

City of Neosho, Missouri

BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2019

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, 2019, 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.

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 of the City of Neosho, Missouri, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with 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.

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 12, 2020, 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 the effectiveness of the City of Neosho, Missouri's 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 12, 2020

Management's Discussion and Analysis

City of Neosho

Management's Discussion and Analysis

September 30, 2019

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, 2019. Please read it in conjunction with the City's financial statements.

Financial Highlights

The net position of the City's governmental activities increased by \$1,374,354 as a result of current year activities. The net position of the City's business activities increased by \$589,361 for the year.

The assets and deferred outflow of resources of the City exceeded liabilities and deferred inflow of resources by \$46.4 million (net position), as of September 30, 2019. Of this amount, \$9.9 million was unrestricted and may be used to meet future obligations of the City, \$6.5 million was restricted and \$30.0 million represents capital assets (net of related debt) of the City.

Total long-term liabilities of the City decreased by \$1,113,762 to a total of \$17.2 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.

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.

City of Neosho

Management's Discussion and Analysis

September 30, 2019

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 statements.

Enterprise Funds: When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Enterprise funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Notes to the Basic Financial Statements

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

City of Neosho

Management's Discussion and Analysis

September 30, 2019

Government-Wide Financial Analysis

Net Position

The following table presents the condensed Statement of Net Position for the City as of September 30, 2019 and 2018:

	Governmental Activities	Business-Type Activities	Total September 30, 2019	Total September 30, 2018
Assets				
Current and other assets	\$ 10,236,420	\$ 4,683,253	\$ 14,919,673	\$ 14,794,276
Net pension asset	3,149,654	683,225	3,832,879	3,807,797
Capital assets	28,428,299	20,489,499	48,917,798	48,614,596
Total Assets	41,814,373	25,855,977	67,670,350	67,216,669
Deferred Outflow of Resources				
Deferred pension outflow	314,551	27,035	341,586	343,348
Deferred charge on refundings	82,960	-	82,960	92,732
Total Deferred Outflow of Resources	397,511	27,035	424,546	436,080
Liabilities				
Long-term liabilities outstanding	7,526,991	9,649,435	17,176,426	18,290,188
Other liabilities	2,176,201	1,039,949	3,216,150	3,560,347
Total Liabilities	9,703,192	10,689,384	20,392,576	21,850,535
Deferred Inflow of Resources				
Deferred pension inflow	1,192,713	106,762	1,299,475	1,363,084
Net Position				
Net investment in capital assets	19,880,095	10,121,115	30,001,210	28,861,730
Restricted	6,185,845	255,433	6,441,278	6,347,032
Unrestricted	5,250,039	4,710,318	9,960,357	9,230,368
Total Net Position	\$ 31,315,979	\$ 15,086,866	\$ 46,402,845	\$ 44,439,130

Total Net Position of the City increased by \$1,963,715 for the year due to current year activities. Total liabilities for the City decreased by \$1,457,959. Net investment in capital assets increased \$1,139,480.

City of Neosho

Management's Discussion and Analysis

September 30, 2019

Changes In Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Year Ended September 30, 2019</u>	<u>Total Year Ended September 30, 2018</u>
Revenues				
Program Revenues				
Charges for services	\$ 1,437,994	\$ 5,370,592	\$ 6,808,586	\$ 6,853,644
Operating grants and contributions	127,285	-	127,285	95,307
Capital grants and contributions	116,226	-	116,226	170,954
General Revenues				
Property taxes	416,935	-	416,935	465,566
Sales taxes	6,499,619	-	6,499,619	6,547,741
Motor vehicle and gas taxes	478,722	-	478,722	475,844
Other taxes	436,682	-	436,682	429,300
Franchise fees	756,623	-	756,623	773,351
Interest	30,615	15,700	46,315	43,207
Other revenue	173,657	30,026	203,683	79,190
Special Items				
Gain (loss) on sale of capital assets	-	-	-	5,675
Insurance proceeds	27,752	-	27,752	29,679
Transfers	(51,347)	51,347	-	-
Total Revenues	<u>10,450,763</u>	<u>5,467,665</u>	<u>15,918,428</u>	<u>15,969,458</u>
Expenses				
General government	598,100	-	598,100	753,720
Auditorium	231,321	-	231,321	243,807
Police	2,133,704	-	2,133,704	2,047,786
Fire	1,888,708	-	1,888,708	1,928,327
Emergency management	31,250	-	31,250	181,060
Court	105,352	-	105,352	106,684
Airport	419,080	-	419,080	446,463
Drainage	172,837	-	172,837	211,088
Street	1,331,351	-	1,331,351	1,185,446
Parks	494,878	-	494,878	399,734
Recreation	30,765	-	30,765	28,925
Senior center	90,704	-	90,704	131,959
Recycling center	104,523	-	104,523	140,985
Information technology	107,490	-	107,490	82,762
Property control	55,077	-	55,077	60,861
Human resources	96,930	-	96,930	96,720
Golf course	712,881	-	712,881	555,889
Tourism development	51,846	-	51,846	42,383
Communication and events	34,623	-	34,623	109,197
Other	264,971	-	264,971	7,608
Debt service	120,018	-	120,018	192,419
Water and sewer	-	4,878,304	4,878,304	5,098,034
Total Expenses	<u>9,076,409</u>	<u>4,878,304</u>	<u>13,954,713</u>	<u>14,051,857</u>
Changes in Net Position	<u>\$ 1,374,354</u>	<u>\$ 589,361</u>	<u>\$ 1,963,715</u>	<u>\$ 1,917,601</u>

City of Neosho

Management's Discussion and Analysis

September 30, 2019

Governmental Activities

Governmental activities increased the net position of the City by \$1,374,354. Tax revenues for the City were \$8,588,581 which represents 82% of the funding of these activities. Program revenues for the functions totaled \$1,681,505 or 16% 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	\$ 598,100	\$ 474,671
Auditorium	231,321	214,919
Police	2,133,704	1,597,117
Fire	1,888,708	1,755,443
Emergency management	31,250	31,250
Court	105,352	82,412
Airport	419,080	170,695
Drainage	172,837	172,837
Street	1,331,351	1,299,184
Parks	494,878	407,382
Recreation	30,765	(27,583)
Senior center	90,704	90,704
Recycling center	104,523	39,588
Information technology	107,490	107,490
Property control	55,077	55,077
Human resources	96,930	96,930
Golf course	712,881	373,254
Tourism development	51,846	51,846
Communication and events	34,623	16,699
Other	264,971	264,971
Debt service	120,018	120,018
	<u>\$ 9,076,409</u>	<u>\$ 7,394,904</u>

Business-Type Activities

Business-type activities increased the City's net position by \$589,361. This is up from the increase received last year from the City's business-type activities. The increase in the prior year was \$370,405.

City of Neosho

Management's Discussion and Analysis

September 30, 2019

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2019, were \$9,409,197. The combined fund balances are up \$524,147 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 \$4,899,327 was amended to \$4,924,272.

The original expenditures budget of \$3,993,248 was amended to \$4,054,222.

Budget adjustments were presented and approved by the City Council. Final amended budgeted revenues were \$11,208 less than actual revenues, and budgeted expenditures were \$309,554 above actual expenditures.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$28,428,299 (net of accumulated depreciation) as of September 30, 2019. This represents a \$676,358 increase from the prior year. The increase is due to the addition of new assets outweighing the current year provisions of depreciation. Capital assets for business-type activities were \$20,489,499 as of September 30, 2019. This represents a decrease of \$373,156 from the prior year. The decrease is due to current year provisions of depreciation outweighing the addition of new assets.

Debt

Total debt of the governmental activities as of September 30, 2019, was \$8,749,482, which is down \$97,143 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, 2019, was \$10,420,113, which is down \$758,689. 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 consistent. 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. Revenues are expected to remain steady for FY2020. 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 12,051 in 2018. Although the City's revenues remain fairly consistent, expenses across the board continue to rise. The City plans to follow a course of action in the following year that will focus on increasing revenues, especially in the areas of public safety.

We continue to seek out and apply for grants available to us. The City plans to use the HMV, DWI, DOJ vest grants and MODOT grants again this year. We also plan to renew the contract with the Neosho Area Fire Protection District.

City of Neosho

Management's Discussion and Analysis

September 30, 2019

The combined leadership of the Council and staff remains focused on proper and efficient use of City revenues. We continue to replace worn out equipment and vehicles when appropriate and only when the budget allows. In the upcoming year we plan to make repairs to our existing Fire Station in the bunker gear storage room, training room, and dorm room. We will continue to pay down the debt entered into for the public safety radio upgrade and the purchase of the Fire Department's new ladder truck.

There are current plans in FY2020 for projects to promote tourism and grow revenue. Whenever possible, grant money will be used for these projects. The City will take advantage of MODOT Grants to construct 7 new hangars projected to increase revenues at the airport. The Parks Department is working towards completion of phase 1 and 2 of a 10 mile bike trail to promote tourism and activities within Neosho. The Pro-Shop, Lampo, Auditorium, Police Station, and City Hall will all have much needed roof repair completed in FY2020. The Golf Course needs to replace the aging cart fleet using increased cart rental fees previously approved by council. We are actively searching for grant money that may be available to resurface the Golf cart paths. The City's Senior Center plans to have their parking lot resurfaced and striped. The Sewer and Filtration departments are working towards updating the sewer mains on the Neosho Boulevard to help reduce overflows and slip lining the sewer mains to reduce inflow and infiltration.

