,487)</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – HOTEL/MOTEL TAX FUND
 Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Motel taxes	\$ 70,000	\$ 80,628	\$ 80,628	\$ -
Miscellaneous	800	800	876	76
TOTAL REVENUES	70,800	81,428	81,504	76
EXPENDITURES				
Current				
Tourism development	60,000	42,475	42,474	1
TOTAL EXPENDITURES	60,000	42,475	42,474	1
EXCESS OF REVENUES OVER EXPENDITURES	10,800	38,953	39,030	77
OTHER FINANCING SOURCES (USES)				
Operating transfers in	40,934	-	-	-
Operating transfers (out)	(84,155)	(51,362)	(51,361)	1
TOTAL OTHER FINANCING SOURCES (USES)	(43,221)	(51,362)	(51,361)	1
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(32,421)	(12,409)	(12,331)	78
FUND BALANCE, October 1	412,620	342,491	342,491	-
FUND BALANCE, September 30	<u>\$ 380,199</u>	<u>\$ 330,082</u>	<u>\$ 330,160</u>	<u>\$ 78</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GOLF FUND
 Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Charges for services	\$ 378,600	\$ 330,816	\$ 328,884	\$ (1,932)
Miscellaneous	-	8,442	8,441	(1)
TOTAL REVENUES	378,600	339,258	337,325	(1,933)
EXPENDITURES				
Current				
Golf course	466,358	471,453	471,373	80
TOTAL EXPENDITURES	466,358	471,453	471,373	80
(DEFICIT) OF REVENUES OVER EXPENDITURES	(87,758)	(132,195)	(134,048)	(1,853)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	313,903	400,016	404,093	4,077
Operating transfers (out)	(262,621)	(267,135)	(268,371)	(1,236)
TOTAL OTHER FINANCING SOURCES (USES)	51,282	132,881	135,722	2,841
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(36,476)	686	1,674	988
FUND BALANCE, October 1	36,476	2,685	2,685	-
FUND BALANCE, September 30	\$ -	\$ 3,371	\$ 4,359	\$ 988

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET SALES TAX FUND
 Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Street sales taxes	\$ 720,510	\$ 888,994	\$ 883,129	\$ (5,865)
Motor vehicle taxes	419,000	459,591	461,289	1,698
Miscellaneous	200,000	21,742	21,741	(1)
TOTAL REVENUES	1,339,510	1,370,327	1,366,159	(4,168)
EXPENDITURES				
Current				
Street	1,271,428	1,193,741	1,186,728	7,013
TOTAL EXPENDITURES	1,271,428	1,193,741	1,186,728	7,013
EXCESS OF REVENUES OVER EXPENDITURES	68,082	176,586	179,431	2,845
OTHER FINANCING SOURCES (USES)				
Operating transfers in	90,396	90,396	90,824	428
Operating transfers (out)	(199,093)	(330,327)	(350,658)	(20,331)
TOTAL OTHER FINANCING SOURCES (USES)	(108,697)	(239,931)	(259,834)	(19,903)
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(40,615)	(63,345)	(80,403)	(17,058)
FUND BALANCE, October 1	400,404	713,639	713,639	-
FUND BALANCE, September 30	<u>\$ 359,789</u>	<u>\$ 650,294</u>	<u>\$ 633,236</u>	<u>\$ (17,058)</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – FIRE SALES TAX FUND
 Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Fire sales taxes	\$ 478,695	\$ 592,569	\$ 588,658	\$ (3,911)
Charges for services	125,500	125,500	125,020	(480)
Miscellaneous	1,000	2,033	2,144	111
TOTAL REVENUES	605,195	720,102	715,822	(4,280)
EXPENDITURES				
Current				
Fire	1,771,838	1,676,573	1,653,658	22,915
TOTAL EXPENDITURES	1,771,838	1,676,573	1,653,658	22,915
(DEFICIT) OF REVENUES OVER EXPENDITURES				
	(1,166,643)	(956,471)	(937,836)	18,635
OTHER FINANCING SOURCES (USES)				
Operating transfers in	989,411	1,059,370	1,105,249	45,879
Operating transfers (out)	(21,150)	(140,666)	(144,326)	(3,660)
TOTAL OTHER FINANCING SOURCES (USES)	968,261	918,704	960,923	42,219
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)				
	(198,382)	(37,767)	23,087	60,854
FUND BALANCE, October 1	198,382	37,767	37,767	-
FUND BALANCE, September 30	\$ -	\$ -	\$ 60,854	\$ 60,854

