

City of

Mainstreet of the Midwest

MEXICO
MISSOURI

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011**

CITY OF MEXICO, MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2011

Prepared By:
Administrative Services Department
Roger Haynes
Administrative Services Director

**CITY OF MEXICO, MISSOURI
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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INTRODUCTORY SECTION

All Missouri Certified City

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January 25, 2012

Honorable Mayor, City Council and City Manager
City of Mexico, Missouri

Transmitted herewith is the annual financial report for the City of Mexico, Missouri (the City) for the fiscal year ended September 30, 2011. This report was prepared by the City's Administrative Service Department, which is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation of financial statements, supporting schedules and statistical tables, including all disclosures. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

For purposes of preparing this comprehensive annual financial report, all funds that are controlled by or dependent on the City of Mexico are included. This comprises such services as public safety, public works, parks and recreation, community development, economic development, sanitary sewerage utility, aviation, and sanitary landfill disposal of refuse. The Governmental Accounting Standards Board (GASB) has established the criteria to determine the financial reporting entity for a municipal government's financial report. Therefore, the City used these criteria to examine the relationship of the City to other associated but legally separate entities, to determine if their inclusion in the report would be necessary to fairly represent the financial position of the City. Based on these criteria, the City does disclose one legally separate organization, the Missouri Plant Science Research, as a joint venture within this report. The MPRC's operating agreement was formalized and signed during the last month of the 2009 fiscal year and the newly formed joint venture company, for which the City of Mexico is one of three members. There are no entities meeting the criteria of a component unit of the City.

Statistics pertaining to the Mexico Public School District Number 59 and Audrain County are also contained in this report. However, it should be clearly noted these self-governed entities are not part of the City of Mexico and are excluded from the Introductory and Financial Sections.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. Our MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Mexico, the county seat of Audrain County, is incorporated as a third-class city under the Missouri statutes utilizing the Council-Manager form of government since 1949. In accordance with these statutes, the registered voters within the City elect five council members on an at-large nonpartisan basis serving three year staggered terms. The City Council appoints a City Manager to serve as the chief administrative officer to the City.

The City encompasses approximately 4.5-square miles and is centrally located within the State and is well served by State Highway 54 and located eighteen miles north of one of the nation's busiest Interstates, I-70.

The City of Mexico provides a full range of services including police and fire protection, construction and maintenance of streets and other infrastructure; and recreational and cultural activities through the parks system. The City also operates an airport, animal shelter, cemetery, wastewater treatment facility, and provides residential sanitation services. For financial reporting purposes, all funds and trusts involved in the provision of these services are included if the City is financially accountable.

Utility service in the City is mixed between public and private companies. Sanitary sewerage and Residential Refuse services are provided by the City. Water is supplied by Missouri American Water and two Public Water Supply Districts. Electricity is supplied to the City by both Ameren and Consolidated Electric Cooperative. Natural gas is provided by Ameren. Both traditional and cellular phone service is provided by several companies. Commercial Refuse service is provided by a number of local and non-local suppliers.

All major commercial television networks, independent local stations as well as public television and one cable television companies service the City, and a number of AM and FM stations broadcast throughout the area.

In addition to the St. Louis Post Dispatch daily newspaper, the City is served by the Mexico Ledger and Columbia Tribune.

EDUCATION

The City of Mexico has within its boundaries one public school, one parochial school, one vocational school, a technical college, and one military academy. The public school, Mexico School District #59, has the largest enrollment of students, which totaled 2,335 as of this report. The Advanced Technical College is a two year college and enrolls approximately 550 students per semester. The ATC provides educational opportunities in nursing, photonics, information systems, and nuclear technology. The Missouri Military Academy, which has resided in Mexico for over one-hundred years, provides accelerated learning opportunities for young men from grades 6 through 12 and is recognized for its' one hundred percent college graduate placement record.

RECREATION AND CULTURAL FACILITIES

The City of Mexico has eleven developed park areas encompassing approximately 450 acres of park land. Park amenities include adult softball fields, soccer fields, lighted tennis courts, swimming pool, outdoor basketball courts, picnic shelters, bike, walking and hiking trails, a skate park, horseshoe pits, RV camping areas, multiple playground units, and over 100 acres of well stocked fishing lakes.

Both the City Council and Park Board continue to support significant improvements to existing parks and recreation facilities. These projects are funded through user fees, sales tax, and property taxes.

The City of Mexico is home of the Miss Missouri Pageant, which takes place during the first week of June each year. Year 2011 represented the forty-first pageant in Mexico and qualified another outstanding candidate to participate in the Miss America Pageant in Atlantic City. The City also provides cultural activities and historical perspective through the Presser Performing Arts Center and the Audrain County Historical Museum. The Presser Performing Arts Center provides venue for a pre-professional dance programs, various theatre productions, musical productions, lecture series for both youth and adults, and art workshops and classes.

The Audrain County Historical Museum, which is located within the setting of R. S. Green Park, provides a terrific learning experience for those who wish to obtain a flavor for the County's rich heritage in agriculture, horses, and fire brick manufacturing.

ECONOMIC CONDITION AND OUTLOOK

As of September 30, 2011, local unemployment is 7.60 %, which compares favorably to the State of Missouri unemployment rate of 8.70% and that of the national unemployment rate, which was reported at 9.10%. Though the economy has slowed, City and County officials continue to seek new avenues for job creation and improved retail sales. With the completion of the Missouri Plant Science Center and the opening of Mid-America Brick, more than eighty excellent employment opportunities in bio-technology and face brick manufacturing are anticipated, with nearly half of those job opportunities already filled.

Assessed real estate value in Mexico decreased in fiscal year 2011 as compared to fiscal year 2010. The decrease in total valuation can be directly tied to a decline in personal property value. Adjustments in the overall tax levy was increased by less than one-half of one cent per one hundred dollar of assessed valuation for fiscal year 2011 to keep the overall mill rate revenue neutral as compared to the preceding fiscal year. A 10-year historical summary of property growth and the relation to assessed value is provided in the statistical section of this report.

As of the date of this report, the City of Mexico has noted that assessed values for personal property increased slightly for the upcoming fiscal year 2012 due to new construction. In response to a slight reduction in assessment value when excluding new construction, the City made necessary adjustments to the property tax levy again to keep revenue neutral with fiscal year 2011 in order to meet ongoing service and operational needs.

MAJOR INITIATIVES

Council and City Management place on top of the City's agenda: expansion of arterial roads, wastewater treatment plant improvements, new business development, residential development, airport runway and terminal improvements, and quality of life issues to meet the current and future needs of its' citizens and visitors.

The following summary is being provided so that the reader can get a quick overview of initiatives realized from year 2008 and forward.

In 2008, 2009 and 2010, the City of Mexico utilized 2006 non-primary entitlement grant funds to begin the design phase for a new Airport Terminal. The City of Mexico retained the engineering services of Bucher-Willis-Ratliff to design a 2200 square foot Terminal facility. The City completed construction of the new facility in September of the 2010 fiscal year. The building phase was funded largely in part (95%) through 2006, 2007, 2008, 2009 non-primary entitlement grant funds with the remaining cost being funded by Capital Improvement Sales Tax revenue. The terminal improvement cost \$511,000.

In addition to a new Airport Terminal, remaining non-primary entitlement grant funds of approximately \$173,000 were utilized to widen certain taxi-lanes approaching the runway area and make apron repairs. The City's cash match investment for the project was \$9,107. This project was completed during fiscal year 2011.

During 2008 and 2009, the City of Mexico began the process of assessing improvement needs to the wastewater treatment plant, which had not seen any significant capital improvements since 1991. A professional engineering firm, Horner & Shifrin, Inc. provided a report to the City of Mexico documenting \$12.6 million of improvements needed within a five year window to meet upcoming Department of Natural Resources wastewater treatment requirements.

In April of 2009, voters approved for the City a Wastewater Treatment Improvement Bond in the amount of \$16 million dollars. With the Revenue Bond amount being approved by voters, the City of Mexico submitted

documents to the Missouri Department of Natural Resources to apply for grant funds and acceptance into the State Revolving Loan Fund Program in order to receive financing at a rate as much as seventy percent below regular market rates.