In our attempt to find and repair the cause of the City's high water loss, our public works department has divided the City into 3 different pressure zones. Master meters will be installed to monitor the zones, which will pinpoint the high loss areas. Once we determine the areas of concern, we can concentrate our efforts in replacing and repairing mains.

Due to flooding issues experienced in the last several years, it has been determined a new detention pond could bring flooding relief to the southern and mid-town areas. This project is set for completion in FY2020.

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. The City continues to strive to ensure the 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.

As stated in prior years, the greatest asset the City has is its staff of well trained, dedicated employees. Gradually increasing 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 FY2019 a 1% COLA for employees allowed for investment in our workforce. The deep cuts experienced by police, fire and public works in prior years have been reversed, resulting in the restoration of essential services. We hope to work towards aligning our salaries and benefits with comparable cities in the area to help retain our employees.

The contract with Alliance Water Resources for the management of the City's water treatment and wastewater facilities was renewed in 2018. These types of improvements will ensure the efficient delivery of quality drinking water and treatment of wastewater for the City of Neosho. This relationship will continue to be evaluated to ensure the continued collaboration remains in the best interest of the City.

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. The City is encouraging more community involvement in the process of long term planning, goal setting, and budget preparations.

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. The City continues to maintain very strong reserves with no additional debt plans in the immediate future.

City of Neosho

Management's Discussion and Analysis

September 30, 2019

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

David Kennedy, City Manager d.kennedy@neoshomo.org

Daphne Pevahouse, Finance Director dpevahouse@neoshomo.org

Cheyenne Wright, City Clerk cwright@neoshomo.org

City of Neosho

Statement of Net Position

September 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Current			
Cash and cash equivalents - unrestricted	\$ 7,578,174	\$ 3,853,231	\$ 11,431,405
Taxes receivable, net	1,008,521	-	1,008,521
Utilities receivable, net	-	424,089	424,089
Other accounts receivable	32,897	17,291	50,188
Court fines receivable, net	38,167	-	38,167
Inventory	93,002	-	93,002
Prepaid expenses	221,200	76,284	297,484
Noncurrent			
Restricted cash and cash equivalents	1,264,459	312,358	1,576,817
Net pension asset	3,149,654	683,225	3,832,879
Capital Assets:			
Non-depreciable	10,011,165	273,753	10,284,918
Depreciable, net	18,417,134	20,215,746	38,632,880
Total Assets	41,814,373	25,855,977	67,670,350
Deferred Outflow of Resources			
Deferred pension outflow	314,551	27,035	341,586
Deferred charge on refundings	82,960	-	82,960
Total Deferred Outflow of Resources	397,511	27,035	424,546
Liabilities			
Current			
Accounts payable	479,511	158,477	637,988
Accrued expenses	86,811	13,121	99,932
Accrued interest payable	109,201	40,748	149,949
Deposits held	36,227	-	36,227
Intergovernmental payable	159,000	-	159,000
Meter deposits held	-	56,925	56,925
Current maturities of long-term debt	1,305,451	770,678	2,076,129
	2,176,201	1,039,949	3,216,150
Noncurrent			
Capital leases payable	1,189,619	18,189	1,207,808
Certificates of participation payable	4,306,094	123,906	4,430,000
Bonds payable	1,830,000	9,473,800	11,303,800
Compensated absences payable	201,278	33,540	234,818
	7,526,991	9,649,435	17,176,426
Total Liabilities	9,703,192	10,689,384	20,392,576
Deferred Inflow of Resources			
Deferred pension inflow	1,192,713	106,762	1,299,475
	1,192,713	106,762	1,299,475
Net Position			
Net investment in capital assets	19,880,095	10,121,115	30,001,210
Restricted	6,185,845	255,433	6,441,278
Unrestricted	5,250,039	4,710,318	9,960,357
Total Net Position	\$ 31,315,979	\$ 15,086,866	\$ 46,402,845

See accompanying notes to the financial statements.

City of Neosho

Statement of Activities

Year Ended September 30, 2019

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	\$ (381,066)	\$ 35,433	\$ 1,739	\$ -	\$ (343,894)	\$ -	\$ (343,894)
Clerk/Council	(66,123)	-	-	-	(66,123)	-	(66,123)
Auditorium	(231,321)	16,402	-	-	(214,919)	-	(214,919)
Development services	(150,911)	86,257	-	-	(64,654)	-	(64,654)
Police	(2,133,704)	505,353	23,839	7,395	(1,597,117)	-	(1,597,117)
Fire	(1,888,708)	125,765	7,500	-	(1,755,443)	-	(1,755,443)
Emergency management	(31,250)	-	-	-	(31,250)	-	(31,250)
Court	(105,352)	22,940	-	-	(82,412)	-	(82,412)
Airport	(419,080)	191,901	-	56,484	(170,695)	-	(170,695)
Drainage	(172,837)	-	-	-	(172,837)	-	(172,837)
Street	(1,331,351)	-	-	32,167	(1,299,184)	-	(1,299,184)
Parks	(494,878)	17,632	49,684	20,180	(407,382)	-	(407,382)
Recreation	(30,765)	58,348	-	-	27,583	-	27,583
Senior center	(90,704)	-	-	-	(90,704)	-	(90,704)
Recycling center	(104,523)	23,072	41,863	-	(39,588)	-	(39,588)
Information technology	(107,490)	-	-	-	(107,490)	-	(107,490)
Property control	(55,077)	-	-	-	(55,077)	-	(55,077)
Human resources	(96,930)	-	-	-	(96,930)	-	(96,930)
Golf course	(712,881)	339,627	-	-	(373,254)	-	(373,254)
Tourism development	(51,846)	-	-	-	(51,846)	-	(51,846)
Communications and events	(34,623)	15,264	2,660	-	(16,699)	-	(16,699)
Other	(264,971)	-	-	-	(264,971)	-	(264,971)
Debt service	(120,018)	-	-	-	(120,018)	-	(120,018)
Total Governmental Activities	(9,076,409)	1,437,994	127,285	116,226	(7,394,904)	-	(7,394,904)

See accompanying notes to the financial statements.

City of Neosho

Statement of Activities

Year Ended September 30, 2019

Functions/Programs	Program Revenues			Net (Expenses), Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities							
Water and Sewer	(4,878,304)	5,370,592	-	-	-	492,288	492,288
Total Business-Type Activities	<u>(4,878,304)</u>	<u>5,370,592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>492,288</u>	<u>492,288</u>
Total Government	<u><u>\$ (13,954,713)</u></u>	<u><u>\$ 6,808,586</u></u>	<u><u>\$ 127,285</u></u>	<u><u>\$ 116,226</u></u>	<u>(7,394,904)</u>	<u>492,288</u>	<u>(6,902,616)</u>
General Revenues							
Property taxes							
					416,935	-	416,935
Sales taxes							
					6,499,619	-	6,499,619
Motor vehicle and gas taxes							
					478,722	-	478,722
Other taxes							
					436,682	-	436,682
Franchise fees							
					756,623	-	756,623
Interest							
					30,615	15,700	46,315
Other revenue							
					173,657	30,026	203,683
Special Item							
Insurance proceeds							
					27,752	-	27,752
Transfers							
					(51,347)	51,347	-
Total General Revenues, Special Item, and Transfers					<u>8,769,258</u>	<u>97,073</u>	<u>8,866,331</u>
<i>Changes in Net Position</i>					1,374,354	589,361	1,963,715
Net Position, Beginning of year					29,941,625	14,497,505	44,439,130
Net Position, End of year					<u><u>\$ 31,315,979</u></u>	<u><u>\$ 15,086,866</u></u>	<u><u>\$ 46,402,845</u></u>

See accompanying notes to the financial statements.

City of Neosho

Balance Sheet – Governmental Funds

September 30, 2019

	Special Revenue Funds					Total Governmental Funds
	General Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	Nonmajor Governmental Funds	
Assets						
Cash and cash equivalents	\$ 1,079,663	\$ 1,205,828	\$ 188,930	\$ 2,435,059	\$ 2,597,021	\$ 7,506,501
Taxes receivable	441,609	141,721	94,481	-	330,710	1,008,521
Other accounts receivable	27,660	-	-	-	5,237	32,897
Court fines receivable, net	38,167	-	-	-	-	38,167
Inventory	93,002	-	-	-	-	93,002
Prepaid expenses	98,904	19,919	56,320	-	46,057	221,200
Restricted cash and cash equivalents	50,880	20,861	-	-	1,192,718	1,264,459
Total Assets	\$ 1,829,885	\$ 1,388,329	\$ 339,731	\$ 2,435,059	\$ 4,171,743	\$ 10,164,747
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 73,907	\$ 319,147	\$ 20,060	\$ 18,710	\$ 41,688	\$ 473,512
Accrued expenses	57,871	5,736	22,928	-	276	86,811
Deposits held	18,402	-	-	-	17,825	36,227
Due to other governments	-	-	-	159,000	-	159,000
Total Liabilities	150,180	324,883	42,988	177,710	59,789	755,550

See accompanying notes to the financial statements.

