

CITY OF NEOSHO, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2017

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Neosho
Neosho, Missouri

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Neosho, Missouri, as of and for the year ended September 30, 2017, 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
City of Neosho
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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), budgetary comparison information, and the 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 February 21, 2018, on our consideration of the City of Neosho, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Neosho, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
February 21, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2017

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, 2017. 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 \$478,541 as a result of current year activities. The net position of the City's business activities decreased by \$243,930 for the year.
- The assets and deferred outflow of resources of the City exceeded liabilities and deferred inflow of resources by \$42.5 million (net position), as of September 30, 2017. Of this amount, \$8.6 million was unrestricted and may be used to meet future obligations of the City, \$5.4 million was restricted and \$28.5 million represents capital assets (net of related debt) of the City.
- Total long-term liabilities of the City decreased by \$1,836,978 to a total of \$19.6 million. The decrease was due to the payments of principal during the year. The City made timely payments on all of its debt obligations.
- Incoming revenues are monitored to allow for immediate reaction to changes. 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 funds. The City continues to ensure we operate on a balanced budget and meet or exceed fund reserve requirements per our bond covenants and the City's fiscal & investment policy.
- As stated above, the net position of the City's governmental activities 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.

Using This Annual Report

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2017

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.

Fund Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2017

Notes to the Basic Financial Statements

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

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of September 30, 2017 and 2016:

	Governmental Activities	Business-Type Activities	Total September 30, 2017	Total September 30, 2016
ASSETS				
Current and other assets	\$ 8,651,024	\$ 4,066,234	\$ 12,717,258	\$ 12,238,651
Net pension asset	2,068,185	568,857	2,637,042	1,604,975
Capital assets	27,859,808	21,654,901	49,514,709	50,954,524
TOTAL ASSETS	38,579,017	26,289,992	64,869,009	64,798,150
DEFERRED OUTFLOW OF RESOURCES				
Deferred pension outflow	788,637	144,526	933,163	2,024,625
Deferred charge on refundings	102,504	-	102,504	112,276
TOTAL DEFERRED OUTFLOWS OF RESOURCES	891,141	144,526	1,035,667	2,136,901
LIABILITIES				
Long-term liabilities outstanding	8,391,320	11,151,071	19,542,391	21,379,369
Other liabilities	1,928,794	974,674	2,903,468	2,535,539
TOTAL LIABILITIES	10,320,114	12,125,745	22,445,859	23,914,908
DEFERRED INFLOW OF RESOURCES				
Deferred pension inflow	755,615	181,673	937,288	733,225
NET POSITION				
Net investment in capital assets	18,652,344	9,803,823	28,456,167	28,113,635
Restricted	5,187,370	252,346	5,439,716	5,199,040
Unrestricted	4,554,715	4,070,931	8,625,646	8,974,243
TOTAL NET POSITION	<u>\$ 28,394,429</u>	<u>\$ 14,127,100</u>	<u>\$ 42,521,529</u>	<u>\$ 42,286,918</u>

Total net position of the City increased by \$234,611 for the year due to current year activities. Total liabilities for the City decreased by \$1,469,049. Net investment in capital assets increased \$342,532.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2017

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2017	Total Year Ended September 30, 2016
REVENUES				
Program Revenues				
Charges for services	\$ 1,450,826	\$ 4,524,662	\$ 5,975,488	\$ 5,948,633
Operating grants and contributions	130,735	-	130,735	138,052
Capital grants and contributions	35,889	-	35,889	247,172
General Revenues				
Property taxes	384,150	-	384,150	383,617
Sales taxes	6,084,667	-	6,084,667	6,135,757
Motor vehicle and gas taxes	477,557	-	477,557	466,970
Other taxes	321,538	-	321,538	305,361
Franchise fees	774,795	-	774,795	727,606
Interest	19,083	13,186	32,269	79,132
Other revenue	138,065	32,357	170,422	239,003
Gain (loss) on sale of capital assets	-	-	-	4,250
Transfers	(53,594)	53,594	-	-
TOTAL REVENUES	9,763,711	4,623,799	14,387,510	14,675,553
EXPENSES				
General government	650,151	-	650,151	886,052
Auditorium	247,290	-	247,290	296,545
Police	2,254,210	-	2,254,210	1,690,867
Fire	2,207,990	-	2,207,990	1,823,759
Emergency management	100,866	-	100,866	99,002
Court	102,193	-	102,193	125,425
Airport	394,361	-	394,361	481,747
Drainage	168,759	-	168,759	166,711
Street	1,259,907	-	1,259,907	1,390,322
Parks	542,458	-	542,458	494,949
Recreation	25,602	-	25,602	24,572
Senior center	116,827	-	116,827	129,433
Recycling center	106,815	-	106,815	123,545
Information technology	81,570	-	81,570	97,269
Property control	57,686	-	57,686	63,168
Human resources	83,170	-	83,170	91,915
Golf course	509,923	-	509,923	609,709
Tourism development	72,864	-	72,864	45,448
Communication and events	70,411	-	70,411	74,655
Other	415	-	415	318,439
Debt service	231,702	-	231,702	396,826
Water and sewer	-	4,867,729	4,867,729	5,496,595
TOTAL EXPENSES	9,285,170	4,867,729	14,152,899	14,926,953
CHANGE IN NET POSITION	\$ 478,541	\$ (243,930)	\$ 234,611	\$ (251,400)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2017**

Governmental Activities

Governmental activities increased the net position of the City by \$478,541. Tax revenues for the City were \$8,042,707 which represents 82% of the funding of these activities. Program revenues for the functions totaled \$1,617,450 or 17% 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	\$ 650,151	\$ 478,131
Auditorium	247,290	227,346
Police	2,254,210	1,792,640
Fire	2,207,990	2,081,038
Emergency management	100,866	30,594
Court	102,193	80,265
Airport	394,361	199,338
Drainage	168,759	168,759
Street	1,259,907	1,255,207
Parks	542,458	516,865
Recreation	25,602	(39,101)
Senior center	116,827	108,827
Recycling center	106,815	49,932
Information technology	81,570	81,570
Property control	57,686	57,686
Human resources	83,170	83,170
Golf course	509,923	142,711
Tourism development	72,864	72,864
Communication and events	70,411	47,761
Other	415	415
Debt service	231,702	231,702
	\$ 9,285,170	\$ 7,667,720

Business-Type Activities

Business-type activities decreased the City's net position by \$243,930. This is down from the decrease received last year from the City's business-type activities. The decrease in the prior year was \$143,504.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2017

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2017, were \$7,954,503. The combined fund balances are up \$507,701 from the prior year. The City continues to take strong measures to ensure the City stays in a position of financial stability. The staff in all City departments strives to bring a level of service the citizens of Neosho expect and deserve.

General Fund Budgetary Highlights

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

- The original revenue budget of \$4,534,774 was amended to \$4,733,111.
- The original expenditures budget of \$3,415,131 was amended to \$3,622,831.
- Budget adjustments were presented and approved by the City Council. Final amended budgeted revenues were \$2,643 less than actual, and budgeted expenditures were \$118,042 above actual.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$27,859,808 (net of accumulated depreciation) as of September 30, 2017. This represents a \$810,445 decrease from the prior year. Capital assets for business-type activities were \$21,654,901 as of September 30, 2017. This represents a decrease of \$629,370 from the prior year. The decreases are due to current year provisions of depreciation outweighing the addition of new assets.

Debt

Total debt of the governmental activities as of September 30, 2017, was \$9,403,471, which is down \$1,048,093 from the prior year. 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, 2017, was \$11,887,662, which is down \$719,987. The decrease is due to principal payments made in the current year.

Economic Factors and Next Year's Budget

The economic impact on the City from State and National resources appears to be trending upward. However, we continue to see peaks and valleys throughout the year with our receipts for the General Fund (1% sales tax). Because of this, our efforts to pursue capital improvement remain focused, but cautious. Commercial and Residential growth continues to grow at a calm, but steady pace.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2017

Economic Factors and Next Year's Budget (continued)

The combined leadership of the City Council and City directors remains focused on proper and efficient use of City revenues. We continue to replace worn out equipment and vehicles when appropriate and only when revenues allow such an expense. Our efforts over the last six years have placed a high priority on respecting the budget and our duties to be transparent when considering costs, expenses, repairs, and purchases.

Revenues are expected to remain steady for FY2018. 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 12,181 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. In FY2017 a 1% COLA for employees allowed for investment in our workforce. 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.

The contract with Alliance Water Resources for the management of the City's water treatment and wastewater facilities has proven to be successful. These types of 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. In order to continue with the installation of those meters, to continue improving the quality of drinking water, treatment of wastewater, and to cover the City's increased expenses, an analysis will be performed annually to determine a rate schedule that is fair and sufficient for payment of increased expenses and improvements. The City has committed to monitor the net operating income of the utilities to ensure fiscal responsibility in the management of these public assets. In FY2017, the City Council voted to increase the Water and Sewer rates and to review these rates annually. The new rates were implemented in early FY2018. Rates had not increased since 2011. The City continues to reserve funds for large scale Water and Sewer line improvements.

