

CITY OF NEOSHO, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2016

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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, 2016, 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, 2016, 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 22, 2017, 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 22, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2016

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, 2016. 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 \$51,104 as a result of current year activities. The net position of the City's business activities decreased by \$143,504 for the year.
- The assets and deferred outflow of resources of the City exceeded liabilities and deferred inflow of resources by \$42.3 million (net position), as of September 30, 2016. Of this amount, \$9.0 million was unrestricted and may be used to meet future obligations of the City, \$5.2 million was restricted and \$28.1 million represents capital assets (net of related debt) of the City.
- Total long-term liabilities of the City decreased by \$2,121,184 to a total of \$21.4 million. The decrease was due to the payments of principal and refunding of certificates of participation 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.
- The City has been very diligent in monitoring and utilizing every opportunity to reduce the City's long-term debt expenses without extending the terms of these debts. Over the past six years, the City has saved the taxpayers over \$1.5 million in interest cost through refinancing City debts without adding to or extending the terms of the debts. The final changes in long-term liabilities were due to a refinancing of the city's 2006A and 2006B COP debt, allowing the City to capture lower interest rates with savings of \$739,246 total net debt service savings, net present value ("PV") savings of \$603,740 without extending the terms of the COP's payoff period.
- 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2016

Using This Annual Report

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

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position and changes in them. The City's net position – the difference between assets and deferred outflow of resources and liabilities and deferred inflow of resources – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, we divide the City into two types of activities:

- **Governmental Activities** – Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.
- **Business-Type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer services are provided here.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2016

Fund Financial Statements

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

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

Notes to the Basic Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2016

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of September 30, 2016 and 2015:

	Governmental Activities	Business-Type Activities	Total September 30, 2016	Total September 30, 2015
ASSETS				
Current and other assets	\$ 7,867,791	\$ 4,370,860	\$ 12,238,651	\$ 13,067,622
Net pension asset	1,223,662	381,313	1,604,975	2,592,422
Capital assets	28,670,253	22,284,271	50,954,524	52,195,396
TOTAL ASSETS	37,761,706	27,036,444	64,798,150	67,855,440
DEFERRED OUTFLOW OF RESOURCES				
Deferred pension outflow	1,671,428	353,197	2,024,625	774,141
Deferred charge on refundings	112,276	-	112,276	122,048
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,783,704	353,197	2,136,901	896,189
LIABILITIES				
Long-term liabilities outstanding	9,495,211	11,884,158	21,379,369	23,500,553
Other liabilities	1,594,386	941,153	2,535,539	2,633,385
TOTAL LIABILITIES	11,089,597	12,825,311	23,914,908	26,133,938
DEFERRED INFLOW OF RESOURCES				
Deferred pension inflow	539,925	193,300	733,225	238,373
NET POSITION				
Net investment in capital assets	18,403,933	9,709,702	28,113,635	27,202,164
Restricted	4,947,437	251,603	5,199,040	5,514,392
Unrestricted	4,564,518	4,409,725	8,974,243	9,662,762
TOTAL NET POSITION	\$ 27,915,888	\$ 14,371,030	\$ 42,286,918	\$ 42,379,318

Total net position of the City decreased by \$92,400 for the year due to current year activities. Total liabilities for the City decreased by \$2,219,030. Net investment in capital assets increased \$911,471.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2016

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2016	Total Year Ended September 30, 2015
REVENUES				
Program Revenues				
Charges for services	\$ 1,281,610	\$ 4,667,023	\$ 5,948,633	\$ 5,807,439
Operating grants and contributions	138,052	-	138,052	69,107
Capital grants and contributions	247,172	-	247,172	210,294
General Revenues				
Property taxes	383,617	-	383,617	418,835
Sales taxes	6,135,757	-	6,135,757	6,098,570
Motor vehicle and gas taxes	466,970	-	466,970	461,288
Other taxes	305,361	-	305,361	308,803
Franchise fees	727,606	-	727,606	813,084
Interest	68,164	10,968	79,132	28,097
Other revenue	122,927	116,076	239,003	63,018
Gain (loss) on sale of capital assets	4,250	-	4,250	6,000
Transfers	(559,024)	559,024	-	-
TOTAL REVENUES	9,322,462	5,353,091	14,675,553	14,284,535
EXPENSES				
General government	886,052	-	886,052	1,652,768
Auditorium	296,545	-	296,545	218,060
Police	1,690,867	-	1,690,867	1,478,562
Fire	1,823,759	-	1,823,759	1,883,432
Emergency management	99,002	-	99,002	29,986
Court	125,425	-	125,425	106,265
Airport	481,747	-	481,747	500,965
Drainage	166,711	-	166,711	114,225
Street	1,390,322	-	1,390,322	1,035,644
Parks	494,949	-	494,949	585,825
Recreation	24,572	-	24,572	27,515
Senior center	129,433	-	129,433	127,392
Recycling center	123,545	-	123,545	99,157
Information technology	97,269	-	97,269	65,017
Property control	63,168	-	63,168	50,913
Human resources	91,915	-	91,915	106,729
Golf course	609,709	-	609,709	638,798
Tourism development	45,448	-	45,448	42,474
Communication and events	74,655	-	74,655	-
Other	318,439	-	318,439	676
Debt service	396,826	-	396,826	291,268
Water and sewer	-	5,496,595	5,496,595	4,487,349
TOTAL EXPENSES	9,430,358	5,496,595	14,926,953	13,543,020
CHANGE IN NET POSITION	\$ (107,896)	\$ (143,504)	\$ (251,400)	\$ 741,515

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2016**

Governmental Activities

Governmental activities increased the net position of the City by \$51,104. Tax revenues for the City were \$8,019,311 which represents 81% of the funding of these activities. Program revenues for the functions totaled \$1,666,834 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	\$ 886,052	\$ 763,213
Auditorium	296,545	278,532
Police	1,690,867	1,372,712
Fire	1,823,759	1,697,939
Emergency management	99,002	35,378
Court	125,425	103,056
Airport	481,747	44,324
Drainage	166,711	166,711
Street	1,390,322	1,390,322
Parks	494,949	468,298
Recreation	24,572	(35,717)
Senior center	129,433	117,433
Recycling center	123,545	65,113
Information technology	97,269	97,269
Property control	63,168	63,168
Human resources	91,915	91,915
Golf course	609,709	224,760
Tourism development	45,448	45,448
Communication and events	74,655	58,385
Other	159,439	159,439
Debt service	396,826	396,826
	<u>\$ 9,271,358</u>	<u>\$ 7,604,524</u>

Business-Type Activities

Business-type activities decreased the City's net position by \$143,504. This is down from the increase received last year from the City's business-type activities. The increase in the prior year was \$72,108.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2016**

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2016, were \$7,446,802. The combined fund balances are down \$591,451 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 \$4,519,393 was amended to \$4,737,514.
- The original expenditures budget of \$3,689,489 was amended to \$3,800,192.
- Budget adjustments were presented and approved by the City Council. Final amended budgeted revenues were \$4,630 above actual, and budgeted expenditures were \$60,655 above actual.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$28,670,253 (net of accumulated depreciation) as of September 30, 2016. This represents a \$304,575 decrease from the prior year. Capital assets for business-type activities were \$22,284,271 as of September 30, 2016. This represents a decrease of \$936,297 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, 2016, was \$10,451,564, which is down \$940,108. The debt balance is net of deferred losses on refundings. The decrease is due to principal payments made in the current year, as well as the refunding of the Series 2006A and 2006B certificates of participation.

Total debt of the business-type activities as of September 30, 2016, was \$12,607,649, which is down \$1,212,576. The decrease is due to principal payments made in the current year and the current refunding of the Series 2006A certificates of participation.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2016

Economic Factors and Next Year's Budget

The economy in the City appears to have plateaued from that of the pace realized in recent fiscal years. The City continues to monitor sales tax revenues closely to ensure the stability of the City government and allow for timely reaction to changes in the economy. The City is experiencing commercial growth in the City's Industrial Park. FY2016 was a good year for Neosho in new construction.

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

Revenues are expected to remain steady for FY2017. 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 12,156 in 2015.

As stated in prior years, the greatest asset the City has is its staff of well trained, dedicated employees. Gradually increasing City staff in vital City departments and improving the quality of staff and services through training and cross-training among positions is a priority to better serve the needs of the City and its citizens. In FY2016 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 FY2017, the City is planning for a slight increase in Water and Sewer rates. Rates have not increased since 2011. 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 to determine a rate schedule that is fair and sufficient for payment of increased expenses. The City continues to reserve funds for large scale Water and Sewer line improvements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF NEOSHO, MISSOURI
September 30, 2016

Economic Factors and Next Year's Budget (continued)

The City realizes that the infrastructure is a vital asset to the quality of life that the citizens and business owners deserve. In FY2016, the City continued to implement a seven year street replacement and upgrade program. This program divided the city up into seven quadrants. One quadrant would be completed each year for seven years. However, due to efficiencies the seven year cycle will be completed in four years. A determination will be made as to whether the cycle will repeat immediately or if our roadways have more life with the existing pavements.