City of Neosho

Balance Sheet – Governmental Funds

September 30, 2019

	Special Revenue Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund		
Fund Balance						
Nonspendable:						
Parks	-	-	-	-	69,358	69,358
Inventory	93,002	-	-	-	-	93,002
Prepaid items	98,904	19,919	56,320	-	46,057	221,200
Restricted for:						
Public safety	-	-	-	-	4,201	4,201
Drainage	-	-	-	-	841,988	841,988
Auditorium	-	-	-	-	16,399	16,399
Streets	-	1,043,527	-	-	-	1,043,527
Senior center	-	-	-	-	39,009	39,009
Economic development	-	-	-	-	282,287	282,287
Street and bridge	-	-	-	-	221,617	221,617
Tourism development	-	-	-	-	248,272	248,272
TIF	-	-	-	2,257,349	-	2,257,349
Debt service	-	-	-	-	1,231,196	1,231,196
Assigned to:						
Drainage	-	-	-	-	27,734	27,734
Public safety	-	-	240,423	-	-	240,423
Parks and recreation	-	-	-	-	559,581	559,581
Auditorium	-	-	-	-	161,086	161,086
Senior center	-	-	-	-	30,449	30,449
Economic development	-	-	-	-	128,981	128,981
Golf course	-	-	-	-	56,522	56,522
Street and bridge	-	-	-	-	145,336	145,336
Tourism development	-	-	-	-	1,881	1,881
Unassigned	1,487,799	-	-	-	-	1,487,799
Total Fund Balances	1,679,705	1,063,446	296,743	2,257,349	4,111,954	9,409,197
Total Liabilities and Fund Balances	\$ 1,829,885	\$ 1,388,329	\$ 339,731	\$ 2,435,059	\$ 4,171,743	\$ 10,164,747

See accompanying notes to the financial statements.

City of Neosho

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

September 30, 2019

Fund balance - total governmental funds	\$ 9,409,197
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	62,284,283
Less accumulated depreciation	<u>(33,855,984)</u>
	28,428,299
Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net position.	65,674
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	3,149,654
Deferred outflows due to pensions	314,551
Deferred inflows due to pensions	<u>(1,192,713)</u>
	2,271,492
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(109,201)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	<u>(8,749,482)</u>
Net Position of Governmental Activities	<u><u>\$ 31,315,979</u></u>

See accompanying notes to the financial statements.

City of Neosho

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

Year Ended September 30, 2019

	General Fund	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
		Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund		
Revenues						
Taxes	\$ 3,886,879	\$ 1,437,999	\$ 639,518	\$ 302,822	\$ 2,321,363	\$ 8,588,581
Licenses and permits	122,351	-	-	-	-	122,351
Intergovernmental revenues	105,020	32,167	7,500	-	29,855	174,542
Charges for services	412,854	-	125,765	-	426,278	964,897
Fines and forfeitures	284,401	-	-	-	-	284,401
Donations and other contributions	1,739	-	-	-	61,449	63,188
Miscellaneous	122,236	48,034	68,939	8,521	28,668	276,398
Total Revenues	4,935,480	1,518,200	841,722	311,343	2,867,613	10,474,358
Expenditures						
Current						
Administrative	412,189	-	-	-	-	412,189
Clerk/Council	70,699	-	-	-	-	70,699
Auditorium	-	-	-	-	71,358	71,358
Development services	147,137	-	-	-	-	147,137
Police	2,146,830	-	-	-	26,785	2,173,615
Fire	-	-	2,674,161	-	-	2,674,161
Emergency management	20,507	-	-	-	-	20,507
Court	111,240	-	-	-	-	111,240
Airport	328,271	-	-	-	-	328,271
Drainage	-	-	-	-	228,582	228,582
Street	-	1,489,436	-	-	-	1,489,436
Parks and recreation	-	-	-	-	614,697	614,697
Recreation	27,112	-	-	-	-	27,112
Senior center	-	-	-	-	69,243	69,243
Recycling center	103,916	-	-	-	-	103,916
Information technology	109,913	-	-	-	-	109,913
Property control	55,077	-	-	-	-	55,077
Human resources	101,237	-	-	-	-	101,237
Golf course	-	-	-	-	562,792	562,792
Tourism development	-	-	-	-	51,846	51,846
Communications and events	34,623	-	-	-	-	34,623
Other	-	-	-	264,647	324	264,971
Debt Service						
Principal and interest	-	-	-	-	1,189,644	1,189,644
Total Expenditures	3,668,751	1,489,436	2,674,161	264,647	2,815,271	10,912,266

See accompanying notes to the financial statements.

City of Neosho

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

Year Ended September 30, 2019

	Special Revenue Funds					Total Governmental Funds
	General Fund	Street Sales Tax Fund	Fire Sales Tax Fund	Tax Increment Financing Fund	Nonmajor Governmental Funds	
<i>Excess (Deficit) of Revenues over Expenditures</i>	1,266,729	28,764	(1,832,439)	46,696	52,342	(437,908)
Other Financing Sources (Uses)						
Operating transfers in (out)	(1,197,928)	(106,038)	1,225,203	(51,347)	78,763	(51,347)
Insurance proceeds	9,642	-	14,213	-	3,897	27,752
Lease proceeds	-	-	859,595	-	126,055	985,650
Total Other Financing Sources (Uses)	(1,188,286)	(106,038)	2,099,011	(51,347)	208,715	962,055
<i>Excess (Deficit) of Revenues and Other Sources over Expenditures and other (Uses)</i>	78,443	(77,274)	266,572	(4,651)	261,057	524,147
Fund Balance, October 1	1,601,262	1,140,720	30,171	2,262,000	3,850,897	8,885,050
Fund Balance, September 30	\$ 1,679,705	\$ 1,063,446	\$ 296,743	\$ 2,257,349	\$ 4,111,954	\$ 9,409,197

See accompanying notes to the financial statements.

City of Neosho

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended September 30, 2019

Net change in fund balances - total governmental funds	\$	524,147
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Amounts reported for governmental activities in the Statement of Activities are different because:

Internal Service Fund receipts and disbursements are included in the Statement of Activities		65,674
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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		2,147,060
Depreciation		(1,470,702)
		676,358

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		1,069,713
Lease proceeds		(985,650)
Change in accrued interest payable		(87)
		83,976

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		11,119
Change in compensated absences		13,080
		24,199
Change in Net Position of Governmental Activities		\$ 1,374,354

See accompanying notes to the financial statements.

City of Neosho

Statement of Net Position – Proprietary Funds

September 30, 2019

	Water and Sewer Fund	Internal Service Fund
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,853,231	\$ 71,673
Utilities receivable, net	424,089	-
Other accounts receivable	17,291	-
Prepaid expenses	76,284	-
Total Current Assets	4,370,895	71,673
Noncurrent Assets		
Restricted cash and cash equivalents	312,358	-
Net pension asset	683,225	-
Capital assets:		
Nondepreciable	273,753	-
Depreciable, net	20,215,746	-
Total Noncurrent Assets	21,485,082	-
Total Assets	25,855,977	71,673
Deferred Outflow of Resources		
Deferred pension outflow	27,035	-
Total Deferred Outflow of Resources	27,035	-
Total Assets and Deferred Outflow of Resources	25,883,012	71,673
Liabilities		
Current Liabilities		
Accounts payable	158,477	5,999
Accrued expenses	13,121	-
Accrued interest payable	40,748	-
Meter deposits payable	56,925	-
Current maturities of long-term debt	770,678	-
Total Current Liabilities	1,039,949	5,999
Long-Term Liabilities		
Certificates of participation	123,906	-
Revenue bonds payable	9,473,800	-
Capital leases payable	18,189	-
Compensated absences payable	33,540	-
Total Long-Term Liabilities	9,649,435	-
Total Liabilities	10,689,384	5,999
Deferred Inflow of Resources		
Deferred pension inflow	106,762	-
Total Deferred Inflow of Resources	106,762	-
Net Position		
Net investment in capital assets	10,121,115	-
Restricted for debt service	255,433	-
Unrestricted	4,710,318	65,674
Total Net Position	\$ 15,086,866	\$ 65,674

See accompanying notes to the financial statements.

City of Neosho

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds

Year Ended September 30, 2019

	Water and Sewer Fund	Internal Service Fund
Operating Revenues		
Charges for services		
Water and sewer	\$ 5,370,592	\$ -
Employer insurance contributions	-	625,133
Employee insurance contributions	-	173,101
Total Operating Revenues	5,370,592	798,234
Operating Expenses		
Personnel services	659,940	-
Contractual services	1,678,319	-
Repairs and maintenance	637,748	-
Supplies	113,256	-
Utilities	600,723	-
Insurance	78,648	-
Depreciation	882,807	-
Miscellaneous	8,828	-
Insurance claims and premiums	-	732,560
Total Operating Expenses	4,660,269	732,560
<i>Operating Income</i>	710,323	65,674
Nonoperating Revenues (Expenses)		
Interest income	15,700	-
Other revenue	30,026	-
Interest expense	(218,035)	-
Total Nonoperating Revenues (Expenses)	(172,309)	-
<i>Income Before Operating Transfers</i>	538,014	65,674
Net Operating Transfers In	51,347	-
<i>Net Income</i>	589,361	65,674
Net Position, October 1	14,497,505	-
Net Position, September 30	\$ 15,086,866	\$ 65,674

See accompanying notes to the financial statements.