To further expedite the process and enhance the City's chance to obtain possible grant funds through stimulus package funding, the City of Mexico borrowed \$500,000 in September of 2009 through a Revenue Anticipation Note for design engineering through the engineering firm of Horner & Shifrin.

In May of 2010, with no revolving funds being available through the State of Missouri, the City of Mexico issued \$5,765,000 in Sewerage System Revenue Bonds. The City issued \$595,000 as tax exempt bonds and \$5,170,000 was issued as taxable Build America Bonds. These bond issuances represented funds to complete Phase I of three phases to make wastewater treatment improvements and pay off the City's previously obtained \$500,000 Revenue Anticipation Note. These two revenue bonds have amortizations periods of six and thirty years, respectively, and are described in more detail within the financial section of this year's report.

During the latter part of fiscal year 2009, the City of Mexico entered into a Joint Venture Company to organize the establishment and operation of an incubator type business facility providing opportunities in light and pilot-scale manufacturing involving agriculture/biotechnology utilizing plant-based products.

The members of the Joint Venture overseeing the project, known as the Plant Science Research Center, include the City of Mexico, Missouri Technology Corporation, and the Curators of the University of Missouri. This project, which completed construction in 2011, is a multi-million dollar facility and is expected to provide excellent future economic benefits to the community. The Joint Venture has received financial support commitments from the Missouri Department of Economic Development through various State and Federal Grants.

The City of Mexico is Administrator for \$6,000,000 in three grants related to the Plant Science Research Center, from construction of the building to necessary infrastructure development. A \$4,000,000 construction grant was awarded and passed down through the State's Community Development Block Grant Program. This grant provides for land acquisition, facility construction, and legal costs associated with the Center's development. This grant was still open as of the last day of the 2011 fiscal year with the remaining funds to be used for land acquisition.

A second grant administered by the City for the benefit of the Plant Science Research Center is in the amount of \$1,050,000. This grant also flows through the City from the Missouri Department of Economic Development via an Industrial Infrastructure Grant and Supplemental Disaster Funds. This grant will pay for certain street and infrastructure improvements to the Center such as water, sewer, electric, and gas.

The third grant obtained in connection to the Plant Science Research Center flows through the Missouri Department of Transportation (MoDot) and is in the amount of \$950,000. This grant provides funding to pave an existing gravel road, known as A.C.R.820, leading to the Center. Upon completion, this road improvement will become an asset of the City of Mexico.

With the road and utility infrastructure in place, the City will be well positioned for more economic development opportunity along the City's southern corridor.

Another large project relates to redeveloping a closed refractory brick manufacturing facility, formerly known as A.P. Green Refractory, into a face brick manufacturing facility to be known as Mid America Brick. This new manufacturer of face brick was in production by the third quarter of 2011 and as of this report employs thirty-seven people.

The City of Mexico, to make the revitalization possible, worked with M.A.B. to develop a Neighborhood Improvement District and issued \$1,930,000 in bonds during August of 2010. This NID loan is to be paid by M.A.B. through annual property tax assessments equal to annual debt service requirements. The NID is considered as a General Obligation by the City and has a thirty year amortization. More detail on this NID is shown within the financial section of this report.

In addition to the NID, the City of Mexico was successful in obtaining three grants benefiting Mid America Brick's development. The combined value of the grants to MAB equals \$1,850,000 and will be administered by the City of Mexico.

The first grant, as provided through the Missouri Department of Economic Development, is in the amount of \$250,000 and is identified as a forgivable loan for the benefit of MAB. MAB must utilize the funds for equipment and/or facility improvements.

The second grant is also funded through the Missouri Department of Economic Development in the amount of \$1,000,000. This grant, know as an Action Grant, allows MAB to borrow funds from the State well below market rates and will be utilized to purchase equipment. This transaction completed within fiscal year 2010.

The third grant, in the amount of \$600,000, is also funded through the Missouri Department of Economic Development. This grant will provide for certain road improvements leading into the face brick facility and will become an asset to the City of Mexico. This road construction project will begin in fiscal year 2012.

In April of 2011, the City of Mexico issued \$5,695,000 in Sewerage System Revenue Bonds to begin Phase II of the City's wastewater treatment facility improvements. This bond has a twenty year amortization and afforded the City with \$5,032,320 for improvements, \$547,805 for debt service reserve, with the remaining covering issuance costs. Additional information on this revenue bond transaction can be found within the financial section of this report.

FINANCIAL INFORMATION

Internal Budgeting Controls

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the costs of control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, equities, revenues and expenditures, or expenses, as appropriate. The various funds are grouped by type in the financial statements.

The City of Mexico is considered a Phase III government under GASB guidelines. As a Phase III entity, the City began in fiscal year ending September 2004 to report all funds, both general and proprietary, on an accrual basis.

Budgetary control is maintained at the activity level by the encumbrance of purchase orders with material balances before the release to vendors. Purchase orders which result in an overrun of activity balances are not released until alternative sources of payment are made available.

Cash Management

The City's Finance Department strives to keep abreast of current trends and best practices of cash management and forecasting to insure efficient and profitable use of the City's cash resources. State statutes for third-class cities, however, do restrict the City's ability to incorporate as policy many investment methods.

All funds, except those restricted, constitute the pooled cash resources. Interest income is allocated to various funds based on their cash and investment balances. The pooled cash concept provides for investing larger amounts of funds to achieve more favorable interest rates and incorporates better liquidity for operational demands.

The City invested totally with local financial institutions in money market accounts. As of September 30, 2011, the City had pooled cash resources of \$11,330,751, consisting primarily of fully insured or security collateralized money market accounts. The City, during fiscal year 2011, earned \$35,689 in interest income on all fund types and account groups. For additional information regarding investments and cash deposits, see financial statement Note 3.

Fund Balance Management

The GFOA recommends that local governments maintain an unreserved fund balance in their general fund between 5% and 15% of regular general fund operating revenues. The City of Mexico follows this recommended GFOA practice in the development of its annual budget and has an established fund balance policy.

The City of Mexico targets similar unreserved balances, 8% to 16%, of regular operating revenues when developing budget for other Special Revenue Funds such as the Parks and Recreation Fund and Public Health Fund, to remain flexible in operations given unforeseen events or changes in economic conditions.

The City of Mexico opts to reserve 90 days of operating cash or approximately 25% of operating expenditures in its wastewater operations fund and 60 days of operating cash or approximately 16% of operating expenditures in the sanitation operations fund.

As a general practice, the City will first expend restricted funds first, within the parameters set forth by official action, followed by committed, assigned, and unassigned funds to meet City objectives.

Cash reserves that are established for each fund are based on the historical, projected stability, and predictability of the underlying revenues and expenditures. Reserves are to be used for the following:

- Provide for temporary funding of unforeseen needs of an emergency or nonrecurring nature.
- Permit orderly budgetary adjustments in the event of unanticipated revenue shortfalls.
- Meet unexpected increases in service delivery costs.
- Fund planned capital projects, thereby avoiding debt.
- Assist in paying down debt on outstanding obligations.

The General Fund is the main operating fund for the City of Mexico. The unassigned fund balance of the General Fund may fall below the approved minimum level due to fluctuations between planned and actual revenues and expenditures, other financial emergencies or catastrophic events of an unforeseen nature.

When audited shortfall is reported in the CAFR, it shall be rebuilt during the following three fiscal years through an annual appropriation during the budgeting process of a minimum of 10% of the difference between the unassigned fund balance policy level and the unassigned fund balance presented in the latest available audited statements.

If restoration of the unassigned fund balance (reserves) cannot be accomplished within three years without severe hardship to the City, then the City Manager will submit to Council for approval a revised recoupment rate.

