

# City of Neosho, Missouri

BASIC FINANCIAL STATEMENTS  
Year Ended September 30, 2018

**KPM**  
CPAS & ADVISORS

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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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Neosho, Missouri

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, as of September 30, 2018, 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 26, 2019, 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 26, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF NEOSHO, MISSOURI**  
**September 30, 2018**

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, 2018. Please read it in conjunction with the City's financial statements.

***Financial Highlights***

- The net position of the City's governmental activities increased by \$1,547,196 as a result of current year activities. The net position of the City's business activities increased by \$370,405 for the year.
- The assets and deferred outflow of resources of the City exceeded liabilities and deferred inflow of resources by \$44.4 million (net position), as of September 30, 2018. Of this amount, \$9.2 million was unrestricted and may be used to meet future obligations of the City, \$6.3 million was restricted and \$28.9 million represents capital assets (net of related debt) of the City.
- Total long-term liabilities of the City decreased by \$1,252,203 to a total of \$18.3 million. The decrease was due to the payments of principal during the year. The City made timely payments on all of its debt obligations.
- Incoming revenues are monitored to allow for immediate reaction to changes. All budgets and expenses are continually scrutinized by all department heads with every employee diligently participating in cost saving ideas and input to use every dollar wisely and ensuring careful stewardship of all funds. The City continues to ensure we operate on a balanced budget and meet or exceed fund reserve requirements per our bond covenants and the City's fiscal & investment policy.
- As stated above, the net position of the City's governmental activities has and continues to increase and improve due to following strict fiscal policies and ensuring the City Council and Administration are fully informed of the City's financial position at all times. Decisions made by the City are always fully investigated and scrutinized in all aspects to ensure the financial stability of the City continues to improve.

***Using This Annual Report***

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF NEOSHO, MISSOURI**  
**September 30, 2018**

***Government-Wide Financial Statements***

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

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

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

***Fund Financial Statements***

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF NEOSHO, MISSOURI**  
**September 30, 2018**

*Notes to the Basic Financial Statements*

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

*Government-Wide Financial Analysis*

**NET POSITION**

The following table presents the condensed Statement of Net Position for the City as of September 30, 2018 and 2017:

	Governmental Activities	Business-Type Activities	Total September 30, 2018	Total September 30, 2017
<b>ASSETS</b>				
Current and other assets	\$ 10,182,884	\$ 4,611,392	\$ 14,794,276	\$ 12,717,258
Net pension asset	3,155,890	651,907	3,807,797	2,637,042
Capital assets	27,751,941	20,862,655	48,614,596	49,514,709
TOTAL ASSETS	41,090,715	26,125,954	67,216,669	64,869,009
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred pension outflow	303,737	39,611	343,348	933,163
Deferred charge on refundings	92,732	-	92,732	102,504
TOTAL DEFERRED OUTFLOWS OF RESOURCES	396,469	39,611	436,080	1,035,667
<b>LIABILITIES</b>				
Long-term liabilities outstanding	7,869,289	10,420,899	18,290,188	19,542,391
Other liabilities	2,477,016	1,083,331	3,560,347	2,903,468
TOTAL LIABILITIES	10,346,305	11,504,230	21,850,535	22,445,859
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred pension inflow	1,199,254	163,830	1,363,084	937,288
<b>NET POSITION</b>				
Net investment in capital assets	19,119,674	9,742,056	28,861,730	28,456,167
Restricted	6,092,850	254,182	6,347,032	5,439,716
Unrestricted	4,729,101	4,501,267	9,230,368	8,625,646
TOTAL NET POSITION	\$ 29,941,625	\$ 14,497,505	\$ 44,439,130	\$ 42,521,529

Total net position of the City increased by \$1,917,601 for the year due to current year activities. Total liabilities for the City decreased by \$595,324. Net investment in capital assets increased \$405,563.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF NEOSHO, MISSOURI**  
**September 30, 2018**

**CHANGES IN NET POSITION**

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2018	Total Year Ended September 30, 2017
<b>REVENUES</b>				
Program Revenues				
Charges for services	\$ 1,479,803	\$ 5,373,841	\$ 6,853,644	\$ 5,975,488
Operating grants and contributions	95,307	-	95,307	130,735
Capital grants and contributions	170,954	-	170,954	35,889
General Revenues				
Property taxes	465,566	-	465,566	384,150
Sales taxes	6,547,741	-	6,547,741	6,084,667
Motor vehicle and gas taxes	475,844	-	475,844	477,557
Other taxes	429,300	-	429,300	321,538
Franchise fees	773,351	-	773,351	774,795
Interest	28,323	14,884	43,207	32,269
Other revenue	51,713	27,477	79,190	170,422
Gain (loss) on sale of capital assets	5,675	-	5,675	-
Insurance proceeds	29,679	-	29,679	-
Transfers	(52,237)	52,237	-	-
TOTAL REVENUES	10,501,019	5,468,439	15,969,458	14,387,510
<b>EXPENSES</b>				
General government	753,720	-	753,720	650,151
Auditorium	243,807	-	243,807	247,290
Police	2,047,787	-	2,047,787	2,254,210
Fire	1,928,327	-	1,928,327	2,207,990
Emergency management	181,060	-	181,060	100,866
Court	106,684	-	106,684	102,193
Airport	446,463	-	446,463	394,361
Drainage	211,088	-	211,088	168,759
Street	1,185,446	-	1,185,446	1,259,907
Parks	399,734	-	399,734	542,458
Recreation	28,925	-	28,925	25,602
Senior center	131,959	-	131,959	116,827
Recycling center	140,985	-	140,985	106,815
Information technology	82,762	-	82,762	81,570
Property control	60,861	-	60,861	57,686
Human resources	96,720	-	96,720	83,170
Golf course	555,889	-	555,889	509,923
Tourism development	42,383	-	42,383	72,864
Communication and events	109,197	-	109,197	70,411
Other	7,608	-	7,608	415
Debt service	192,419	-	192,419	231,702
Water and sewer	-	5,098,034	5,098,034	4,867,729
TOTAL EXPENSES	8,953,823	5,098,034	14,051,857	14,152,899
CHANGE IN NET POSITION	\$ 1,547,196	\$ 370,405	\$ 1,917,601	\$ 234,611

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF NEOSHO, MISSOURI  
September 30, 2018**

***Governmental Activities***

Governmental activities increased the net position of the City by \$1,547,196. Tax revenues for the City were \$8,691,802 which represents 83% of the funding of these activities. Program revenues for the functions totaled \$1,746,064 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	\$ 753,720	\$ 631,864
Auditorium	243,807	229,629
Police	2,047,787	1,493,663
Fire	1,928,327	1,802,647
Emergency management	181,060	31,297
Court	106,684	80,051
Airport	446,463	229,859
Drainage	211,088	211,088
Street	1,185,446	1,185,446
Parks	399,734	376,678
Recreation	28,925	(32,099)
Senior center	131,959	131,959
Recycling center	140,985	68,900
Information technology	82,762	82,762
Property control	60,861	60,861
Human resources	96,720	96,720
Golf course	555,889	213,509
Tourism development	42,383	42,383
Communication and events	109,197	70,516
Other	7,608	7,608
Debt service	192,419	192,419
	\$ 8,953,823	\$ 7,207,759

***Business-Type Activities***

Business-type activities increased the City's net position by \$370,405. This is up from the decrease received last year from the City's business-type activities. The decrease in the prior year was \$243,930.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF NEOSHO, MISSOURI**  
**September 30, 2018**

***Financial Analysis of the City's Funds***

The combined fund balances of the City's governmental funds as of September 30, 2018, were \$8,885,050. The combined fund balances are up \$930,547 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 \$4,756,139 was amended to \$5,340,866.
- The original expenditures budget of \$3,936,235 was amended to \$4,159,654.
- Budget adjustments were presented and approved by the City Council. Final amended budgeted revenues were \$161,078 less than actual revenues, and budgeted expenditures were \$25,284 above actual expenditures.

***Capital Asset and Debt Administration***

**Capital Assets**

Capital assets of the governmental activities were \$27,751,941 (net of accumulated depreciation) as of September 30, 2018. This represents a \$107,867 decrease from the prior year. Capital assets for business-type activities were \$20,862,655 as of September 30, 2018. This represents a decrease of \$792,246 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, 2018, was \$8,846,625, which is down \$556,846 from the prior year. The debt balance is net of deferred losses on refundings. The decrease is due to principal payments made in the current year.

Total debt of the business-type activities as of September 30, 2018, was \$11,178,802, which is down \$708,860. The decrease is due to principal payments made in the current year.

***Economic Factors and Next Year's Budget***

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF NEOSHO, MISSOURI**  
**September 30, 2018**

***Economic Factors and Next Year's Budget (continued)***

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

Revenues are expected to remain steady for FY2019. 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 12,031 in 2018.

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 FY2018 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 been renewed for another 3 years. 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. All residential meters are expected to be completed in FY2019. In order to continue with the installation of those meters, to continue improving the quality of drinking water, treatment of wastewater, and to cover the City's increased expenses, an analysis will be performed annually to determine a rate schedule that is fair and sufficient for payment of increased expenses and improvements. The City has committed to monitor the net operating income of the utilities to ensure fiscal responsibility in the management of these public assets. New rates were implemented in early FY2018. Rates had not increased since 2011. The City continues to reserve funds for large scale Water and Sewer line improvements. The City will be evaluating options to replace the aging Water/Sewer lines to decrease the City's water loss.