City of Neosho

Statement of Cash Flows – Proprietary Funds

Year Ended September 30, 2019

	Water and Sewer Fund	Internal Service Fund
Cash Flows from Operating Activities		
Cash received from customers	\$ 5,419,810	\$ 798,234
Cash paid to suppliers	(3,173,448)	(860,340)
Cash paid to employees	(734,943)	-
Other cash received for nonoperating revenues	30,026	-
Net Cash Provided (Used) by Operating Activities	1,541,445	(62,106)
Cash Flows from Noncapital Financing Activities		
Operating transfers from other funds	51,347	-
Net Cash Provided by Noncapital Financing Activities	51,347	-
Cash Flows from Capital and Related Financing Activities		
Purchase of fixed assets	(509,651)	-
Payment of principal on leases	(49,002)	-
Payment of principal on bonds	(708,900)	-
Payment of interest expense	(227,320)	-
Net Cash (Used) by Capital and Related Financing Activities	(1,494,873)	-
Cash Flows from Investing Activities		
Interest received on investments	15,700	-
Net Cash Provided by Investing Activities	15,700	-
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	113,619	(62,106)
Cash and Cash Equivalents, Beginning of year	4,051,970	133,779
Cash and Cash Equivalents, End of year	4,165,589	71,673
Less Restricted Cash and Cash Equivalents	(312,358)	-
Unrestricted Cash and Cash Equivalents	\$ 3,853,231	\$ 71,673
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
Operating income	\$ 710,323	\$ 65,674
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	882,807	-
(Increase) decrease in:		
Utilities receivable	43,073	-
Prepaid expenses	(1,314)	-
Net pension asset	(31,318)	-
Deferred pension outflow	12,576	-
Increase (decrease) in:		
Accounts payable	(54,612)	(127,780)
Accrued expenses	1,594	-
Meter deposits payable	6,146	-
Deferred pension inflow	(57,068)	-
Compensated absences	(787)	-
Other cash received for nonoperating revenues	30,026	-
Net Cash Provided (Used) by Operating Activities	\$ 1,541,445	\$ (62,106)

See accompanying notes to the financial statements.

City of Neosho

Notes to the Financial Statements

September 30, 2019

1. 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.

Basis of Presentation

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.

City of Neosho

Notes to the Financial Statements

September 30, 2019

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.

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 health insurance plan.

City of Neosho

Notes to the Financial Statements

September 30, 2019

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

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

Pooled Cash and Cash Equivalents

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

Inventories

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

Revenue Recognition

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

City of Neosho

Notes to the Financial Statements

September 30, 2019

Compensated Absences

The City's vacation policy grants an employee two weeks of vacation after one year of service and three weeks of 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.

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.

City of Neosho

Notes to the Financial Statements

September 30, 2019

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 Outflows/Inflows of Resources

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

Pensions

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

2. Cash & 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, 2019, all bank balances on deposit were entirely insured or collateralized.

City of Neosho

Notes to the Financial Statements

September 30, 2019

3. Restricted Cash & Cash Equivalents

Cash and cash equivalents have been restricted in the following funds as of September 30, 2019:

	Restricted Cash and Cash Equivalents
General Fund	
Court bonds	\$ 12,545
Police evidence	10,836
Deposits held	18,402
Donated police rewards	335
FEMA	8,762
	<u>\$ 50,880</u>
Street Sales Tax Fund	
TDD Funds	<u>\$ 20,861</u>
Nonmajor Governmental Funds	
Auditorium deposits held	\$ 17,502
Golf donations	3,924
Police donations	2,166
Skate park donations	45,225
2012A/B COP reserve trust fund	1,533
2013 Bond reserve	203,000
2014A Lease revenue fund	30,762
2014A Reserve	305,742
2014B Lease revenue fund	177,144
2016 COP reserve trust fund	405,720
	<u>\$ 1,192,718</u>

City of Neosho

Notes to the Financial Statements

September 30, 2019

Water and Sewer Fund

Restricted assets and restricted net position consist of the following at September 30, 2019:

	Restricted Cash and Cash Equivalents	Restricted Net Position
Water and Sewer Fund		
Meter deposits	\$ 56,925	\$ -
1992B Bond principal trust fund	5,331	5,331
2009B Bond principal and interest trust funds	81,616	81,616
2011 Bond principal and interest trust funds	137,326	137,326
2012A COP reserve trust fund	31,160	31,160
	\$ 312,358	\$ 255,433

4. Assessed Valuation, Tax Levy, & Legal Debt Margin

The assessed valuation of the tangible property and the tax levy per \$100 assessed valuation of that property were as follows:

	2018
Assessed Valuation	
Real estate	\$ 114,751,618
Personal property	34,957,280
Total	\$ 149,708,898
 Tax Rate Per \$100 of Assessed Valuation	
General Fund (Real Property)	\$.3603

The legal debt margin at September 30, 2019, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 14,970,890	\$ 14,970,890	\$ 29,941,780
General Obligation Bonds payable	-	-	-
Legal Debt Margin	\$ 14,970,890	\$ 14,970,890	\$ 29,941,780

(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.

City of Neosho

Notes to the Financial Statements

September 30, 2019

(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.

5. Accounts Receivable

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

	<u>Gross Receivable</u>	<u>Allowance</u>	<u>Net Receivable</u>
Taxes Receivable			
General Fund	\$ 441,609	\$ -	\$ 441,609
Street Sales Tax Fund	141,721	-	141,721
Fire Sales Tax Fund	94,481	-	94,481
Nonmajor Governmental Funds	330,710	-	330,710
	<u>\$ 1,008,521</u>	<u>\$ -</u>	<u>\$ 1,008,521</u>
Utilities Receivable			
Water and Sewer Fund	<u>\$ 425,121</u>	<u>\$ 1,032</u>	<u>\$ 424,089</u>
Other Accounts Receivable			
General Fund	\$ 27,660	\$ -	\$ 27,660
Golf Fund	5,237	-	5,237
Water and Sewer Fund	17,291	-	17,291
	<u>\$ 50,188</u>	<u>\$ -</u>	<u>\$ 50,188</u>
Court Fines Receivable			
General Fund	<u>\$ 431,575</u>	<u>\$ 393,408</u>	<u>\$ 38,167</u>

6. Long-Term Debt – Business-Type Activities

The business-type activities long-term debt at September 30, 2019, 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

Notes to the Financial Statements

September 30, 2019

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, 2019, all of the bonds have been issued. In the event of default, after 60 days, Owners of not less than 10% may take legal action. Any amounts paid on the Bonds to the Owners will be applied first to interest and second to principal. Bonds outstanding at September 30, 2019, are due as follows:

Year Ended September 30,	Direct Placement		
	Principal	Interest	Total
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>\$ 6,849,000</u>	<u>\$ 755,318</u>	<u>\$ 7,604,318</u>

City of Neosho

Notes to the Financial Statements

September 30, 2019

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. In the event of default, after 60 days, Owners of not less than 10% may take legal action. Any amounts paid on the Bonds to the Owners will be applied first to interest and second to principal. The bonds outstanding at September 30, 2019, are due as follows:

Year Ended September 30,	Direct Placement		
	Principal	Interest	Total
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>\$ 3,346,900</u>	<u>\$ 300,053</u>	<u>\$ 3,646,953</u>

City of Neosho

Notes to the Financial Statements

September 30, 2019

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, 2019, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 175,000</u>	<u>\$ 13,488</u>	<u>\$ 188,488</u>

Amount recorded in:

Water and Sewer Fund/Business-Type Activities	\$ 166,797
Governmental Activities	8,203
Total	<u>\$ 175,000</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%. In the event of default, the Lessor may declare all rental payments immediately due and payable and/or retake possession of the equipment at the expense of the Lessee. The following is a schedule of future minimum lease payments under the lease agreement:

<u>Year Ended September 30,</u>	<u>Direct Borrowing</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 106,131	\$ 14,457	\$ 120,588
2021	109,544	11,044	120,588
2022	113,129	7,459	120,588
2023	116,799	3,789	120,588
	<u>\$ 445,603</u>	<u>\$ 36,749</u>	<u>\$ 482,352</u>

City of Neosho

Notes to the Financial Statements

September 30, 2019

Amount recorded in:

Water and Sewer Fund/Business-Type Activities	\$ 23,876
Governmental Activities	421,727
Total	\$ 445,603

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, 2019, is as follows:

	Balance September 30, 2018	Additions	Retirements	Balance September 30, 2019	Amounts Due Within One Year
Direct Placements					
Revenue Bonds					
2009B Revenue Bonds - ARRA					
Direct Loan Program	\$ 3,617,800	\$ -	\$ 270,900	\$ 3,346,900	\$ 276,100
2011 Revenue Bonds - Direct					
Loan Program	7,287,000	-	438,000	6,849,000	446,000
Certificates of Participation					
2012A Certificates of Participation	209,687	-	42,890	166,797	42,891
Direct Borrowing					
Capital Lease					
Equipment	29,988	-	6,112	23,876	5,687
Compensated Absences Payable	34,327	-	787	33,540	-
Total	\$ 11,178,802	\$ -	\$ 758,689	\$ 10,420,113	\$ 770,678

7. Long-Term Debt – Governmental Activities

Long-term debt for governmental activities at September 30, 2019, 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; two capital leases; and compensated absences payable.