The past several years have allowed the City to recover from the effects of a major recession. By remembering the lessons learned from lean times, we strive to pursue economic growth and embrace new development that benefits our Citizens and City.

The City realizes that our infrastructure is a vital asset to the quality of life that the citizens and business owners deserve. In FY2017, the City continued to implement a seven-year street replacement and upgrade program. Not only are our roadways important, but the components of our infrastructure that are below ground are equally critical. Water and sewer transmission lines are a key part of the service we provide our citizens. Looking forward we are working to identify how we can upgrade and maintain these parts of our infrastructure.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2017

Economic Factors and Next Year's Budget (continued)

This past year has brought both challenges and success to our community. A flood in April resulted in considerable damage to homes, roads, bridges, and Morse Park. The 100+ water rescues undertaken during the flood served as a reminder that we must do whatever possible to preserve lives. Once the rescues were completed and the flood waters had receded we then began the clean-up and recovery phases of this disaster.

We also focused on areas outside the impact of flood waters. A renovation project for Scenic Park was put into motion and brought renewed attention to one of our oldest and more treasured parks. This park has served our children for many decades and was in need of new life. The addition of two new play structures, new paint for an existing structure, revamped baseball field, and removal of outdate structures have brought new life to this park.

Current and future projects include radio read water meters for better efficiency on water usage and billing, a contract with our engineering partner to seek solutions for storm water affecting specific areas of our town, annual monitoring of what our water/sewer rates should be to effectively ensure that revenues meet expenses, preparing for large capital expenditure need for our fire department, and addressing communications needs for our fire and police departments to ensure the safety of our citizens.

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.

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

Dana Daniel, Interim City Manager
Daphne Pevahouse, Finance Director
Rachel Holcomb, City Clerk

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CITY OF NEOSHO, MISSOURI
STATEMENT OF NET POSITION
September 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 6,109,564	\$ 3,336,500	\$ 9,446,064
Taxes receivable, net	944,290	-	944,290
Utilities receivable, net	-	369,685	369,685
Other accounts receivable	32,898	17,290	50,188
Court fines receivable, net	32,873	-	32,873
Intergovernmental receivable	70,272	-	70,272
Inventory	58,431	-	58,431
Prepaid expenses	406,206	62,820	469,026
Noncurrent			
Restricted cash and cash equivalents	996,490	279,939	1,276,429
Net pension asset	2,068,185	568,857	2,637,042
Capital Assets:			
Non-depreciable	9,770,401	243,401	10,013,802
Depreciable, net	<u>18,089,407</u>	<u>21,411,500</u>	<u>39,500,907</u>
TOTAL ASSETS	<u>38,579,017</u>	<u>26,289,992</u>	<u>64,869,009</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflow	788,637	144,526	933,163
Deferred charge on refundings	<u>102,504</u>	<u>-</u>	<u>102,504</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	891,141	144,526	1,035,667
LIABILITIES			
Current			
Accounts payable	442,137	150,147	592,284
Accrued expenses	65,018	10,310	75,328
Accrued interest payable	117,618	50,033	167,651
Deposits held	30,366	-	30,366
Intergovernmental payable	159,000	-	159,000
Meter deposits held	-	27,593	27,593
Current maturities of long-term debt	<u>1,114,655</u>	<u>736,591</u>	<u>1,851,246</u>
	1,928,794	974,674	2,903,468
Noncurrent			
Certificates of participation payable	5,970,313	209,687	6,180,000
Bonds payable	2,225,000	10,904,800	13,129,800
Compensated absences payable	<u>196,007</u>	<u>36,584</u>	<u>232,591</u>
	<u>8,391,320</u>	<u>11,151,071</u>	<u>19,542,391</u>
TOTAL LIABILITIES	10,320,114	12,125,745	22,445,859
DEFERRED INFLOW OF RESOURCES			
Deferred pension inflow	<u>755,615</u>	<u>181,673</u>	<u>937,288</u>
NET POSITION			
Net investment in capital assets	18,652,344	9,803,823	28,456,167
Restricted	5,187,370	252,346	5,439,716
Unrestricted	<u>4,554,715</u>	<u>4,070,931</u>	<u>8,625,646</u>
TOTAL NET POSITION	<u>\$ 28,394,429</u>	<u>\$ 14,127,100</u>	<u>\$ 42,521,529</u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2017

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	\$ (439,616)	\$ 28,774	\$ 5,000	\$ -	\$ (405,842)	\$ -	\$ (405,842)
Clerk/Council	(63,895)	-	-	-	(63,895)	-	(63,895)
Auditorium	(247,290)	19,944	-	-	(227,346)	-	(227,346)
Development services	(146,640)	138,246	-	-	(8,394)	-	(8,394)
Police	(2,254,210)	423,913	20,155	17,502	(1,792,640)	-	(1,792,640)
Fire	(2,207,990)	125,635	1,317	-	(2,081,038)	-	(2,081,038)
Emergency management	(100,866)	-	70,272	-	(30,594)	-	(30,594)
Court	(102,193)	21,928	-	-	(80,265)	-	(80,265)
Airport	(394,361)	181,336	-	13,687	(199,338)	-	(199,338)
Drainage	(168,759)	-	-	-	(168,759)	-	(168,759)
Street	(1,259,907)	-	-	4,700	(1,255,207)	-	(1,255,207)
Parks	(542,458)	21,398	4,195	-	(516,865)	-	(516,865)
Recreation	(25,602)	64,703	-	-	39,101	-	39,101
Senior center	(116,827)	8,000	-	-	(108,827)	-	(108,827)
Recycling center	(106,815)	27,087	29,796	-	(49,932)	-	(49,932)
Information technology	(81,570)	-	-	-	(81,570)	-	(81,570)
Property control	(57,686)	-	-	-	(57,686)	-	(57,686)
Human resources	(83,170)	-	-	-	(83,170)	-	(83,170)
Golf course	(509,923)	367,212	-	-	(142,711)	-	(142,711)
Tourism development	(72,864)	-	-	-	(72,864)	-	(72,864)
Communications and events	(70,411)	22,650	-	-	(47,761)	-	(47,761)
Other	(415)	-	-	-	(415)	-	(415)
Debt service	(231,702)	-	-	-	(231,702)	-	(231,702)
TOTAL GOVERNMENTAL ACTIVITIES	(9,285,170)	1,450,826	130,735	35,889	(7,667,720)	-	(7,667,720)

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF ACTIVITIES (continued)
Year Ended September 30, 2017

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	(4,867,729)	4,524,662	-	-	-	(343,067)	(343,067)
TOTAL BUSINESS-TYPE ACTIVITIES	(4,867,729)	4,524,662	-	-	-	(343,067)	(343,067)
TOTAL GOVERNMENT	\$ (14,152,899)	\$ 5,975,488	\$ 130,735	\$ 35,889	(7,667,720)	(343,067)	(8,010,787)
General Revenues							
Property taxes					384,150	-	384,150
Sales taxes					6,084,667	-	6,084,667
Motor vehicle and gas taxes					477,557	-	477,557
Other taxes					321,538	-	321,538
Franchise fees					774,795	-	774,795
Interest					19,083	13,186	32,269
Other revenue					138,065	32,357	170,422
Transfers					(53,594)	53,594	-
Total General Revenues and Transfers					8,146,261	99,137	8,245,398
Changes in Net Position					478,541	(243,930)	234,611
Net Position, Beginning of year					27,915,888	14,371,030	42,286,918
Net Position, End of year					\$ 28,394,429	\$ 14,127,100	\$ 42,521,529

See accompanying notes.

CITY OF NEOSHO, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2017

	Special Revenue Funds					Total Governmental Funds
	General Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	Nonmajor Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 875,994	\$ 849,879	\$ 33,371	\$ 2,175,992	\$ 2,040,549	\$ 5,975,785
Taxes receivable	393,666	137,656	91,771	-	321,197	944,290
Other accounts receivable	27,661	-	-	-	5,237	32,898
Court fines receivable, net	32,873	-	-	-	-	32,873
Intergovernmental receivable	70,272	-	-	-	-	70,272
Inventory	58,431	-	-	-	-	58,431
Prepaid expenses	69,247	17,501	57,977	-	261,481	406,206
Restricted cash and cash equivalents	30,432	-	-	-	966,058	996,490
TOTAL ASSETS	\$ 1,558,576	\$ 1,005,036	\$ 183,119	\$ 2,175,992	\$ 3,594,522	\$ 8,517,245
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 34,579	\$ 233,150	\$ 13,861	\$ -	\$ 26,768	\$ 308,358
Accrued expenses	43,028	3,818	17,896	-	276	65,018
Deposits held	16,827	-	-	-	13,539	30,366
Due to other governments	-	-	-	159,000	-	159,000
TOTAL LIABILITIES	94,434	236,968	31,757	159,000	40,583	562,742

See accompanying notes.