Risk Management

Because cities have been placed in the high-risk category in recent years, insurance has become more difficult to obtain and, in general, more expensive. The City carries a variety of insurance coverage such as worker's compensation, hospital and medical, auto, general liability, police liability, airport liability, error and omissions blanket bond and collector/administrator honesty bonds, with cost of \$822,845 in 2011. All insurance coverage is periodically reviewed for cost and coverage.

Financial Trend Monitoring System

Through the assembly and compilation of this report, the City has developed a Financial Trend Monitoring System that is used as a valuable tool in discovering existing problems previously not recognized. The monitoring system also assists in identifying emerging problems before they reach serious proportions. This system has also been used to present a clear picture of the City's financial strengths and weaknesses. The use of historical trends assists management to better facilitate the projection of future budgets in a concise form.

Long-term Financial Planning

The City of Mexico is initiating a five-year capital improvement program to prioritize public projects, which will be scheduled over a number of years on a pay-as-you go basis, as financial resources are available. The City has utilized in the past Tax Increment Financing, General Obligation Bonds, Lease Purchase Agreements, and inter-governmental agreements to meet necessary community improvements and will continue to use these financing options in the future. The City always looks for creative funding solutions such as grants, cost sharing with other area governmental agencies, public-private cooperative efforts, and any other source of funding for projects that becomes available.

OTHER INFORMATION

Independent Audit

Although not mandated by Missouri law, an annual audit of the City's financial statements has been performed since 1950 by certified public accountants. The firm of Williams-Keepers LLC was contracted to perform this audit. The audit was conducted in such a manner as to enable the accountants to form an opinion on the combined financial statements taken as a whole. Williams-Keepers have issued an unqualified ("clean") opinion on the City's general-purpose financial statements. An unqualified opinion is the best an organization can receive on its financial statements from an independent certified public accountant. It indicates that the auditor's examination has disclosed no conditions, which cause them to believe that the general-purpose financial statements are not fairly stated in all material respects.

Their audit was made in accordance with U.S. generally accepted auditing standards. The report of the accountants has been included as part of this document.

Certificates of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the City of Mexico for its comprehensive annual financial report for the fiscal year ended September 30, 2010. This was the twenty-second consecutive year the City received this award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

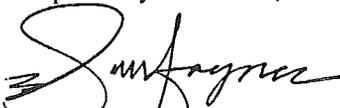
Concluding Comments

The City's greatest areas of need continue to be capital improvements and equipment replacement. The community has many infrastructure and reconstruction demands. These needs can only be met through increased local funding. Funds available for City services continue to be more difficult to obtain than in previous years. The City has targeted cutbacks of operating expenditures and works diligently to seek improvements that hold potential of increasing revenues. Finding new resources to meet the continued demand for services continues to be the number one priority in Mexico.

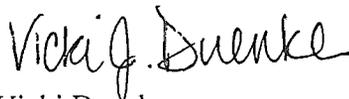
Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated service of the entire finance department staff. I would like to express my appreciation to all members of the department who assisted and contributed to its preparation. Special thanks must be extended to the firm of Williams-Keepers, LLC for their thorough and competent service and cooperation in the conduct of the annual audit and assistance in making this report available.

Finally, I would like to express my thanks to you and the governing council for the interest and support displayed during the past fiscal year in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Roger D. Haynes
Deputy City Manager



Vicki Duenke
Financial Analyst

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mexico
Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

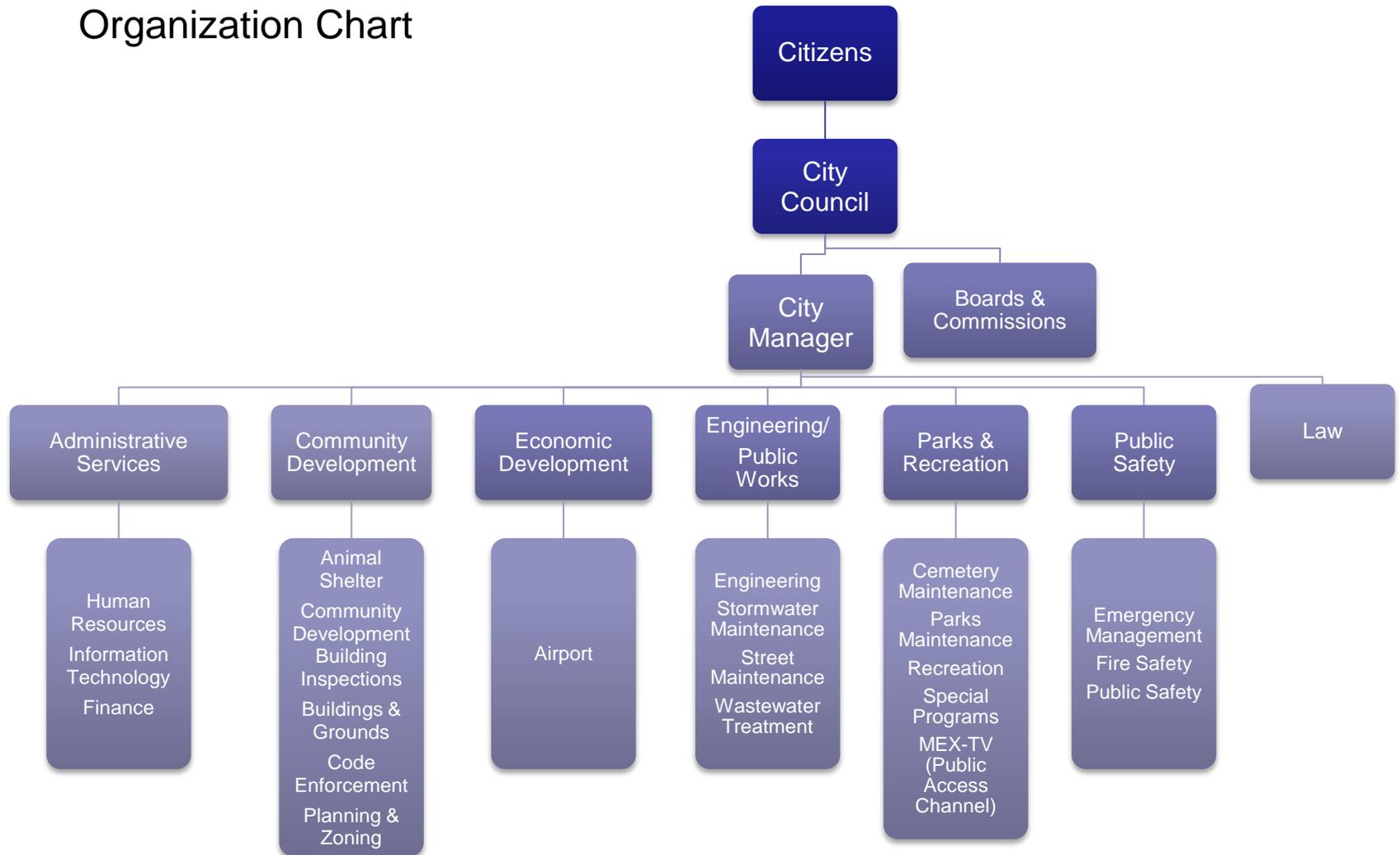
President

Jeffrey R. Emmer

Executive Director

City of Mexico, Missouri

Organization Chart



CITY OF MEXICO, MISSOURI

PRINCIPAL OFFICERS

CITY COUNCIL

Ron Loesch, Mayor

Steve Nichols, Mayor Pro-tem

Dan Botts

Greg Miller

Chris Williams

ADMINISTRATION

Bruce R. Slagle – City Manager

Roger D. Haynes – Administrative Services Director

Susan Rockett – Public Safety Director

Kensey Russell – Public Works Director

Rita Jackson – Community Development Director

Chad Shoemaker – Parks & Recreation Director

Russell Runge – Economic Development Director

Nicole Volkert – Municipal Court Judge

Jay Jacobi – Airport Manager

LEGAL COUNSEL

Lou Leonatti

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Williams-Keepers, LLC

FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Mexico, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Mexico, Missouri (the City), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mexico, Missouri, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, budgetary comparison information, and the modified approach to reporting infrastructure as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The supplementary information and schedule of expenditures of federal awards as listed in the table of contents are not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2012, on our consideration of the City'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we express no opinion on them.