City of Neosho

Notes to the Financial Statements

September 30, 2019

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, 2019, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,235,000</u>	<u>\$ 302,044</u>	<u>\$ 2,537,044</u>

City of Neosho

Notes to the Financial Statements

September 30, 2019

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

The certificates outstanding at September 30, 2019, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,960,000</u>	<u>\$ 545,237</u>	<u>\$ 3,505,237</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, 2019, are due as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,030,000</u>	<u>\$ 322,855</u>	<u>\$ 2,352,855</u>

City of Neosho

Notes to the Financial Statements

September 30, 2019

Capital Leases

In April 2019, the City entered into a lease obligation to purchase mower equipment for the golf course in the amount of \$126,055. The lease requires monthly payments of \$2,351 through April 2024. The stated interest rate on the lease is 4.5%. In the event of default, the lender may declare all remaining payments immediately due and payable, retake possession of the leased equipment, or sell, lease, or sublease the leased equipment with the City remaining liable for the full remaining lease payments. The capital lease outstanding at September 30, 2019, is due as follows:

Year Ended September 30,	Direct Borrowing		
	Principal	Interest	Total
2020	\$ 23,437	\$ 4,772	\$ 28,209
2021	24,522	3,687	28,209
2022	25,645	2,564	28,209
2023	26,823	1,386	28,209
2024	16,212	244	16,456
	\$ 116,639	\$ 12,653	\$ 129,292

In May 2019, the City entered into a lease obligation to purchase a fire truck in the amount of \$859,595. The lease requires annual payments of \$100,205 through December 2028. The stated interest rate on the lease is 3.14%. In the event of default, the lessor may declare all remaining payments through the end of the then-current budget year to be due, and any remaining amounts shall thereafter bear interest at a rate of 12% or the maximum rate permitted by law, whichever is less. The lessor may also retake possession of the equipment at the lessee's expense. The capital lease outstanding at September 30, 2019, is due as follows:

Year Ended September 30,	Direct Borrowing		
	Principal	Interest	Total
2020	\$ 84,460	\$ 15,745	\$ 100,205
2021	75,865	24,340	100,205
2022	78,248	21,957	100,205
2023	80,704	19,501	100,205
2024	83,239	16,966	100,205
2025	85,852	14,353	100,205
2026	88,548	11,657	100,205
2027	91,329	8,876	100,205
2028	94,196	6,009	100,205
2029	97,154	3,051	100,205
	\$ 859,595	\$ 142,455	\$ 1,002,050

City of Neosho

Notes to the Financial Statements

September 30, 2019

A summary of the changes in long-term debt – governmental activities for the year ended September 30, 2019, is as follows:

	Balance September 30, 2018	Additions	Retirements	Balance September 30, 2019	Amounts Due Within One Year
Direct Borrowings					
Capital Lease Obligations					
Equipment	\$ 529,686	\$ -	\$ 107,959	\$ 421,727	\$ 100,444
Golf Course Mowers	-	126,055	9,416	116,639	23,438
Ladder Truck	-	859,595	-	859,595	84,460
	<u>529,686</u>	<u>985,650</u>	<u>117,375</u>	<u>1,397,961</u>	<u>208,342</u>
Certificates of Participation					
Series 2012A	10,313	-	2,110	8,203	2,109
Series 2014A	2,270,000	-	210,000	2,060,000	220,000
Series 2014B	350,000	-	175,000	175,000	175,000
Series 2016	3,340,000	-	380,000	2,960,000	500,000
	<u>5,970,313</u>	<u>-</u>	<u>767,110</u>	<u>5,203,203</u>	<u>897,109</u>
Less: Deferred loss on debt refundings	(92,732)	-	(9,772)	(82,960)	-
	<u>5,877,581</u>	<u>-</u>	<u>757,338</u>	<u>5,120,243</u>	<u>897,109</u>
Special Obligation Refunding Bonds					
Series 2013	2,225,000	-	195,000	2,030,000	200,000
Compensated absences payable	214,358	-	13,080	201,278	-
Total	<u>\$ 8,846,625</u>	<u>\$ 985,650</u>	<u>\$ 1,082,793</u>	<u>\$ 8,749,482</u>	<u>\$ 1,305,451</u>

City of Neosho

Notes to the Financial Statements

September 30, 2019

8. Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Balance September 30, 2018	Additions	Deletions	Balance September 30, 2019
Governmental Activities				
Non-Depreciable Capital Assets				
Land	\$ 9,560,163	\$ -	\$ -	\$ 9,560,163
Construction in progress	708,329	451,002	708,329	451,002
Total Non-Depreciable Capital Assets	10,268,492	\$ 451,002	\$ 708,329	10,011,165
Depreciable Capital Assets				
Land improvements	624,251	\$ 31,616	\$ -	655,867
Building and improvements	10,245,744	-	-	10,245,744
Machinery and equipment	6,299,089	2,029,790	21,585	8,307,294
Golf course infrastructure	3,373,207	-	-	3,373,207
Infrastructure	29,348,025	342,981	-	29,691,006
Total Depreciable Capital Assets	49,890,316	\$ 2,404,387	\$ 21,585	52,273,118
Less Accumulated Depreciation	32,406,867	\$ 1,470,702	\$ 21,585	33,855,984
Total Depreciable Capital Assets, Net	17,483,449			18,417,134
Total Capital Assets -Governmental Activities, Net	\$ 27,751,941			\$ 28,428,299

City of Neosho

Notes to the Financial Statements

September 30, 2019

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

Administration	\$	21,259
Auditorium		160,681
Building inspection		9,516
Police		84,554
Fire		99,951
Emergency management		16,066
Recycling		9,709
Senior center		22,986
Golf course		160,676
Court		1,200
Airport		198,281
Parks		86,789
Recreation		3,653
Drainage		42,010
Street		553,371
		\$ 1,470,702

	Balance September 30, 2018	Additions	Deletions	Balance September 30, 2019
Business-Type Activities				
Water and Sewer				
Non-Depreciable Capital Assets				
Land	\$ 157,578	\$ 18,719	\$ -	\$ 176,297
Construction in progress	53,985	97,456	53,985	97,456
Total Non-Depreciable Capital Assets	211,563	\$ 116,175	\$ 53,985	273,753
Depreciable Capital Assets				
Buildings	163,900	\$ -	\$ -	163,900
Water plant and equipment	13,748,227	425,752	-	14,173,979
Sewer plant and equipment	27,680,869	21,709	-	27,702,578
Total Depreciable Capital Assets	41,592,996	\$ 447,461	\$ -	42,040,457
Less Accumulated Depreciation	20,941,904	\$ 882,807	\$ -	21,824,711
Total Depreciable Capital Assets, Net	20,651,092			20,215,746
Total Capital Assets - Business-Type Activities, Net	\$ 20,862,655			\$ 20,489,499

City of Neosho

Notes to the Financial Statements

September 30, 2019

9. 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.

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.

2019 Valuation

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, 2019, 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	57	16	14	87
Inactive employees entitled to but not yet receiving benefits	43	14	9	66
Active employees	44	27	26	97
	<u>144</u>	<u>57</u>	<u>49</u>	<u>250</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 3.5% (General), 5.9% (Police), and 10.7% (Fire) of annual covered payroll.

City of Neosho

Notes to the Financial Statements

September 30, 2019

Net Pension Asset. The employer's net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 28, 2019.

Actuarial Assumptions. The total pension liability in the February 28, 2019, 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, 2019, 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
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed Income	31.00%	1.41%
Real Assets	36.00%	3.29%
Strategic Assets	8.00%	5.25%
Cash	10.00%	0.00%
Leverage	-35.00%	-0.51%

City of Neosho

Notes to the Financial Statements

September 30, 2019

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.

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) - (b)
General Division			
Balances at beginning of year	\$ 7,245,334	\$ 9,238,933	\$ (1,993,599)
Changes for the year			
Service cost	160,765	-	160,765
Interest	516,373	-	516,373
Difference between expected and actual experiences	37,480	-	37,480
Contributions - employer	-	68,603	(68,603)
Net investment income	-	594,896	(594,896)
Benefits paid, including refunds	(411,038)	(411,038)	-
Administrative expenses	-	(16,418)	16,418
Other changes	-	48,578	(48,578)
Net Changes	303,580	284,621	18,959
Balances at end of year	7,548,914	9,523,554	(1,974,640)
Police Division			
Balances at beginning of year	2,972,954	3,940,438	(967,484)
Changes for the year			
Service cost	113,042	-	113,042
Interest	215,983	-	215,983
Difference between expected and actual experiences	128,179	-	128,179
Contributions - employer	-	64,889	(64,889)
Net investment income	-	257,076	(257,076)
Benefits paid, including refunds	(100,577)	(100,577)	-
Administrative expenses	-	(6,039)	6,039
Other changes	-	5,569	(5,569)
Net Changes	356,627	220,918	135,709
Balances at end of year	3,329,581	4,161,356	(831,775)

City of Neosho

Notes to the Financial Statements

September 30, 2019

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)
	(a)	(b)	(a) - (b)
Fire Division			
Balances at beginning of year	5,185,999	6,032,713	(846,714)
Changes for the year			
Service cost	148,735	-	148,735
Interest	373,519	-	373,519
Difference between expected and actual experiences	(277,204)	-	(277,204)
Contributions - employer	-	111,973	(111,973)
Net investment income	-	437,227	(437,227)
Benefits paid, including refunds	(217,976)	(217,976)	-
Administrative expenses	-	(5,797)	5,797
Other changes	-	(118,603)	118,603
Net Changes	27,074	206,824	(179,750)
Balances at end of year	5,213,073	6,239,537	(1,026,464)
Total Plan Balances at end of year	<u>\$ 16,091,568</u>	<u>\$ 19,924,447</u>	<u>\$ (3,832,879)</u>

City of Neosho

Notes to the Financial Statements

September 30, 2019

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%
General Division			
Total Pension Liability	\$ 8,642,219	\$ 7,548,914	\$ 6,661,944
Fiduciary Net Position	9,523,554	9,523,554	9,523,554
Net Pension (Asset)	(881,335)	(1,974,640)	(2,861,610)
Police Division			
Total Pension Liability	3,905,802	3,329,581	2,867,840
Fiduciary Net Position	4,161,356	4,161,356	4,161,356
Net Pension (Asset)	(255,554)	(831,775)	(1,293,516)
Fire Division			
Total Pension Liability	6,004,062	5,213,073	4,567,866
Fiduciary Net Position	6,239,537	6,239,537	6,239,537
Net Pension (Asset)	(235,475)	(1,026,464)	(1,671,671)
Total Net Pension (Asset)	\$ (1,372,364)	\$ (3,832,879)	\$ (5,826,797)