CITY OF NEOSHO, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
September 30, 2017

	Special Revenue Funds					Total Governmental Funds
	General Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	Nonmajor Governmental Funds	
Fund Balance						
Nonspendable:						
Parks	-	-	-	-	61,409	61,409
Inventory	58,431	-	-	-	-	58,431
Prepaid items	69,247	17,501	57,977	-	261,481	406,206
Restricted for:						
Public safety	-	-	-	-	2,203	2,203
Drainage	-	-	-	-	785,910	785,910
Streets	-	750,567	-	-	-	750,567
Economic development	-	-	-	-	235,807	235,807
Street and bridge	-	-	-	-	94,378	94,378
Tourism development	-	-	-	-	281,835	281,835
TIF	-	-	-	2,016,992	-	2,016,992
Debt service	-	-	-	-	1,019,678	1,019,678
Assigned to:						
Drainage	-	-	-	-	8,442	8,442
Public safety	-	-	93,385	-	-	93,385
Parks and recreation	-	-	-	-	389,090	389,090
Auditorium	-	-	-	-	119,372	119,372
Senior center	-	-	-	-	24,390	24,390
Economic development	-	-	-	-	126,598	126,598
Street and bridge	-	-	-	-	143,501	143,501
Unassigned	1,336,464	-	-	-	(155)	1,336,309
TOTAL FUND BALANCES	<u>1,464,142</u>	<u>768,068</u>	<u>151,362</u>	<u>2,016,992</u>	<u>3,553,939</u>	<u>7,954,503</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,558,576</u>	<u>\$ 1,005,036</u>	<u>\$ 183,119</u>	<u>\$ 2,175,992</u>	<u>\$ 3,594,522</u>	<u>\$ 8,517,245</u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF
NET POSITION
September 30, 2017

Fund balance - total governmental funds	\$ 7,954,503
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	58,962,944
Less accumulated depreciation	<u>(31,103,136)</u>
	27,859,808
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	2,068,185
Deferred outflows due to pensions	788,637
Deferred inflows due to pensions	<u>(755,615)</u>
	2,101,207
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(117,618)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	<u>(9,403,471)</u>
Net Position of Governmental Activities	<u>\$ 28,394,429</u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended September 30, 2017

	Special Revenue Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund		
REVENUES						
Taxes	\$ 3,703,360	\$ 1,376,399	\$ 599,227	\$ 176,482	\$ 2,187,239	\$ 8,042,707
Licenses and permits	120,137	-	-	-	-	120,137
Intergovernmental revenues	122,499	4,700	1,317	-	12,990	141,506
Charges for services	361,125	-	125,635	-	472,655	959,415
Fines and forfeitures	302,668	-	-	-	-	302,668
Donations and other contributions	5,000	-	-	-	16,922	21,922
Miscellaneous	120,965	29,071	10,267	6,278	62,369	228,950
TOTAL REVENUES	4,735,754	1,410,170	736,446	182,760	2,752,175	9,817,305
EXPENDITURES						
Current						
Administrative	472,108	-	-	-	-	472,108
Clerk/Council	77,546	-	-	-	-	77,546
Auditorium	-	-	-	-	79,247	79,247
Development services	151,048	-	-	-	-	151,048
Police	1,913,495	-	-	-	33,462	1,946,957
Fire	-	-	1,911,108	-	-	1,911,108
Emergency management	84,587	-	-	-	-	84,587
Court	114,917	-	-	-	-	114,917
Airport	244,162	-	-	-	-	244,162
Drainage	-	-	-	-	195,494	195,494
Street	-	1,084,915	-	-	-	1,084,915
Parks and recreation	-	-	-	-	527,914	527,914
Recreation	21,949	-	-	-	-	21,949
Senior center	-	-	-	-	105,035	105,035
Recycling center	105,657	-	-	-	-	105,657
Information technology	89,215	-	-	-	-	89,215
Property control	57,686	-	-	-	-	57,686
Human resources	102,008	-	-	-	-	102,008
Golf course	-	-	-	-	463,059	463,059
Tourism development	-	-	-	-	72,864	72,864
Communications and events	70,411	-	-	-	-	70,411
Other	-	-	-	-	415	415
Debt Service						
Principal and interest	-	-	-	-	1,277,708	1,277,708
TOTAL EXPENDITURES	3,504,789	1,084,915	1,911,108	-	2,755,198	9,256,010

See accompanying notes.

CITY OF NEOSHO, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)
 Year Ended September 30, 2017

	Special Revenue Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund		
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	1,230,965	325,255	(1,174,662)	182,760	(3,023)	561,295
OTHER FINANCING SOURCES (USES)						
Operating transfers in (out)	(1,264,970)	(81,760)	1,191,609	(53,594)	155,121	(53,594)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(34,005)	243,495	16,947	129,166	152,098	507,701
FUND BALANCE, October 1	1,498,147	524,573	134,415	1,887,826	3,401,841	7,446,802
FUND BALANCE, September 30	<u>\$ 1,464,142</u>	<u>\$ 768,068</u>	<u>\$ 151,362</u>	<u>\$ 2,016,992</u>	<u>\$ 3,553,939</u>	<u>\$ 7,954,503</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, 2017

Net change in fund balances - total governmental funds \$ 507,701

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

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	534,823
Depreciation	<u>(1,345,268)</u>
	(810,445)

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	1,058,856
Change in accrued interest payable	<u>(12,850)</u>
	1,046,006

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	(253,958)
Change in compensated absences	<u>(10,763)</u>
	<u>(264,721)</u>

Change in Net Position of Governmental Activities	<u>\$ 478,541</u>
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See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
September 30, 2017

	Water and Sewer Fund	Internal Service Fund
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,336,500	\$ 133,779
Utilities receivable, net	369,685	-
Other accounts receivable	17,290	-
Prepaid expenses	62,820	-
TOTAL CURRENT ASSETS	3,786,295	133,779
Noncurrent Assets		
Restricted cash and cash equivalents	279,939	-
Net pension asset	568,857	-
Capital assets:		
Nondepreciable	243,401	-
Depreciable, net	21,411,500	-
TOTAL NONCURRENT ASSETS	22,503,697	-
TOTAL ASSETS	26,289,992	133,779
DEFERRED OUTFLOW OF RESOURCES		
Deferred pension outflow	144,526	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	144,526	-
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	26,434,518	133,779
LIABILITIES		
Current Liabilities		
Accounts payable	150,147	133,779
Accrued expenses	10,310	-
Accrued interest payable	50,033	-
Meter deposits payable	27,593	-
Current maturities of long-term debt	736,591	-
TOTAL CURRENT LIABILITIES	974,674	133,779
Long-Term Liabilities		
Certificates of participation	209,687	-
Revenue bonds payable	10,904,800	-
Compensated absences payable	36,584	-
TOTAL LONG-TERM LIABILITES	11,151,071	-
TOTAL LIABILITIES	12,125,745	133,779
DEFERRED INFLOW OF RESOURCES		
Deferred pension inflow	181,673	-
NET POSITION		
Net investment in capital assets	9,803,823	-
Restricted for debt service	252,346	-
Unrestricted	4,070,931	-
TOTAL NET POSITION	\$ 14,127,100	\$ -

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY
FUNDS
Year Ended September 30, 2017

	Water and Sewer Fund	Internal Service Fund
OPERATING REVENUES		
Charges for services		
Water and sewer	\$ 4,524,662	\$ -
Employer insurance contributions	-	959,750
Employee insurance contributions	-	215,983
	<u>4,524,662</u>	<u>1,175,733</u>
TOTAL OPERATING REVENUES	4,524,662	1,175,733
OPERATING EXPENSES		
Personnel services	799,050	-
Contractual services	1,584,295	-
Repairs and maintenance	329,428	-
Supplies	95,516	-
Utilities	584,265	-
Insurance	92,033	-
Capital expenses	157,471	-
Depreciation	962,671	-
Miscellaneous	5,094	-
Insurance claims and premiums	-	875,166
Administrative fees	-	300,567
	<u>4,609,823</u>	<u>1,175,733</u>
TOTAL OPERATING EXPENSES	4,609,823	1,175,733
OPERATING (LOSS)	(85,161)	-
NONOPERATING REVENUES (EXPENSES)		
Interest income	13,186	-
Other revenue	32,357	-
Interest expense	(257,906)	-
	<u>(212,363)</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	(212,363)	-
(LOSS) BEFORE OPERATING TRANSFERS	(297,524)	-
NET OPERATING TRANSFERS IN	<u>53,594</u>	<u>-</u>
NET (LOSS)	(243,930)	-
NET POSITION, October 1	<u>14,371,030</u>	<u>-</u>
NET POSITION, September 30	<u><u>\$ 14,127,100</u></u>	<u><u>\$ -</u></u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended September 30, 2017