Williams Keepers LLC

January 25, 2012

CITY OF MEXICO

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2011

As management of the City of Mexico, Missouri, we offer readers of the City of Mexico's financial statements this narrative overview and analysis of the financial activities of the City of Mexico for the fiscal year ended September 30, 2011. The City of Mexico, Missouri has prepared financial statements in accordance with the guidelines prescribed in the Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements – and management's Discussion and Analysis – for State and Local Governments* (GASB 34), since 2004. This discussion and analysis is meant to provide an objective and easily readable analysis of the City's financial activities based on current facts and conditions. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - viii of this report, and the accompanying basic financial statements.

Financial Highlights

- The assets of the City of Mexico exceeded its entity-wide liabilities at the close of the most recent fiscal year by \$56,865,030 on the entity-wide statements. Of this amount, \$48,910,600 represents investment in capital assets; \$3,345,432 is restricted and the remaining \$4,608,998 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,053,950. Of that total, \$673,652 is attributable to business-type activities and \$380,298 is attributable to governmental activities.
- As of the close of the current fiscal year, the City of Mexico's governmental activities reported net assets of \$46,540,980, an increase of \$380,298 in comparison with the prior year. Of this total amount, \$41,259,862 represents investment in capital assets and \$3,133,843 is available for spending at the government's discretion (unrestricted net assets).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,016,025, or 54.44% of the total General Fund expenditures.
- The City of Mexico's total long term debt increased by \$5,598,652 or 60.64% during the current fiscal year. The key factor in this increase was the issuance of Sewerage System Capital Improvement Revenue Bonds in the amount of \$5,695,000. Additional information on these new long term obligations can be found within the Long-Term Debt section of this report on (pages 35-37).
- The City of Mexico's other liabilities increased by \$477,507 or 25.84% during the current fiscal year. The key factors in the increase relates to ongoing construction projects at the wastewater treatment plant, the paving of Audrain County Road 820 leading to the Missouri Plant Science Research Center, and the wrap up of the City's 2011 Asphalt Overlay Program.
- The City of Mexico utilized a combination of nine State and Federal grants during fiscal year 2011, with approximately \$2,515,997 being expended and \$2,261,051 being reimbursed during the twelve-month period. Substantially all of the expenditures and reimbursements were attributable to the Missouri Plant Science Center construction/infrastructure improvement grants and a Mid-America Brick and Refractory Action Loan/Grant, which were in the amounts of \$1,964,044 and \$250,000, respectively.

- The City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for the City's 2011 fiscal year. The objective of this Statement was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. In addition, it also established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The fund balance section of the governmental fund financial statements now reflects non-spendable, restricted, committed, assigned, or unassigned fund balance for each fund, depending on its spending constraints.

Overview of the Financial Statements

This MD&A is intended to introduce the City's basic financial statements. Basic financial statements include three major sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains supplementary information, the budgetary comparisons, to provide additional information that our readers can use to analyze the City's finances.

Government-wide financial statements - The government-wide financial statements are designed to provide the readers with a broad overview of the City of Mexico's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Mexico's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Mexico is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City of Mexico that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that attempt to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mexico include general government and administration, public safety, public health, transportation, cultural, parks and recreation, and community development. The business-type activities of the City of Mexico include sanitation and wastewater operations.

The government-wide financial statements can be found on pages 15 - 16 of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mexico, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Mexico can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of monetary resources, as well as on balances of monetary resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Mexico maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, parks and recreation, public health, Mid-America Brick NID, and community development grants funds, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Mexico adopts an annual appropriated budget for its general fund. A budgetary comparison statement has also been provided for each governmental fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 17 - 20 of this report.

Proprietary funds - The City of Mexico maintains one type of proprietary fund, which contains two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Mexico uses enterprise funds to account for its sanitation and wastewater operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sanitation and wastewater funds, which are considered to be major funds of the City of Mexico.

The basic proprietary fund financial statements can be found on pages 21 - 23 of the report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 45 of this report.

Other information - In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary compliance. Required supplementary information can be found on page 46 - 54 of this report.

The City uses the modified approach for capitalization of infrastructure assets on the street systems and calculates straight-line depreciation on all other infrastructure systems. Currently the assessed condition level of the assets reported under the modified approach is graded as 6.39. The City's goal is that no street will fall below a condition index of 6, with the range from 6 to 7 being considered as "good condition". There were no significant differences between the estimated annual amounts to maintain/preserve eligible infrastructure assets compared with the actual amounts spent during the year. Required supplementary information on the use of the modified approach can be found on pages 52 and 53 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 55 - 66 of this report.

Government-wide Financial Analysis

Statement of Net Assets

The following table reflects the condensed statement of net assets as of September 30:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 8,855,258	\$ 9,042,021	\$ 8,078,162	\$ 6,507,660	\$ 16,933,420	\$ 15,549,681
Capital assets	42,410,273	41,815,611	14,675,834	9,524,126	57,086,107	51,339,737
Total assets	51,265,531	50,857,632	22,753,996	16,031,786	74,019,527	66,889,418
Long-term obligations	3,108,164	3,183,579	11,722,383	6,048,316	14,830,547	9,231,895
Other liabilities	1,616,387	1,513,371	707,563	333,072	2,323,950	1,846,443
Total liabilities	4,724,551	4,696,950	12,429,946	6,381,388	17,154,497	11,078,338
Net assets						
Invested in capital assets, net of related debt	41,259,862	40,527,934	7,650,738	8,031,312	48,910,600	48,559,246
Restricted	2,147,275	805,641	1,198,157	510,874	3,345,432	1,316,515
Unrestricted	3,133,843	4,827,107	1,475,155	1,108,212	4,608,998	5,935,319
Total net assets	\$ 46,540,980	\$ 46,160,682	\$ 10,324,050	\$ 9,650,398	\$ 56,865,030	\$ 55,811,080

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Mexico, assets exceeded liabilities by \$56,865,030 at the close of the most recent fiscal year. Net assets increased by \$1,053,950 for the current fiscal year over the prior fiscal year. Assets exceed liabilities by \$55,811,080 at the close of the prior fiscal year and net assets for that year increased by \$2,212,948.

Governmental activities' assets constitute 69.25% of total assets and 90.15% of total net assets for the most recent fiscal year. Governmental activities' assets constituted 76.03% of total assets and 91.12% of total net assets in the prior fiscal year. The business-type activities constitute 30.74% of total assets, 72.46% of liabilities, and 18.16% of total net assets. The business-type activities constituted 23.97% of total assets, 57.60% of liabilities, and 17.29% of total net assets in the prior fiscal year.

By far the largest portion of the City of Mexico's net assets (\$48,910,600 or 86%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets, to provide services to citizens; consequently, these assets are not available for future spending. The City of Mexico's investment in capital assets in the prior year totaled \$48,559,246 or 87% of total net assets. The City's investment in capital assets increased by \$351,354 for the current year over the prior fiscal year. Most of this increase is due to road construction, an airport taxiway expansion, and wastewater treatment facility improvements. Although the City of Mexico's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Mexico's net assets (\$3,345,432 or 5.88%) represents resources that are subject to external restrictions on how they may be used. This portion of net assets was \$1,316,515 or 2.36% in the prior fiscal year. The remaining balance of unrestricted net assets of \$4,608,998 may be used to meet the government's ongoing obligations to citizens and creditors. This is a decrease of \$1,326,321 over the prior fiscal year.

At the end of the current fiscal year, the City of Mexico is able to report a positive net asset balance for the government as a whole. The same situation held true for the prior fiscal year.

Governmental activities - Current and other assets decreased by \$186,763 due to planned investment in capital assets. Other changes in current and other assets included decreased grant receivables. Long-term obligations decreased primarily due to the first scheduled principal payment of \$65,000 being made on the \$1,930,000 Mid American Brick NID that was issued in fiscal year 2010.