Access to complete, accurate and timely information is essential to effective management of the City. Beyond improved efficiency, the City has brought real time information to the fingertips of management; facilitated a collaborative budgeting process; and dramatically improved information. The City continues to strive to ensure the City Council and the citizens of Neosho are supplied with up-to-date financial information to ensure informed quality decisions are made on behalf of the City.

The debt of the City continues to be a focus of the City Council for the foreseeable future. Debt schedules are included in the notes to the financial statements. The City's overall financial picture has improved greatly over recent years, but will continue to require careful and concise planning to fulfill obligations to both debtors and the citizens of the City. The City continues to maintain very strong reserves with no additional debt plans in the immediate future. Over the past six years, the City has saved the taxpayers over \$1.5 million in interest cost through refinancing City debts without adding to or extending the terms of the debts. The final changes in long-term liabilities were due to a refinancing of the city's 2006A and 2006B COP debt, allowing the City to capture lower interest rates with savings of \$739,246 total net debt service savings, net present value ("PV") savings of \$603,740 without extending the terms of the COP's payoff period.

Contacting the City's Financial Management

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

City of Neosho
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Neosho, Missouri 64850
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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	\$ 5,130,290	\$ 3,586,581	\$ 8,716,871
Sales tax receivable	922,177	-	922,177
Utilities receivable, net	-	420,155	420,155
Other accounts receivable	36,798	17,290	54,088
Court fines receivable, net	39,975	-	39,975
Intergovernmental receivable	208,764	-	208,764
Inventory	63,998	-	63,998
Prepaid expenses	218,286	75,164	293,450
Noncurrent			
Restricted cash and cash equivalents	1,247,503	271,670	1,519,173
Net pension asset	1,223,662	381,313	1,604,975
Capital Assets:			
Non-depreciable	9,819,732	165,957	9,985,689
Depreciable, net	18,850,521	22,118,314	40,968,835
TOTAL ASSETS	<u>37,761,706</u>	<u>27,036,444</u>	<u>64,798,150</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflow	1,671,428	353,197	2,024,625
Deferred charge on refundings	112,276	-	112,276
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,783,704</u>	<u>353,197</u>	<u>2,136,901</u>
LIABILITIES			
Current			
Accounts payable	138,215	134,710	272,925
Accrued expenses	81,127	12,852	93,979
Accrued interest payable	104,768	50,033	154,801
Deposits held	42,647	-	42,647
Intergovernmental payable	159,000	-	159,000
Meter deposits held	-	20,067	20,067
Current maturities of long-term debt	1,068,629	723,491	1,792,120
	<u>1,594,386</u>	<u>941,153</u>	<u>2,535,539</u>
Noncurrent			
Capital leases payable	71,615	-	71,615
Loans payable	100,930	-	100,930
Certificates of participation payable	6,722,422	252,578	6,975,000
Bonds payable	2,415,000	11,598,500	14,013,500
Compensated absences payable	185,244	33,080	218,324
	<u>9,495,211</u>	<u>11,884,158</u>	<u>21,379,369</u>
TOTAL LIABILITIES	<u>11,089,597</u>	<u>12,825,311</u>	<u>23,914,908</u>
DEFERRED INFLOW OF RESOURCES			
Deferred pension inflow	539,925	193,300	733,225
	<u>539,925</u>	<u>193,300</u>	<u>733,225</u>
NET POSITION			
Net investment in capital assets	18,403,933	9,709,702	28,113,635
Restricted	4,947,437	251,603	5,199,040
Unrestricted	4,564,518	4,409,725	8,974,243
TOTAL NET POSITION	<u>\$ 27,915,888</u>	<u>\$ 14,371,030</u>	<u>\$ 42,286,918</u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2016

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	\$ (546,075)	\$ 31,510	\$ -	\$ -	\$ (514,565)	\$ -	\$ (514,565)
Clerk/Council	(70,720)	-	-	-	(70,720)	-	(70,720)
City hall building	(474)	-	-	-	(474)	-	(474)
Auditorium	(296,545)	18,013	-	-	(278,532)	-	(278,532)
Development services	(268,783)	91,329	-	-	(177,454)	-	(177,454)
Police	(1,690,867)	284,461	19,201	14,493	(1,372,712)	-	(1,372,712)
Fire	(1,823,759)	125,720	100	-	(1,697,939)	-	(1,697,939)
Emergency management	(99,002)	-	63,624	-	(35,378)	-	(35,378)
Court	(125,425)	22,369	-	-	(103,056)	-	(103,056)
Airport	(481,747)	199,451	5,293	232,679	(44,324)	-	(44,324)
Drainage	(166,711)	-	-	-	(166,711)	-	(166,711)
Street	(1,390,322)	-	-	-	(1,390,322)	-	(1,390,322)
Parks	(494,949)	20,751	5,900	-	(468,298)	-	(468,298)
Recreation	(24,572)	60,289	-	-	35,717	-	35,717
Senior center	(129,433)	12,000	-	-	(117,433)	-	(117,433)
Recycling center	(123,545)	18,903	39,529	-	(65,113)	-	(65,113)
Information technology	(97,269)	-	-	-	(97,269)	-	(97,269)
Property control	(63,168)	-	-	-	(63,168)	-	(63,168)
Human resources	(91,915)	-	-	-	(91,915)	-	(91,915)
Golf course	(609,709)	384,949	-	-	(224,760)	-	(224,760)
Tourism development	(45,448)	-	-	-	(45,448)	-	(45,448)
Communications and events	(74,655)	11,865	4,405	-	(58,385)	-	(58,385)
Other	(159,439)	-	-	-	(159,439)	-	(159,439)
Debt service	(396,826)	-	-	-	(396,826)	-	(396,826)
TOTAL GOVERNMENTAL ACTIVITIES	(9,271,358)	1,281,610	138,052	247,172	(7,604,524)	-	(7,604,524)

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF ACTIVITIES (continued)
Year Ended September 30, 2016

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	(5,496,595)	4,667,023	-	-	-	(829,572)	(829,572)
TOTAL BUSINESS-TYPE ACTIVITIES	(5,496,595)	4,667,023	-	-	-	(829,572)	(829,572)
TOTAL GOVERNMENT	\$ (14,767,953)	\$ 5,948,633	\$ 138,052	\$ 247,172	(7,604,524)	(829,572)	(8,434,096)
General Revenues							
Property taxes					383,617	-	383,617
Sales taxes					6,135,757	-	6,135,757
Motor vehicle and gas taxes					466,970	-	466,970
Other taxes					305,361	-	305,361
Franchise fees					727,606	-	727,606
Interest					68,164	10,968	79,132
Other revenue					122,927	116,076	239,003
Special Items							
Gain on sale of property					4,250	-	4,250
Transfers					(559,024)	559,024	-
Total General Revenues, Special Items, and Transfers					7,655,628	686,068	8,341,696
Changes in Net Position					51,104	(143,504)	(92,400)
Net Position, Beginning of year					27,864,784	14,514,534	42,379,318
Net Position, End of year					\$ 27,915,888	\$ 14,371,030	\$ 42,286,918

See accompanying notes.

CITY OF NEOSHO, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2016

	Special Revenue Funds						Total Governmental Funds
	General Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	2006 COP Fund	Nonmajor Governmental Funds	
ASSETS							
Cash and cash equivalents	\$ 751,504	\$ 398,364	\$ -	\$ 2,046,826	\$ -	\$ 1,880,556	\$ 5,077,250
Taxes receivable	385,037	134,285	89,523	-	-	313,332	922,177
Other accounts receivable	31,561	-	-	-	-	5,237	36,798
Court fines receivable, net	39,975	-	-	-	-	-	39,975
Intergovernmental receivable	208,764	-	-	-	-	-	208,764
Inventory	63,998	-	-	-	-	-	63,998
Prepaid expenses	76,974	23,587	74,643	-	-	43,082	218,286
Restricted cash and cash equivalents	38,212	-	-	-	-	1,209,291	1,247,503
TOTAL ASSETS	\$ 1,596,025	\$ 556,236	\$ 164,166	\$ 2,046,826	\$ -	\$ 3,451,498	\$ 7,814,751
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 32,666	\$ 27,150	\$ 1,904	\$ -	\$ -	\$ 23,455	\$ 85,175
Accrued expenses	47,531	4,513	27,847	-	-	1,236	81,127
Deposits held	17,681	-	-	-	-	24,966	42,647
Due to other governments	-	-	-	159,000	-	-	159,000
TOTAL LIABILITIES	97,878	31,663	29,751	159,000	-	49,657	367,949

See accompanying notes.