The past several years have allowed the City to recover from the effects of a major recession. By remembering the lessons learned from lean times, we strive to pursue economic growth and embrace new development that benefits our Citizens and City. The City is encouraging more community involvement in the process of long term planning, goal setting, and budget preparations, through a Citizen's Academy, public Strategic Planning and Budgeting sessions.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF NEOSHO, MISSOURI**  
**September 30, 2018**

***Economic Factors and Next Year's Budget (continued)***

The City continues to strive to ensure the City Council and the citizens of Neosho are supplied with up-to-date financial information to ensure informed quality decisions are made on behalf of the City.

The debt of the City continues to be a focus of the City Council for the foreseeable future. Debt schedules are included in the notes to the financial statements. The City's overall financial picture has improved greatly over recent years, but will continue to require careful and concise planning to fulfill obligations to both debtors and the citizens of the City. The City continues to maintain very strong reserves with no additional debt plans in the immediate future.

***Contacting the City's Financial Management***

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

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

Leland Butcher, City Manager  
Daphne Pevahouse, Finance Director  
Cheyenne Wright, City Clerk

lbutcher@neoshomo.org  
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CITY OF NEOSHO, MISSOURI  
STATEMENT OF NET POSITION  
September 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current			
Cash and cash equivalents - unrestricted	\$ 7,543,792	\$ 3,747,009	\$ 11,290,801
Taxes receivable, net	926,587	-	926,587
Utilities receivable, net	-	467,162	467,162
Other accounts receivable	97,631	17,290	114,921
Court fines receivable, net	38,785	-	38,785
Intergovernmental receivable	76,557	-	76,557
Inventory	81,042	-	81,042
Prepaid expenses	216,282	74,970	291,252
Noncurrent			
Restricted cash and cash equivalents	1,202,208	304,961	1,507,169
Net pension asset	3,155,890	651,907	3,807,797
Capital Assets:			
Non-depreciable	10,268,492	211,563	10,480,055
Depreciable, net	17,483,449	20,651,092	38,134,541
<b>TOTAL ASSETS</b>	<b>41,090,715</b>	<b>26,125,954</b>	<b>67,216,669</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension outflow	303,737	39,611	343,348
Deferred charge on refundings	92,732	-	92,732
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>396,469</b>	<b>39,611</b>	<b>436,080</b>
<b>LIABILITIES</b>			
Current			
Accounts payable	1,025,403	213,089	1,238,492
Accrued expenses	81,720	11,527	93,247
Accrued interest payable	109,114	50,033	159,147
Deposits held	31,711	-	31,711
Intergovernmental payable	159,000	-	159,000
Meter deposits held	-	50,779	50,779
Current maturities of long-term debt	1,070,068	757,903	1,827,971
	<u>2,477,016</u>	<u>1,083,331</u>	<u>3,560,347</u>
Noncurrent			
Capital leases payable	421,727	23,876	445,603
Certificates of participation payable	5,203,204	166,796	5,370,000
Bonds payable	2,030,000	10,195,900	12,225,900
Compensated absences payable	214,358	34,327	248,685
	<u>7,869,289</u>	<u>10,420,899</u>	<u>18,290,188</u>
<b>TOTAL LIABILITIES</b>	<b>10,346,305</b>	<b>11,504,230</b>	<b>21,850,535</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred pension inflow	1,199,254	163,830	1,363,084
<b>NET POSITION</b>			
Net investment in capital assets	19,119,674	9,742,056	28,861,730
Restricted	6,092,850	254,182	6,347,032
Unrestricted	4,729,101	4,501,267	9,230,368
<b>TOTAL NET POSITION</b>	<b>\$ 29,941,625</b>	<b>\$ 14,497,505</b>	<b>\$ 44,439,130</b>

See accompanying notes

CITY OF NEOSHO, MISSOURI  
STATEMENT OF ACTIVITIES  
Year Ended September 30, 2018

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	\$ (574,702)	\$ 31,045	\$ -	\$ -	\$ (543,657)	\$ -	\$ (543,657)
Clerk/Council	(72,222)	-	-	-	(72,222)	-	(72,222)
City hall building	6,758	-	-	-	6,758	-	6,758
Auditorium	(243,807)	14,178	-	-	(229,629)	-	(229,629)
Development services	(113,554)	90,811	-	-	(22,743)	-	(22,743)
Police	(2,047,787)	513,509	19,424	21,191	(1,493,663)	-	(1,493,663)
Fire	(1,928,327)	125,430	250	-	(1,802,647)	-	(1,802,647)
Emergency management	(181,060)	-	-	149,763	(31,297)	-	(31,297)
Court	(106,684)	26,633	-	-	(80,051)	-	(80,051)
Airport	(446,463)	216,604	-	-	(229,859)	-	(229,859)
Drainage	(211,088)	-	-	-	(211,088)	-	(211,088)
Street	(1,185,446)	-	-	-	(1,185,446)	-	(1,185,446)
Parks	(399,734)	17,956	5,100	-	(376,678)	-	(376,678)
Recreation	(28,925)	61,024	-	-	32,099	-	32,099
Senior center	(131,959)	-	-	-	(131,959)	-	(131,959)
Recycling center	(140,985)	25,503	46,582	-	(68,900)	-	(68,900)
Information technology	(82,762)	-	-	-	(82,762)	-	(82,762)
Property control	(60,861)	-	-	-	(60,861)	-	(60,861)
Human resources	(96,720)	-	-	-	(96,720)	-	(96,720)
Golf course	(555,889)	342,380	-	-	(213,509)	-	(213,509)
Tourism development	(42,383)	-	-	-	(42,383)	-	(42,383)
Communications and events	(109,197)	14,730	23,951	-	(70,516)	-	(70,516)
Other	(7,608)	-	-	-	(7,608)	-	(7,608)
Debt service	(192,419)	-	-	-	(192,419)	-	(192,419)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>(8,953,823)</b>	<b>1,479,803</b>	<b>95,307</b>	<b>170,954</b>	<b>(7,207,759)</b>	<b>-</b>	<b>(7,207,759)</b>

See accompanying notes



CITY OF NEOSHO, MISSOURI  
BALANCE SHEET – GOVERNMENTAL FUNDS  
September 30, 2018

	Special Revenue Funds					Total Governmental Funds
	General Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	Nonmajor Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,264,872	\$ 1,066,306	\$ 251,094	\$ 2,421,287	\$ 2,375,580	\$ 7,379,139
Taxes receivable	386,427	135,036	90,023	-	315,101	926,587
Other accounts receivable	92,394	-	-	-	5,237	97,631
Court fines receivable, net	38,785	-	-	-	-	38,785
Intergovernmental receivable	75,917	-	-	-	640	76,557
Inventory	81,042	-	-	-	-	81,042
Prepaid expenses	97,246	18,759	54,906	-	45,371	216,282
Restricted cash and cash equivalents	38,063	-	-	-	1,164,145	1,202,208
<b>TOTAL ASSETS</b>	<b>\$ 2,074,746</b>	<b>\$ 1,220,101</b>	<b>\$ 396,023</b>	<b>\$ 2,421,287</b>	<b>\$ 3,906,074</b>	<b>\$ 10,018,231</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 400,896	\$ 75,014	\$ 345,341	\$ 287	\$ 39,212	\$ 860,750
Accrued expenses	56,566	4,367	20,511	-	276	81,720
Deposits held	16,022	-	-	-	15,689	31,711
Due to other governments	-	-	-	159,000	-	159,000
<b>TOTAL LIABILITIES</b>	<b>473,484</b>	<b>79,381</b>	<b>365,852</b>	<b>159,287</b>	<b>55,177</b>	<b>1,133,181</b>

See accompanying notes

CITY OF NEOSHO, MISSOURI  
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)  
September 30, 2018

	Special Revenue Funds					Total Governmental Funds
	General Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	Nonmajor Governmental Funds	
Fund Balance						
Nonspendable:						
Parks	-	-	-	-	62,914	62,914
Inventory	81,042	-	-	-	-	81,042
Prepaid items	97,246	18,759	54,906	-	45,371	216,282
Restricted for:						
Public safety	-	-	-	-	4,433	4,433
Drainage	-	-	-	-	784,212	784,212
Parks and recreation	-	-	-	-	13,318	13,318
Auditorium	-	-	-	-	9,616	9,616
Streets	-	1,121,961	-	-	-	1,121,961
Economic development	-	-	-	-	259,762	259,762
Street and bridge	-	-	-	-	159,861	159,861
Tourism development	-	-	-	-	245,565	245,565
TIF	-	-	-	2,262,000	-	2,262,000
Debt service	-	-	-	-	1,232,122	1,232,122
Assigned to:						
Drainage	-	-	-	-	22,033	22,033
Public safety	-	-	-	-	-	-
Parks and recreation	-	-	-	-	514,756	514,756
Auditorium	-	-	-	-	144,250	144,250
Senior center	-	-	-	-	24,793	24,793
Economic development	-	-	-	-	127,716	127,716
Golf course	-	-	-	-	54,872	54,872
Street and bridge	-	-	-	-	144,316	144,316
Tourism development	-	-	-	-	987	987
Unassigned	1,422,974	-	(24,735)	-	-	1,398,239
TOTAL FUND BALANCES	1,601,262	1,140,720	30,171	2,262,000	3,850,897	8,885,050
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,074,746	\$ 1,220,101	\$ 396,023	\$ 2,421,287	\$ 3,906,074	\$ 10,018,231

See accompanying notes

CITY OF NEOSHO, MISSOURI  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF  
NET POSITION  
September 30, 2018