Business-type activities - Current and other assets increased significantly as a result of the debt service reserves requirements for the Sewerage System Capital Improvement Revenue Bonds. Capital assets increased as a result of completed construction and construction in progress. Construction in progress at fiscal year-end 2011 equaled \$952,185, which represented the Phase II sewerage treatment facility capital improvement construction value as of September 30, 2011. Long-term obligations increased in 2011 due to the issuance of \$5,695,000 (Series 2011) sewerage system revenue bonds for purposes of financing capital improvements for the treatment wastewater facilities and collection system. The bonds have a twenty year maturity. Proceeds from the Series 2011 sewerage system revenue bonds represent funds to be utilized for the second of three planned wastewater treatment facility improvements.

Beginning in fiscal year 2010, the City was required to record other post-employment benefits (OPEB) liabilities in accordance with GASB 45. As a result, \$129,956 and \$7,217 was recorded for fiscal year 2011 in the long term obligations category for governmental and business-type activities, respectively. For more information refer to the note disclosures on page 42.

Statement of Activities

The following table reflects the revenues and expenses for the City's activities for the year ended September 30:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 450,862	747,433	\$ 2,564,598	\$ 2,082,289	\$ 3,015,460	\$ 2,829,722
Grants and contributions:						
Operating	20,000	683	-	-	20,000	683
Capital	3,132,982	6,483,394	-	-	3,132,982	6,483,394
General revenues:						
Taxes	6,013,383	5,789,906	-	-	6,013,383	5,789,906
Investment revenue	16,541	17,392	19,148	11,038	35,689	28,430
Interest rebates	-	-	134,386	-	134,386	-
Other	432,392	517,973	3,887	22,300	436,279	540,273
Total revenues	<u>10,066,160</u>	<u>13,556,781</u>	<u>2,722,019</u>	<u>2,115,627</u>	<u>12,788,179</u>	<u>15,672,408</u>

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Expenses:						
General government	1,153,299	1,224,743	-	-	1,153,299	1,224,743
Public safety	2,588,564	2,781,807	-	-	2,588,564	2,781,807
Streets	1,298,659	1,158,808	-	-	1,298,659	1,158,808
Cemetery	93,901	111,844	-	-	93,901	111,844
Parks and recreation	883,698	842,499	-	-	883,698	842,499
Public health	312,670	390,387	-	-	312,670	390,387
Economic development	246,301	238,929	-	-	246,301	238,929
Airport	120,473	117,739	-	-	120,473	117,739
Community development	2,464,877	4,496,925	-	-	2,464,877	4,496,925
Interest expense	110,743	50,820	-	-	110,743	50,820
Wastewater utility	-	-	1,571,278	1,571,695	1,571,278	1,571,695
Sanitation	-	-	494,957	473,264	494,957	473,264
Total expenses	9,273,185	11,414,501	2,066,235	2,044,959	11,339,420	13,459,460
Increase in net assets before transfers and contributions	792,975	2,142,280	655,784	70,668	1,448,759	2,212,948
Net transfers (out) in	(170,504)	(9,596)	170,504	9,596	-	-
Contributions to others	(242,173)	-	(152,636)	-	(394,809)	-
Increase in net assets after transfers and contributions	380,298	2,132,684	673,652	80,264	1,053,950	2,212,948
Net assets, beginning	46,160,682	44,027,998	9,650,398	9,570,134	55,811,080	53,598,132
Net assets, ending	\$ 46,540,980	\$ 46,160,682	\$ 10,324,050	\$ 9,650,398	\$ 56,865,030	\$ 55,811,080

Governmental activities: Governmental activities increased the City of Mexico's net assets by \$380,298. Governmental activities increased the City of Mexico's net assets by \$2,142,280 in the prior fiscal year.

The following summarizes significant events or changes in governmental activities for the year ended September 30, 2011.

- Operating grants and contributions for governmental activities increased by \$19,317 in fiscal year 2011 as compared to 2010 as a result of local funding in the amount of \$20,000 for park entrance improvements at Green Estate Park. In fiscal year 2010, contributions totaled \$683 as a result of the Bullet Proof Vest Program.
- Capital grants and contributions for governmental activities decreased by \$3,350,412. This was caused by a series of capital grants that were either more active or closed out in fiscal year 2010. Most notable were a \$4,000,000 building construction grant for the Missouri Plant and an infrastructure grant for the Missouri Plant Science Center in the amount of \$1,050,000. Additionally, one grant, a \$1,000,000 Action Grant Loan for the Mid-American Brick and Refractory project, was completed in fiscal year 2010.
- Gross receipts taxes for governmental activities decreased by \$195,801. This decrease was due to a one-time telecommunications tax settlement received in fiscal year 2010 in the amount of \$269,190.
- Under charges for services, Joint Dispatch reimbursements decreased by \$353,289 as compared to fiscal year 2010. Charges for dispatch services were \$117,722 in fiscal year 2011 as compared to \$471,011 in fiscal year 2010. This was due to the City ceasing Joint Dispatch operations after the first quarter of fiscal year 2011 through a transfer of operations to a separate entity. There was no financial impact with the operations transfer due to personnel expenditures being reduced in a like amount.

The following summarizes significant events or changes in governmental activities for the year ended September 30, 2010.

- Operating grants and contributions for governmental activities decreased by \$1,980 due to the reduction in utilizing the Bullet Proof Vest grant program during fiscal year 2010 as compared to fiscal year 2009.
- Capital grants and contributions for governmental activities increased by \$6,283,084. This was caused by a series of capital grants of which the most notable were: a \$4,000,000 building construction grant for the Missouri Plant Science Center of which \$2,507,796 was expended; an infrastructure grant for the Missouri Plant Science Center in the amount of \$1,050,000 of which \$458,568 was expended; a \$1,000,000 Action Grant Loan for the Mid-American Brick and Refractory project for which \$1,000,000 was expended; and capital grants for the Mexico Memorial Airport Terminal for which \$348,885 in grants funds were expended.
- Purchase of a roadway entering the Mid-America Brick Refractory site for the amount of \$305,000 for purposes of future development in year fiscal year 2011.
- Gross receipts taxes for governmental activities increased by \$346,976. For the most part, this was due to a one-time telecommunications tax settlement in the amount of \$269,190 from AT&T and the ability to collect future license taxes on cell phone business activity.

As a whole, expenses for Governmental activities decreased \$2,141,316 in fiscal year 2011 as compared to fiscal year 2010. As noted above, a large percentage of this decrease was attributed to significant reduction in grant activity, which was recorded as community development during the prior year.

Additionally, in fiscal year 2011, general government expenditures decreased by \$71,444 or 5.83%, public safety, including joint dispatch operations, decreased \$193,243 or 6.94%, street department increased \$139,851 or 12.10%, parks department operations increased by \$41,199 or 4.90%, and public health decreased by \$77,717 or 20.01% as compared to fiscal year 2010. The larger percentage decreases in the departments of general government and public safety can be attributed to the reduction of personnel cost through not filling vacated positions or delay in filling open positions.

The reduction in Public Health Fund expenditures was largely a result of a non-recurring expenditure of \$60,000 in additional support to the City/County Health Department of Audrain County that was made during fiscal year 2010.

Community Development expenses decreased by \$2,032,048 from the previous year due to the significant reduction in the amount of grant expenses associated with the Missouri Plant Science Center and Mid America Brick Refractory.

The increase in street department expenditures related to special maintenance projects inclusive of \$82,000 to re-paint Clark Street Bridge and an anomaly of additional expenses related to the blizzard that took place on February 1st and 2nd of 2011.

Business-type activities: Business type activities increased the City of Mexico's net assets by \$673,652. Business type activities increased the City of Mexico's net assets by \$80,264 in the prior fiscal year. Of the \$673,652 increase in business-type net assets, \$635,803 of the net asset increase resulted from wastewater operations.

The following summarizes significant events or changes in business-type activities for the year ended September 30, 2011.