City of Neosho

Notes to the Financial Statements

September 30, 2019

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

For the year ended 2019, the employer recognized negative pension expense of \$73,951 in the general division, and pension expenses of \$52,563 in the police division and \$169,571 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
General Division			
Differences in experiences	\$ 42,315	\$ (90,824)	\$ (48,509)
Assumption changes	18,677	-	18,677
Differences in investment returns	-	(217,737)	(217,737)
Contributions subsequent to the measurement date*	17,143	-	17,143
	<u>78,135</u>	<u>(308,561)</u>	<u>(230,426)</u>
Police Division			
Differences in experiences	112,167	(152,917)	(40,750)
Assumption changes	8,722	-	8,722
Differences in investment returns	-	(99,580)	(99,580)
Contributions subsequent to the measurement date*	16,217	-	16,217
	<u>137,106</u>	<u>(252,497)</u>	<u>(115,391)</u>
Fire Division			
Differences in experiences	-	(565,363)	(565,363)
Assumption changes	98,370	-	98,370
Differences in investment returns	-	(173,054)	(173,054)
Contributions subsequent to the measurement date*	27,975	-	27,975
	<u>126,345</u>	<u>(738,417)</u>	<u>(612,072)</u>
Total	<u>\$ 341,586</u>	<u>\$ (1,299,475)</u>	<u>\$ (957,889)</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, 2020.

City of Neosho

Notes to the Financial Statements

September 30, 2019

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 Outflows (Inflows) of Resources			
	General	Police	Fire	Total
2020	\$ (65,942)	\$ (14,728)	\$ (101,806)	\$ (182,476)
2021	(125,979)	(83,061)	(177,088)	(386,128)
2022	(68,424)	(48,886)	(134,224)	(251,534)
2023	12,776	15,067	(82,232)	(54,389)
2024	-	-	(71,069)	(71,069)
Thereafter	-	-	(73,628)	(73,628)
Total	\$ (247,569)	\$ (131,608)	\$ (640,047)	\$ (1,019,224)

10. 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

Notes to the Financial Statements

September 30, 2019

11. Interfund Transfers

Interfund transfers for the year ended September 30, 2019, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 34,157	\$ 1,232,085
Hotel/Motel Tax Fund	-	28,497
Golf Fund	369,337	276,809
Street Sales Tax Fund	-	106,038
Fire Sales Tax Fund	1,225,203	-
Tax Increment Financing Fund	-	51,347
Drainage Sales Tax Fund	-	97,353
Parks Sales Tax Fund	-	72,102
Auditorium Fund	-	401,497
Senior Center Sales Tax Fund	4,902	51,628
Economic Development Sales Tax Fund	-	297,234
Street/Bridge Sales Tax Fund	-	258,003
Police Grants Fund	1,980	-
2016 COP Fund	471,514	-
2014 COP Fund	453,125	-
2013 Bond Fund	258,003	-
2012 COP Fund	3,025	-
Water and Sewer Fund	545,158	493,811
	<u>\$ 3,366,404</u>	<u>\$ 3,366,404</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.

12. Claims & 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, 2019, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

City of Neosho

Notes to the Financial Statements

September 30, 2019

13. 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.

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, 2018	Additions	Current Amortization	Balance September 30, 2019
Governmental Activities	<u>\$ 92,732</u>	<u>\$ -</u>	<u>\$ (9,772)</u>	<u>\$ 82,960</u>

14. Commitments

The City had the following commitments at September 30, 2019:

- Branco Enterprises, Inc. in the amount of \$355,000 for the purpose of constructing a T-Hangar at the airport.
- D&S Erectors, LLC in the amount of \$59,400 for the completion of the Filtration Pump Project of four pumps and motors.

Required Supplementary Information

City of Neosho

Schedule of Changes in Net Pension Asset and Related Ratios

Year Ended September 30, 2019

Missouri Local Government Employees Retirement System (LAGERS)					
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Total Pension Liability					
Service cost	\$ 422,542	\$ 414,136	\$ 395,107	\$ 391,139	\$ 399,461
Interest on the total pension liability	1,105,875	1,069,610	1,047,617	1,004,497	974,376
Difference between expected and actual experience	(111,545)	(293,652)	(508,438)	(609,884)	(294,998)
Changes of assumptions	-	-	-	462,449	-
Benefit payments including refunds	(729,591)	(659,663)	(621,580)	(688,017)	(631,570)
Net Change in Total Pension Liability	687,281	530,431	312,706	560,184	447,269
Total Pension Liability, Beginning	<u>15,404,287</u>	<u>14,873,856</u>	<u>14,561,150</u>	<u>14,000,966</u>	<u>13,553,697</u>
Total Pension Liability, Ending	16,091,568	15,404,287	14,873,856	14,561,150	14,000,966
Plan Fiduciary Net Position					
Contributions - employer	245,465	264,039	261,400	293,632	317,093
Pension plan net investment income	1,289,199	2,118,438	1,860,492	(31,596)	323,289
Benefit payments, including refunds	(729,591)	(659,663)	(621,580)	(688,017)	(631,570)
Pension plan administrative expense	(28,254)	(19,379)	(18,290)	(17,749)	(19,946)
Other	(64,456)	(2,249)	(137,249)	16,467	(270,346)
Net Change in Plan Fiduciary Net Position	712,363	1,701,186	1,344,773	(427,263)	(281,480)
Plan Fiduciary Net Position, Beginning	<u>19,212,084</u>	<u>17,510,898</u>	<u>16,166,125</u>	<u>16,593,388</u>	<u>16,874,868</u>
Plan Fiduciary Net Position, Ending	<u>19,924,447</u>	<u>19,212,084</u>	<u>17,510,898</u>	<u>16,166,125</u>	<u>16,593,388</u>
Employer Net Pension (Asset)	<u>\$ (3,832,879)</u>	<u>\$ (3,807,797)</u>	<u>\$ (2,637,042)</u>	<u>\$ (1,604,975)</u>	<u>\$ (2,592,422)</u>
Plan fiduciary net position as a percentage of the total pension liability	123.82%	124.72%	117.73%	111.02%	119%
Covered employee payroll	\$ 3,633,974	\$ 3,619,993	\$ 3,527,826	\$ 3,364,217	\$ 3,553,838
Employer's net pension asset as a percentage of covered employee payroll	105.47%	105.19%	74.75%	47.71%	72.95%

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

City of Neosho

Schedule of Contributions

Year Ended September 30, 2019

Missouri Local Government Employees Retirement System (LAGERS)

	<u>2019</u>	<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>
Actuarially determined contribution	\$ 244,374	\$ 270,089	\$ 259,473	\$ 294,052	\$ 312,806	\$ 327,508	\$ 350,617	\$ 312,365	\$ 308,754	\$ 341,256
Contributions in relation to the actuarially determined contribution	<u>234,932</u>	<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>
Contribution deficiency	<u>\$ 9,442</u>	<u>\$ 4,115</u>	<u>\$ -</u>	<u>\$ 4,077</u>	<u>\$ 21,680</u>	<u>\$ -</u>				
Covered-employee payroll	<u>\$ 3,809,377</u>	<u>\$ 3,730,002</u>	<u>\$ 3,632,303</u>	<u>\$ 3,606,430</u>	<u>\$ 3,682,580</u>	<u>\$ 3,694,022</u>	<u>\$ 3,398,859</u>	<u>\$ 2,852,638</u>	<u>\$ 2,682,657</u>	<u>\$ 3,537,480</u>
Contributions as a percentage of covered-employee payroll	6.17%	7.13%	7.14%	8.15%	8.49%	8.87%	10.32%	10.81%	10.70%	9.65%

City of Neosho

Notes to Schedule of Contributions

Year Ended September 30, 2019

Valuation Date: February 28, 2019.