Fund balance - total governmental funds	\$ 8,885,050
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	60,158,808
Less accumulated depreciation	<u>(32,406,867)</u>
	27,751,941
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	3,155,890
Deferred outflows due to pensions	303,737
Deferred inflows due to pensions	<u>(1,199,254)</u>
	2,260,373
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(109,114)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	<u>(8,846,625)</u>
Net Position of Governmental Activities	<u><u>\$ 29,941,625</u></u>

CITY OF NEOSHO, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
Year Ended September 30, 2018

	Special Revenue Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund		
REVENUES						
Taxes	\$ 3,986,270	\$ 1,439,409	\$ 642,376	\$ 296,149	\$ 2,327,596	\$ 8,691,800
Licenses and permits	122,624	-	-	-	-	122,624
Intergovernmental revenues	208,699	-	-	-	11,801	220,500
Charges for services	389,878	-	125,430	-	431,373	946,681
Fines and forfeitures	345,906	-	-	-	-	345,906
Donations and other contributions	-	-	-	-	17,060	17,060
Miscellaneous	126,411	16,545	5,047	8,224	17,104	173,331
TOTAL REVENUES	5,179,788	1,455,954	772,853	304,373	2,804,934	10,517,902
EXPENDITURES						
Current						
Administrative	579,162	-	-	-	-	579,162
Clerk/Council	78,879	-	-	-	-	78,879
Auditorium	-	-	-	-	75,098	75,098
Development services	109,247	-	-	-	-	109,247
Police	2,311,603	-	-	-	27,115	2,338,718
Fire	-	-	2,259,888	-	-	2,259,888
Emergency management	164,780	-	-	-	-	164,780
Court	116,048	-	-	-	-	116,048
Airport	253,284	-	-	-	-	253,284
Drainage	-	-	-	-	287,893	287,893
Street	-	1,017,252	-	-	-	1,017,252
Parks and recreation	-	-	-	-	421,177	421,177
Recreation	25,272	-	-	-	-	25,272
Senior center	-	-	-	-	114,472	114,472
Recycling center	134,255	-	-	-	-	134,255
Information technology	86,380	-	-	-	-	86,380
Property control	60,861	-	-	-	-	60,861
Human resources	105,402	-	-	-	-	105,402
Golf course	-	-	-	-	407,096	407,096
Tourism development	-	-	-	-	42,383	42,383
Communications and events	109,197	-	-	-	-	109,197
Other	-	-	-	7,128	480	7,608
Debt Service						
Principal and interest	-	-	-	-	1,294,056	1,294,056
TOTAL EXPENDITURES	4,134,370	1,017,252	2,259,888	7,128	2,669,770	10,088,408

See accompanying notes

CITY OF NEOSHO, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)  
Year Ended September 30, 2018

	Special Revenue Funds					Total Governmental Funds
	General Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	Nonmajor Governmental Funds	
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	1,045,418	438,702	(1,487,035)	297,245	135,164	429,494
OTHER FINANCING SOURCES (USES)						
Operating transfers in (out)	(1,177,858)	(107,660)	1,135,474	(52,237)	150,044	(52,237)
Sale of assets	-	5,675	-	-	-	5,675
Insurance proceeds	17,929	-	-	-	11,750	29,679
Lease proceeds	251,631	35,935	230,370	-	-	517,936
TOTAL OTHER FINANCING SOURCES (USES)	<u>(908,298)</u>	<u>(66,050)</u>	<u>1,365,844</u>	<u>(52,237)</u>	<u>161,794</u>	<u>501,053</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	137,120	372,652	(121,191)	245,008	296,958	930,547
FUND BALANCE, October 1	<u>1,464,142</u>	<u>768,068</u>	<u>151,362</u>	<u>2,016,992</u>	<u>3,553,939</u>	<u>7,954,503</u>
FUND BALANCE, September 30	<u>\$ 1,601,262</u>	<u>\$ 1,140,720</u>	<u>\$ 30,171</u>	<u>\$ 2,262,000</u>	<u>\$ 3,850,897</u>	<u>\$ 8,885,050</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, 2018

Net change in fund balances - total governmental funds \$ 930,547

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

Governmental funds report capital outlays as expenditures. However, in the Statement of  
 Activities the cost of these assets is allocated over their estimated useful lives on a straight  
 line basis and reported as depreciation expense. The following is the detail of the amount  
 by which depreciation exceeded capital outlay for the year.

Capital outlay	1,250,008
Depreciation	<u>(1,357,875)</u>
	(107,867)

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

Repayment of principal on bonds, leases and loans	1,093,133
Lease proceeds	(517,936)
Change in accrued interest payable	<u>8,504</u>
	583,701

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	159,166
Change in compensated absences	<u>(18,351)</u>
	<u>140,815</u>

Change in Net Position of Governmental Activities	<u><u>\$ 1,547,196</u></u>
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CITY OF NEOSHO, MISSOURI  
STATEMENT OF NET POSITION – PROPRIETARY FUNDS  
September 30, 2018

	<u>Water and Sewer Fund</u>	<u>Internal Service Fund</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 3,747,009	\$ 164,653
Utilities receivable, net	467,162	-
Other accounts receivable	17,290	-
Prepaid expenses	74,970	-
	<u>4,306,431</u>	<u>164,653</u>
TOTAL CURRENT ASSETS		
Noncurrent Assets		
Restricted cash and cash equivalents	304,961	-
Net pension asset	651,907	-
Capital assets:		
Nondepreciable	211,563	-
Depreciable, net	20,651,092	-
	<u>21,819,523</u>	<u>-</u>
TOTAL NONCURRENT ASSETS		
	<u>26,125,954</u>	<u>164,653</u>
TOTAL ASSETS		
DEFERRED OUTFLOW OF RESOURCES		
Deferred pension outflow	39,611	-
	<u>39,611</u>	<u>-</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES		
	<u>26,165,565</u>	<u>164,653</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES		
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	213,089	164,653
Accrued expenses	11,527	-
Accrued interest payable	50,033	-
Meter deposits payable	50,779	-
Current maturities of long-term debt	757,903	-
	<u>1,083,331</u>	<u>164,653</u>
TOTAL CURRENT LIABILITIES		
Long-Term Liabilities		
Certificates of participation	166,796	-
Revenue bonds payable	10,195,900	-
Capital leases payable	23,876	-
Compensated absences payable	34,327	-
	<u>10,420,899</u>	<u>-</u>
TOTAL LONG-TERM LIABILITES		
	<u>11,504,230</u>	<u>164,653</u>
TOTAL LIABILITIES		
DEFERRED INFLOW OF RESOURCES		
Deferred pension inflow	163,830	-
	<u>163,830</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	9,742,056	-
Restricted for debt service	254,182	-
Unrestricted	4,501,267	-
	<u>14,497,505</u>	<u>-</u>
TOTAL NET POSITION		
	<u>\$ 14,497,505</u>	<u>\$ -</u>

See accompanying notes

CITY OF NEOSHO, MISSOURI  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY  
FUNDS  
Year Ended September 30, 2018

	Water and Sewer Fund	Internal Service Fund
	<u>                    </u>	<u>                    </u>
OPERATING REVENUES		
Charges for services		
Water and sewer	\$ 5,373,841	\$ -
Employer insurance contributions	-	1,114,787
Employee insurance contributions	-	184,309
	<u>5,373,841</u>	<u>1,299,096</u>
TOTAL OPERATING REVENUES	5,373,841	1,299,096
OPERATING EXPENSES		
Personnel services	797,184	-
Contractual services	1,580,069	-
Repairs and maintenance	201,529	-
Supplies	93,750	-
Utilities	650,299	-
Insurance	76,812	-
Capital expenses	517,317	-
Depreciation	930,574	-
Miscellaneous	7,118	-
Insurance claims and premiums	-	990,434
Administrative fees	-	308,662
	<u>4,854,652</u>	<u>1,299,096</u>
TOTAL OPERATING EXPENSES	4,854,652	1,299,096
OPERATING INCOME	519,189	-
NONOPERATING REVENUES (EXPENSES)		
Interest income	14,884	-
Other revenue	27,477	-
Interest expense	(243,382)	-
	<u>(201,021)</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	(201,021)	-
INCOME BEFORE OPERATING TRANSFERS	318,168	-
NET OPERATING TRANSFERS IN	52,237	-
	<u>370,405</u>	<u>-</u>
NET INCOME	370,405	-
NET POSITION, October 1	14,127,100	-
NET POSITION, September 30	<u>\$ 14,497,505</u>	<u>\$ -</u>

See accompanying notes

CITY OF NEOSHO, MISSOURI  
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS  
Year Ended September 30, 2018

	Water and Sewer Fund	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 5,299,550	\$ 1,299,096
Cash paid to suppliers	(3,138,287)	(1,268,222)
Cash paid to employees	(794,202)	-
Other cash received for nonoperating revenues	35,677	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,402,738</b>	<b>30,874</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating transfers from other funds	52,237	-
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>52,237</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of fixed assets	(84,343)	-
Payment of principal on leases	(42,891)	-
Payment of principal on bonds	(693,700)	-
Lease proceeds	29,988	-
Payment of interest expense	(243,382)	-
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,034,328)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	14,884	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>14,884</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>435,531</b>	<b>30,874</b>
CASH AND CASH EQUIVALENTS, Beginning of year	3,616,439	133,779
CASH AND CASH EQUIVALENTS, End of year	4,051,970	164,653
LESS RESTRICTED CASH AND CASH EQUIVALENTS	(304,961)	-
<b>UNRESTRICTED CASH AND CASH EQUIVALENTS</b>	<b>\$ 3,747,009</b>	<b>\$ 164,653</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 519,189	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	930,574	-
(Increase) decrease in:		
Utilities receivable	(97,477)	-
Prepaid expenses	(12,150)	-
Net pension asset	(83,050)	-
Deferred pension outflow	104,915	-
Increase (decrease) in:		
Accounts payable	8,957	30,874
Accrued expenses	1,217	-
Meter deposits payable	23,186	-
Deferred pension inflow	(17,843)	-
Compensated absences	(2,257)	-
Other cash received for nonoperating revenues	27,477	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 1,402,738</b>	<b>\$ 30,874</b>

See accompanying notes

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### Financial Reporting Entity

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

### Government-Wide and Fund Financial Statements

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

### *GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*FUND FINANCIAL STATEMENTS*

Separate fund financial statements report information on the City's governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds in their respective categories. Governmental resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The emphasis in fund financial statements is on the major funds.