CITY OF NEOSHO, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
September 30, 2016

	Special Revenue Funds						Total Governmental Funds
	General Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	2006 COP Fund	Nonmajor Governmental Funds	
Fund Balance							
Nonspendable:							
Parks	-	-	-	-	-	55,843	55,843
Inventory	63,998	-	-	-	-	-	63,998
Prepaid items	76,974	23,587	74,643	-	-	43,082	218,286
Restricted for:							
Public safety	-	-	-	-	-	4,038	4,038
Drainage	-	-	-	-	-	715,481	715,481
Auditorium	-	-	-	-	-	37,641	37,641
Streets	-	500,986	-	-	-	-	500,986
Economic development	-	-	-	-	-	161,193	161,193
Street and bridge	-	-	-	-	-	49,867	49,867
Tourism development	-	-	-	-	-	318,244	318,244
TIF	-	-	-	1,887,826	-	-	1,887,826
Debt service	-	-	-	-	-	1,272,161	1,272,161
Assigned to:							
Drainage	-	-	-	-	-	6,021	6,021
Public safety	-	-	59,772	-	-	-	59,772
Parks and recreation	-	-	-	-	-	372,849	372,849
Auditorium	-	-	-	-	-	75,578	75,578
Senior center	-	-	-	-	-	21,393	21,393
Economic development	-	-	-	-	-	95,292	95,292
Golf course	-	-	-	-	-	30,149	30,149
Street and bridge	-	-	-	-	-	143,009	143,009
Unassigned	1,357,175	-	-	-	-	-	1,357,175
TOTAL FUND BALANCES	1,498,147	524,573	134,415	1,887,826	-	3,401,841	7,446,802
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,596,025	\$ 556,236	\$ 164,166	\$ 2,046,826	\$ -	\$ 3,451,498	\$ 7,814,751

See accompanying notes.

CITY OF NEOSHO, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF
 NET POSITION
 September 30, 2016

Fund balance - total governmental funds	\$ 7,446,802
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	58,710,044
Less accumulated depreciation	<u>(30,039,791)</u>
	28,670,253
The net pension asset and deferred costs are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Net pension asset	1,223,662
Deferred outflows due to pensions	1,671,428
Deferred inflows due to pensions	<u>(539,925)</u>
	2,355,165
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(104,768)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	<u>(10,451,564)</u>
Net Position of Governmental Activities	<u>\$ 27,915,888</u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
 Year Ended September 30, 2016

	General Fund	Special Revenue Funds				Nonmajor Governmental Funds	Total Governmental Funds
		Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	2006 COP Fund		
REVENUES							
Taxes	\$ 3,685,822	\$ 1,373,764	\$ 604,516	\$ 157,306	\$ -	\$ 2,197,903	\$ 8,019,311
Licenses and permits	76,413	-	-	-	-	-	76,413
Intergovernmental revenues	335,832	-	-	-	-	17,995	353,827
Charges for services	238,956	-	125,720	-	-	490,963	855,639
Fines and forfeitures	281,676	-	-	-	-	-	281,676
Donations and other contributions	2,500	-	-	-	-	16,199	18,699
Miscellaneous	111,685	57,466	1,383	5,678	-	95,305	271,517
TOTAL REVENUES	4,732,884	1,431,230	731,619	162,984	-	2,818,365	9,877,082
EXPENDITURES							
Current							
Administrative	499,933	-	-	-	-	-	499,933
Clerk/Council	68,707	-	-	-	-	-	68,707
Auditorium	-	-	-	-	-	126,390	126,390
Development services	245,883	-	-	-	-	-	245,883
Police	1,726,781	-	-	-	-	34,403	1,761,184
Fire	-	-	1,844,540	-	-	-	1,844,540
Emergency management	82,723	-	-	-	-	-	82,723
Court	117,474	-	-	-	-	-	117,474
Airport	516,769	-	-	-	-	-	516,769
Drainage	-	-	-	-	-	205,132	205,132
Street	-	1,344,710	-	-	-	-	1,344,710
Parks and recreation	-	-	-	-	-	457,724	457,724
Recreation	19,445	-	-	-	-	-	19,445
Senior center	-	-	-	-	-	116,299	116,299
Recycling center	145,119	-	-	-	-	-	145,119
Information technology	93,953	-	-	-	-	-	93,953
Property control	63,168	-	-	-	-	-	63,168
Human resources	84,927	-	-	-	-	-	84,927
Golf course	-	-	-	-	-	453,906	453,906
Tourism development	-	-	-	-	-	45,448	45,448
Communications and events	74,655	-	-	-	-	-	74,655
Other	-	-	-	-	-	439	439
Debt Service							
Principal and interest	-	-	-	-	4,421,002	1,005,383	5,426,385
TOTAL EXPENDITURES	3,739,537	1,344,710	1,844,540	-	4,421,002	2,445,124	13,794,913

See accompanying notes.

CITY OF NEOSHO, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)

Year Ended September 30, 2016

	Special Revenue Funds						Total Governmental Funds
	General Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	2006 COP Fund	Nonmajor Governmental Funds	
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	993,347	86,520	(1,112,921)	162,984	(4,421,002)	373,241	(3,917,831)
OTHER FINANCING SOURCES (USES)							
Certificates of participation proceeds	-	-	-	-	-	4,040,000	4,040,000
TIF tax to be refunded	-	-	-	(159,000)	-	-	(159,000)
Operating transfers in (out)	(1,495,362)	(195,183)	1,186,482	(176,853)	3,862,837	(3,740,945)	(559,024)
Sale of assets	4,404	-	-	-	-	-	4,404
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,490,958)</u>	<u>(195,183)</u>	<u>1,186,482</u>	<u>(335,853)</u>	<u>3,862,837</u>	<u>299,055</u>	<u>3,326,380</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(497,611)	(108,663)	73,561	(172,869)	(558,165)	672,296	(591,451)
FUND BALANCE, October 1	1,995,758	633,236	60,854	2,060,695	558,165	2,729,545	8,038,253
FUND BALANCE, September 30	<u>\$ 1,498,147</u>	<u>\$ 524,573</u>	<u>\$ 134,415</u>	<u>\$ 1,887,826</u>	<u>\$ -</u>	<u>\$ 3,401,841</u>	<u>\$ 7,446,802</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, 2016

Net change in fund balances - total governmental funds \$ (591,451)

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 and disposals exceeded capital outlay for the year.

Capital outlay	1,046,804
Depreciation	(1,347,129)
Disposal of capital assets, net	(4,250)
	<u>(304,575)</u>

The issuance of long-term debt provides current financial resources to governmental funds.
 The repayment of the principal of long-term debt is a use of current financial resources of
 governmental funds. In the statement of activities, interest is accrued on outstanding debt
 whereas in the governmental funds, an interest expenditure is reported when due. The
 following is the detail of the net affect of these differences.

Repayment of principal on bonds, leases and loans	5,005,212
Certificate of participation proceeds	(4,040,000)
Change in accrued interest payable	24,347
	<u>989,559</u>

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

Change in pension related costs	(17,325)
Change in compensated absences	(25,104)
	<u>(42,429)</u>

Change in Net Position of Governmental Activities	<u>\$ 51,104</u>
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See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
September 30, 2016

	Water and Sewer Fund	Internal Service Fund
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,586,581	\$ 53,040
Utilities receivable, net	420,155	-
Other accounts receivable	17,290	-
Prepaid expenses	75,164	-
TOTAL CURRENT ASSETS	4,099,190	53,040
Noncurrent Assets		
Restricted cash and cash equivalents	271,670	-
Net pension asset	381,313	-
Capital assets:		
Nondepreciable	165,957	-
Depreciable, net	22,118,314	-
TOTAL NONCURRENT ASSETS	22,937,254	-
TOTAL ASSETS	27,036,444	53,040
DEFERRED OUTFLOW OF RESOURCES		
Deferred pension outflow	353,197	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	353,197	-
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	27,389,641	53,040
LIABILITIES		
Current Liabilities		
Accounts payable	134,710	53,040
Accrued expenses	12,852	-
Accrued interest payable	50,033	-
Meter deposits payable	20,067	-
Current maturities of long-term debt	723,491	-
TOTAL CURRENT LIABILITIES	941,153	53,040
Long-Term Liabilities		
Certificates of participation	252,578	-
Revenue bonds payable	11,598,500	-
Compensated absences payable	33,080	-
TOTAL LONG-TERM LIABILITES	11,884,158	-
TOTAL LIABILITIES	12,825,311	53,040
DEFERRED INFLOW OF RESOURCES		
Deferred pension inflow	193,300	-
NET POSITION		
Net investment in capital assets	9,709,702	-
Restricted for debt service	251,603	-
Unrestricted	4,409,725	-
TOTAL NET POSITION	\$ 14,371,030	\$ -

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY
FUNDS
Year Ended September 30, 2016

	Water and Sewer Fund	Internal Service Fund
	<u> </u>	<u> </u>
OPERATING REVENUES		
Charges for services		
Water and sewer	\$ 4,667,023	\$ -
Employer insurance contributions	-	955,581
Employee insurance contributions	-	240,364
	<u> </u>	<u> </u>
TOTAL OPERATING REVENUES	4,667,023	1,195,945
OPERATING EXPENSES		
Personnel services	1,034,778	-
Contractual services	1,646,399	-
Repairs and maintenance	294,745	-
Supplies	108,256	-
Utilities	577,161	-
Insurance	98,540	-
Capital expenses	483,993	-
Depreciation	968,374	-
Miscellaneous	7,453	-
Insurance claims and premiums	-	863,296
Administrative fees	-	332,649
	<u> </u>	<u> </u>
TOTAL OPERATING EXPENSES	5,219,699	1,195,945
OPERATING (LOSS)	(552,676)	-
NONOPERATING REVENUES (EXPENSES)		
Interest income	10,968	-
Other revenue	116,076	-
Interest expense	(276,896)	-
	<u> </u>	<u> </u>
TOTAL NONOPERATING REVENUES (EXPENSES)	(149,852)	-
(LOSS) BEFORE OPERATING TRANSFERS	(702,528)	-
NET OPERATING TRANSFERS IN	<u>559,024</u>	<u>-</u>
NET (LOSS)	(143,504)	-
NET POSITION, October 1	<u>14,514,534</u>	<u>-</u>
NET POSITION, September 30	<u>\$ 14,371,030</u>	<u>\$ -</u>

See accompanying notes.