- \$5,695,000 in sewerage revenue bonds were issued to fund the second phase of improvements to be made at the wastewater treatment facility.
- Sewerage rates were increased by an average of 19% in anticipation of revenue bond debt service needs as a result of the Series 2011 bonds issued.
- Residential sanitation service rates were increased by 3% to cover costs associated with providing this service.
- Operating expenses were relatively flat, offset by decreases in repairs and maintenance from prior year.

The following summarizes significant events or changes in business-type activities for the year ended September 30, 2010.

- Sewerage rates were increased by an average of 30% in anticipation of future revenue bonds for Phase II of the capital improvement plan for the City's sewerage system.
- The governmental activities transferred certain capital assets.
- Operating expenses remained relatively flat, offset by decreases in repairs and maintenance from prior year.

Financial Analysis of the Government's Funds

As noted earlier, the City of Mexico uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City of Mexico's governmental funds is to provide information on near-term inflows, outflows, and balances of available cash resources. Such information is useful in assessing the City of Mexico's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

At the end of the current fiscal year, the City of Mexico's governmental funds reported combined ending fund balances of \$5,232,233, a decrease of \$175,333 in comparison with the prior year. Approximately 56.44% of this total amount (\$2,953,449) constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 85.10 % (\$4,601,925) of the total governmental fund balance in the prior year constituted unassigned fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been restricted, committed or assigned 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service, 3) to generate income to pay for the perpetual care of the municipal cemetery, or 4) for a variety of other designated purposes.

As a result of implementing GASB Statement No. 54, the Economic Development, Airport, and Community Development Funds no longer met the definition of a special revenue fund type; as such, all activity was combined with the General Fund for financial reporting purposes only. The following discussion of the General Fund also takes into consideration activity for these three funds. In addition, management elected in 2011 to receipt all general sales tax revenue directly into the General Fund, thus reducing the number of inter-fund transfers necessary on an annual basis and eliminating the use of a separate Sales Tax Fund.

The General Fund is the chief operating fund of the City of Mexico. At the end of the current fiscal year, total fund balance of the General Fund was \$3,016,025, all of which was unassigned. The fund balance of the City of Mexico's General Fund increased by \$58,900 compared to the prior year. The fund balance of the General Fund was \$3,074,925 in the prior fiscal year. There was a positive change in General Fund's total fund balance from fiscal year 2010 to 2011. The key factors in the increased fund balance can be attributed to management's decision to reduce certain expenditures to counter the uncertainty of revenue overall due to an uncertain economy.

The Parks and Recreation Fund accounts for funds provided from charges for recreational programs and for the portion of City taxes restricted for maintenance of the City parks and playgrounds and operation of recreation programs. At the end of the current fiscal year, total fund balance of the Parks and Recreation Fund was \$131,509. The fund balance of the Parks and Recreation Fund decreased \$23,141 from the prior fiscal year. The fund balance of the Parks and Recreation Fund was \$154,650 in the prior year. The key factor for this change was management's decision to allocate an additional \$50,000 for capital outlay requests for the fiscal year as compared to the previous fiscal year.

The Public Health Fund accounts for funds provided from the City property taxes and restricted for animal control, public health, nursing, and environmental sanitation expenditures. At the end of the current fiscal year, total fund balance of the Public Health Fund was \$158,567. The fund balance of the City of Mexico's Public Health Fund increased by \$25,872 compared to the prior year. The fund balance of the Public Health Fund was \$132,695 at the end of fiscal year 2010. The key factor in this change was an additional contribution of \$60,000 to the Audrain City/County Health Department, made during the 2010 fiscal year, was not made in the 2011 fiscal year.

The Mid-America Brick NID Fund was established in fiscal year 2010. On September 1, 2010, the City issued \$1,930,000 in special assessment debt to provide funds for certain capital purchases, capital improvements, and land leases benefiting a neighborhood improvement district; specifically a new brick manufacturer known as Mid-America Brick. Under the NID, Mid-America Brick will remit to the City an annual payment equal to the amount necessary to pay annual debt service of the bonds. At the end of the 2011 fiscal year, the total fund balance of the Mid-America Brick NID Fund was \$1,388,380 as compared to the fund balance of \$1,448,133 in the 2010 fiscal year, reflecting a \$59,753 decrease. Additional information on the Mid-America Brick NID can be found within note disclosure 9 within the Notes to Financial Statements section of this report.

The Community Development Grants Fund represents activity for the Missouri Plant Science Center (MPSC), infrastructure grants (water, sewer, and road) leading to the MPSC and two smaller energy grants. The MPSC portion reflects activity on a \$4,000,000 Facility Grant, a \$1,050,000 Infrastructure Grant, and a \$580,810 MoDOT Road Construction Grant. The two energy grants were processed through the Missouri Department of Natural Resources under the America Reinvestment and Recovery Act. On a cash basis, the fund had \$2,137,435 in grant receipts, \$2,171,436 in grant related expenditures, and \$52,000 transferred in from the Capital Improvement Sales Tax Fund as a grant match during fiscal year 2011.

Proprietary Funds - The City of Mexico's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets including investment in capital assets of the Wastewater Fund at the end of the year amounted to \$10,199,862, and the net assets for Sanitation Fund amounted to \$124,188. The increase in net assets for the Wastewater Fund was \$635,803, and there was an increase of \$37,849 for the Sanitation Fund. The net assets in the Wastewater Fund amounted to \$9,564,059, and net assets for the Sanitation Fund amounted to a \$86,339 in the prior fiscal year. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Mexico's business-type activities.

General Fund Budgetary Highlights

Revisions of the original expenditure budget were fairly significant and done to reflect changes in original budgeting assumptions. The original General Fund expenditure budget was forecasted at \$5,795,283 and the revised expenditure budget was reduced by 9.23% to \$5,260,063. Such revisions included reallocation of salary and benefit expenses (\$504,373 decrease in appropriations), as well as savings in outside services and postponement of certain capital outlay items. Reduced salary and benefit expenses resulted from employee position vacancies within the departments of City Manager, Public Safety, and Streets. Additionally, there were significant reductions in personnel costs in the Joint Dispatch department budget, which is a component of the Public Safety Budget, since payroll processing was transferred to the Audrain County Emergency Services as of January 1, 2011. This involved a transfer of thirteen employment positions and had a notable impact on the overall personnel services budget revision.

Actual expenditures for the General Fund came in 2.98% or \$156,527 under the revised expenditure budget.

Departments within the General Fund with the largest expenditure savings as compared to the revised budget were:

- General Government came in \$38,754 under the revised budget due to reduced cost in the categories of personnel services, supplies, and services.
- The Public Safety Department, came in \$35,967 under budget with a better than revised budget savings of \$22,944 in the category of personnel services.
- The Street Department came in \$30,158 under budget with a better than revised budget savings of \$9,627 in supplies and \$8,914 in services.
- The Economic Development Department came in \$12,954 under budget with a better than budget savings of \$8,234 in the category of services expense.
- Cemetery Operations came in \$12,223 under budget with a better than budget savings of \$2,909 in personnel services and \$6,060 in supplies.
- Capital Outlay came in \$13,760 under the revised budget due to projects being completed at less cost.

Revisions of the original revenue budget were fairly significant in response to a loss of joint communication service fees charged to Audrain County Emergency Services. The General Fund original revenue budget was \$5,478,326 and was revised downward to \$5,243,832.

General Fund revenues exceeded the revised budget for General Fund revenues by approximately \$11,557 in part by:

- Taxes, inclusive of property, gross receipts, and sales tax came in \$37,087 better than revised revenue budget.
- Licenses and Permits came in \$5,455 better than revised revenue budget.

Capital Asset and Debt Administration

Capital Assets - The City of Mexico's investment in capital assets for its governmental and business type activities includes land, buildings, system improvements, and infrastructure.