	Water and Sewer Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,582,658	\$ 1,175,733
Cash paid to suppliers	(2,820,321)	(1,094,994)
Cash paid to employees	(788,588)	-
Other cash received for nonoperating revenues	32,357	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,006,106	80,739
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers from other funds	53,594	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	53,594	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	(333,301)	-
Payment of principal on leases	(42,891)	-
Payment of principal on bonds	(680,600)	-
Payment of interest expense	(257,906)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,314,698)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	13,186	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	13,186	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(241,812)	80,739
CASH AND CASH EQUIVALENTS, Beginning of year	3,858,251	53,040
CASH AND CASH EQUIVALENTS, End of year	3,616,439	133,779
LESS RESTRICTED CASH AND CASH EQUIVALENTS	(279,939)	-
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u>\$ 3,336,500</u>	<u>\$ 133,779</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (85,161)	\$ -
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation	962,671	-
(Increase) decrease in:		
Utilities receivable	50,470	-
Prepaid expenses	12,344	-
Net pension asset	(187,544)	-
Deferred pension outflow	208,671	-
Increase (decrease) in:		
Accounts payable	15,437	80,739
Accrued expenses	(2,542)	-
Meter deposits payable	7,526	-
Deferred pension inflow	(11,627)	-
Compensated absences	3,504	-
Other cash received for nonoperating revenues	32,357	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,006,106	\$ 80,739

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The emphasis in fund financial statements is on the major funds.

Governmental Fund Types – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This means that the emphasis is on near-term inflows and outflows of resources and does not present the long-term impact of transactions. 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.

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

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

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

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses, and depreciation on capital assets.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major proprietary funds:

Water and Sewer Fund: The Water and Sewer Fund is an enterprise fund and accounts for the activities and capital improvements of the City’s water and sewer system which provides services to the residents of the City.

Internal Service Fund: The Internal Service Fund is used to account for the accumulation of resources used to fund claims under the City’s self-insured health plan 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:

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2017, all bank balances on deposit were entirely insured or collateralized.

NOTE C – RESTRICTED CASH AND CASH EQUIVALENTS

Cash and cash equivalents have been restricted in the following funds as of September 30, 2017:

	<u>Restricted Cash and Cash Equivalents</u>
GENERAL FUND	
Court bonds	\$ 7,233
Police evidence	6,372
Deposits held	16,827
	<u>\$ 30,432</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE C – RESTRICTED CASH AND CASH EQUIVALENTS (continued)

	<u>Restricted Cash and Cash Equivalents</u>
NONMAJOR GOVERNMENTAL FUNDS	
Auditorium deposits held	\$ 13,216
Police donations	696
Skate park donations	197
2012A/B COP reserve trust fund	1,037
2013 Bond reserve	241,500
2014A Reserve	303,839
2016 COP reserve trust fund	403,190
2016 COP delivery costs trust fund	2,383
	<u>\$ 966,058</u>

Water and Sewer Fund

Restricted assets and restricted net position consist of the following at September 30, 2017:

	<u>Restricted Cash and Cash Equivalents</u>	<u>Restricted Net Position</u>
WATER AND SEWER FUND		
Meter deposits	\$ 27,593	\$ -
1992B Bond principal trust fund	5,384	5,384
2009B Bond principal and interest trust funds	80,788	80,788
2011 Bond principal and interest trust funds	135,669	135,669
2012A COP reserve trust fund	30,505	30,505
	<u>\$ 279,939</u>	<u>\$ 252,346</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

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>2016</u>
Assessed Valuation	
Real estate	\$ 110,923,478
Personal property	<u>34,568,870</u>
TOTAL	<u>\$ 145,492,348</u>
Tax Rate Per \$100 of Assessed Valuation	
General Fund (Real Property)	<u>\$.3639</u>

The legal debt margin at September 30, 2017, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional Debt Limit	\$ 14,549,235	\$ 14,549,235	\$ 29,098,470
General Obligation Bonds payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 14,549,235</u>	<u>\$ 14,549,235</u>	<u>\$ 29,098,470</u>

(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.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

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	\$ 411,809	\$ 18,143	\$ 393,666
Street Sales Tax Fund	137,656	-	137,656
Fire Sales Tax Fund	91,771	-	91,771
Nonmajor Governmental Funds	321,197	-	321,197
	<u>\$ 962,433</u>	<u>\$ 18,143</u>	<u>\$ 944,290</u>
UTILITIES RECEIVABLE			
Water and Sewer Fund	<u>\$ 378,388</u>	<u>\$ 8,703</u>	<u>\$ 369,685</u>
OTHER ACCOUNTS RECEIVABLE			
General Fund	\$ 27,661	\$ -	\$ 27,661
Golf Fund	5,237	-	5,237
Water and Sewer Fund	17,290	-	17,290
	<u>\$ 50,188</u>	<u>\$ -</u>	<u>\$ 50,188</u>
COURT FINES RECEIVABLE			
General Fund	<u>\$ 311,931</u>	<u>\$ 279,058</u>	<u>\$ 32,873</u>

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

The business-type activities long-term debt at September 30, 2017, consists of the Series 2009B and 2011 revenue bond issues, a portion of the 2012A certificates of participation, and compensated absences payable.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

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

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 waterworks system improvements. Bonds were issued as the project progressed, and as of September 30, 2017, all of the bonds have been issued. Bonds outstanding at September 30, 2017, are due as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 7,715,000</u>	<u>\$ 978,594</u>	<u>\$ 8,693,594</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

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

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

On November 10, 2009, the City approved issuing the Series 2009B sewerage system refunding and improvement revenue bonds (State of Missouri - Direct Loan Program - ARRA) in the maximum principal of \$5,488,800 for the purpose of refunding the Series 2009A revenue bonds and to provide funding for sewerage system improvements. The bonds bear interest at 1.51%. Principal and interest payments are due January 1 and July 1 of each year. The bonds outstanding at September 30, 2017, are due as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 3,883,500</u>	<u>\$ 411,306</u>	<u>\$ 4,294,806</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, 2017, are due as follows:

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

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

Year Ended September 30,	Principal	Interest	Total
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>\$ 265,000</u>	<u>\$ 28,744</u>	<u>\$ 293,744</u>

Amount recorded in:

Water and Sewer Fund/Business-Type Activities	\$ 252,578
Governmental Activities	12,422
TOTAL	<u>\$ 265,000</u>

A summary of the changes in long-term debt – business-type activities for the year ended September 30, 2017, is as follows:

	Balance September 30, 2016	Additions	Retirements	Balance September 30, 2017	Amounts Due Within One Year
Revenue Bonds					
2009B Revenue Bonds -ARRA					
Direct Loan Program	\$ 4,144,100	\$ -	\$ 260,600	\$ 3,883,500	\$ 265,700
2011 Revenue Bonds - Direct					
Loan Program	8,135,000	-	420,000	7,715,000	428,000
Certificates of Participation					
2012A Certificates of Participation	295,469	-	42,891	252,578	42,891
Compensated Absences Payable	33,080	3,504	-	36,584	-
TOTAL	<u>\$ 12,607,649</u>	<u>\$ 3,504</u>	<u>\$ 723,491</u>	<u>\$ 11,887,662</u>	<u>\$ 736,591</u>

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at September 30, 2017, consists of a capital lease obligation; a portion of the 2012A certificates of participation; the 2014A, 2014B, and 2016 certificates of participation; the 2013 special obligation refunding bond; one loan obligation; and compensated absences payable.

Capital Lease Obligation

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 annual payments of \$72,939, which includes interest at 4.00%.

Although the lease agreement provides for the cancellation of the lease if the City should fail to appropriate funds at the annual renewal date, the City does not foresee exercising its options to cancel. Therefore, the lease is accounted for as noncancellable capital lease in accordance with GASB Section L20, “Leases.”