CITY OF NEOSHO, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended September 30, 2016

	Water and Sewer Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,628,380	\$ 1,195,945
Cash paid to suppliers	(3,239,948)	(1,355,567)
Cash paid to employees	(873,151)	-
Other cash received for nonoperating revenues	116,076	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	631,357	(159,622)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers from other funds	559,024	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	559,024	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	(32,077)	-
Payment of principal on leases	(519,531)	-
Payment of principal on bonds	(667,600)	-
Payment of interest expense	(295,072)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,514,280)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	10,968	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	10,968	-
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(312,931)	(159,622)
CASH AND CASH EQUIVALENTS, Beginning of year	4,171,182	212,662
CASH AND CASH EQUIVALENTS, End of year	3,858,251	53,040
LESS RESTRICTED CASH AND CASH EQUIVALENTS	(271,670)	-
UNRESTRICTED CASH AND CASH EQUIVALENTS	\$ 3,586,581	\$ 53,040
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (552,676)	\$ -
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:		
Depreciation	968,374	-
(Increase) decrease in:		
Utilities receivable	(36,757)	-
Prepaid expenses	(58,670)	-
Net pension asset	215,785	-
Deferred pension outflow	(164,585)	-
Increase (decrease) in:		
Accounts payable	35,269	(159,622)
Accrued expenses	(27,418)	-
Meter deposits payable	(1,886)	-
Deferred pension inflow	163,290	-
Compensated absences	(25,445)	-
Other cash received for nonoperating revenues	116,076	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 631,357	\$ (159,622)

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Neosho, Missouri, (the City) adopted a home rule charter in 1973 and operates under the Council/City Manager form of government. The City provides the following services as authorized by its charter: public safety (police and fire), streets, culture-recreation, public works, planning, and general administrative services. Other services include water and sewer operations and golf course.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

Financial Reporting Entity

The City is organized under laws of the State of Missouri and is a primary government, which is governed by an elected council. As required by accounting principles generally accepted in the United States of America, the City has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that no other outside entity meets the above criteria and, therefore, no other entity has been included as a component unit in the financial statements. In addition, the City is not aware of any entity for which the City would be considered as a component unit of that entity.

Government-Wide and Fund Financial Statements

The basic financial statements include both the government-wide (the Statement of Net Position and the Statement of Activities) and fund financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements display information about the government as a whole. Interfund activity has been eliminated from these statements to minimize the duplication of internal activities. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services for support.

In the government-wide Statement of Net Position, both the governmental and business-type activities are consolidated and presented on the full accrual, economic resources basis of accounting. The consolidated presentation incorporates long-term assets and receivables as well as long-term debt and obligations, and it provides information to improve analysis and comparability.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a program or a function. Program revenues include charges for goods or services offered by the programs and grants and contributions that are restricted to meet operating and capital expenses of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

Separate fund financial statements report information on the City's governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds in their respective categories.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Consequently, the emphasis on near-term inflows and outflows of resources do not present the long-term impact of transactions. Conversely, the proprietary fund statements incorporate the accrual basis of accounting and focus on the change in total economic resources. This presentation records long-term assets and liabilities, and recognizes revenues and expenses when transactions occur, regardless of their impact on the flow of cash. Since the accounting differs significantly between the governmental funds and the proprietary funds, it is necessary to convert the governmental fund data to arrive at the government-wide financial statements. Therefore, reconciliations have been provided following the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance identifying categories that required conversion from the fund statements.

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

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.

2006 COP Fund: The 2006 COP Fund accounts for debt payments associated with the 2006 certificates of participation.

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 accounts for the activities and capital improvements of the City’s water and sewer system.

Internal Service Fund: The Internal Service Fund accounts for the costs of self-insurance funds on a cost-reimbursement basis.

Capital Assets

Capital assets include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, storm sewers, and similar items) and are included in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, excluding land, are defined by the City as assets with a cost of \$5,000 or greater and an estimated useful life of at least one year. All land purchases are capitalized regardless of cost. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Historically, governmental infrastructure assets have not been capitalized and reported in the financial statements. In conformity with GASB 34, infrastructure, such as streets and storm sewers, has been capitalized. Additionally, the city elected to depreciate its infrastructure assets. Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

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, 2016

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, 2016, all bank balances on deposit were entirely insured or collateralized.

NOTE C – RESTRICTED CASH AND CASH EQUIVALENTS

Cash has been restricted in the following funds:

	<u>Restricted Cash and Cash Equivalents</u>
GENERAL FUND	
Court bonds	\$ 8,980
Police evidence	11,551
Deposits held	17,681
	<u>\$ 38,212</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

NOTE C – RESTRICTED CASH AND CASH EQUIVALENTS (continued)

	<u>Restricted Cash and Cash Equivalents</u>
NONMAJOR GOVERNMENTAL FUNDS	
Auditorium deposits held	\$ 14,966
Economic development deposit held	10,000
Police donations	1,918
Skate park donations	104
2012A/B COP revenue trust fund	1
2012A/B COP reserve trust fund	1,036
2013 Bond reserve	260,000
2014A Lease revenue fund	36,859
2014A Reserve	303,500
2014B Lease revenue fund	176,403
2016 COP reserve trust fund	402,123
2016 COP delivery costs trust fund	2,381
	<u>\$ 1,209,291</u>

Water and Sewer Fund

Restricted assets and restricted net position consist of the following at September 30, 2016:

	<u>Restricted Cash and Cash Equivalents</u>	<u>Restricted Net Position</u>
WATER AND SEWER FUND		
Meter deposits	\$ 20,067	\$ -
1992B Bond principal trust fund	5,388	5,388
2009B Bond principal and interest trust funds	80,497	80,497
2011 Bond principal and interest trust funds	135,213	135,213
2012A COP reserve trust fund	30,505	30,505
	<u>\$ 271,670</u>	<u>\$ 251,603</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

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>2015</u>
Assessed Valuation	
Real estate	\$ 109,863,789
Personal property	<u>32,132,580</u>
TOTAL	<u>\$ 141,996,369</u>
Tax Rate Per \$100 of Assessed Valuation	
General Fund (Real Property)	<u>\$.3639</u>

The legal debt margin at September 30, 2016, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional Debt Limit	\$ 14,199,637	\$ 14,199,637	\$ 28,399,274
General Obligation Bonds payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 14,199,637</u>	<u>\$ 14,199,637</u>	<u>\$ 28,399,274</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, 2016

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	\$ 385,037	\$ -	\$ 385,037
Street Sales Tax Fund	134,285	-	134,285
Fire Sales Tax Fund	89,523	-	89,523
Nonmajor Governmental Funds	313,332	-	313,332
	<u>\$ 922,177</u>	<u>\$ -</u>	<u>\$ 922,177</u>
UTILITIES RECEIVABLE			
Water and Sewer Fund	<u>\$ 428,858</u>	<u>\$ 8,703</u>	<u>\$ 420,155</u>
OTHER ACCOUNTS RECEIVABLE			
General Fund	\$ 31,561	\$ -	\$ 31,561
Golf Fund	5,237	-	5,237
Water and Sewer Fund	17,290	-	17,290
	<u>\$ 54,088</u>	<u>\$ -</u>	<u>\$ 54,088</u>
COURT FINES RECEIVABLE			
General Fund	<u>\$ 267,852</u>	<u>\$ 227,877</u>	<u>\$ 39,975</u>

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

The business-type activities long-term debt at September 30, 2016, consists of the 2011 and 2009B 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, 2016

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, 2016, all of the bonds have been issued. Bonds outstanding at September 30, 2016, are due as follows:

Year Ended September 30,	Principal	Interest	Total
2017	\$ 420,000	\$ 121,260	\$ 541,260
2018	428,000	114,888	542,888
2019	438,000	108,388	546,388
2020	446,000	101,744	547,744
2021	456,000	94,972	550,972
2022	464,000	88,056	552,056
2023	474,000	81,012	555,012
2024	484,000	73,816	557,816
2025	493,000	66,478	559,478
2026	503,000	58,996	561,996
2027	513,000	51,363	564,363
2028	524,000	43,571	567,571
2029	535,000	35,621	570,621
2030	545,000	27,504	572,504
2031	557,000	19,230	576,230
2032	567,000	10,781	577,781
2033	288,000	2,174	290,174
	<u>\$ 8,135,000</u>	<u>\$ 1,099,854</u>	<u>\$ 9,234,854</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

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, 2016, are due as follows:

Year Ended September 30,	Principal	Interest	Total
2017	\$ 260,600	\$ 61,597	\$ 322,197
2018	265,700	57,642	323,342
2019	270,900	53,611	324,511
2020	276,100	49,501	325,601
2021	281,500	45,311	326,811
2022	287,000	41,040	328,040
2023	292,600	36,685	329,285
2024	298,300	32,246	330,546
2025	304,100	27,720	331,820
2026	310,100	23,105	333,205
2027	316,100	18,400	334,500
2028	322,300	13,604	335,904
2029	328,600	8,714	337,314
2030	330,200	3,727	333,927
	<u>\$ 4,144,100</u>	<u>\$ 472,903</u>	<u>\$ 4,617,003</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, 2016, are due as follows:

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

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

Year Ended September 30,	Principal	Interest	Total
2017	\$ 45,000	\$ 9,062	\$ 54,062
2018	45,000	8,106	53,106
2019	45,000	7,150	52,150
2020	45,000	5,688	50,688
2021	50,000	4,225	54,225
2022	50,000	2,600	52,600
2023	30,000	975	30,975
	<u>\$ 310,000</u>	<u>\$ 37,806</u>	<u>\$ 347,806</u>

Amount recorded in:

Water and Sewer Fund/Business-Type Activities	\$ 295,469
Governmental Activities	14,531
TOTAL	<u>\$ 310,000</u>

A summary of the changes in long-term debt – business-type activities for the year ended September 30, 2016, is as follows:

	Balance September 30, 2015	Additions	Retirements	Balance September 30, 2016	Amounts Due Within One Year
Revenue Bonds					
2009B Revenue Bonds -ARRA					
Direct Loan Program	\$ 4,399,700	\$ -	\$ 255,600	\$ 4,144,100	\$ 260,600
2011 Revenue Bonds - Direct					
Loan Program	8,547,000	-	412,000	8,135,000	420,000
Certificates of Participation					
2006A Certificates of Participation	510,000	-	510,000	-	-
2012A Certificates of Participation	305,000	-	9,531	295,469	42,891
Compensated Absences Payable	58,525	-	25,445	33,080	-
TOTAL	<u>\$ 13,820,225</u>	<u>\$ -</u>	<u>\$ 1,212,576</u>	<u>\$ 12,607,649</u>	<u>\$ 723,491</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at September 30, 2016, consists of two capital lease obligations; 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 Obligations

On May 12, 2012, the City entered into a lease purchase agreement with PNC Equipment Finance to finance the purchase of golf carts for \$143,165. The lease requires monthly payments of \$2,616, which includes interest at 3.00%.

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

Although the lease agreements provide for the cancellation of the leases if the City should fail to appropriate funds at the annual renewal date, the City does not foresee exercising its options to cancel. Therefore, these leases are accounted for as noncancellable capital leases in accordance with ASC 840-10-25.

The total annual minimum lease payments required at September 30, 2016, are as follows:

Year Ended September 30,	Golf Carts	Fire Truck	Total
2017	\$ 18,311	\$ 72,939	\$ 91,250
2018	-	72,939	72,939
TOTAL MINIMUM LEASE PAYMENTS	18,311	145,878	164,189
LESS AMOUNT REPRESENTING INTEREST	(221)	(3,947)	(4,168)
PRINCIPAL BALANCE, SEPTEMBER 30, 2016	<u>\$ 18,090</u>	<u>\$ 141,931</u>	<u>\$ 160,021</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

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, 2016, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 370,000	\$ 85,540	\$ 455,540
2018	375,000	79,162	454,162
2019	385,000	71,881	456,881
2020	395,000	63,656	458,656
2021	230,000	54,912	284,912
2022	240,000	48,012	288,012
2023	245,000	42,012	287,012
2024	255,000	35,276	290,276
2025	260,000	27,626	287,626
2026	280,000	19,825	299,825
2027	330,000	10,725	340,725
	<u>\$ 3,365,000</u>	<u>\$ 538,627</u>	<u>\$ 3,903,627</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

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, 2016, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 325,000	\$ 132,004	\$ 457,004
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>\$ 4,040,000</u>	<u>\$ 869,841</u>	<u>\$ 4,909,841</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

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, 2016, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 185,000	\$ 71,303	\$ 256,303
2018	190,000	67,603	257,603
2019	195,000	63,803	258,803
2020	200,000	59,903	259,903
2021	205,000	55,402	260,402
2022	205,000	50,277	255,277
2023	210,000	44,537	254,537
2024	215,000	38,657	253,657
2025	230,000	31,992	261,992
2026	235,000	24,862	259,862
2027	530,000	17,225	547,225
	<u>\$ 2,600,000</u>	<u>\$ 525,564</u>	<u>\$ 3,125,564</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, 2016, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 98,114	\$ 5,735	\$ 103,849
2018	100,930	2,908	103,838
	<u>\$ 199,044</u>	<u>\$ 8,643</u>	<u>\$ 207,687</u>

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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, 2016, is as follows:

	Balance September 30, 2015	Additions	Retirements	Balance September 30, 2016	Amounts Due Within One Year
Capital Lease Obligations					
2012 Golf carts	\$ 48,211	\$ -	\$ 30,121	\$ 18,090	\$ 18,090
Fire truck	210,970	-	69,039	141,931	70,316
	259,181	-	99,160	160,021	88,406
Loan Obligation					
2008 STAR loan	294,399	-	95,355	199,044	98,114
Certificates of Participation					
Series 2006A	3,910,000	-	3,910,000	-	-
Series 2006B	290,000	-	290,000	-	-
Series 2012A	15,000	-	469	14,531	2,109
Series 2012B	75,000	-	75,000	-	-
Series 2014A	2,860,000	-	190,000	2,670,000	200,000
Series 2014B	865,000	-	170,000	695,000	170,000
Series 2016	-	4,040,000	-	4,040,000	325,000
	8,015,000	4,040,000	4,635,469	7,419,531	697,109
Less: Deferred loss on debt refunding	(122,048)	-	(9,772)	(112,276)	-
	7,892,952	4,040,000	4,625,697	7,307,255	697,109
Special Obligation Refunding Bonds					
Series 2013	2,785,000	-	185,000	2,600,000	185,000
Compensated absences payable	160,140	25,104	-	185,244	-
TOTAL	<u>\$ 11,391,672</u>	<u>\$ 4,065,104</u>	<u>\$ 5,005,212</u>	<u>\$ 10,451,564</u>	<u>\$ 1,068,629</u>

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance September 30, 2015	Additions	Deletions	Balance September 30, 2016
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 9,560,163	\$ -	\$ -	\$ 9,560,163
Construction in progress	-	259,569	-	259,569
Total Non-Depreciable Capital Assets	9,560,163	<u>\$ 259,569</u>	<u>\$ -</u>	9,819,732
Depreciable Capital Assets:				
Land improvements	624,251	\$ -	\$ -	624,251
Building and improvements	10,193,694	-	-	10,193,694
Machinery and equipment	5,922,826	396,547	206,702	6,112,671
Golf course infrastructure	3,373,207	-	-	3,373,207
Infrastructure	28,195,801	390,688	-	28,586,489
Total Depreciable Capital Assets	48,309,779	<u>\$ 787,235</u>	<u>\$ 206,702</u>	48,890,312
Less Accumulated Depreciation	28,895,114	<u>\$ 1,347,129</u>	<u>\$ 202,452</u>	30,039,791
Total Depreciable Capital Assets, Net	<u>19,414,665</u>			<u>18,850,521</u>
Total Capital Assets - Governmental Activities, Net	<u>\$ 28,974,828</u>			<u>\$ 28,670,253</u>

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE H – CAPITAL ASSETS (continued)

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

Administration	\$ 23,995
Auditorium	169,681
Building inspection	9,516
Police	57,002
Fire	38,365
Emergency management	16,279
Recycling	8,012
Senior center	22,633
Golf course	162,538
Court	1,200
Airport	226,442
Parks	66,413
Recreation	5,127
Drainage	17,829
Street	522,097
	<u>522,097</u>
	<u>\$ 1,347,129</u>

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2015	Additions	Deletions	Balance September 30, 2016
Business-Type Activities				
Water and Sewer				
Non-Depreciable Capital Assets:				
Land	\$ 157,578	\$ -	\$ -	\$ 157,578
Construction in progress	-	8,379	-	8,379
Total Non-Depreciable Capital Assets	157,578	<u>\$ 8,379</u>	<u>\$ -</u>	165,957
Depreciable Capital Assets:				
Buildings	163,900	\$ -	\$ -	163,900
Water plant and equipment	13,805,524	23,698	39,333	13,789,889
Sewer plant and equipment	27,301,276	-	20,500	27,280,776
Total Depreciable Capital Assets	41,270,700	<u>\$ 23,698</u>	<u>\$ 59,833</u>	41,234,565
Less Accumulated Depreciation	18,207,710	<u>\$ 968,374</u>	<u>\$ 59,833</u>	19,116,251
Total Depreciable Capital Assets, Net	<u>23,062,990</u>			<u>22,118,314</u>
Total Capital Assets - Business-Type Activities, Net	<u>\$ 23,220,568</u>			<u>\$ 22,284,271</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, 2016

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>2016 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, 2016, 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	14	82
Inactive employees entitled to but not yet receiving benefits	40	13	7	60
Active employees	<u>49</u>	<u>19</u>	<u>25</u>	<u>93</u>
	<u>143</u>	<u>46</u>	<u>46</u>	<u>235</u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year. With an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 7.5% (General), 4.9% (Police), and 12% (Fire) of annual covered payroll.