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – TAX INCREMENT FINANCING FUND
 Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 180,200	\$ 270,992	\$ 280,373	\$ 9,381
Miscellaneous	3,500	5,031	5,031	-
TOTAL REVENUES	183,700	276,023	285,404	9,381
EXPENDITURES				
Current	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	183,700	276,023	285,404	9,381
OTHER FINANCING SOURCES (USES)				
Operating transfers in	237,238	310,911	310,911	-
Operating transfers (out)	(104,653)	(104,653)	(103,884)	769
TOTAL OTHER FINANCING SOURCES (USES)	132,585	206,258	207,027	769
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	316,285	482,281	492,431	10,150
FUND BALANCE, October 1	1,601,597	1,568,264	1,568,264	-
FUND BALANCE, September 30	<u>\$ 1,917,882</u>	<u>\$ 2,050,545</u>	<u>\$ 2,060,695</u>	<u>\$ 10,150</u>

CITY OF NEOSHO, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2015

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, 2015

	Special Revenue Funds							
	Police Grants Fund	Police Donations 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	\$ 3,754	\$ -	\$ 614,964	\$ 281,304	\$ 20,009	\$ -	\$ 125,729	\$ 117,817
Sales tax receivable	-	-	67,476	69,505	68,490	22,830	45,661	45,660
Cash and cash equivalents - restricted	-	988	-	104	14,166	-	10,000	-
TOTAL ASSETS	\$ 3,754	\$ 988	\$ 682,440	\$ 350,913	\$ 102,665	\$ 22,830	\$ 181,390	\$ 163,477
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ -	\$ 325	\$ 6,050	\$ 4,586	\$ 2,241	\$ -	\$ -
Accrued expenses	-	-	-	(154)	85	144	-	-
Deposits held	-	-	-	-	14,166	-	10,000	-
TOTAL LIABILITIES	-	-	325	5,896	18,837	2,385	10,000	-
Fund Balance								
Nonspendable								
Permanent	-	-	-	-	-	-	-	-
Restricted for:								
Public safety	3,754	988	-	-	-	-	-	-
Drainage	-	-	676,342	-	-	-	-	-
Auditorium	-	-	-	-	35,972	-	-	-
Economic development	-	-	-	-	-	-	76,576	-
Street and bridge	-	-	-	-	-	-	-	20,844
Debt service	-	-	-	-	-	-	-	-
Assigned to:								
Drainage	-	-	5,773	-	-	-	-	-
Parks and recreation	-	-	-	345,017	-	-	-	-
Auditorium	-	-	-	-	47,856	-	-	-
Senior center	-	-	-	-	-	20,445	-	-
Economic development	-	-	-	-	-	-	94,814	-
Street and bridge	-	-	-	-	-	-	-	142,633
TOTAL FUND BALANCES	3,754	988	682,115	345,017	83,828	20,445	171,390	163,477
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,754	\$ 988	\$ 682,440	\$ 350,913	\$ 102,665	\$ 22,830	\$ 181,390	\$ 163,477

CITY OF NEOSHO, MISSOURI
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS (continued)
 September 30, 2015

	Debt Service Funds					Permanent Funds		Total Nonmajor Governmental Funds	
	STAR Loan Fund	2014 COP Fund	2013 Bond Fund	2012 COP Fund	2007 COP Fund	2006 COP Fund	Abbot Brothers Fund		Morse Park Fund
ASSETS									
Cash	\$ -	\$ 740	\$ -	\$ -	\$ -	\$ -	\$ 49,928	\$ 3,569	\$ 1,217,814
Sales tax receivable	-	-	-	-	-	-	-	-	319,622
Cash and cash equivalents - restricted	-	519,254	306,821	43,700	-	558,165	-	-	1,453,198
TOTAL ASSETS	\$ -	\$ 519,994	\$ 306,821	\$ 43,700	\$ -	\$ 558,165	\$ 49,928	\$ 3,569	\$ 2,990,634
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,202
Accrued expenses	-	-	-	-	-	-	-	-	75
Deposits payable	-	-	-	-	-	-	-	-	24,166
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	37,443
Fund Balance									
Nonspendable									
Permanent	-	-	-	-	-	-	49,928	3,569	53,497
Restricted for:									
Public safety	-	-	-	-	-	-	-	-	4,742
Drainage	-	-	-	-	-	-	-	-	676,342
Auditorium	-	-	-	-	-	-	-	-	35,972
Economic development	-	-	-	-	-	-	-	-	76,576
Street and bridge	-	-	-	-	-	-	-	-	20,844
Debt service	-	519,994	306,821	43,700	-	558,165	-	-	1,428,680
Assigned to:									
Drainage	-	-	-	-	-	-	-	-	5,773
Parks and recreation	-	-	-	-	-	-	-	-	345,017
Auditorium	-	-	-	-	-	-	-	-	47,856
Senior center	-	-	-	-	-	-	-	-	20,445
Economic development	-	-	-	-	-	-	-	-	94,814
Street and bridge	-	-	-	-	-	-	-	-	142,633
TOTAL FUND BALANCES	-	519,994	306,821	43,700	-	558,165	49,928	3,569	2,953,191
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 519,994	\$ 306,821	\$ 43,700	\$ -	\$ 558,165	\$ 49,928	\$ 3,569	\$ 2,990,634