The total annual minimum lease payments required at September 30, 2017, are as follows:

Year Ended September 30,	Fire Truck
2018	\$ 72,939
TOTAL MINIMUM LEASE PAYMENTS	<u>72,939</u>
LESS AMOUNT REPRESENTING INTEREST	<u>(1,324)</u>
PRINCIPAL BALANCE, SEPTEMBER 30, 2017	<u><u>\$ 71,615</u></u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

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, 2017, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,995,000</u>	<u>\$ 453,087</u>	<u>\$ 3,448,087</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

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

On February 5, 2016, the City issued \$4,040,000 in Certificates of Participation, Series 2016 for the purpose of providing funds to advance refund the Series 2006A and 2006B Certificates of Participation. The Certificates of Participation bear interest between 2.00% and 3.00% with principal payments due May 1 and interest payments due May 1 and November 1 of each year. The certificates outstanding at September 30, 2017, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 375,000	\$ 100,050	\$ 475,050
2019	380,000	92,550	472,550
2020	500,000	84,950	584,950
2021	205,000	69,950	274,950
2022	220,000	63,800	283,800
2023	190,000	57,200	247,200
2024	190,000	51,500	241,500
2025	190,000	46,987	236,987
2026	185,000	42,475	227,475
2027	200,000	37,387	237,387
2028	205,000	31,888	236,888
2029	215,000	26,250	241,250
2030	225,000	19,800	244,800
2031	435,000	13,050	448,050
	<u>\$ 3,715,000</u>	<u>\$ 737,837</u>	<u>\$ 4,452,837</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

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, 2017, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,415,000</u>	<u>\$ 454,261</u>	<u>\$ 2,869,261</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 \$103,849 through 2018, including interest at 2.87%.

The annual loan payments required at September 30, 2017, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	<u>\$ 100,931</u>	<u>\$ 2,907</u>	<u>\$ 103,838</u>

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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, 2017, is as follows:

	Balance September 30, 2016	Additions	Retirements	Balance September 30, 2017	Amounts Due Within One Year
Capital Lease Obligations					
2012 Golf carts	\$ 18,090	\$ -	\$ 18,090	\$ -	\$ -
Fire truck	141,931	-	70,316	71,615	71,615
	160,021	-	88,406	71,615	71,615
Loan Obligation					
2008 STAR loan	199,044	-	98,113	100,931	100,931
Certificates of Participation					
Series 2012A	14,531	-	2,109	12,422	2,109
Series 2014A	2,670,000	-	200,000	2,470,000	200,000
Series 2014B	695,000	-	170,000	525,000	175,000
Series 2016	4,040,000	-	325,000	3,715,000	375,000
	7,419,531	-	697,109	6,722,422	752,109
Less: Deferred loss on debt refunding	(112,276)	-	(9,772)	(102,504)	-
	7,307,255	-	687,337	6,619,918	752,109
Special Obligation Refunding Bonds					
Series 2013	2,600,000	-	185,000	2,415,000	190,000
Compensated absences payable	185,244	10,763	-	196,007	-
TOTAL	<u>\$ 10,451,564</u>	<u>\$ 10,763</u>	<u>\$ 1,058,856</u>	<u>\$ 9,403,471</u>	<u>\$ 1,114,655</u>

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance September 30, 2016	Additions	Deletions	Balance September 30, 2017
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 9,560,163	\$ -	\$ -	\$ 9,560,163
Construction in progress	259,569	210,238	259,569	210,238
Total Non-Depreciable Capital Assets	9,819,732	<u>\$ 210,238</u>	<u>\$ 259,569</u>	9,770,401
Depreciable Capital Assets:				
Land improvements	624,251	\$ -	\$ -	624,251
Building and improvements	10,193,694	-	-	10,193,694
Machinery and equipment	6,112,671	310,411	281,923	6,141,159
Golf course infrastructure	3,373,207	-	-	3,373,207
Infrastructure	28,586,489	273,743	-	28,860,232
Total Depreciable Capital Assets	48,890,312	<u>\$ 584,154</u>	<u>\$ 281,923</u>	49,192,543
Less Accumulated Depreciation	30,039,791	<u>\$ 1,345,268</u>	<u>\$ 281,923</u>	31,103,136
Total Depreciable Capital Assets, Net	<u>18,850,521</u>			<u>18,089,407</u>
Total Capital Assets - Governmental Activities, Net	<u>\$ 28,670,253</u>			<u>\$ 27,859,808</u>

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE H – CAPITAL ASSETS (continued)

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

Administration	\$ 20,582
Auditorium	169,681
Building inspection	9,516
Police	53,605
Fire	41,446
Emergency management	16,279
Recycling	10,714
Senior center	22,986
Golf course	164,945
Court	1,200
Airport	198,383
Parks	74,083
Recreation	3,653
Drainage	23,704
Street	534,491
	<u>\$ 1,345,268</u>

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2016	Additions	Deletions	Balance September 30, 2017
Business-Type Activities				
Water and Sewer				
Non-Depreciable Capital Assets:				
Land	\$ 157,578	\$ -	\$ -	\$ 157,578
Construction in progress	8,379	77,444	-	85,823
Total Non-Depreciable Capital Assets	165,957	<u>\$ 77,444</u>	<u>\$ -</u>	243,401
Depreciable Capital Assets:				
Buildings	163,900	\$ -	\$ -	163,900
Water plant and equipment	13,789,889	-	-	13,789,889
Sewer plant and equipment	27,280,776	255,857	-	27,536,633
Total Depreciable Capital Assets	41,234,565	<u>\$ 255,857</u>	<u>\$ -</u>	41,490,422
Less Accumulated Depreciation	19,116,251	<u>\$ 962,671</u>	<u>\$ -</u>	20,078,922
Total Depreciable Capital Assets, Net	<u>22,118,314</u>			<u>21,411,500</u>
Total Capital Assets - Business-Type Activities, Net	<u>\$ 22,284,271</u>			<u>\$ 21,654,901</u>

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, 2017

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>2017 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, 2017, 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	54	14	13	81
Inactive employees entitled to but not yet receiving benefits	40	14	7	61
Active employees	<u>47</u>	<u>23</u>	<u>27</u>	<u>97</u>
	<u>141</u>	<u>51</u>	<u>47</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 7.3% (General), 3.9% (Police), and 10.1% (Fire) of annual covered payroll.

Net Pension Asset. The employer’s net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 28, 2017.

NOTE I – EMPLOYEE PENSION PLAN (continued)

Actuarial Assumptions. The total pension liability in the February 28, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increase	3.25% to 6.55% including wage inflation for general and police 3.25% to 7.15% including wage inflation for fire
Investment rate of return	7.25%, net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees’ mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2017, valuation were based on the results of an actuarial experience study for the period March 1, 2010, through February 28, 2015.

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	43.00%	5.29%
Fixed Income	26.00%	2.93%
Real Assets	21.00%	3.31%
Strategic Assets	10.00%	5.73%

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, 2017

NOTE I – EMPLOYEE PENSION PLAN (continued)

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) - (b)
<i>General Division</i>			
Balances at beginning of year	\$ 6,863,651	\$ 7,867,106	\$ (1,003,455)
Changes for the year:			
Service cost	162,446	-	162,446
Interest	489,896	-	489,896
Difference between expected and actual experiences	(204,029)	-	(204,029)
Contributions - employer	-	115,107	(115,107)
Net investment income	-	907,047	(907,047)
Benefits paid, including refunds	(379,164)	(379,164)	-
Administrative expenses	-	(10,619)	10,619
Other changes	-	421	(421)
Net Changes	69,149	632,792	(563,643)
Balances at end of year	6,932,800	8,499,898	(1,567,098)
<i>Police Division</i>			
Balances at beginning of year	2,780,617	3,206,453	(425,836)
Changes for the year:			
Service cost	96,212	-	96,212
Interest	202,327	-	202,327
Difference between expected and actual experiences	(26,532)	-	(26,532)
Contributions - employer	-	39,661	(39,661)
Net investment income	-	377,335	(377,335)
Benefits paid, including refunds	(75,639)	(75,639)	-
Administrative expenses	-	(3,962)	3,962
Other changes	-	6,551	(6,551)
Net Changes	196,368	343,946	(147,578)
Balances at end of year	2,976,985	3,550,399	(573,414)

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) - (b)
<i>Fire Division</i>			
Balances at beginning of year	4,916,882	5,092,566	(175,684)
Changes for the year:			
Service cost	136,449	-	136,449
Interest	355,394	-	355,394
Difference between expected and actual experiences	(277,877)	-	(277,877)
Contributions - employer	-	106,632	(106,632)
Net investment income	-	576,110	(576,110)
Benefits paid, including refunds	(166,777)	(166,777)	-
Administrative expenses	-	(3,709)	3,709
Other changes	-	(144,221)	144,221
Net Changes	47,189	368,035	(320,846)
Balances at end of year	4,964,071	5,460,601	(496,530)
Total Plan Balances at end of year	<u>\$ 14,873,856</u>	<u>\$ 17,510,898</u>	<u>\$ (2,637,042)</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE I – EMPLOYEE PENSION PLAN (continued)

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:

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
<i>General Division</i>			
Total Pension Liability	\$ 7,943,978	\$ 6,932,800	\$ 6,113,494
Fiduciary Net Position	8,499,898	8,499,898	8,499,898
Net Pension (Asset)	(555,920)	(1,567,098)	(2,386,404)
<i>Police Division</i>			
Total Pension Liability	3,504,697	2,976,985	2,554,391
Fiduciary Net Position	3,550,399	3,550,399	3,550,399
Net Pension (Asset)	(45,702)	(573,414)	(996,008)
<i>Fire Division</i>			
Total Pension Liability	5,729,091	4,964,071	4,339,895
Fiduciary Net Position	5,460,601	5,460,601	5,460,601
Net Pension Liability/(Asset)	268,490	(496,530)	(1,120,706)
Total Net Pension (Asset)	\$ (333,132)	\$ (2,637,042)	\$ (4,503,118)

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE I – EMPLOYEE PENSION PLAN (continued)

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

For the year ended 2017, the employer recognized pension expense of \$72,768 in the general division, \$116,693 in the police division, and \$332,913 in the fire division. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
	<u> </u>	<u> </u>	<u> </u>
<i>General Division</i>			
Differences in experiences	\$ -	\$ (500,477)	\$ (500,477)
Assumption changes	104,957	-	104,957
Differences in investment returns	262,554	-	262,554
Contributions subsequent to the measurement date*	30,631	-	30,631
	<u>398,142</u>	<u>(500,477)</u>	<u>(102,335)</u>
<i>Police Division</i>			
Differences in experiences	51,139	(74,423)	(23,284)
Assumption changes	36,924	-	36,924
Differences in investment returns	93,568	-	93,568
Contributions subsequent to the measurement date*	10,442	-	10,442
	<u>192,073</u>	<u>(74,423)</u>	<u>117,650</u>
<i>Fire Division</i>			
Differences in experiences	-	(362,388)	(362,388)
Assumption changes	152,228	-	152,228
Differences in investment returns	162,177	-	162,177
Contributions subsequent to the measurement date*	28,543	-	28,543
	<u>342,948</u>	<u>(362,388)</u>	<u>(19,440)</u>
Total	<u>\$ 933,163</u>	<u>\$ (937,288)</u>	<u>\$ (4,125)</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, 2018.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

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,	Net Deferred Outflow of Resources			
	General	Police	Fire	Total
2018	\$ 1,456	\$ 62,464	\$ 83,483	\$ 147,403
2019	(14,358)	56,062	54,939	96,643
2020	(20,143)	33,872	1,050	14,779
2021	(69,290)	(34,461)	(74,232)	(177,983)
2022	-	(287)	(31,370)	(31,657)
Thereafter	-	-	(53,310)	(53,310)
Total	<u>\$ (102,335)</u>	<u>\$ 117,650</u>	<u>\$ (19,440)</u>	<u>\$ (4,125)</u>

Payable to the Pension Plan

At September 30, 2017, the City reported a payable of \$29,850 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2017.

NOTE J – RISK MANAGEMENT

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

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE K – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2017, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 64,629	\$ 1,329,599
Hotel/Motel Tax Fund	-	54,362
Golf Fund	335,494	271,013
Street Sales Tax Fund	17,514	99,274
Fire Sales Tax Fund	1,191,609	-
Tax Increment Financing Fund	-	53,594
Drainage Sales Tax Fund	-	93,613
Parks Sales Tax Fund	53,136	163,630
Auditorium Fund	26,849	410,087
Senior Center Sales Tax Fund	-	49,580
Economic Development Sales Tax Fund	20,503	225,000
Street/Bridge Sales Tax Fund	-	255,103
Police Grants Fund	2,707	-
2016 COP Fund	458,865	-
2014 COP Fund	459,042	-
2013 Bond Fund	255,103	-
2012 COP Fund	-	38,017
Star Loan Fund	103,827	-
Water and Sewer Fund	356,384	302,790
	<u>\$ 3,345,662</u>	<u>\$ 3,345,662</u>

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

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE L – 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, 2017, 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 M – 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, 2017, 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 \$130,126. Changes in the estimated benefit obligation during the past year are as follows:

Estimated Benefit Obligation, beginning of year	\$ 49,387
Claims incurred	955,905
Claims paid	<u>(875,166)</u>
Estimated Benefit Obligation, end of year	<u><u>\$ 130,126</u></u>

NOTE N – DEBT REFUNDING LOSS

On June 14, 2012, the City issued \$730,000 in Series 2012A and 2012B Certificates of Participation with interest rates ranging from 2.00% to 3.250%. The City issued the certificates to refund \$735,000 of the outstanding Series 2003 Certificates of Participation with interest rates ranging from 3.40% to 5.0%. The advanced refunding resulted in the recognition of a deferred loss of \$30,664 in the governmental activities. The deferred loss is being amortized as an adjustment to interest expense over a period of 10 years.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE N – DEBT REFUNDING LOSS (continued)

On February 5, 2016, the City issued \$4,040,000 in Series 2016 Refunding Certificates of Participation with interest rates ranging from 2.00% to 3.00%. The City issued the certificates to refund \$4,420,000 of outstanding Series 2006A Refunding Certificates of Participation and \$290,000 of outstanding Series 2006B Refunding Certificates of Participation with interest rates ranging from 4.375% to 6.625%. The advance refunding resulted in the recognition of a deferred loss of \$122,048, which is the remaining deferred loss from the 2006 refunding, in the governmental activities. The deferred loss is amortized as an adjustment to interest expense through 2031.

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

	Balance September 30, 2016	Additions	Current Amortization	Balance September 30, 2017
Governmental Activities	\$ 112,276	\$ -	\$ (9,772)	\$ 102,504

NOTE O – COMMITMENTS

At September 30, 2017, 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 \$1,022,323 for fiscal year 2018.

At September 30, 2017, the City was committed to ESS Asphalt for the 2017 street overlay project in the amount of \$211,589.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEOSHO, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
Year Ended September 30, 2017

Missouri Local Government Employees Retirement System (LAGERS)

	June 30, 2017	June 30, 2016	June 30, 2015
TOTAL PENSION LIABILITY			
Service cost	\$ 395,107	\$ 391,139	\$ 399,461
Interest on the total pension liability	1,047,617	1,004,497	974,376
Difference between expected and actual experience	(508,438)	(609,884)	(294,998)
Changes of assumptions	-	462,449	-
Benefit payments including refunds	(621,580)	(688,017)	(631,570)
NET CHANGE IN TOTAL PENSION LIABILITY	312,706	560,184	447,269
TOTAL PENSION LIABILITY, BEGINNING	14,561,150	14,000,966	13,553,697
TOTAL PENSION LIABILITY, ENDING	14,873,856	14,561,150	14,000,966
PLAN FIDUCIARY NET POSITION			
Contributions - employer	261,400	293,632	317,093
Pension plan net investment income	1,860,492	(31,596)	323,289
Benefit payments, including refunds	(621,580)	(688,017)	(631,570)
Pension plan administrative expense	(18,290)	(17,749)	(19,946)
Other	(137,249)	16,467	(270,346)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,344,773	(427,263)	(281,480)
PLAN FIDUCIARY NET POSITION, BEGINNING	16,166,125	16,593,388	16,874,868
PLAN FIDUCIARY NET POSITION, ENDING	17,510,898	16,166,125	16,593,388
EMPLOYER NET PENSION (ASSET)	<u>\$ (2,637,042)</u>	<u>\$ (1,604,975)</u>	<u>\$ (2,592,422)</u>
Plan fiduciary net position as a percentage of the total pension liability	117.73%	111.02%	118.52%
Covered employee payroll	\$ 3,527,826	\$ 3,364,217	\$ 3,553,838
Employer's net pension asset as a percentage of covered employee payroll	74.75%	47.71%	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, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 259,473	\$ 294,052	\$ 312,806	\$ 327,508	\$ 350,617	\$ 312,365	\$ 308,754	\$ 341,256	\$ 413,655	\$ 409,299
Contributions in relation to the actuarially determined contribution	<u>259,473</u>	<u>294,052</u>	<u>312,806</u>	<u>327,508</u>	<u>350,617</u>	<u>308,288</u>	<u>287,074</u>	<u>341,256</u>	<u>413,655</u>	<u>408,495</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,077</u>	<u>\$ 21,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 804</u>
Covered-employee payroll	\$ 3,632,303	\$ 3,606,430	\$ 3,682,580	\$ 3,694,022	\$ 3,398,859	\$ 2,852,638	\$ 2,682,657	\$ 3,537,480	\$ 4,029,011	\$ 3,788,645
Contributions as a percentage of covered-employee payroll	7.14%	8.15%	8.49%	8.87%	10.32%	10.81%	10.70%	9.65%	10.27%	10.78%

CITY OF NEOSHO, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
Year Ended September 30, 2017

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: February 28, 2017.

Notes: The roll-forward of total pension liability from February 28, 2017, to June 30, 2017, reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method – Entry Age Normal and Modified Terminal Funding

Amortization Method – Level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period, or (ii) 15 years.