Net Pension Asset. The employer’s net pension asset was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 29, 2016.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

Actuarial Assumptions. The total pension liability in the February 29, 2016, 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 29, 2016, 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%	2.23%
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, 2016

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 June 30, 2015	\$ 7,014,913	\$ 8,243,511	\$ (1,228,598)
Changes for the year:			
Service cost	193,534	-	193,534
Interest	500,010	-	500,010
Difference between expected and actual experiences	(601,845)	-	(601,845)
Contributions - employer	-	132,078	(132,078)
Net investment income	-	(21,449)	21,449
Changes of assumptions	191,237	-	191,237
Benefits paid, including refunds	(434,198)	(434,198)	-
Administrative expenses	-	(10,345)	10,345
Other changes	-	(42,491)	42,491
Net Changes	(151,262)	(376,405)	225,143
Balances at June 30, 2016	6,863,651	7,867,106	(1,003,455)
<i>Police Division</i>			
Balances at June 30, 2015	2,448,063	3,238,679	(790,616)
Changes for the year:			
Service cost	76,102	-	76,102
Interest	177,476	-	177,476
Difference between expected and actual experiences	90,197	-	90,197
Contributions - employer	-	41,120	(41,120)
Net investment income	-	(3,855)	3,855
Changes of assumptions	65,126	-	65,126
Benefits paid, including refunds	(76,347)	(76,347)	-
Administrative expenses	-	(3,618)	3,618
Other changes	-	10,474	(10,474)
Net Changes	332,554	(32,226)	364,780
Balances at June 30, 2016	2,780,617	3,206,453	(425,836)

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)
	(a)	(b)	(a) - (b)
<i>Fire Division</i>			
Balances at June 30, 2015	4,537,990	5,111,198	(573,208)
Changes for the year:			
Service cost	121,503	-	121,503
Interest	327,011	-	327,011
Difference between expected and actual experiences	(98,236)	-	(98,236)
Contributions - employer	-	120,434	(120,434)
Net investment income	-	(6,292)	6,292
Changes of assumptions	206,086	-	206,086
Benefits paid, including refunds	(177,472)	(177,472)	-
Administrative expenses	-	(3,786)	3,786
Other changes	-	48,484	(48,484)
Net Changes	378,892	(18,632)	397,524
Balances at June 30, 2016	4,916,882	5,092,566	(175,684)
Total Plan Balances at June 30, 2016	<u>\$ 14,561,150</u>	<u>\$ 16,166,125</u>	<u>\$ (1,604,975)</u>

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

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
<i>General Division</i>			
Total Pension Liability	\$ 7,875,255	\$ 6,863,651	\$ 6,045,577
Fiduciary Net Position	<u>7,867,106</u>	<u>7,867,106</u>	<u>7,867,106</u>
Net Pension Liability/(Asset)	8,149	(1,003,455)	(1,821,529)
<i>Police Division</i>			
Total Pension Liability	3,278,405	2,780,617	2,382,578
Fiduciary Net Position	<u>3,206,453</u>	<u>3,206,453</u>	<u>3,206,453</u>
Net Pension Liability/(Asset)	71,952	(425,836)	(823,875)
<i>Fire Division</i>			
Total Pension Liability	5,666,700	4,916,882	4,305,180
Fiduciary Net Position	<u>5,092,566</u>	<u>5,092,566</u>	<u>5,092,566</u>
Net Pension Liability/(Asset)	<u>574,134</u>	<u>(175,684)</u>	<u>(787,386)</u>
Total Net Pension Liability/(Asset)	<u>\$ 654,235</u>	<u>\$ (1,604,975)</u>	<u>\$ (3,432,790)</u>

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

For the year ended 2016, the employer recognized pension expense of \$258,808 in the general division, \$99,410 in the police division, and \$168,067 in the fire division. The employer reported deferred outflows and inflows of resources related to pensions from the following sources.

CITY OF NEOSHO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

	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	\$ -	\$ (508,684)	\$ (508,684)
Assumption changes	148,097	-	148,097
Differences in investment returns	748,925	-	748,925
Contributions subsequent to the measurement date*	32,445	-	32,445
	<u>929,467</u>	<u>(508,684)</u>	<u>420,783</u>
<i>Police Division</i>			
Differences in experiences	70,668	(81,731)	(11,063)
Assumption changes	51,025	-	51,025
Differences in investment returns	291,856	-	291,856
Contributions subsequent to the measurement date*	10,094	-	10,094
	<u>423,643</u>	<u>(81,731)</u>	<u>341,912</u>
<i>Fire Division</i>			
Differences in experiences	-	(142,810)	(142,810)
Assumption changes	179,157	-	179,157
Differences in investment returns	462,797	-	462,797
Contributions subsequent to the measurement date*	29,561	-	29,561
	<u>671,515</u>	<u>(142,810)</u>	<u>528,705</u>
Total	<u>\$ 2,024,625</u>	<u>\$ (733,225)</u>	<u>\$ 1,291,400</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, 2017.

CITY OF NEOSHO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

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
2017	\$ 129,886	\$ 96,576	\$ 163,934	\$ 390,396
2018	97,441	86,482	134,373	318,296
2019	112,258	90,522	134,372	337,152
2020	81,198	68,332	80,483	230,013
2021	-	-	5,201	5,201
Thereafter	-	-	10,342	10,342
Total	\$ 420,783	\$ 341,912	\$ 528,705	\$ 1,291,400

Payable to the Pension Plan

At September 30, 2016, the City reported a payable of \$31,173 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2016.

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, 2016

NOTE K – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2016, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 55,160	\$ 1,550,522
Hotel/Motel Tax Fund	-	49,500
Golf Fund	263,404	168,183
Street Sales Tax Fund	-	195,183
Fire Sales Tax Fund	1,215,467	28,985
Tax Increment Financing Fund	289,851	466,704
Drainage Sales Tax Fund	-	118,426
Parks Sales Tax Fund	33,068	157,292
Auditorium Fund	-	325,341
Senior Center Sales Tax Fund	20,000	62,686
Economic Development Sales Tax Fund	-	217,631
Street/Bridge Sales Tax Fund	-	273,245
2016 COP Fund	-	3,574,759
2014 COP Fund	449,927	-
2013 Bond Fund	258,753	-
2012 COP Fund	77,139	-
2006 COP Fund	3,952,779	89,942
Star Loan Fund	103,827	-
Water and Sewer Fund	863,838	304,814
	<u>\$ 7,583,213</u>	<u>\$ 7,583,213</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, 2016

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, 2016, 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, 2016, 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 \$49,387. Changes in the estimated benefit obligation during the past year are as follows:

Estimated Benefit Obligation, beginning of year	\$ 209,008
Claims incurred	703,675
Claims paid	<u>(863,296)</u>
Estimated Benefit Obligation, end of year	<u>\$ 49,387</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, 2016

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 \$100,583, 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, 2015	Additions	Current Amortization	Balance September 30, 2016
Governmental Activities	\$ 122,048	\$ -	\$ (9,772)	\$ 112,276

NOTE O – CURRENT YEAR DEBT REFUNDING

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 used the proceeds along with reserve funds and funds of the City to current refund the Series 2006A Refunding Certificates of Participation and the Series 2006B Refunding Certificates of Participation.

As a result of the refunding, the City reduced its debt service requirements by \$1,179,001, which resulted in an economic gain (difference between the present value of the debt service payments on old and new debt) of \$603,741.

NOTE P – COMMITMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEOSHO, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
Year Ended September 30, 2016

Missouri Local Government Employees Retirement System (LAGERS)

	June 30, 2016	June 30, 2015
TOTAL PENSION LIABILITY		
Service cost	\$ 391,139	\$ 399,461
Interest on the total pension liability	1,004,497	974,376
Difference between expected and actual experience	(609,884)	(294,998)
Changes of assumptions	462,449	-
Benefit payments including refunds	(688,017)	(631,570)
NET CHANGE IN TOTAL PENSION LIABILITY	560,184	447,269
TOTAL PENSION LIABILITY, BEGINNING	14,000,966	13,553,697
TOTAL PENSION LIABILITY, ENDING	14,561,150	14,000,966
PLAN FIDUCIARY NET POSITION		
Contributions - employer	293,632	317,093
Pension plan net investment income	(31,596)	323,289
Benefit payments, including refunds	(688,017)	(631,570)
Pension plan administrative expense	(17,749)	(19,946)
Other	16,467	(270,346)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(427,263)	(281,480)
PLAN FIDUCIARY NET POSITION, BEGINNING	16,593,388	16,874,868
PLAN FIDUCIARY NET POSITION, ENDING	16,166,125	16,593,388
EMPLOYER NET PENSION (ASSET)	\$ (1,604,975)	\$ (2,592,422)
 Plan fiduciary net position as a percentage of the total pension liability	 111.02%	 118.52%
 Covered employee payroll	 \$ 3,364,217	 \$ 3,553,838
 Employer's net pension asset as a percentage of covered employee payroll	 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, 2016

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

	<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>	<u>2007</u>
Actuarially determined contribution	\$ 294,052	\$ 312,806	\$ 327,508	\$ 350,617	\$ 312,365	\$ 308,754	\$ 341,256	\$ 413,655	\$ 409,299	\$ 362,637
Contributions in relation to the actuarially determined contribution	<u>294,052</u>	<u>312,806</u>	<u>327,508</u>	<u>350,617</u>	<u>308,288</u>	<u>287,073</u>	<u>341,256</u>	<u>413,655</u>	<u>408,495</u>	<u>362,637</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,077</u>	<u>\$ 21,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 804</u>	<u>\$ -</u>
Covered-employee payroll	\$ 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	\$ 3,528,555
Contributions as a percentage of covered-employee payroll	8.15%	8.49%	8.87%	10.32%	10.81%	10.70%	9.65%	10.27%	10.78%	10.28%

CITY OF NEOSHO, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
Year Ended September 30, 2016

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: February 29, 2016.