*Governmental Fund Types* – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This means that the emphasis is on near-term inflows and outflows of resources and does not present the long-term impact of transactions. It is necessary to convert the governmental fund data to arrive at the government-wide financial statements. Therefore, reconciliations have been provided following the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance identifying categories that required conversion from the fund statements.

The City reports the following major governmental funds:

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

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major proprietary funds:

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

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

Capital Assets

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

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

Major moveable equipment	2 to 10 years
Sewer mains, lines and treatment plant	30 to 50 years
Water wells, mains and lines	15 to 40 years
Buildings and improvements	10 to 50 years
Streets	25 years
Bridges	50 years
Traffic lights and signals	25 years
Land improvements	25 years

Expenditures for maintenance and repairs are charged to expense; renewals and betterments are capitalized.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pooled Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in interest-bearing accounts.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Inventory usage is recognized on the consumption method.

Revenue Recognition

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after December 31 of that year.

Compensated Absences

The City's vacation policy grants an employee two weeks vacation after one year of service and three weeks vacation after ten years. Vacations not taken within one year are forfeited unless written permission is granted to carry unused vacation forward. Unused vacation at termination of employment is paid to the terminated employee provided proper notice was given by the employee.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets is reduced by interest earned on the investment of funds borrowed for construction in accordance with GASB Section 1400-120-137-30 – *Capitalization of Interest Costs*. There was no interest capitalized during the current fiscal year.

Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

*Nonspendable fund balance* – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

*Restricted fund balance* – This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Council removes the specified use by taking the same type of action imposing the commitment.

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

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

*Net Investment in Capital Assets* – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

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

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

Deferred Outflow/Inflow of Resources

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

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

CITY OF NEOSHO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

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, 2018, all bank balances on deposit were entirely insured or collateralized.

NOTE C – RESTRICTED CASH AND CASH EQUIVALENTS

Cash and cash equivalents have been restricted in the following funds as of September 30, 2018:

	<u>Restricted Cash and Cash Equivalents</u>
GENERAL FUND	
Court bonds	\$ 11,456
Police evidence	10,585
Deposits held	16,022
	<u>\$ 38,063</u>

CITY OF NEOSHO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

NOTE C – RESTRICTED CASH AND CASH EQUIVALENTS (continued)

	<u>Restricted Cash and Cash Equivalents</u>
<b>NONMAJOR GOVERNMENTAL FUNDS</b>	
Auditorium deposits held	\$ 15,366
Police donations	3,170
Skate park donations	198
2012A/B COP reserve trust fund	1,515
2013 Bond reserve	222,500
2014A Lease revenue fund	32,858
2014A Reserve	305,062
2014B Lease revenue fund	179,025
2016 COP reserve trust fund	404,451
	<u>\$ 1,164,145</u>

**Water and Sewer Fund**

Restricted assets and restricted net position consist of the following at September 30, 2018:

	<u>Restricted Cash and Cash Equivalents</u>	<u>Restricted Net Position</u>
<b>WATER AND SEWER FUND</b>		
Meter deposits	\$ 50,779	\$ -
1992B Bond principal trust fund	5,331	5,331
2009B Bond principal and interest trust funds	81,238	81,238
2011 Bond principal and interest trust funds	136,811	136,811
2012A COP reserve trust fund	30,802	30,802
	<u>\$ 304,961</u>	<u>\$ 254,182</u>

CITY OF NEOSHO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

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>2017</u>
Assessed Valuation	
Real estate	\$ 114,060,102
Personal property	<u>34,345,224</u>
TOTAL	<u>\$ 148,405,326</u>
Tax Rate Per \$100 of Assessed Valuation	
General Fund (Real Property)	<u>\$ .3603</u>

The legal debt margin at September 30, 2018, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional Debt Limit	\$ 14,840,533	\$ 14,840,533	\$ 29,681,066
General Obligation Bonds payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 14,840,533</u>	<u>\$ 14,840,533</u>	<u>\$ 29,681,066</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, 2018

NOTE E – ACCOUNTS RECEIVABLE

Accounts receivable is presented net of an allowance for doubtful accounts as follows:

	Gross Receivable	Allowance	Net Receivable
<b>TAXES RECEIVABLE</b>			
General Fund	\$ 386,427	\$ -	\$ 386,427
Street Sales Tax Fund	135,036	-	135,036
Fire Sales Tax Fund	90,023	-	90,023
Nonmajor Governmental Funds	315,101	-	315,101
	<u>\$ 926,587</u>	<u>\$ -</u>	<u>\$ 926,587</u>
<b>UTILITIES RECEIVABLE</b>			
Water and Sewer Fund	<u>\$ 468,195</u>	<u>\$ 1,033</u>	<u>\$ 467,162</u>
<b>OTHER ACCOUNTS RECEIVABLE</b>			
General Fund	\$ 92,394	\$ -	\$ 92,394
Golf Fund	5,237	-	5,237
Water and Sewer Fund	17,290	-	17,290
	<u>\$ 114,921</u>	<u>\$ -</u>	<u>\$ 114,921</u>
<b>COURT FINES RECEIVABLE</b>			
General Fund	<u>\$ 377,573</u>	<u>\$ 338,788</u>	<u>\$ 38,785</u>

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

The business-type activities long-term debt at September 30, 2018, consists of the Series 2009B and 2011 revenue bond issues, a portion of the 2012A certificates of participation, a portion of a capital lease, and compensated absences payable.

CITY OF NEOSHO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

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, 2018, all of the bonds have been issued. Bonds outstanding at September 30, 2018, are due as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 438,000	\$ 108,388	\$ 546,388
2020	446,000	101,744	547,744
2021	456,000	94,972	550,972
2022	464,000	88,056	552,056
2023	474,000	81,012	555,012
2024	484,000	73,816	557,816
2025	493,000	66,478	559,478
2026	503,000	58,996	561,996
2027	513,000	51,363	564,363
2028	524,000	43,571	567,571
2029	535,000	35,621	570,621
2030	545,000	27,504	572,504
2031	557,000	19,230	576,230
2032	567,000	10,781	577,781
2033	288,000	2,174	290,174
	<u>\$ 7,287,000</u>	<u>\$ 863,706</u>	<u>\$ 8,150,706</u>

CITY OF NEOSHO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

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, 2018, are due as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 270,900	\$ 53,611	\$ 324,511
2020	276,100	49,501	325,601
2021	281,500	45,311	326,811
2022	287,000	41,040	328,040
2023	292,600	36,685	329,285
2024	298,300	32,246	330,546
2025	304,100	27,720	331,820
2026	310,100	23,105	333,205
2027	316,100	18,400	334,500
2028	322,300	13,604	335,904
2029	328,600	8,714	337,314
2030	330,200	3,727	333,927
	<u>\$ 3,617,800</u>	<u>\$ 353,664</u>	<u>\$ 3,971,464</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, 2018, are due as follows:

CITY OF NEOSHO, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

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

Year Ended September 30,	Principal	Interest	Total
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>\$ 220,000</u>	<u>\$ 20,638</u>	<u>\$ 240,638</u>

Amount recorded in:

Water and Sewer Fund/Business-Type Activities	\$ 209,687
Governmental Activities	10,313
TOTAL	<u>\$ 220,000</u>

Capital Lease

On July 5, 2018, the City entered into a lease agreement to finance the purchase of public safety equipment. Of the \$559,674 issued, \$29,988 was recorded as long-term debt within the business-type activities and \$529,686 in the governmental activities of the City. The agreement requires annual lease payments of \$120,588 with interest at 3.20%. The following is a schedule of future minimum lease payments under the lease agreement:

Year Ended September 30,	Principal	Interest	Total
2019	\$ 114,071	\$ 6,517	\$ 120,588
2020	106,131	14,457	120,588
2021	109,544	11,044	120,588
2022	113,129	7,460	120,589
2023	116,799	3,789	120,588
	<u>\$ 559,674</u>	<u>\$ 43,267</u>	<u>\$ 602,941</u>

Amount recorded in:

Water and Sewer Fund/Business-Type Activities	\$ 29,988
Governmental Activities	529,686
TOTAL	<u>\$ 559,674</u>

CITY OF NEOSHO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

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

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

A summary of the changes in long-term debt of the business-type activities for the year ended September 30, 2018, is as follows:

	Balance September 30, 2017	Additions	Retirements	Balance September 30, 2018	Amounts Due Within One Year
Revenue Bonds					
2009B Revenue Bonds -ARRA					
Direct Loan Program	\$ 3,883,500	\$ -	\$ 265,700	\$ 3,617,800	\$ 270,900
2011 Revenue Bonds - Direct					
Loan Program	7,715,000	-	428,000	7,287,000	438,000
Certificates of Participation					
2012A Certificates of Participation	252,578	-	42,891	209,687	42,891
Capital Lease					
Equipment	-	29,988	-	29,988	6,112
Compensated Absences Payable	36,584	-	2,256	34,327	-
TOTAL	<u>\$ 11,887,662</u>	<u>\$ 29,988</u>	<u>\$ 738,847</u>	<u>\$ 11,178,802</u>	<u>\$ 757,903</u>

NOTE G – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at September 30, 2018, consists of a portion of the 2012A certificates of participation; the 2014A, 2014B, and 2016 certificates of participation; the 2013 special obligation refunding bond; a portion of a capital lease; and compensated absences payable.