Remaining Amortization Period – Multiple bases from 15 to 18 years

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

Inflation – 3.25% wage inflation; 2.50% price inflation

Salary Increases – 3.25% to 6.55% including wage inflation for the general and police division
3.25% to 7.15% including wage inflation for the fire division

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

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

Mortality – The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees' mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Other Information – None.

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Property tax	\$ 400,000	\$ 400,000	\$ 384,150	\$ (15,850)
City sales tax	2,494,502	2,494,502	2,489,303	(5,199)
Financial institution tax	5,500	5,500	1,482	(4,018)
Utility franchise tax	825,000	775,371	774,794	(577)
Cigarette tax	57,000	57,000	53,631	(3,369)
	<u>3,782,002</u>	<u>3,732,373</u>	<u>3,703,360</u>	<u>(29,013)</u>
Licenses and Permits				
Occupational licenses	30,000	30,000	28,774	(1,226)
Building permits	40,200	93,916	90,738	(3,178)
Animal licenses and fees	400	400	625	225
	<u>70,600</u>	<u>124,316</u>	<u>120,137</u>	<u>(4,179)</u>
Intergovernmental Revenues				
Grants	25,000	52,227	122,499	70,272
	<u>25,000</u>	<u>52,227</u>	<u>122,499</u>	<u>70,272</u>
Charges for Services				
Sanitation	40,000	46,884	46,883	(1)
Airport fuel sales	116,000	126,181	120,587	(5,594)
Recycling center fees	15,000	27,087	27,087	-
Other	118,422	189,972	166,568	(23,404)
	<u>289,422</u>	<u>390,124</u>	<u>361,125</u>	<u>(28,999)</u>
Fines and Forfeitures				
City court fines	262,900	293,863	293,797	(66)
Police training fees	6,000	8,871	8,871	-
	<u>268,900</u>	<u>302,734</u>	<u>302,668</u>	<u>(66)</u>
Miscellaneous				
Leases and rent income	76,700	81,053	77,665	(3,388)
Interest	5,000	5,000	3,058	(1,942)
Donations and other contributions	-	5,000	5,000	-
Other	17,150	40,284	40,242	(42)
	<u>98,850</u>	<u>131,337</u>	<u>125,965</u>	<u>(5,372)</u>
TOTAL REVENUES	<u>4,534,774</u>	<u>4,733,111</u>	<u>4,735,754</u>	<u>2,643</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	443,798	478,887	472,108	6,779
Clerk/Council	77,494	79,728	77,546	2,182
Development services	245,359	182,450	151,048	31,402
Police	1,796,453	1,981,954	1,913,495	68,459
Emergency management	18,500	18,500	84,587	(66,087)
Court	114,401	120,686	114,917	5,769
Airport	258,393	273,026	244,162	28,864
Lampo community center	24,578	24,578	21,949	2,629
Recycling center	113,928	123,106	105,657	17,449
Information technology	88,532	93,748	89,215	4,533
Fleet maintenance	61,099	61,757	57,686	4,071
Human resources	98,596	108,396	102,008	6,388
Communications and events	74,000	76,015	70,411	5,604
TOTAL EXPENDITURES	<u>3,415,131</u>	<u>3,622,831</u>	<u>3,504,789</u>	<u>118,042</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,119,643	1,110,280	1,230,965	120,685
OTHER FINANCING SOURCES (USES)				
Operating transfers in	161,982	68,760	64,629	(4,131)
Operating transfers (out)	<u>(1,415,507)</u>	<u>(1,349,980)</u>	<u>(1,329,599)</u>	<u>20,381</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,253,525)</u>	<u>(1,281,220)</u>	<u>(1,264,970)</u>	<u>16,250</u>
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(133,882)	(170,940)	(34,005)	136,935
FUND BALANCE, October 1	<u>1,588,405</u>	<u>1,498,147</u>	<u>1,498,147</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 1,454,523</u>	<u>\$ 1,327,207</u>	<u>\$ 1,464,142</u>	<u>\$ 136,935</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET SALES TAX FUND
 Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Street sales taxes	\$ 896,103	\$ 896,103	\$ 898,842	\$ 2,739
Motor vehicle taxes	455,000	478,086	477,557	(529)
Intergovernmental revenues	-	4,700	4,700	-
Miscellaneous	2,000	9,437	29,071	19,634
TOTAL REVENUES	<u>1,353,103</u>	<u>1,388,326</u>	<u>1,410,170</u>	<u>21,844</u>
EXPENDITURES				
Current				
Street	1,421,471	1,189,522	1,084,915	104,607
TOTAL EXPENDITURES	<u>1,421,471</u>	<u>1,189,522</u>	<u>1,084,915</u>	<u>104,607</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(68,368)	198,804	325,255	126,451
OTHER FINANCING SOURCES (USES)				
Operating transfers in	34,170	34,170	17,514	(16,656)
Operating transfers (out)	(136,982)	(136,982)	(99,274)	37,708
TOTAL OTHER FINANCING SOURCES (USES)	<u>(102,812)</u>	<u>(102,812)</u>	<u>(81,760)</u>	<u>21,052</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(171,180)	95,992	243,495	147,503
FUND BALANCE, October 1	424,645	524,573	524,573	-
FUND BALANCE, September 30	<u>\$ 253,465</u>	<u>\$ 620,565</u>	<u>\$ 768,068</u>	<u>\$ 147,503</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – FIRE SALES TAX FUND
 Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Fire sales taxes	\$ 597,080	\$ 597,080	\$ 599,227	\$ 2,147
Charges for services	125,500	125,500	125,635	135
Intergovernmental revenues	-	1,317	1,317	-
Miscellaneous	1,000	7,427	10,267	2,840
TOTAL REVENUES	723,580	731,324	736,446	5,122
EXPENDITURES				
Current				
Fire	1,915,189	1,937,695	1,911,108	26,587
TOTAL EXPENDITURES	1,915,189	1,937,695	1,911,108	26,587
(DEFICIT) OF REVENUES OVER EXPENDITURES	(1,191,609)	(1,206,371)	(1,174,662)	31,709
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,214,559	1,229,559	1,191,609	(37,950)
Operating transfers (out)	(22,950)	(22,950)	-	22,950
TOTAL OTHER FINANCING SOURCES (USES)	1,191,609	1,206,609	1,191,609	(15,000)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	-	238	16,947	16,709
FUND BALANCE, October 1	-	134,415	134,415	-
FUND BALANCE, September 30	\$ -	\$ 134,653	\$ 151,362	\$ 16,709

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – TAX INCREMENT FINANCING FUND
 Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 250,000	\$ 250,000	\$ 176,482	\$ (73,518)
Miscellaneous	-	-	6,278	6,278
TOTAL REVENUES	250,000	250,000	182,760	(67,240)
EXPENDITURES				
Current	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	250,000	250,000	182,760	(67,240)
OTHER FINANCING SOURCES (USES)				
TIF tax to be refunded	(250,000)	(250,000)	-	250,000
Operating transfers in	227,256	227,256	-	(227,256)
Operating transfers (out)	(280,034)	(280,034)	(53,594)	226,440
TOTAL OTHER FINANCING SOURCES (USES)	(302,778)	(302,778)	(53,594)	249,184
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(52,778)	(52,778)	129,166	181,944
FUND BALANCE, October 1	2,174,575	1,887,826	1,887,826	-
FUND BALANCE, September 30	<u>\$ 2,121,797</u>	<u>\$ 1,835,048</u>	<u>\$ 2,016,992</u>	<u>\$ 181,944</u>

CITY OF NEOSHO, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2017

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, 2017

	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	Hotel/Motel Tax Fund	Golf Fund	D.A.R.E. Fund
ASSETS											
Cash and cash equivalents	\$ 1,020	\$ -	\$ 729,279	\$ 328,670	\$ 54,032	\$ 4,514	\$ 316,520	\$ 191,994	\$ 284,895	\$ -	\$ 487
Sales tax receivable	-	-	67,746	69,910	68,828	22,943	45,885	45,885	-	-	-
Other accounts receivable	-	-	-	-	-	-	-	-	-	5,237	-
Prepaid expenses	-	-	1,658	24,356	9,535	4,185	-	-	-	6,466	-
Cash and cash equivalents - restricted	-	696	-	197	13,216	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,020	\$ 696	\$ 798,683	\$ 423,133	\$ 145,611	\$ 31,642	\$ 362,405	\$ 237,879	\$ 284,895	\$ 11,703	\$ 487
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable	\$ -	\$ -	\$ 2,673	\$ 9,640	\$ 3,403	\$ 2,923	\$ -	\$ -	\$ 3,060	\$ 5,069	\$ -
Accrued expenses	-	-	-	47	85	144	-	-	-	-	-
Deposits held	-	-	-	-	13,216	-	-	-	-	323	-
TOTAL LIABILITIES	-	-	2,673	9,687	16,704	3,067	-	-	3,060	5,392	-
Fund Balance											
Nonspendable											
Permanent	-	-	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	1,658	24,356	9,535	4,185	-	-	-	6,466	-
Restricted for:											
Public safety	1,020	696	-	-	-	-	-	-	-	-	487
Drainage	-	-	785,910	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	235,807	-	-	-	-
Street and bridge	-	-	-	-	-	-	-	94,378	-	-	-
Tourism development	-	-	-	-	-	-	-	-	281,835	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Assigned to:											
Drainage	-	-	8,442	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	389,090	-	-	-	-	-	-	-
Auditorium	-	-	-	-	119,372	-	-	-	-	-	-
Senior center	-	-	-	-	-	24,390	-	-	-	-	-
Economic development	-	-	-	-	-	-	126,598	-	-	-	-
Street and bridge	-	-	-	-	-	-	-	143,501	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	(155)	-
TOTAL FUND BALANCES	1,020	696	796,010	413,446	128,907	28,575	362,405	237,879	281,835	6,311	487
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,020	\$ 696	\$ 798,683	\$ 423,133	\$ 145,611	\$ 31,642	\$ 362,405	\$ 237,879	\$ 284,895	\$ 11,703	\$ 487