Notes: The roll-forward of total pension liability from February 29, 2016, to June 30, 2016, reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method – Entry Age Normal and Modified Terminal Funding

Amortization Method – Level Percentage of Payroll, Closed

Remaining Amortization Period – Multiple bases from 13 to 19 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 – New assumptions adopted based on the 5-year experience study for the period March 1, 2010, through February 28, 2015

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Property tax	\$ 387,000	\$ 387,000	\$ 383,617	\$ (3,383)
City sales tax	2,445,591	2,524,491	2,517,734	(6,757)
Financial institution tax	5,500	5,500	1,042	(4,458)
Utility franchise tax	665,000	727,606	727,606	-
Cigarette tax	57,000	57,000	55,823	(1,177)
	<u>3,560,091</u>	<u>3,701,597</u>	<u>3,685,822</u>	<u>(15,775)</u>
Licenses and Permits				
Occupational licenses	24,000	31,510	31,510	-
Building permits	35,200	44,554	44,454	(100)
Animal licenses and fees	1,300	1,300	449	(851)
	<u>60,500</u>	<u>77,364</u>	<u>76,413</u>	<u>(951)</u>
Intergovernmental Revenues				
Grants	358,120	341,225	335,832	(5,393)
	<u>358,120</u>	<u>341,225</u>	<u>335,832</u>	<u>(5,393)</u>
Charges for Services				
Sanitation	35,000	46,000	46,276	276
Airport fuel sales	115,800	128,197	129,428	1,231
Recycling center fees	8,000	17,200	18,903	1,703
Other	44,982	44,982	44,349	(633)
	<u>203,782</u>	<u>236,379</u>	<u>238,956</u>	<u>2,577</u>
Fines and Forfeitures				
City court fines	231,900	265,797	276,636	10,839
Police training fees	6,000	6,000	5,040	(960)
	<u>237,900</u>	<u>271,797</u>	<u>281,676</u>	<u>9,879</u>
Miscellaneous				
Leases and rent income	75,700	80,800	84,917	4,117
Interest	6,000	6,000	3,807	(2,193)
Donations and other contributions	-	2,500	2,500	-
Other	17,300	19,852	22,961	3,109
	<u>99,000</u>	<u>109,152</u>	<u>114,185</u>	<u>5,033</u>
TOTAL REVENUES	<u>4,519,393</u>	<u>4,737,514</u>	<u>4,732,884</u>	<u>(4,630)</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	469,606	503,439	499,933	3,506
Clerk/Council	91,765	80,242	68,707	11,535
Development services	230,647	257,448	245,883	11,565
Police	1,735,291	1,736,728	1,726,781	9,947
Emergency management	66,509	89,024	82,723	6,301
Court	115,029	122,935	117,474	5,461
Airport	552,550	528,699	516,769	11,930
Lampo community center	26,291	26,856	19,445	7,411
Recycling center	118,323	144,108	145,119	(1,011)
Information technology	86,406	93,480	93,953	(473)
Fleet maintenance	64,016	62,576	63,168	(592)
Human resources	61,556	83,157	84,927	(1,770)
Communications and events	71,500	71,500	74,655	(3,155)
TOTAL EXPENDITURES	3,689,489	3,800,192	3,739,537	60,655
EXCESS OF REVENUES OVER EXPENDITURES	829,904	937,322	993,347	56,025
OTHER FINANCING SOURCES (USES)				
Operating transfers in	67,060	55,160	55,160	-
Operating transfers (out)	(1,370,307)	(1,592,068)	(1,550,522)	41,546
Sale of assets	6,000	6,000	4,404	(1,596)
TOTAL OTHER FINANCING SOURCES (USES)	(1,297,247)	(1,530,908)	(1,490,958)	39,950
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(467,343)	(593,586)	(497,611)	95,975
FUND BALANCE, October 1	2,062,567	1,995,758	1,995,758	-
FUND BALANCE, September 30	\$ 1,595,224	\$ 1,402,172	\$ 1,498,147	\$ 95,975

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET SALES TAX FUND
 Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Street sales taxes	\$ 878,532	\$ 909,532	\$ 906,794	\$ (2,738)
Motor vehicle taxes	429,000	441,600	466,970	25,370
Miscellaneous	2,000	43,254	57,466	14,212
TOTAL REVENUES	1,309,532	1,394,386	1,431,230	36,844
EXPENDITURES				
Current				
Street	1,381,893	1,476,476	1,344,710	131,766
TOTAL EXPENDITURES	1,381,893	1,476,476	1,344,710	131,766
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(72,361)	(82,090)	86,520	168,610
OTHER FINANCING (USES)				
Operating transfers (out)	(185,889)	(267,946)	(195,183)	72,763
(DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(258,250)	(350,036)	(108,663)	241,373
FUND BALANCE, October 1	651,388	633,236	633,236	-
FUND BALANCE, September 30	<u>\$ 393,138</u>	<u>\$ 283,200</u>	<u>\$ 524,573</u>	<u>\$ 241,373</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – FIRE SALES TAX FUND
 Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Fire sales taxes	\$ 585,373	\$ 606,373	\$ 604,516	\$ (1,857)
Charges for services	125,500	125,500	125,720	220
Miscellaneous	1,000	1,000	1,383	383
TOTAL REVENUES	711,873	732,873	731,619	(1,254)
EXPENDITURES				
Current				
Fire	1,886,866	1,887,293	1,844,540	42,753
TOTAL EXPENDITURES	1,886,866	1,887,293	1,844,540	42,753
(DEFICIT) OF REVENUES OVER EXPENDITURES	(1,174,993)	(1,154,420)	(1,112,921)	41,499
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,084,837	1,170,264	1,215,467	45,203
Operating transfers (out)	(22,950)	(28,986)	(28,985)	1
TOTAL OTHER FINANCING SOURCES (USES)	1,061,887	1,141,278	1,186,482	45,204
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(113,106)	(13,142)	73,561	86,703
FUND BALANCE, October 1	113,106	60,854	60,854	-
FUND BALANCE, September 30	\$ -	\$ 47,712	\$ 134,415	\$ 86,703

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – TAX INCREMENT FINANCING FUND
 Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 250,000	\$ 250,000	\$ 157,306	\$ (92,694)
Miscellaneous	4,000	4,000	5,678	1,678
TOTAL REVENUES	<u>254,000</u>	<u>254,000</u>	<u>162,984</u>	<u>(91,016)</u>
EXPENDITURES				
Current	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	254,000	254,000	162,984	(91,016)
OTHER FINANCING SOURCES (USES)				
TIF tax to be refunded	-	-	(159,000)	(159,000)
Operating transfers in	227,256	289,851	289,851	-
Operating transfers (out)	<u>(116,211)</u>	<u>(466,704)</u>	<u>(466,704)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>111,045</u>	<u>(176,853)</u>	<u>(335,853)</u>	<u>(159,000)</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	365,045	77,147	(172,869)	(250,016)
FUND BALANCE, October 1	<u>1,669,409</u>	<u>2,060,695</u>	<u>2,060,695</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 2,034,454</u>	<u>\$ 2,137,842</u>	<u>\$ 1,887,826</u>	<u>\$ (250,016)</u>

CITY OF NEOSHO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – 2006 COP FUND
 Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-	-
EXPENDITURES				
Current	490,350	4,421,278	4,421,002	276
TOTAL EXPENDITURES	490,350	4,421,278	4,421,002	276
(DEFICIT) OF REVENUES OVER EXPENDITURES	(490,350)	(4,421,278)	(4,421,002)	276
OTHER FINANCING SOURCES (USES)				
Operating transfers in	490,350	4,418,977	3,952,779	(466,198)
Operating transfers (out)	-	-	(89,942)	(89,942)
TOTAL OTHER FINANCING SOURCES (USES)	490,350	4,418,977	3,862,837	(556,140)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	-	(2,301)	(558,165)	(555,864)
FUND BALANCE, October 1	558,163	558,165	558,165	-
FUND BALANCE, September 30	\$ 558,163	\$ 555,864	\$ -	\$ (555,864)