CITY OF NEOSHO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

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, 2018, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 385,000	\$ 71,881	\$ 456,881
2020	395,000	63,656	458,656
2021	230,000	54,912	284,912
2022	240,000	48,012	288,012
2023	245,000	42,012	287,012
2024	255,000	35,276	290,276
2025	260,000	27,626	287,626
2026	280,000	19,825	299,825
2027	330,000	10,725	340,725
	<u>\$ 2,620,000</u>	<u>\$ 373,925</u>	<u>\$ 2,993,925</u>

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.

CITY OF NEOSHO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

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

The certificates outstanding at September 30, 2018, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 380,000	\$ 92,550	\$ 472,550
2020	500,000	84,950	584,950
2021	205,000	69,950	274,950
2022	220,000	63,800	283,800
2023	190,000	57,200	247,200
2024	190,000	51,500	241,500
2025	190,000	46,987	236,987
2026	185,000	42,475	227,475
2027	200,000	37,387	237,387
2028	205,000	31,888	236,888
2029	215,000	26,250	241,250
2030	225,000	19,800	244,800
2031	435,000	13,050	448,050
	<u>\$ 3,340,000</u>	<u>\$ 637,787</u>	<u>\$ 3,977,787</u>

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, 2018, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,225,000</u>	<u>\$ 386,658</u>	<u>\$ 2,611,658</u>

CITY OF NEOSHO, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

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, 2018, is as follows:

	Balance September 30, 2017	Additions	Retirements	Balance September 30, 2018	Amounts Due Within One Year
Capital Lease Obligations					
Fire truck	\$ 71,615	\$ -	\$ 71,615	\$ -	\$ -
Equipment	-	529,686	-	529,686	107,959
	71,615	529,686	71,615	529,686	107,959
Loan Obligation					
2008 STAR loan	100,931	-	100,931	-	-
Certificates of Participation					
Series 2012A	12,422	-	2,109	10,313	2,109
Series 2014A	2,470,000	-	200,000	2,270,000	210,000
Series 2014B	525,000	-	175,000	350,000	175,000
Series 2016	3,715,000	-	375,000	3,340,000	380,000
	6,722,422	-	752,109	5,970,313	767,109
Less: Deferred loss on debt refundings	(102,504)	-	(9,772)	(92,732)	-
	6,619,918	-	742,337	5,877,581	767,109
Special Obligation Refunding Bonds					
Series 2013	2,415,000	-	190,000	2,225,000	195,000
Compensated absences payable	196,007	18,351	-	214,358	-
TOTAL	<u>\$ 9,403,471</u>	<u>\$ 548,037</u>	<u>\$ 1,104,883</u>	<u>\$ 8,846,625</u>	<u>\$ 1,070,068</u>

CITY OF NEOSHO, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance September 30, 2017	Additions	Deletions	Balance September 30, 2018
	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>2018</u>
Governmental Activities				
Non-Depreciable Capital Assets:				
Land	\$ 9,560,163	\$ -	\$ -	\$ 9,560,163
Construction in progress	210,238	708,329	210,238	708,329
Total Non-Depreciable Capital Assets	9,770,401	<u>\$ 708,329</u>	<u>\$ 210,238</u>	10,268,492
Depreciable Capital Assets:				
Land improvements	624,251	\$ -	\$ -	624,251
Building and improvements	10,193,694	52,050	-	10,245,744
Machinery and equipment	6,141,159	212,074	54,144	6,299,089
Golf course infrastructure	3,373,207	-	-	3,373,207
Infrastructure	28,860,232	487,793	-	29,348,025
Total Depreciable Capital Assets	49,192,543	<u>\$ 751,917</u>	<u>\$ 54,144</u>	49,890,316
Less Accumulated Depreciation	31,103,136	<u>\$ 1,357,875</u>	<u>\$ 54,144</u>	32,406,867
Total Depreciable Capital Assets, Net	<u>18,089,407</u>			<u>17,483,449</u>
Total Capital Assets - Governmental Activities, Net	<u>\$ 27,859,808</u>			<u>\$ 27,751,941</u>

CITY OF NEOSHO, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

NOTE H – CAPITAL ASSETS (continued)

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

Administration	\$ 20,719
Auditorium	169,577
Building inspection	9,516
Police	53,391
Fire	42,148
Emergency management	16,280
Recycling	10,348
Senior center	22,986
Golf course	163,698
Court	1,200
Airport	197,520
Parks	75,570
Recreation	3,653
Drainage	32,131
Street	539,138
	<u>\$ 1,357,875</u>

CITY OF NEOSHO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2017	Additions	Deletions	Balance September 30, 2018
Business-Type Activities				
Water and Sewer				
Non-Depreciable Capital Assets:				
Land	\$ 157,578	\$ -	\$ -	\$ 157,578
Construction in progress	85,823	53,985	85,823	53,985
Total Non-Depreciable Capital Assets	243,401	<u>\$ 53,985</u>	<u>\$ 85,823</u>	211,563
Depreciable Capital Assets:				
Buildings	163,900	\$ -	\$ -	163,900
Water plant and equipment	13,789,889	13,080	54,742	13,748,227
Sewer plant and equipment	27,536,633	157,086	12,850	27,680,869
Total Depreciable Capital Assets	41,490,422	<u>\$ 170,166</u>	<u>\$ 67,592</u>	41,592,996
Less Accumulated Depreciation	20,078,922	<u>\$ 930,574</u>	<u>\$ 67,592</u>	20,941,904
Total Depreciable Capital Assets, Net	21,411,500			<u>20,651,092</u>
Total Capital Assets - Business-Type Activities, Net	<u>\$ 21,654,901</u>			<u>\$ 20,862,655</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](http://www.molagers.org).

CITY OF NEOSHO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

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>2018 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, 2018, 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	55	15	13	83
Inactive employees entitled to but not yet receiving benefits	41	15	8	64
Active employees	<u>48</u>	<u>23</u>	<u>27</u>	<u>98</u>
	<u>144</u>	<u>53</u>	<u>48</u>	<u>245</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 6.3% (General), 4.9% (Police), and 10.6% (Fire) of annual covered payroll.

*Net Pension Asset.* The employer’s net pension asset was measured as of June 30, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 28, 2018.

CITY OF NEOSHO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

NOTE I – EMPLOYEE PENSION PLAN (continued)

*Actuarial Assumptions.* The total pension liability in the February 28, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the February 28, 2018, 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%	5.16%
Fixed Income	26.00%	2.86%
Real Assets	21.00%	3.23%
Strategic Assets	10.00%	5.59%

*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, 2018

NOTE I – EMPLOYEE PENSION PLAN (continued)

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)
	(a)	(b)	(a) - (b)
<i>General Division</i>			
Balances at beginning of year	\$ 6,932,800	\$ 8,499,898	\$ (1,567,098)
Changes for the year:			
Service cost	160,548	-	160,548
Interest	494,585	-	494,585
Difference between expected and actual experiences	43,778	-	43,778
Contributions - employer	-	107,574	(107,574)
Net investment income	-	1,025,299	(1,025,299)
Benefits paid, including refunds	(386,377)	(386,377)	-
Administrative expenses	-	(11,353)	11,353
Other changes	-	3,892	(3,892)
Net Changes	312,534	739,035	(426,501)
Balances at end of year	7,245,334	9,238,933	(1,993,599)
<i>Police Division</i>			
Balances at beginning of year	2,976,985	3,550,399	(573,414)
Changes for the year:			
Service cost	106,191	-	106,191
Interest	216,275	-	216,275
Difference between expected and actual experiences	(232,752)	-	(232,752)
Contributions - employer	-	47,712	(47,712)
Net investment income	-	439,863	(439,863)
Benefits paid, including refunds	(93,745)	(93,745)	-
Administrative expenses	-	(4,013)	4,013
Other changes	-	222	(222)
Net Changes	(4,031)	390,039	(394,070)
Balances at end of year	2,972,954	3,940,438	(967,484)

CITY OF NEOSHO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) - (b)
<i>Fire Division</i>			
Balances at beginning of year	4,964,071	5,460,601	(496,530)
Changes for the year:			
Service cost	147,397	-	147,397
Interest	358,750	-	358,750
Difference between expected and actual experiences	(104,678)	-	(104,678)
Contributions - employer	-	108,753	(108,753)
Net investment income	-	653,276	(653,276)
Benefits paid, including refunds	(179,541)	(179,541)	-
Administrative expenses	-	(4,013)	4,013
Other changes	-	(6,363)	6,363
Net Changes	221,928	572,112	(350,184)
Balances at end of year	5,185,999	6,032,713	(846,714)
Total Plan Balances at end of year	\$ 15,404,287	\$ 19,212,084	\$ (3,807,797)

CITY OF NEOSHO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

NOTE I – EMPLOYEE PENSION PLAN (continued)