Notes: The roll-forward of total pension liability from February 28, 2019, to June 30, 2019, 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 16 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

Budgetary Comparison Schedule – General Fund

Year Ended September 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Property tax	\$ 420,000	\$ 420,000	\$ 416,935	\$ (3,065)
City sales tax	2,544,394	2,544,394	2,662,511	118,117
Financial institution tax	2,000	2,000	625	(1,375)
Utility franchise tax	760,000	760,000	756,623	(3,377)
Cigarette tax	57,000	57,000	50,185	(6,815)
	<u>3,783,394</u>	<u>3,783,394</u>	<u>3,886,879</u>	<u>103,485</u>
Licenses and Permits				
Occupational licenses	32,000	32,000	35,433	3,433
Building permits	70,100	70,100	86,257	16,157
Animal licenses and fees	600	600	661	61
	<u>102,700</u>	<u>102,700</u>	<u>122,351</u>	<u>19,651</u>
Intergovernmental Revenues				
Grants	201,533	207,228	105,020	(102,208)
	<u>201,533</u>	<u>207,228</u>	<u>105,020</u>	<u>(102,208)</u>
Charges for Services				
Sanitation	46,000	46,000	58,084	12,084
Airport fuel sales	124,300	141,050	124,006	(17,044)
Recycling center fees	24,000	24,000	29,786	5,786
Other	193,500	193,500	200,978	7,478
	<u>387,800</u>	<u>404,550</u>	<u>412,854</u>	<u>8,304</u>
Fines and Forfeitures				
City court fines	308,700	308,700	280,604	(28,096)
Police training fees	7,000	7,000	3,797	(3,203)
	<u>315,700</u>	<u>315,700</u>	<u>284,401</u>	<u>(31,299)</u>
Miscellaneous				
Leases and rent income	80,700	80,700	81,717	1,017
Interest	4,400	4,400	6,139	1,739
Donations and other contributions	-	-	1,739	1,739
Other	23,100	25,600	34,380	8,780
	<u>108,200</u>	<u>110,700</u>	<u>123,975</u>	<u>13,275</u>
Total Revenues	<u>4,899,327</u>	<u>4,924,272</u>	<u>4,935,480</u>	<u>11,208</u>

City of Neosho

Budgetary Comparison Schedule – General Fund

Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Expenditures				
Current				
Administrative	489,123	462,240	412,189	50,051
Clerk/Council	90,032	83,132	70,699	12,433
Development services	146,208	169,379	147,137	22,242
Police	2,271,496	2,279,412	2,146,830	132,582
Emergency management	15,623	20,946	20,507	439
Court	119,546	120,791	111,240	9,551
Airport	416,808	442,598	328,271	114,327
Lampo community center	22,580	27,357	27,112	245
Recycling center	113,338	115,133	103,916	11,217
Information technology	103,514	110,449	109,913	536
Fleet maintenance	69,648	70,248	55,077	15,171
Human resources	97,332	114,537	101,237	13,300
Communications and events	38,000	38,000	34,623	3,377
Total Expenditures	3,993,248	4,054,222	3,668,751	385,471
 <i>Excess of Revenues over Expenditures</i>	906,079	870,050	1,266,729	396,679
 Other Financing Sources (Uses)				
Operating transfers in	26,155	43,855	34,157	(9,698)
Operating transfers (out)	(1,243,828)	(1,240,948)	(1,232,085)	8,863
Insurance Proceeds	-	5,203	9,642	4,439
Total Other Financing Sources (Uses)	(1,217,673)	(1,191,890)	(1,188,286)	3,604
 <i>Excess (Deficit) of Revenues and Other Sources over Expenditures and other (Uses)</i>	(311,594)	(321,840)	78,443	400,283
 Fund Balance, October 1	1,772,747	1,601,262	1,601,262	-
Fund Balance, September 30	\$ 1,461,153	\$ 1,279,422	\$ 1,679,705	\$ 400,283

City of Neosho

Budgetary Comparison Schedule – Street Sales Tax Fund

Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Street sales taxes	\$ 914,025	\$ 914,025	\$ 959,277	\$ 45,252
Motor vehicle taxes	471,000	471,000	478,722	7,722
Intergovernmental revenues	276,542	299,775	32,167	(267,608)
Miscellaneous	17,600	17,600	48,034	30,434
Total Revenues	1,679,167	1,702,400	1,518,200	(184,200)
Expenditures				
Current				
Street	1,670,745	1,896,958	1,489,436	407,522
Total Expenditures	1,670,745	1,896,958	1,489,436	407,522
<i>Excess (Deficit) of Revenues over Expenditures</i>	8,422	(194,558)	28,764	223,322
Other Financing (Uses)				
Operating transfers (out)	(106,815)	(106,815)	(106,038)	777
Total Other Financing (Uses)	(106,815)	(106,815)	(106,038)	777
<i>(Deficit) of Revenues over Expenditures and other (Uses)</i>	(98,393)	(301,373)	(77,274)	224,099
Fund Balance, October 1	911,717	1,140,720	1,140,720	-
Fund Balance, September 30	\$ 813,324	\$ 839,347	\$ 1,063,446	\$ 224,099

City of Neosho

Budgetary Comparison Schedule – Fire Sales Tax Fund

Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Fire sales taxes	\$ 609,023	\$ 609,023	\$ 639,518	\$ 30,495
Charges for services	125,500	125,500	125,765	265
Intergovernmental revenues	-	-	7,500	7,500
Miscellaneous	2,000	9,500	68,939	59,439
Total Revenues	736,523	744,023	841,722	97,699
Expenditures				
Current				
Fire	1,969,599	2,830,966	2,674,161	156,805
Total Expenditures	1,969,599	2,830,966	2,674,161	156,805
<i>(Deficit) of Revenues over Expenditures</i>	(1,233,076)	(2,086,943)	(1,832,439)	254,504
Other Financing Sources				
Operating transfers in	1,225,203	1,225,203	1,225,203	-
Lease proceeds	-	859,595	859,595	-
Insurance proceeds	-	-	14,213	14,213
Total Other Financing Sources	1,225,203	2,084,798	2,099,011	14,213
<i>Excess (Deficit) of Revenues and Other Sources over Expenditures</i>	(7,873)	(2,145)	266,572	268,717
Fund Balance, October 1	107,693	30,171	30,171	-
Fund Balance, September 30	\$ 99,820	\$ 28,026	\$ 296,743	\$ 268,717

City of Neosho

Budgetary Comparison Schedule – Tax Increment Financing Fund

Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes	\$ 177,000	\$ 177,000	\$ 302,822	\$ 125,822
Miscellaneous	3,000	3,000	8,521	5,521
Total Revenues	180,000	180,000	311,343	131,343
Expenditures				
Current				
TIF expenses	-	265,336	264,647	689
Total Expenditures	-	265,336	264,647	689
<i>Excess (Deficit) of Revenues over Expenditures</i>	180,000	(85,336)	46,696	132,032
Other Financing (Uses)				
Operating transfers (out)	(50,955)	(50,955)	(51,347)	(392)
Total Other Financing (Uses)	(50,955)	(50,955)	(51,347)	(392)
<i>Excess (Deficit) of Revenues over Expenditures and Other (Uses)</i>	129,045	(136,291)	(4,651)	131,640
Fund Balance, October 1	2,258,605	2,262,000	2,262,000	-
Fund Balance, September 30	\$ 2,387,650	\$ 2,125,709	\$ 2,257,349	\$ 131,640

City of Neosho

Notes to the Budgetary Comparison Schedules

Year Ended September 30, 2019

Budgets and Budgetary Accounting

The City uses 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

Combining Balance Sheet – Nonmajor Governmental Funds

September 30, 2019

	Special Revenue Funds										
	Police Grants Fund	Police Donations Fund	Drainage Sales Tax Fund	Parks Sales Tax Fund	Auditorium Fund	Senior Center Sales Tax Fund	Economic Development Sales Tax Fund	Street/ Bridge Sales Tax Fund	Hotel/ Motel Tax Fund	Golf Fund	D.A.R.E. Fund
Assets											
Cash and cash equivalents	\$ 1,500	\$ -	\$ 812,421	\$ 452,996	\$ 111,630	\$ 51,297	\$ 364,028	\$ 319,712	\$ 250,153	\$ 56,096	\$ 535
Sales tax receivable	-	-	69,372	72,349	70,881	23,627	47,240	47,241	-	-	-
Other accounts receivable	-	-	-	-	-	-	-	-	-	5,237	-
Prepaid expenses	-	-	2,270	21,317	8,457	3,257	-	-	-	10,756	-
Cash and cash equivalents - restricted	-	2,166	-	45,225	17,502	-	-	-	-	3,924	-
Total Assets	<u>\$ 1,500</u>	<u>\$ 2,166</u>	<u>\$ 884,063</u>	<u>\$ 591,887</u>	<u>\$ 208,470</u>	<u>\$ 78,181</u>	<u>\$ 411,268</u>	<u>\$ 366,953</u>	<u>\$ 250,153</u>	<u>\$ 76,013</u>	<u>\$ 535</u>
Liabilities and Fund Balances											
Liabilities											
Accounts payable	\$ -	\$ -	\$ 12,071	\$ 10,942	\$ 4,941	\$ 5,322	\$ -	\$ -	\$ -	\$ 8,412	\$ -
Accrued expenses	-	-	-	47	85	144	-	-	-	-	-
Deposits held	-	-	-	-	17,502	-	-	-	-	323	-
Total Liabilities	-	-	12,071	10,989	22,528	5,466	-	-	-	8,735	-

City of Neosho

Combining Balance Sheet – Nonmajor Governmental Funds

September 30, 2019

	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
Fund Balance											
Nonspendable											
Permanent	-	-	-	-	-	-	-	-	-	-	
Prepaid items	-	-	2,270	21,317	8,457	3,257	-	-	10,756	-	
Restricted for:											
Public safety	1,500	2,166	-	-	-	-	-	-	-	535	
Drainage	-	-	841,988	-	-	-	-	-	-	-	
Parks and recreation	-	-	-	-	-	-	-	-	-	-	
Auditorium	-	-	-	16,399	-	-	-	-	-	-	
Senior Center	-	-	-	-	39,009	-	-	-	-	-	
Economic development	-	-	-	-	-	282,287	-	-	-	-	
Street and bridge	-	-	-	-	-	-	221,617	-	-	-	
Tourism development	-	-	-	-	-	-	-	248,272	-	-	
Debt service	-	-	-	-	-	-	-	-	-	-	
Assigned to:											
Drainage	-	-	27,734	-	-	-	-	-	-	-	
Parks and recreation	-	-	-	559,581	-	-	-	-	-	-	
Auditorium	-	-	-	161,086	-	-	-	-	-	-	
Senior center	-	-	-	-	30,449	-	-	-	-	-	
Economic development	-	-	-	-	-	128,981	-	-	-	-	
Golf course	-	-	-	-	-	-	-	-	56,522	-	
Street and bridge	-	-	-	-	-	-	145,336	-	-	-	
Tourism development	-	-	-	-	-	-	-	1,881	-	-	
Total Fund Balances	<u>1,500</u>	<u>2,166</u>	<u>871,992</u>	<u>580,898</u>	<u>185,942</u>	<u>72,715</u>	<u>411,268</u>	<u>366,953</u>	<u>250,153</u>	<u>67,278</u>	<u>535</u>
Total Liabilities and Fund Balance	<u>\$ 1,500</u>	<u>\$ 2,166</u>	<u>\$ 884,063</u>	<u>\$ 591,887</u>	<u>\$ 208,470</u>	<u>\$ 78,181</u>	<u>\$ 411,268</u>	<u>\$ 366,953</u>	<u>\$ 250,153</u>	<u>\$ 76,013</u>	<u>\$ 535</u>