CITY OF NEOSHO, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2016

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, 2016

	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	\$ 1,020	\$ -	\$ 655,952	\$ 313,470	\$ 50,593	\$ 1,972	\$ 211,723	\$ 148,114	\$ 318,244	\$ 32,667	\$ 1,100
Sales tax receivable	-	-	66,398	67,887	67,142	22,381	44,762	44,762	-	-	-
Other accounts receivable	-	-	-	-	-	-	-	-	-	5,237	-
Prepaid expenses	-	-	1,792	21,718	8,390	3,654	-	-	-	7,528	-
Cash and cash equivalents - restricted	-	1,918	-	104	14,966	-	10,000	-	-	-	-
TOTAL ASSETS	\$ 1,020	\$ 1,918	\$ 724,142	\$ 403,179	\$ 141,091	\$ 28,007	\$ 266,485	\$ 192,876	\$ 318,244	\$ 45,432	\$ 1,100
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable	\$ -	\$ -	\$ 357	\$ 8,478	\$ 4,380	\$ 2,485	\$ -	\$ -	\$ -	\$ 7,755	\$ -
Accrued expenses	-	-	491	134	136	475	-	-	-	-	-
Deposits held	-	-	-	-	14,966	-	10,000	-	-	-	-
TOTAL LIABILITIES	-	-	848	8,612	19,482	2,960	10,000	-	-	7,755	-
Fund Balance											
Nonspendable											
Permanent	-	-	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	1,792	21,718	8,390	3,654	-	-	-	7,528	-
Restricted for:											
Public safety	1,020	1,918	-	-	-	-	-	-	-	-	1,100
Drainage	-	-	715,481	-	-	-	-	-	-	-	-
Auditorium	-	-	-	-	37,641	-	-	-	-	-	-
Economic development	-	-	-	-	-	161,193	-	-	-	-	-
Street and bridge	-	-	-	-	-	-	49,867	-	-	-	-
Tourism development	-	-	-	-	-	-	-	318,244	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
Assigned to:											
Drainage	-	-	6,021	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	372,849	-	-	-	-	-	-	-
Auditorium	-	-	-	-	75,578	-	-	-	-	-	-
Senior center	-	-	-	-	-	21,393	-	-	-	-	-
Economic development	-	-	-	-	-	-	95,292	-	-	-	-
Golf course	-	-	-	-	-	-	-	-	-	30,149	-
Street and bridge	-	-	-	-	-	-	-	143,009	-	-	-
TOTAL FUND BALANCES	1,020	1,918	723,294	394,567	121,609	25,047	256,485	192,876	318,244	37,677	1,100
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,020	\$ 1,918	\$ 724,142	\$ 403,179	\$ 141,091	\$ 28,007	\$ 266,485	\$ 192,876	\$ 318,244	\$ 45,432	\$ 1,100

CITY OF NEOSHO, MISSOURI
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS (continued)
 September 30, 2016

	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	\$ -	\$ -	\$ 47,191	\$ 42,667	\$ -	\$ 52,264	\$ 3,579	\$ 1,880,556
Sales tax receivable	-	-	-	-	-	-	-	313,332
Other accounts receivable	-	-	-	-	-	-	-	5,237
Prepaid expenses	-	-	-	-	-	-	-	43,082
Cash and cash equivalents - restricted	-	516,762	260,000	1,037	404,504	-	-	1,209,291
TOTAL ASSETS	\$ -	\$ 516,762	\$ 307,191	\$ 43,704	\$ 404,504	\$ 52,264	\$ 3,579	\$ 3,451,498
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,455
Accrued expenses	-	-	-	-	-	-	-	1,236
Deposits payable	-	-	-	-	-	-	-	24,966
TOTAL LIABILITIES	-	-	-	-	-	-	-	49,657
Fund Balance								
Nonspendable								
Permanent	-	-	-	-	-	52,264	3,579	55,843
Prepaid items	-	-	-	-	-	-	-	43,082
Restricted for:								
Public safety	-	-	-	-	-	-	-	4,038
Drainage	-	-	-	-	-	-	-	715,481
Auditorium	-	-	-	-	-	-	-	37,641
Economic development	-	-	-	-	-	-	-	161,193
Street and bridge	-	-	-	-	-	-	-	49,867
Tourism development	-	-	-	-	-	-	-	318,244
Debt service	-	516,762	307,191	43,704	404,504	-	-	1,272,161
Assigned to:								
Drainage	-	-	-	-	-	-	-	6,021
Parks and recreation	-	-	-	-	-	-	-	372,849
Auditorium	-	-	-	-	-	-	-	75,578
Senior center	-	-	-	-	-	-	-	21,393
Economic development	-	-	-	-	-	-	-	95,292
Golf course	-	-	-	-	-	-	-	30,149
Street and bridge	-	-	-	-	-	-	-	143,009
TOTAL FUND BALANCES	-	516,762	307,191	43,704	404,504	52,264	3,579	3,401,841
TOTAL LIABILITIES AND FUND BALANCE	\$ -	\$ 516,762	\$ 307,191	\$ 43,704	\$ 404,504	\$ 52,264	\$ 3,579	\$ 3,451,498

CITY OF NEOSHO, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
 Year Ended September 30, 2016

	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	\$ -	\$ -	\$ 362,697	\$ 544,046	\$ 453,400	\$ 151,133	\$ 302,248	\$ 302,268	\$ 82,111	\$ -	\$ -
Intergovernmental revenues	17,995	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	75,901	18,013	12,100	-	-	-	384,949	-
Donations and other contributions	-	14,599	-	500	-	-	-	-	-	-	1,100
Miscellaneous	-	5	2,040	11,051	18,099	354	478	376	921	7,054	-
TOTAL REVENUES	17,995	14,604	364,737	631,498	489,512	163,587	302,726	302,644	83,032	392,003	1,100
EXPENDITURES											
Current											
Police	20,729	13,674	-	-	-	-	-	-	-	-	-
Drainage	-	-	205,132	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	457,724	-	-	-	-	-	-	-
Auditorium	-	-	-	-	126,390	-	-	-	-	-	-
Senior center	-	-	-	-	-	116,299	-	-	-	-	-
Golf course	-	-	-	-	-	-	-	-	-	453,906	-
Tourism development	-	-	-	-	-	-	-	-	45,448	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Debt Service											
Principal and interest	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	20,729	13,674	205,132	457,724	126,390	116,299	-	-	45,448	453,906	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(2,734)	930	159,605	173,774	363,122	47,288	302,726	302,644	37,584	(61,903)	1,100
OTHER FINANCING SOURCES (USES)											
Certificate of participation proceeds	-	-	-	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	33,068	-	20,000	-	-	-	263,404	-
Operating transfers (out)	-	-	(118,426)	(157,292)	(325,341)	(62,686)	(217,631)	(273,245)	(49,500)	(168,183)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(118,426)	(124,224)	(325,341)	(42,686)	(217,631)	(273,245)	(49,500)	95,221	-
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(2,734)	930	41,179	49,550	37,781	4,602	85,095	29,399	(11,916)	33,318	1,100
FUND BALANCE, October 1	3,754	988	682,115	345,017	83,828	20,445	171,390	163,477	330,160	4,359	-
FUND BALANCE, September 30	\$ 1,020	\$ 1,918	\$ 723,294	\$ 394,567	\$ 121,609	\$ 25,047	\$ 256,485	\$ 192,876	\$ 318,244	\$ 37,677	\$ 1,100

CITY OF NEOSHO, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS (continued)
 Year Ended September 30, 2016

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,197,903
Intergovernmental revenues	-	-	-	-	-	-	-	17,995
Charges for services	-	-	-	-	-	-	-	490,963
Donations and other contributions	-	-	-	-	-	-	-	16,199
Miscellaneous	-	-	870	4	51,268	2,775	10	95,305
TOTAL REVENUES	-	-	870	4	51,268	2,775	10	2,818,365
EXPENDITURES								
Current								
Police	-	-	-	-	-	-	-	34,403
Drainage	-	-	-	-	-	-	-	205,132
Parks and recreation	-	-	-	-	-	-	-	457,724
Auditorium	-	-	-	-	-	-	-	126,390
Senior center	-	-	-	-	-	-	-	116,299
Golf course	-	-	-	-	-	-	-	453,906
Tourism development	-	-	-	-	-	-	-	45,448
Other	-	-	-	-	-	439	-	439
Debt Service								
Principal and interest	103,827	453,159	259,253	77,139	112,005	-	-	1,005,383
TOTAL EXPENDITURES	103,827	453,159	259,253	77,139	112,005	439	-	2,445,124
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(103,827)	(453,159)	(258,383)	(77,135)	(60,737)	2,336	10	373,241
OTHER FINANCING SOURCES (USES)								
Certificate of participation proceeds	-	-	-	-	4,040,000	-	-	4,040,000
Operating transfers in	103,827	449,927	258,753	77,139	-	-	-	1,206,118
Operating transfers (out)	-	-	-	-	(3,574,759)	-	-	(4,947,063)
TOTAL OTHER FINANCING SOURCES (USES)	103,827	449,927	258,753	77,139	465,241	-	-	299,055
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	-	(3,232)	370	4	404,504	2,336	10	672,296
FUND BALANCE, October 1	-	519,994	306,821	43,700	-	49,928	3,569	2,729,545
FUND BALANCE, September 30	\$ -	\$ 516,762	\$ 307,191	\$ 43,704	\$ 404,504	\$ 52,264	\$ 3,579	\$ 3,401,841

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, 2016, 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 22, 2017.

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 2016-001.

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 22, 2017

CITY OF NEOSHO, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2016

2016-001 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.