CITY OF NEOSHO, MISSOURI
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS (continued)
 September 30, 2017

	Debt Service Funds				Permanent Funds		Total Nonmajor Governmental Funds	
	STAR Loan Fund	2014 COP Fund	2013 Bond Fund	2012 COP Fund	2016 COP Fund	Abbot Brothers Fund		Morse Park Fund
ASSETS								
Cash	\$ -	\$ -	\$ 66,068	\$ 1,661	\$ -	\$ 57,819	\$ 3,590	\$ 2,040,549
Sales tax receivable	-	-	-	-	-	-	-	321,197
Other accounts receivable	-	-	-	-	-	-	-	5,237
Prepaid expenses	-	215,281	-	-	-	-	-	261,481
Cash and cash equivalents - restricted	-	303,839	241,500	1,037	405,573	-	-	966,058
TOTAL ASSETS	\$ -	\$ 519,120	\$ 307,568	\$ 2,698	\$ 405,573	\$ 57,819	\$ 3,590	\$ 3,594,522
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,768
Accrued expenses	-	-	-	-	-	-	-	276
Deposits payable	-	-	-	-	-	-	-	13,539
TOTAL LIABILITIES	-	-	-	-	-	-	-	40,583
Fund Balance								
Nonspendable								
Permanent	-	-	-	-	-	57,819	3,590	61,409
Prepaid items	-	215,281	-	-	-	-	-	261,481
Restricted for:								
Public safety	-	-	-	-	-	-	-	2,203
Drainage	-	-	-	-	-	-	-	785,910
Economic development	-	-	-	-	-	-	-	235,807
Street and bridge	-	-	-	-	-	-	-	94,378
Tourism development	-	-	-	-	-	-	-	281,835
Debt service	-	303,839	307,568	2,698	405,573	-	-	1,019,678
Assigned to:								
Drainage	-	-	-	-	-	-	-	8,442
Parks and recreation	-	-	-	-	-	-	-	389,090
Auditorium	-	-	-	-	-	-	-	119,372
Senior center	-	-	-	-	-	-	-	24,390
Economic development	-	-	-	-	-	-	-	126,598
Street and bridge	-	-	-	-	-	-	-	143,501
Unassigned	-	-	-	-	-	-	-	(155)
TOTAL FUND BALANCES	-	519,120	307,568	2,698	405,573	57,819	3,590	3,553,939
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 519,120	\$ 307,568	\$ 2,698	\$ 405,573	\$ 57,819	\$ 3,590	\$ 3,594,522

CITY OF NEOSHO, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
 Year Ended September 30, 2017

	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	Hotel/Motel Tax Fund	Golf Fund	D.A.R.E. Fund
REVENUES											
Taxes	\$ -	\$ -	\$ 359,536	\$ 539,305	\$ 449,420	\$ 149,807	\$ 299,614	\$ 299,614	\$ 89,943	\$ -	\$ -
Intergovernmental revenues	12,990	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	77,199	19,944	8,300	-	-	-	367,212	-
Donations and other contributions	-	15,783	-	1,000	-	-	-	-	-	-	139
Miscellaneous	-	5	2,287	39,783	419	36	10,803	492	874	-	3
TOTAL REVENUES	12,990	15,788	361,823	657,287	469,783	158,143	310,417	300,106	90,817	367,212	142
EXPENDITURES											
Current											
Police	15,697	17,010	-	-	-	-	-	-	-	-	755
Drainage	-	-	195,494	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	527,914	-	-	-	-	-	-	-
Auditorium	-	-	-	-	79,247	-	-	-	-	-	-
Senior center	-	-	-	-	-	105,035	-	-	-	-	-
Golf course	-	-	-	-	-	-	-	-	-	463,059	-
Tourism development	-	-	-	-	-	-	-	-	72,864	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Debt Service											
Principal and interest	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	15,697	17,010	195,494	527,914	79,247	105,035	-	-	72,864	463,059	755
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(2,707)	(1,222)	166,329	129,373	390,536	53,108	310,417	300,106	17,953	(95,847)	(613)
OTHER FINANCING SOURCES (USES)											
Operating transfers in	2,707	-	-	53,136	26,849	-	20,503	-	-	335,494	-
Operating transfers (out)	-	-	(93,613)	(163,630)	(410,087)	(49,580)	(225,000)	(255,103)	(54,362)	(271,013)	-
TOTAL OTHER FINANCING SOURCES (USES)	2,707	-	(93,613)	(110,494)	(383,238)	(49,580)	(204,497)	(255,103)	(54,362)	64,481	-
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	-	(1,222)	72,716	18,879	7,298	3,528	105,920	45,003	(36,409)	(31,366)	(613)
FUND BALANCE, October 1	1,020	1,918	723,294	394,567	121,609	25,047	256,485	192,876	318,244	37,677	1,100
FUND BALANCE, September 30	\$ 1,020	\$ 696	\$ 796,010	\$ 413,446	\$ 128,907	\$ 28,575	\$ 362,405	\$ 237,879	\$ 281,835	\$ 6,311	\$ 487

CITY OF NEOSHO, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS (continued)
 Year Ended September 30, 2017

	Debt Service Funds				Permanent Funds		Total Nonmajor Governmental Funds	
	STAR Loan Fund	2014 COP Fund	2013 Bond Fund	2012 COP Fund	2016 COP Fund	Abbot Brothers Fund		Morse Park Fund
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,187,239
Intergovernmental revenues	-	-	-	-	-	-	-	12,990
Charges for services	-	-	-	-	-	-	-	472,655
Donations and other contributions	-	-	-	-	-	-	-	16,922
Miscellaneous	-	356	877	-	453	5,970	11	62,369
TOTAL REVENUES	-	356	877	-	453	5,970	11	2,752,175
EXPENDITURES								
Current								
Police	-	-	-	-	-	-	-	33,462
Drainage	-	-	-	-	-	-	-	195,494
Parks and recreation	-	-	-	-	-	-	-	527,914
Auditorium	-	-	-	-	-	-	-	79,247
Senior center	-	-	-	-	-	-	-	105,035
Golf course	-	-	-	-	-	-	-	463,059
Tourism development	-	-	-	-	-	-	-	72,864
Other	-	-	-	-	-	415	-	415
Debt Service								
Principal and interest	103,827	457,040	255,603	2,989	458,249	-	-	1,277,708
TOTAL EXPENDITURES	103,827	457,040	255,603	2,989	458,249	415	-	2,755,198
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(103,827)	(456,684)	(254,726)	(2,989)	(457,796)	5,555	11	(3,023)
OTHER FINANCING SOURCES (USES)								
Operating transfers in	103,827	459,042	255,103	-	458,865	-	-	1,715,526
Operating transfers (out)	-	-	-	(38,017)	-	-	-	(1,560,405)
TOTAL OTHER FINANCING SOURCES (USES)	103,827	459,042	255,103	(38,017)	458,865	-	-	155,121
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	-	2,358	377	(41,006)	1,069	5,555	11	152,098
FUND BALANCE, October 1	-	516,762	307,191	43,704	404,504	52,264	3,579	3,401,841
FUND BALANCE, September 30	\$ -	\$ 519,120	\$ 307,568	\$ 2,698	\$ 405,573	\$ 57,819	\$ 3,590	\$ 3,553,939

OTHER REPORTING REQUIREMENTS



**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, 2017, and the related notes to the financial statements, which collectively comprise the City of Neosho, Missouri's basic financial statements, and have issued our report thereon, dated February 21, 2018.

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 2017-001.

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
February 21, 2018

CITY OF NEOSHO, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2017

2017-001 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.