The following schedule provides a breakdown of capital assets as of September 30:

	2011	2010
Capital assets, not being depreciated:		
Land	\$ 4,059,550	\$ 4,059,550
Infrastructure	30,176,055	29,980,124
Construction in progress	1,335,475	967,389
Total capital assets, not being depreciated	<u>35,571,080</u>	<u>35,007,063</u>
Capital assets, being depreciated:		
Buildings	11,878,462	11,818,815
Structures other than buildings	11,933,457	11,675,849
Equipment	10,121,476	4,522,244
Infrastructure	1,780,511	1,780,511
Total capital assets, being depreciated	<u>35,713,906</u>	<u>29,797,419</u>
Less accumulated depreciation	<u>(14,198,879)</u>	<u>(13,464,745)</u>
Total capital assets being depreciated, net	<u>21,515,027</u>	<u>16,332,674</u>
Capital assets, net	<u>\$ 57,086,107</u>	<u>\$ 51,339,737</u>

The major capital asset events in the current year included the completion of Phase I construction at the City's wastewater sewer plant booking a value of \$5,401,333. The City completed a taxiway widening project at the Mexico Memorial Airport, which was valued at \$186,601. As part of the infrastructure improvements leading out to the Missouri Plant Science Center, the City recorded \$343,792 for construction in process for Audrain County Road 820 and the adjacent Right of Way. In addition to the road, the City constructed a sewer line leading to the MPSC which was valued at \$170,504.

During the fiscal year, the City's governmental activities received contributed capital assets of approximately \$617,000. The most significant of these contributions included Cunningham Road and Commerce Road, valued at approximately \$190,000 and \$344,000, respectively.

During the fiscal year, the City's business-type activities and governmental-type activities donated a lift station valued at \$152,636 to Dawn Foods and a water line valued at \$242,173 to Missouri American Water, respectively. These amounts are reflected as "contributions to others" in the accompanying Statement of Activities.

Major capital events during the prior fiscal year included the completion of a 2,200 square foot airport terminal valued at \$511,000 and the purchase of a roadway entering the new Mid-America Brick and Refractory facility for the amount of \$305,000. The City of Mexico also contributed ten acres of land to the Missouri Plant Science Center, which carried an asset value of \$50,000.

The City recorded an increase in construction in progress in the amount of \$368,086. Phase I of the Wastewater Treatment Plant Improvements were placed in service and represent an \$932,780 decrease. Phase II of the Wastewater improvements represent a \$952,186 increase. The Airport Taxiway Expansion was completed and represents a decrease of \$34,610. The Safe Routes to School Sidewalk project represented a \$17,600 increase, along with the A.P. Green Road project increase of \$27,524 and the Commerce Road project increase of \$338,167.

The City uses the modified approach to account for its highway system as permitted by GASB 34. Under the modified approach, depreciation is not reported and certain preservation and maintenance costs are expensed.

In addition, the City is required to perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale in order to document that the eligible infrastructure assets are being preserved approximately at (or above) the condition level established and disclosed by the government.

During the prior fiscal year, the City changed the software program used to perform the yearly condition assessments. See further discussion on pages 52 and 53. The City's goal is to maintain an average condition index of 6 to 7 or greater and not to allow any street to fall below a condition index of 6; the average condition was met with an average of 6.39 was met for 2011.

For the current year and two prior years, the results of the condition assessments are as follows:

<u>Year</u>	<u>Assessed Condition</u>
2011	6.39
2010	6.3
2009	81

Additional information regarding the City's capital assets can be found in Note 7 on pages 32 through 33 of this report.

Long-term debt

At the end of the current fiscal year, the City of Mexico had bonded debt in the amount of \$13,325,000, and additional obligations relating to capital leases for purchase and improvement of capital assets. Additional information regarding the City's long-term debt can be found in Note 9 on pages 35 of this report.

At the end of the prior fiscal year, the City of Mexico had \$7,695,000 in bonded debt.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Mexico is 7.60% at September 30, 2011, which is significantly lower as compared to last year's rate of 9.20%. This rate compares favorably to the State's average unemployment rate of 8.70% and the national average of 9.10%.
- The occupancy rate of the City's central business district has remained at 97% for the past five years.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Mexico's budget for the 2012 fiscal year.

Requests for Information

The financial report is designed to provide a general overview of the City of Mexico's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Administrative Services Director, 300 N. Coal, City of Mexico, MO, 65265, or call (573) 581-2100.

CITY OF MEXICO

STATEMENT OF NET ASSETS

September 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,423,512	\$ 1,391,680	\$ 4,815,192
Restricted cash	392,039	6,124,170	6,516,209
Accounts receivable (net of allowance of \$45,945)	-	357,039	357,039
Taxes receivable	1,675,831	-	1,675,831
Intergovernmental revenue receivable	212,067	-	212,067
Special assessment receivable	1,851,915	-	1,851,915
Other receivables	6,431	-	6,431
Prepaid expenses	1,187,025	6,737	1,193,762
Deferred charges, net of amortization	56,438	198,536	254,974
Investment in joint venture	50,000	-	50,000
Capital assets:			
Non-depreciable	34,601,475	969,605	35,571,080
Depreciable, net	7,808,798	13,706,229	21,515,027
Total assets	<u>51,265,531</u>	<u>22,753,996</u>	<u>74,019,527</u>
LIABILITIES			
Accounts payable	496,626	533,231	1,029,857
Accrued interest payable	2,109	174,332	176,441
Unearned revenue	1,117,652	-	1,117,652
Long-term liabilities:			
Other post-employment benefit obligations	129,956	7,217	137,173
Leases payable			
Amounts due within one year	75,045	12,189	87,234
Amount due beyond one year	839,866	8,370	848,236
Bonds payable			
Amounts due within one year	70,000	95,000	165,000
Amount due beyond one year	1,795,000	11,365,000	13,160,000
Accrued landfill closure costs			
Amounts due within one year	-	13,000	13,000
Amounts due beyond one year	-	206,000	206,000
Compensated absences			
Amounts due within one year	99,149	7,804	106,952
Amounts due beyond one year	99,149	7,804	106,952
Total liabilities	<u>4,724,551</u>	<u>12,429,946</u>	<u>17,154,497</u>
NET ASSETS			
Invested in capital assets, net of related debt	41,259,862	7,650,738	48,910,600
Restricted for:			
Perpetual care, nonexpendable	166,352	-	166,352
Capital improvements	364,264	-	364,264
Parks and recreation	-	-	-
Public health	158,567	-	158,567
Community development	1,200,076	-	1,200,076
Tourism	43,473	-	43,473
Grants	13,188	-	13,188
Debt service	201,355	1,198,157	1,399,512
Unrestricted	3,133,843	1,475,155	4,608,998
Total net assets	<u>\$ 46,540,980</u>	<u>\$ 10,324,050</u>	<u>\$ 56,865,030</u>

The notes to the financial statements are an integral part of these statements.

CITY OF MEXICO
STATEMENT OF ACTIVITIES
Year Ended September 30, 2011

Program/Function	Program revenues				Net (expense) revenue and changes in net assets		Total
	Expenses	Charges for services	Capital grants and contributions	Operating grants and contributions	Governmental activities	Business-type activities	
Governmental activities:							
General government	\$ 1,153,299	\$ 152,645	\$ 45,178	\$ -	\$ (955,476)	\$ -	\$ (955,476)
Public safety	2,588,564	164,697	-	-	(2,423,867)	-	(2,423,867)
Streets	1,298,659	-	25,437	-	(1,273,222)	-	(1,273,222)
Cemetery	93,901	-	-	-	(93,901)	-	(93,901)
Parks and recreation	883,698	46,755	-	20,000	(816,943)	-	(816,943)
Public health	312,670	-	32,100	-	(280,570)	-	(280,570)
Economic development	246,301	65,252	-	-	(181,049)	-	(181,049)
Airport	120,473	21,513	140,115	-	41,155	-	41,155
Community development	2,464,877	-	2,890,152	-	425,275	-	425,275
Interest expense	110,743	-	-	-	(110,743)	-	(110,743)
Total governmental activities	9,273,185	450,862	3,132,982	20,000	(5,669,341)	-	(5,669,341)
Business-type activities:							
Wastewater utility	1,571,278	2,033,713	-	-	-	462,435	462,435
Sanitation	494,957	530,885	-	-	-	35,928	35,928
Total business-type activities	2,066,235	2,564,598	-	-	-	498,363	498,363
Total city	\$ 11,339,420	\$ 3,015,460	\$ 3,132,982	\$ 20,000	(5,669,341)	498,363	(5,170,978)
General revenue:							
Taxes:							
Property taxes					1,252,559	-	1,252,559
Sales taxes					2,913,731	-	2,913,731
Franchise taxes					1,847,093	-	1,847,093
Miscellaneous income					432,392	3,887	436,279
Interest income					16,541	19,148	35,689
Interest rebates on Build America Bonds					-	134,386	134,386
Contributions to others					(242,173)	(152,636)	(394,809)
Net transfers (out) in from other funds					(170,504)	170,504	-
Total general revenues					6,049,639	175,289	6,224,928
Changes in net assets					380,298	673,652	1,053,950
Net assets - beginning					46,160,682	9,650,398	55,811,080
Net assets - ending					\$ 46,540,980	\$ 10,324,050	\$ 56,865,030

The notes to the financial statements are an integral part of these statements.