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

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
<i>General Division</i>			
Total Pension Liability	\$ 8,301,606	\$ 7,245,334	\$ 6,389,053
Fiduciary Net Position	9,238,933	9,238,933	9,238,933
Net Pension (Asset)	(937,327)	(1,993,599)	(2,849,880)
<i>Police Division</i>			
Total Pension Liability	3,496,267	2,972,954	2,554,606
Fiduciary Net Position	3,940,438	3,940,438	3,940,438
Net Pension (Asset)	(444,171)	(967,484)	(1,385,832)
<i>Fire Division</i>			
Total Pension Liability	5,972,869	5,185,999	4,542,846
Fiduciary Net Position	6,032,713	6,032,713	6,032,713
Net Pension (Asset)	(59,844)	(846,714)	(1,489,867)
Total Net Pension (Asset)	\$ (1,441,342)	\$ (3,807,797)	\$ (5,725,579)

CITY OF NEOSHO, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

NOTE I – EMPLOYEE PENSION PLAN (continued)

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

For the year ended 2018, the employer recognized negative pension expense of \$42,811 in the general division, and pension expenses of \$40,493 in the police division and \$113,285 in the fire division. The employer reported deferred outflows and inflows of resources to be recognized in future pension expenses from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<i>General Division</i>			
Differences in experiences	\$ 30,111	\$ (288,241)	\$ (258,130)
Assumption changes	61,817	-	61,817
Differences in investment returns	-	(212,769)	(212,769)
Contributions subsequent to the measurement date*	29,206	-	29,206
	<u>121,134</u>	<u>(501,010)</u>	<u>(379,876)</u>
<i>Police Division</i>			
Differences in experiences	31,610	(228,025)	(196,415)
Assumption changes	22,823	-	22,823
Differences in investment returns	-	(106,051)	(106,051)
Contributions subsequent to the measurement date*	12,954	-	12,954
	<u>67,387</u>	<u>(334,076)</u>	<u>(266,689)</u>
<i>Fire Division</i>			
Differences in experiences	-	(395,647)	(395,647)
Assumption changes	125,299	-	125,299
Differences in investment returns	-	(132,351)	(132,351)
Contributions subsequent to the measurement date*	29,528	-	29,528
	<u>154,827</u>	<u>(527,998)</u>	<u>(373,171)</u>
Total	<u>\$ 343,348</u>	<u>\$ (1,363,084)</u>	<u>\$ (1,019,736)</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, 2019.

CITY OF NEOSHO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

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
2019	\$ (84,541)	\$ (26,095)	\$ (10,236)	\$ (120,872)
2020	(90,326)	(48,285)	(64,125)	(202,736)
2021	(150,363)	(116,618)	(139,407)	(406,388)
2022	(83,852)	(82,443)	(96,543)	(262,838)
2023	-	(6,202)	(44,550)	(50,752)
Thereafter	-	-	(47,838)	(47,838)
Total	<u>\$ (409,082)</u>	<u>\$ (279,643)</u>	<u>\$ (402,699)</u>	<u>\$ (1,091,424)</u>

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, 2018

NOTE K – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2018, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 78,802	\$ 1,256,660
Hotel/Motel Tax Fund	-	73,142
Golf Fund	398,742	275,418
Street Sales Tax Fund	-	107,660
Fire Sales Tax Fund	1,135,474	-
Tax Increment Financing Fund	-	52,237
Drainage Sales Tax Fund	-	99,231
Parks Sales Tax Fund	42,736	144,244
Auditorium Fund	8,750	397,086
Senior Center Sales Tax Fund	7,540	53,570
Economic Development Sales Tax Fund	-	297,234
Street/Bridge Sales Tax Fund	-	255,703
Police Grants Fund	1,069	-
2016 COP Fund	473,880	-
2014 COP Fund	450,656	-
2013 Bond Fund	255,703	-
2012 COP Fund	2,769	-
Star Loan Fund	103,827	-
Water and Sewer Fund	446,048	393,811
	<u>\$ 3,405,996</u>	<u>\$ 3,405,996</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, 2018

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, 2018, 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, 2018, the estimated obligation of health claims based on claims filed prior to, but not yet paid, as of year-end, claims incurred during the year but filed subsequent to year-end, and an additional amount for incurred but not reported claims based on prior experience was \$130,126. Changes in the estimated benefit obligation during the past year are as follows:

Estimated Benefit Obligation, beginning of year	\$ 130,126
Claims incurred	860,307
Claims paid	<u>(829,433)</u>
Estimated Benefit Obligation, end of year	<u><u>\$ 161,000</u></u>

NOTE N – DEBT REFUNDING LOSS

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

CITY OF NEOSHO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

NOTE N – DEBT REFUNDING LOSS (continued)

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

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

	Balance September 30, 2017	Additions	Current Amortization	Balance September 30, 2018
Governmental Activities	<u>\$ 102,504</u>	<u>\$ -</u>	<u>\$ (9,772)</u>	<u>\$ 92,732</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF NEOSHO, MISSOURI  
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS  
Year Ended September 30, 2018

**Missouri Local Government Employees Retirement System (LAGERS)**

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 414,136	\$ 395,107	\$ 391,139	\$ 399,461
Interest on the total pension liability	1,069,610	1,047,617	1,004,497	974,376
Difference between expected and actual experience	(293,652)	(508,438)	(609,884)	(294,998)
Changes of assumptions	-	-	462,449	-
Benefit payments including refunds	(659,663)	(621,580)	(688,017)	(631,570)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>530,431</b>	<b>312,706</b>	<b>560,184</b>	<b>447,269</b>
<b>TOTAL PENSION LIABILITY, BEGINNING</b>	<b>14,873,856</b>	<b>14,561,150</b>	<b>14,000,966</b>	<b>13,553,697</b>
<b>TOTAL PENSION LIABILITY, ENDING</b>	<b>15,404,287</b>	<b>14,873,856</b>	<b>14,561,150</b>	<b>14,000,966</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - employer	264,039	261,400	293,632	317,093
Pension plan net investment income	2,118,438	1,860,492	(31,596)	323,289
Benefit payments, including refunds	(659,663)	(621,580)	(688,017)	(631,570)
Pension plan administrative expense	(19,379)	(18,290)	(17,749)	(19,946)
Other	(2,249)	(137,249)	16,467	(270,346)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>1,701,186</b>	<b>1,344,773</b>	<b>(427,263)</b>	<b>(281,480)</b>
<b>PLAN FIDUCIARY NET POSITION, BEGINNING</b>	<b>17,510,898</b>	<b>16,166,125</b>	<b>16,593,388</b>	<b>16,874,868</b>
<b>PLAN FIDUCIARY NET POSITION, ENDING</b>	<b>19,212,084</b>	<b>17,510,898</b>	<b>16,166,125</b>	<b>16,593,388</b>
<b>EMPLOYER NET PENSION (ASSET)</b>	<b>\$ (3,807,797)</b>	<b>\$ (2,637,042)</b>	<b>\$ (1,604,975)</b>	<b>\$ (2,592,422)</b>
Plan fiduciary net position as a percentage of the total pension liability	124.72%	117.73%	111.02%	119%
Covered employee payroll	\$ 3,619,993	\$ 3,527,826	\$ 3,364,217	\$ 3,553,838
Employer's net pension asset as a percentage of covered employee payroll	105.19%	74.75%	47.71%	72.95%

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

CITY OF NEOSHO, MISSOURI  
 SCHEDULE OF CONTRIBUTIONS  
 Year Ended September 30, 2018

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 270,089	\$ 259,473	\$ 294,052	\$ 312,806	\$ 327,508	\$ 350,617	\$ 312,365	\$ 308,754	\$ 341,256	\$ 413,655
Contributions in relation to the actuarially determined contribution	<u>265,974</u>	<u>259,473</u>	<u>294,052</u>	<u>312,806</u>	<u>327,508</u>	<u>350,617</u>	<u>308,288</u>	<u>287,074</u>	<u>341,256</u>	<u>413,655</u>
Contribution deficiency	<u>\$ 4,115</u>	<u>\$ -</u>	<u>\$ 4,077</u>	<u>\$ 21,680</u>	<u>\$ -</u>	<u>\$ -</u>				
Covered-employee payroll	\$ 3,730,002	\$ 3,632,303	\$ 3,606,430	\$ 3,682,580	\$ 3,694,022	\$ 3,398,859	\$ 2,852,638	\$ 2,682,657	\$ 3,537,480	\$ 4,029,011
Contributions as a percentage of covered-employee payroll	7.13%	7.14%	8.15%	8.49%	8.87%	10.32%	10.81%	10.70%	9.65%	10.27%

CITY OF NEOSHO, MISSOURI  
NOTES TO SCHEDULE OF CONTRIBUTIONS  
Year Ended September 30, 2018

NOTES TO SCHEDULE OF CONTRIBUTIONS

**Valuation Date:** February 28, 2018.

**Notes:** The roll-forward of total pension liability from February 28, 2018, to June 30, 2018, reflects expected service cost and interest reduced by actual benefit payments.

**Methods and Assumptions Used to Determine Contribution Rates**

*Actuarial Cost Method* – Entry Age Normal and Modified Terminal Funding

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

*Remaining Amortization Period* – Multiple bases from 15 to 18 years

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

*Inflation* – 3.25% wage inflation; 2.50% price inflation

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

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

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

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

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

*Other Information* – None.