City of Neosho

Combining Balance Sheet – Nonmajor Governmental Funds

September 30, 2019

	Debt Service Funds				Permanent Funds		Total Nonmajor Governmental Funds
	2014 COP Fund	2013 Bond Fund	2012 COP Fund	2016 COP Fund	Abbot Brothers Fund	Morse Park Fund	
Assets							
Cash	\$ -	\$ 105,634	\$ 1,661	\$ -	\$ 65,743	\$ 3,615	\$ 2,597,021
Sales tax receivable	-	-	-	-	-	-	330,710
Other accounts receivable	-	-	-	-	-	-	5,237
Prepaid expenses	-	-	-	-	-	-	46,057
Cash and cash equivalents - restricted	513,648	203,000	1,533	405,720	-	-	1,192,718
Total Assets	\$ 513,648	\$ 308,634	\$ 3,194	\$ 405,720	\$ 65,743	\$ 3,615	\$ 4,171,743
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,688
Accrued expenses	-	-	-	-	-	-	276
Deposits payable	-	-	-	-	-	-	17,825
Total Liabilities	-	-	-	-	-	-	59,789

City of Neosho

Combining Balance Sheet – Nonmajor Governmental Funds

September 30, 2019

	Debt Service Funds				Permanent Funds		Total Nonmajor Governmental Funds
	2014 COP Fund	2013 Bond Fund	2012 COP Fund	2016 COP Fund	Abbot Brothers Fund	Morse Park Fund	
Fund Balance							
Nonspendable							
Permanent	-	-	-	-	65,743	3,615	69,358
Prepaid items	-	-	-	-	-	-	46,057
Restricted for:							
Public safety	-	-	-	-	-	-	4,201
Drainage	-	-	-	-	-	-	841,988
Auditorium	-	-	-	-	-	-	16,399
Senior Center	-	-	-	-	-	-	39,009
Economic development	-	-	-	-	-	-	282,287
Street and bridge	-	-	-	-	-	-	221,617
Tourism development	-	-	-	-	-	-	248,272
Debt service	513,648	308,634	3,194	405,720	-	-	1,231,196
Assigned to:							
Drainage	-	-	-	-	-	-	27,734
Parks and recreation	-	-	-	-	-	-	559,581
Auditorium	-	-	-	-	-	-	161,086
Senior center	-	-	-	-	-	-	30,449
Economic development	-	-	-	-	-	-	128,981
Golf course	-	-	-	-	-	-	56,522
Street and bridge	-	-	-	-	-	-	145,336
Tourism development	-	-	-	-	-	-	1,881
Total Fund Balances	<u>513,648</u>	<u>308,634</u>	<u>3,194</u>	<u>405,720</u>	<u>65,743</u>	<u>3,615</u>	<u>4,111,954</u>
Total Liabilities and Fund Balances	<u>\$ 513,648</u>	<u>\$ 308,634</u>	<u>\$ 3,194</u>	<u>\$ 405,720</u>	<u>\$ 65,743</u>	<u>\$ 3,615</u>	<u>\$ 4,171,743</u>

City of Neosho

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds Year Ended September 30, 2019

	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
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund
Revenues											
Taxes	\$ -	\$ -	\$ 383,711	\$ 575,566	\$ 479,638	\$ 159,880	\$ 319,759	\$ 319,759	\$ 83,050	\$ -	\$ -
Intergovernmental revenues	9,676	-	-	20,179	-	-	-	-	-	-	-
Charges for services	-	-	-	70,250	16,401	-	-	-	-	339,627	-
Donations and other contributions	-	14,596	-	46,563	-	-	-	-	-	-	290
Miscellaneous	-	9	5,403	2,538	685	95	1,265	1,020	894	6,938	2
Total Revenues	9,676	14,605	389,114	715,096	496,724	159,975	321,024	320,779	83,944	346,565	292
Expenditures											
Current											
Police	11,176	15,609	-	-	-	-	-	-	-	-	-
Drainage	-	-	228,582	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	614,697	-	-	-	-	-	-	-
Auditorium	-	-	-	-	71,358	-	-	-	-	-	-
Senior center	-	-	-	-	-	69,243	-	-	-	-	-
Golf course	-	-	-	-	-	-	-	-	-	562,792	-
Tourism development	-	-	-	-	-	-	-	51,846	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Debt Service											
Principal and interest	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	11,176	15,609	228,582	614,697	71,358	69,243	-	-	51,846	562,792	-

City of Neosho

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds
Year Ended September 30, 2019

	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
<i>Excess (Deficit) of Revenues over Expenditures</i>	(1,500)	(1,004)	160,532	100,399	425,366	90,732	321,024	320,779	32,098	(216,227)	292
Other Financing Sources (Uses)											
Operating transfers in	1,980	-	-	-	-	4,902	-	-	-	369,337	-
Operating transfers (out)	-	-	(97,353)	(72,102)	(401,497)	(51,628)	(297,234)	(258,003)	(28,497)	(276,809)	-
Lease proceeds	-	-	-	-	-	-	-	-	-	126,055	-
Insurance proceeds	-	-	-	3,897	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,980</u>	<u>-</u>	<u>(97,353)</u>	<u>(68,205)</u>	<u>(401,497)</u>	<u>(46,726)</u>	<u>(297,234)</u>	<u>(258,003)</u>	<u>(28,497)</u>	<u>218,583</u>	<u>-</u>
<i>Excess (Deficit) of Revenues and other Sources over Expenditures and other (Uses)</i>	480	(1,004)	63,179	32,194	23,869	44,006	23,790	62,776	3,601	2,356	292
Fund Balance, October 1	<u>1,020</u>	<u>3,170</u>	<u>808,813</u>	<u>548,704</u>	<u>162,073</u>	<u>28,709</u>	<u>387,478</u>	<u>304,177</u>	<u>246,552</u>	<u>64,922</u>	<u>243</u>
Fund Balance, September 30	<u>\$ 1,500</u>	<u>\$ 2,166</u>	<u>\$ 871,992</u>	<u>\$ 580,898</u>	<u>\$ 185,942</u>	<u>\$ 72,715</u>	<u>\$ 411,268</u>	<u>\$ 366,953</u>	<u>\$ 250,153</u>	<u>\$ 67,278</u>	<u>\$ 535</u>

City of Neosho

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds Year Ended September 30, 2019

	Debt Service Funds				Permanent Funds		Total Nonmajor Governmental Funds
	2014 COP Fund	2013 Bond Fund	2012 COP Fund	2016 COP Fund	Abbot Brothers Fund	Morse Park Fund	
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,321,363
Intergovernmental revenues	-	-	-	-	-	-	29,855
Charges for services	-	-	-	-	-	-	426,278
Donations and other contributions	-	-	-	-	-	-	61,449
Miscellaneous	680	1,084	18	1,269	6,755	13	28,668
Total Revenues	680	1,084	18	1,269	6,755	13	2,867,613
Expenditures							
Current							
Police	-	-	-	-	-	-	26,785
Drainage	-	-	-	-	-	-	228,582
Parks and recreation	-	-	-	-	-	-	614,697
Auditorium	-	-	-	-	-	-	71,358
Senior center	-	-	-	-	-	-	69,243
Golf course	-	-	-	-	-	-	562,792
Tourism development	-	-	-	-	-	-	51,846
Other	-	-	-	-	324	-	324
Debt Service							
Principal and interest	457,102	258,003	3,025	471,514	-	-	1,189,644
Total Expenditures	457,102	258,003	3,025	471,514	324	-	2,815,271
<i>Excess (Deficit) of Revenues over Expenditures</i>	(456,422)	(256,919)	(3,007)	(470,245)	6,431	13	52,342
Other Financing Sources (Uses)							
Operating transfers in	453,125	258,003	3,025	471,514	-	-	1,561,886
Operating transfers (out)	-	-	-	-	-	-	(1,483,123)
Lease proceeds	-	-	-	-	-	-	126,055
Insurance proceeds	-	-	-	-	-	-	3,897
Total Other Financing Sources (Uses)	453,125	258,003	3,025	471,514	-	-	208,715
<i>Excess (Deficit) of Revenues and other Sources over Expenditures and other (Uses)</i>	(3,297)	1,084	18	1,269	6,431	13	261,057
Fund Balance, October 1	516,945	307,550	3,176	404,451	59,312	3,602	3,850,897
Fund Balance, September 30	\$ 513,648	\$ 308,634	\$ 3,194	\$ 405,720	\$ 65,743	\$ 3,615	\$ 4,111,954

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, 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, 2019, 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 12, 2020.

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Neosho, Missouri's financial statements are free from 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*.

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 12, 2020