CITY OF NEOSHO, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
 Year Ended September 30, 2015

	Special Revenue Funds							
	Police Grants Fund	Police Donations 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	\$ -	\$ -	\$ 353,195	\$ 529,792	\$ 439,243	\$ 146,414	\$ 294,331	\$ 294,292
Intergovernmental revenues	17,593	-	-	2,000	-	-	-	-
Charges for services	-	-	-	102,613	16,306	9,100	-	-
Donations and other contributions	-	11,498	-	500	-	-	-	-
Miscellaneous	-	4	1,550	1,128	449	84	348	320
TOTAL REVENUES	17,593	11,502	354,745	636,033	455,998	155,598	294,679	294,612
EXPENDITURES								
Current								
Police	15,986	11,666	-	-	-	-	-	-
Drainage	-	-	92,102	-	-	-	-	-
Parks and recreation	-	-	-	518,634	-	-	-	-
Auditorium	-	-	-	-	79,958	-	-	-
Senior center	-	-	-	-	-	108,095	-	-
Other	-	-	-	-	-	-	-	-
Debt Service								
Principal and interest	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	15,986	11,666	92,102	518,634	79,958	108,095	-	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	1,607	(164)	262,643	117,399	376,040	47,503	294,679	294,612
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	-	-	102,997	-	4,756	31,409	-
Operating transfers (out)	-	-	(137,887)	(362,372)	(339,985)	(80,404)	(297,568)	(273,448)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(137,887)	(259,375)	(339,985)	(75,648)	(266,159)	(273,448)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	1,607	(164)	124,756	(141,976)	36,055	(28,145)	28,520	21,164
FUND BALANCE, October 1	2,147	1,152	557,359	486,993	47,773	48,590	142,870	142,313
FUND BALANCE, September 30	\$ 3,754	\$ 988	\$ 682,115	\$ 345,017	\$ 83,828	\$ 20,445	\$ 171,390	\$ 163,477

CITY OF NEOSHO, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS (continued)
 Year Ended September 30, 2015

	Debt Service Funds					Permanent Funds		Total Nonmajor Governmental Funds	
	STAR Loan Fund	2014 COP Fund	2013 Bond Fund	2012 COP Fund	2007 COP Fund	2006 COP Fund	Abbot Brothers Fund		Morse Park Fund
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,057,267
Intergovernmental revenues	-	-	-	-	-	-	-	-	19,593
Charges for services	-	-	-	-	-	-	-	-	128,019
Donations and other contributions	-	-	-	-	-	-	-	-	11,998
Miscellaneous	-	-	849	4	-	2	5,339	10	10,087
TOTAL REVENUES	-	-	849	4	-	2	5,339	10	2,226,964
EXPENDITURES									
Current									
Police	-	-	-	-	-	-	-	-	27,652
Drainage	-	-	-	-	-	-	-	-	92,102
Parks and recreation	-	-	-	-	-	-	-	-	518,634
Auditorium	-	-	-	-	-	-	-	-	79,958
Senior center	-	-	-	-	-	-	-	-	108,095
Other	-	-	-	-	-	-	676	-	676
Debt Service									
Principal and interest	103,827	235,393	257,903	114,480	800	513,727	-	-	1,226,130
TOTAL EXPENDITURES	103,827	235,393	257,903	114,480	800	513,727	676	-	2,053,247
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(103,827)	(235,393)	(257,054)	(114,476)	(800)	(513,725)	4,663	10	173,717
OTHER FINANCING SOURCES (USES)									
Operating transfers in	103,827	446,040	257,903	114,480	800	513,727	-	-	1,575,939
Operating transfers (out)	-	-	-	-	-	-	-	-	(1,491,664)
TOTAL OTHER FINANCING SOURCES (USES)	103,827	446,040	257,903	114,480	800	513,727	-	-	84,275
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	-	210,647	849	4	-	2	4,663	10	257,992
FUND BALANCE, October 1	-	309,347	305,972	43,696	-	558,163	45,265	3,559	2,695,199
FUND BALANCE, September 30	\$ -	\$ 519,994	\$ 306,821	\$ 43,700	\$ -	\$ 558,165	\$ 49,928	\$ 3,569	\$ 2,953,191



**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, 2015, 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 January 26, 2016.

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 responses, 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 responses to be a material weakness. The deficiency is identified as item 2015-001.

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 responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
January 26, 2016

CITY OF NEOSHO, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2015

2015-001 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.

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.