CITY OF NEOSHO, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
 Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Taxes				
Property tax	\$ 400,000	\$ 475,500	\$ 465,565	\$ (9,935)
City sales tax	2,494,503	2,691,503	2,693,459	1,956
Financial institution tax	5,000	5,000	710	(4,290)
Utility franchise tax	745,000	773,400	773,351	(49)
Cigarette tax	57,000	57,000	53,185	(3,815)
	<u>3,701,503</u>	<u>4,002,403</u>	<u>3,986,270</u>	<u>(16,133)</u>
Licenses and Permits				
Occupational licenses	32,000	32,000	31,045	(955)
Building permits	50,200	90,935	90,734	(201)
Animal licenses and fees	400	1,400	845	(555)
	<u>82,600</u>	<u>124,335</u>	<u>122,624</u>	<u>(1,711)</u>
Intergovernmental Revenues				
Grants	206,864	282,783	208,699	(74,084)
	<u>206,864</u>	<u>282,783</u>	<u>208,699</u>	<u>(74,084)</u>
Charges for Services				
Sanitation	24,000	53,000	52,798	(202)
Airport fuel sales	91,000	154,418	150,740	(3,678)
Recycling center fees	24,000	24,000	25,508	1,508
Other	196,672	196,672	160,832	(35,840)
	<u>335,672</u>	<u>428,090</u>	<u>389,878</u>	<u>(38,212)</u>
Fines and Forfeitures				
City court fines	292,100	339,453	338,237	(1,216)
Police training fees	6,000	7,670	7,669	(1)
	<u>298,100</u>	<u>347,123</u>	<u>345,906</u>	<u>(1,217)</u>
Miscellaneous				
Leases and rent income	78,700	80,200	80,761	561
Interest	3,900	3,900	4,664	764
Other	48,800	72,032	40,986	(31,046)
	<u>131,400</u>	<u>156,132</u>	<u>126,411</u>	<u>(29,721)</u>
<b>TOTAL REVENUES</b>	<u>4,756,139</u>	<u>5,340,866</u>	<u>5,179,788</u>	<u>(161,078)</u>

CITY OF NEOSHO, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)  
 Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>EXPENDITURES</b>				
Current				
Administrative	553,217	513,266	579,162	(65,896)
Clerk/Council	79,966	82,289	78,879	3,410
Development services	225,161	129,863	109,247	20,616
Police	2,068,613	2,167,284	2,311,603	(144,319)
Emergency management	17,600	91,447	164,780	(73,333)
Court	117,640	121,858	116,048	5,810
Airport	405,216	480,232	253,284	226,948
Lampo community center	24,919	26,513	25,272	1,241
Recycling center	113,388	146,505	134,255	12,250
Information technology	87,537	90,026	86,380	3,646
Fleet maintenance	62,958	68,939	60,861	8,078
Human resources	105,020	107,975	105,402	2,573
Communications and events	75,000	133,457	109,197	24,260
<b>TOTAL EXPENDITURES</b>	<b>3,936,235</b>	<b>4,159,654</b>	<b>4,134,370</b>	<b>25,284</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>				
	819,904	1,181,212	1,045,418	(135,794)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	39,155	85,290	78,802	(6,488)
Operating transfers (out)	(1,261,817)	(1,261,817)	(1,256,660)	5,157
Lease proceeds	-	-	251,631	251,631
Insurance Proceeds	-	17,688	17,929	241
<b>TOTAL OTHER FINANCING       SOURCES (USES)</b>	<b>(1,222,662)</b>	<b>(1,158,839)</b>	<b>(908,298)</b>	<b>250,541</b>
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)</b>				
	(402,758)	22,373	137,120	114,747
FUND BALANCE, October 1	1,588,405	1,464,142	1,464,142	-
FUND BALANCE, September 30	<u>\$ 1,185,647</u>	<u>\$ 1,486,515</u>	<u>\$ 1,601,262</u>	<u>\$ 114,747</u>

CITY OF NEOSHO, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – STREET SALES TAX FUND  
 Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Street sales taxes	\$ 896,103	\$ 896,103	\$ 963,566	\$ 67,463
Motor vehicle taxes	467,000	467,000	475,843	8,843
Miscellaneous	1,500	3,635	16,545	12,910
TOTAL REVENUES	<u>1,364,603</u>	<u>1,366,738</u>	<u>1,455,954</u>	<u>89,216</u>
<b>EXPENDITURES</b>				
Current				
Street	<u>1,382,013</u>	<u>1,389,823</u>	<u>1,017,252</u>	<u>372,571</u>
TOTAL EXPENDITURES	<u>1,382,013</u>	<u>1,389,823</u>	<u>1,017,252</u>	<u>372,571</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(17,410)	(23,085)	438,702	461,787
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers (out)	(108,659)	(108,659)	(107,660)	999
Lease proceeds	-	-	35,935	35,935
Sale of property	-	5,675	5,675	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(108,659)</u>	<u>(102,984)</u>	<u>(66,050)</u>	<u>36,934</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(126,069)	(126,069)	372,652	498,721
FUND BALANCE, October 1	<u>500,512</u>	<u>768,068</u>	<u>768,068</u>	<u>-</u>
FUND BALANCE, September 30	<u><u>\$ 374,443</u></u>	<u><u>\$ 641,999</u></u>	<u><u>\$ 1,140,720</u></u>	<u><u>\$ 498,721</u></u>

CITY OF NEOSHO, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – FIRE SALES TAX FUND  
 Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Fire sales taxes	\$ 597,080	\$ 645,080	\$ 642,376	\$ (2,704)
Charges for services	125,500	125,500	125,430	(70)
Miscellaneous	12,000	12,000	5,047	(6,953)
TOTAL REVENUES	<u>734,580</u>	<u>782,580</u>	<u>772,853</u>	<u>(9,727)</u>
EXPENDITURES				
Current				
Fire	<u>2,004,460</u>	<u>2,259,888</u>	<u>2,259,888</u>	<u>-</u>
TOTAL EXPENDITURES	<u>2,004,460</u>	<u>2,259,888</u>	<u>2,259,888</u>	<u>-</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(1,269,880)	(1,477,308)	(1,487,035)	(9,727)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,135,474	1,135,474	1,135,474	-
Lease proceeds	<u>-</u>	<u>231,928</u>	<u>230,370</u>	<u>(1,558)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,135,474</u>	<u>1,367,402</u>	<u>1,365,844</u>	<u>(1,558)</u>
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(134,406)	(109,906)	(121,191)	(11,285)
FUND BALANCE, October 1	<u>134,406</u>	<u>151,362</u>	<u>151,362</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ -</u>	<u>\$ 41,456</u>	<u>\$ 30,171</u>	<u>\$ (11,285)</u>

CITY OF NEOSHO, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – TAX INCREMENT FINANCING FUND  
 Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes	\$ 164,204	\$ 296,204	\$ 296,149	\$ (55)
Miscellaneous	3,000	6,800	8,224	1,424
TOTAL REVENUES	<u>167,204</u>	<u>303,004</u>	<u>304,373</u>	<u>1,369</u>
EXPENDITURES				
Current				
TIF expenses	-	7,130	7,128	2
Other	100,000	100,000	-	100,000
TOTAL EXPENDITURES	<u>100,000</u>	<u>107,130</u>	<u>7,128</u>	<u>100,002</u>
EXCESS OF REVENUES OVER EXPENDITURES	67,204	195,874	297,245	101,371
OTHER FINANCING (USES)				
Operating transfers (out)	<u>(51,867)</u>	<u>(51,867)</u>	<u>(52,237)</u>	<u>(370)</u>
TOTAL OTHER FINANCING (USES)	<u>(51,867)</u>	<u>(51,867)</u>	<u>(52,237)</u>	<u>(370)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	15,337	144,007	245,008	101,001
FUND BALANCE, October 1	<u>2,026,763</u>	<u>2,016,992</u>	<u>2,016,992</u>	<u>-</u>
FUND BALANCE, September 30	<u><u>\$ 2,042,100</u></u>	<u><u>\$ 2,160,999</u></u>	<u><u>\$ 2,262,000</u></u>	<u><u>\$ 101,001</u></u>

CITY OF NEOSHO, MISSOURI  
NOTE TO BUDGETARY COMPARISON SCHEDULES  
Year Ended September 30, 2018

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, 2018

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
<b>ASSETS</b>											
Cash and cash equivalents	\$ 380	\$ -	\$ 759,899	\$ 463,530	\$ 90,949	\$ 5,839	\$ 342,467	\$ 259,169	\$ 246,552	\$ 56,927	\$ 243
Sales tax receivable	-	-	66,698	68,337	67,535	22,512	45,011	45,008	-	-	-
Intergovernmental receivable	640	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Other accounts receivable	-	-	-	-	-	-	-	-	-	5,237	-
Prepaid expenses	-	-	2,568	20,630	8,207	3,916	-	-	-	10,050	-
Cash and cash equivalents - restricted	-	3,170	-	198	15,366	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,020</b>	<b>\$ 3,170</b>	<b>\$ 829,165</b>	<b>\$ 552,695</b>	<b>\$ 182,057</b>	<b>\$ 32,267</b>	<b>\$ 387,478</b>	<b>\$ 304,177</b>	<b>\$ 246,552</b>	<b>\$ 72,214</b>	<b>\$ 243</b>
<b>LIABILITIES AND FUND BALANCES</b>											
<b>Liabilities</b>											
Accounts payable	\$ -	\$ -	\$ 20,352	\$ 3,944	\$ 4,533	\$ 3,414	\$ -	\$ -	\$ -	\$ 6,969	\$ -
Accrued expenses	-	-	-	47	85	144	-	-	-	-	-
Deposits held	-	-	-	-	15,366	-	-	-	-	323	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>20,352</b>	<b>3,991</b>	<b>19,984</b>	<b>3,558</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,292</b>	<b>-</b>
<b>Fund Balance</b>											
<b>Nonspendable</b>											
Permanent	-	-	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	2,568	20,630	8,207	3,916	-	-	-	10,050	-
<b>Restricted for:</b>											
Public safety	1,020	3,170	-	-	-	-	-	-	-	-	243
Drainage	-	-	784,212	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	13,318	-	-	-	-	-	-	-
Auditorium	-	-	-	-	9,616	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	259,762	-	-	-	-
Street and bridge	-	-	-	-	-	-	-	159,861	-	-	-
Tourism development	-	-	-	-	-	-	-	-	245,565	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-
<b>Assigned to:</b>											
Drainage	-	-	22,033	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	514,756	-	-	-	-	-	-	-
Auditorium	-	-	-	-	144,250	-	-	-	-	-	-
Senior center	-	-	-	-	-	24,793	-	-	-	-	-
Economic development	-	-	-	-	-	-	127,716	-	-	-	-
Golf course	-	-	-	-	-	-	-	-	-	54,872	-
Street and bridge	-	-	-	-	-	-	-	144,316	-	-	-
Tourism development	-	-	-	-	-	-	-	-	987	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>1,020</b>	<b>3,170</b>	<b>808,813</b>	<b>548,704</b>	<b>162,073</b>	<b>28,709</b>	<b>387,478</b>	<b>304,177</b>	<b>246,552</b>	<b>64,922</b>	<b>243</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,020</b>	<b>\$ 3,170</b>	<b>\$ 829,165</b>	<b>\$ 552,695</b>	<b>\$ 182,057</b>	<b>\$ 32,267</b>	<b>\$ 387,478</b>	<b>\$ 304,177</b>	<b>\$ 246,552</b>	<b>\$ 72,214</b>	<b>\$ 243</b>

CITY OF NEOSHO, MISSOURI  
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS (continued)  
 September 30, 2018

	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	
<b>ASSETS</b>								
Cash	\$ -	\$ -	\$ 85,050	\$ 1,661	\$ -	\$ 59,312	\$ 3,602	\$ 2,375,580
Sales tax receivable	-	-	-	-	-	-	-	315,101
Intergovernmental receivable	-	-	-	-	-	-	-	640
Other accounts receivable	-	-	-	-	-	-	-	5,237
Prepaid expenses	-	-	-	-	-	-	-	45,371
Cash and cash equivalents - restricted	-	516,945	222,500	1,515	404,451	-	-	1,164,145
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 516,945</b>	<b>\$ 307,550</b>	<b>\$ 3,176</b>	<b>\$ 404,451</b>	<b>\$ 59,312</b>	<b>\$ 3,602</b>	<b>\$ 3,906,074</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,212
Accrued expenses	-	-	-	-	-	-	-	276
Deposits payable	-	-	-	-	-	-	-	15,689
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,177</b>
<b>Fund Balance</b>								
<b>Nonspendable</b>								
Permanent	-	-	-	-	-	59,312	3,602	62,914
Prepaid items	-	-	-	-	-	-	-	45,371
<b>Restricted for:</b>								
Public safety	-	-	-	-	-	-	-	4,433
Drainage	-	-	-	-	-	-	-	784,212
Parks and recreation	-	-	-	-	-	-	-	13,318
Auditorium	-	-	-	-	-	-	-	9,616
Economic development	-	-	-	-	-	-	-	259,762
Street and bridge	-	-	-	-	-	-	-	159,861
Tourism development	-	-	-	-	-	-	-	245,565
Debt service	-	516,945	307,550	3,176	404,451	-	-	1,232,122
<b>Assigned to:</b>								
Drainage	-	-	-	-	-	-	-	22,033
Parks and recreation	-	-	-	-	-	-	-	514,756
Auditorium	-	-	-	-	-	-	-	144,250
Senior center	-	-	-	-	-	-	-	24,793
Economic development	-	-	-	-	-	-	-	127,716
Street and bridge	-	-	-	-	-	-	-	144,316
Tourism development	-	-	-	-	-	-	-	987
Unassigned	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>516,945</b>	<b>307,550</b>	<b>3,176</b>	<b>404,451</b>	<b>59,312</b>	<b>3,602</b>	<b>3,850,897</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 516,945</b>	<b>\$ 307,550</b>	<b>\$ 3,176</b>	<b>\$ 404,451</b>	<b>\$ 59,312</b>	<b>\$ 3,602</b>	<b>\$ 3,906,074</b>

CITY OF NEOSHO, MISSOURI  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended September 30, 2018

	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	\$ -	\$ -	\$ 385,426	\$ 578,139	\$ 481,800	\$ 160,601	\$ 321,189	\$ 321,186	\$ 79,255	\$ -	\$ -
Intergovernmental revenues	11,801	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	74,814	14,179	-	-	-	-	342,380	-
Donations and other contributions	-	16,460	-	600	-	-	-	-	-	-	-
Miscellaneous	-	14	2,751	4,390	621	35	1,118	815	987	3	1
<b>TOTAL REVENUES</b>	<b>11,801</b>	<b>16,474</b>	<b>388,177</b>	<b>657,943</b>	<b>496,600</b>	<b>160,636</b>	<b>322,307</b>	<b>322,001</b>	<b>80,242</b>	<b>342,383</b>	<b>1</b>
EXPENDITURES											
Current											
Police	12,870	14,000	-	-	-	-	-	-	-	-	245
Drainage	-	-	287,893	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	421,177	-	-	-	-	-	-	-
Auditorium	-	-	-	-	75,098	-	-	-	-	-	-
Senior center	-	-	-	-	-	114,472	-	-	-	-	-
Golf course	-	-	-	-	-	-	-	-	-	407,096	-
Tourism development	-	-	-	-	-	-	-	-	42,383	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Debt Service											
Principal and interest	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>12,870</b>	<b>14,000</b>	<b>287,893</b>	<b>421,177</b>	<b>75,098</b>	<b>114,472</b>	<b>-</b>	<b>-</b>	<b>42,383</b>	<b>407,096</b>	<b>245</b>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(1,069)	2,474	100,284	236,766	421,502	46,164	322,307	322,001	37,859	(64,713)	(244)
OTHER FINANCING SOURCES (USES)											
Lease proceeds	-	-	11,750	-	-	-	-	-	-	-	-
Operating transfers in	1,069	-	-	42,736	8,750	7,540	-	-	-	398,742	-
Operating transfers (out)	-	-	(99,231)	(144,244)	(397,086)	(53,570)	(297,234)	(255,703)	(73,142)	(275,418)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,069</b>	<b>-</b>	<b>(87,481)</b>	<b>(101,508)</b>	<b>(388,336)</b>	<b>(46,030)</b>	<b>(297,234)</b>	<b>(255,703)</b>	<b>(73,142)</b>	<b>123,324</b>	<b>-</b>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	-	2,474	12,803	135,258	33,166	134	25,073	66,298	(35,283)	58,611	(244)
FUND BALANCE, October 1	1,020	696	796,010	413,446	128,907	28,575	362,405	237,879	281,835	6,311	487
FUND BALANCE, September 30	\$ 1,020	\$ 3,170	\$ 808,813	\$ 548,704	\$ 162,073	\$ 28,709	\$ 387,478	\$ 304,177	\$ 246,552	\$ 64,922	\$ 243

CITY OF NEOSHO, MISSOURI  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS (continued)  
 Year Ended September 30, 2018

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,327,596
Intergovernmental revenues	-	-	-	-	-	-	-	11,801
Charges for services	-	-	-	-	-	-	-	431,373
Donations and other contributions	-	-	-	-	-	-	-	17,060
Miscellaneous	-	2,824	1,082	478	-	1,973	12	17,104
TOTAL REVENUES	-	2,824	1,082	478	-	1,973	12	2,804,934
EXPENDITURES								
Current								
Police	-	-	-	-	-	-	-	27,115
Drainage	-	-	-	-	-	-	-	287,893
Parks and recreation	-	-	-	-	-	-	-	421,177
Auditorium	-	-	-	-	-	-	-	75,098
Senior center	-	-	-	-	-	-	-	114,472
Golf course	-	-	-	-	-	-	-	407,096
Tourism development	-	-	-	-	-	-	-	42,383
Other	-	-	-	-	-	480	-	480
Debt Service								
Principal and interest	103,827	455,655	256,803	2,769	475,002	-	-	1,294,056
TOTAL EXPENDITURES	103,827	455,655	256,803	2,769	475,002	480	-	2,669,770
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(103,827)	(452,831)	(255,721)	(2,291)	(475,002)	1,493	12	135,164
OTHER FINANCING SOURCES (USES)								
Lease proceeds	-	-	-	-	-	-	-	11,750
Operating transfers in	103,827	450,656	255,703	2,769	473,880	-	-	1,745,672
Operating transfers (out)	-	-	-	-	-	-	-	(1,595,628)
TOTAL OTHER FINANCING SOURCES (USES)	103,827	450,656	255,703	2,769	473,880	-	-	161,794
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	-	(2,175)	(18)	478	(1,122)	1,493	12	296,958
FUND BALANCE, October 1	-	519,120	307,568	2,698	405,573	57,819	3,590	3,553,939
FUND BALANCE, September 30	\$ -	\$ 516,945	\$ 307,550	\$ 3,176	\$ 404,451	\$ 59,312	\$ 3,602	\$ 3,850,897

## **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, 2018, 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 26, 2019.

**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.

*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.

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Honorable Mayor and City Council  
City of Neosho  
Neosho, Missouri

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, as described in the accompanying summary schedule of findings and responses, that we consider to be a material weakness. It is identified as 2018-001

### **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 26, 2019

CITY OF NEOSHO, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended September 30, 2018

2018-001 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.