CITY OF MEXICO

BALANCE SHEET
ALL GOVERNMENTAL FUND TYPES
September 30, 2011

	Major Funds						Totals
	General Fund	Parks and Recreation Fund	Public Health Fund	Mid-America Brick NID Fund	Community Development Grants Fund	Non-major Funds	
ASSETS							
ASSETS							
Cash and cash equivalents	\$ 2,595,072	\$ 164,030	\$ 183,991	\$ 7,998	\$ 42,114	\$ 430,307	\$ 3,423,512
Restricted cash	7,328	-	-	218,359	-	166,352	392,039
Taxes receivable	1,015,394	271,613	271,613	-	-	117,211	1,675,831
Intergovernmental receivable	6,804	-	-	-	23,345	181,918	212,067
NID receivable	-	-	-	1,833,500	-	18,415	1,851,915
Other receivables	200	-	5,000	-	-	1,231	6,431
Interfund receivable	71,282	-	-	-	-	-	71,282
Prepaid expenditures	-	-	-	1,187,025	-	-	1,187,025
Total assets	<u>\$ 3,696,080</u>	<u>\$ 435,643</u>	<u>\$ 460,604</u>	<u>\$ 3,246,882</u>	<u>\$ 65,459</u>	<u>\$ 915,434</u>	<u>\$ 8,820,102</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 52,990	\$ 25,326	\$ 28,095	\$ 25,002	\$ 52,408	\$ 252,070	\$ 435,891
Accrued liabilities	52,639	7,195	2,329	-	-	-	62,163
Interfund payable	-	-	-	-	-	71,282	71,282
Deferred revenue	574,426	271,613	271,613	1,833,500	-	67,381	3,018,533
Total liabilities	<u>680,055</u>	<u>304,134</u>	<u>302,037</u>	<u>1,858,502</u>	<u>52,408</u>	<u>390,733</u>	<u>3,587,869</u>
FUND BALANCES							
Nonspendable:							
Prepays	-	-	-	1,187,025	-	-	1,187,025
Perpetual care	-	-	-	-	-	166,352	166,352
Restricted for:							
Capital improvements	-	-	-	-	-	364,264	364,264
Public health	-	-	158,567	-	-	-	158,567
Community development	-	-	-	-	13,051	-	13,051
Tourism	-	-	-	-	-	43,473	43,473
Grant activity	-	-	-	-	-	13,188	13,188
Debt service	-	-	-	201,355	-	-	201,355
Assigned:							
Parks and recreation	-	131,509	-	-	-	-	131,509
Unassigned	3,016,025	-	-	-	-	(62,576)	2,953,449
Total fund balances	<u>3,016,025</u>	<u>131,509</u>	<u>158,567</u>	<u>1,388,380</u>	<u>13,051</u>	<u>524,701</u>	<u>5,232,233</u>
Total liabilities and fund balances	<u>\$ 3,696,080</u>	<u>\$ 435,643</u>	<u>\$ 460,604</u>	<u>\$ 3,246,882</u>	<u>\$ 65,459</u>	<u>\$ 915,434</u>	<u>\$ 8,820,102</u>

CITY OF MEXICO

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

September 30, 2011

Fund balances - total governmental funds		\$	5,232,233
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds:			
Governmental capital assets	50,338,770		
Less accumulated depreciation	<u>(7,928,497)</u>		
			42,410,273
Other long term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds:			
Investment in joint venture			50,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds			1,900,881
Long-term liabilities, including capital lease obligations, interest payable, and accrued compensated absences, are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds:			
Bonds payable	(1,865,000)		
Less deferred charges on issuance	<u>56,438</u>		
Capital lease obligations			(1,808,562)
Accrued compensated absences			(913,483)
Accrued compensated absences			(198,297)
Other post-employment benefit obligations			(129,956)
Accrued interest payable			<u>(2,109)</u>
Net assets of governmental activities		\$	<u>46,540,980</u>

The notes to the financial statements are an integral part of these statements.

CITY OF MEXICO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
Year Ended September 30, 2011

	Major Funds						Totals
	General Fund	Parks and Recreation Fund	Public Health Fund	Mid-America Brick NID Fund	Community Development Grants Fund	Non-major Funds	
REVENUES:							
Taxes							
Property	\$ 578,809	\$ 280,802	\$ 280,802	\$ 154,741	\$ -	\$ 34,259	\$ 1,329,413
Sales	2,103,620	642	642	-	-	808,827	2,913,731
Franchise	1,847,093	-	-	-	-	-	1,847,093
Licenses and permits	152,645	-	-	-	-	-	152,645
Charges for services	-	46,755	-	-	-	-	46,755
Intergovernmental revenues	202,549	20,000	-	-	2,137,435	205,188	2,565,172
Fines and forfeitures	46,975	-	-	-	-	-	46,975
Miscellaneous	-	-	-	-	-	-	-
Rent	86,765	-	-	-	-	-	86,765
Interest	12,673	-	-	917	-	2,951	16,541
Joint dispatch reimbursement	117,722	-	-	-	-	-	117,722
Other	401,512	14,055	38,462	-	-	29,060	483,089
TOTAL REVENUES	5,550,363	362,254	319,906	155,658	2,137,435	1,080,285	9,605,901
EXPENDITURES:							
Current:							
General government	1,005,234	-	-	-	-	-	1,005,234
Public safety	2,498,895	-	-	-	-	-	2,498,895
Streets	820,924	-	-	-	-	-	820,924
Cemetery	107,284	-	-	-	-	-	107,284
Parks and recreation	-	710,020	-	-	-	-	710,020
Public health	-	-	294,034	-	-	-	294,034
Economic development	172,721	-	-	-	-	-	172,721
Airport	56,044	-	-	-	-	-	56,044
Community development	251,921	-	-	87,523	-	256,078	595,522
Capital outlay	508,433	65,375	-	-	2,171,993	528,342	3,274,143
Debt service:	-	-	-	-	-	-	-
Principal	70,670	-	-	65,000	-	-	135,670
Interest	47,855	-	-	62,888	-	-	110,743
TOTAL EXPENDITURES	5,539,981	775,395	294,034	215,411	2,171,993	784,420	9,781,234
Excess (deficiency) of revenues over expenditures	10,382	(413,141)	25,872	(59,753)	(34,558)	295,865	(175,333)
OTHER FINANCING SOURCES (USES)							
Transfers in	279,951	390,000	-	-	52,000	50,000	771,951
Transfers (out)	(349,233)	-	-	-	-	(422,718)	(771,951)
Total other financing sources (uses)	(69,282)	390,000	-	-	52,000	(372,718)	-
Net change in fund balances	(58,900)	(23,141)	25,872	(59,753)	17,442	(76,853)	(175,333)
Fund balances, October 1	3,074,925	154,650	132,695	1,448,133	(4,391)	601,554	5,407,566
FUND BALANCES, SEPTEMBER 30	\$ 3,016,025	\$ 131,509	\$ 158,567	\$ 1,388,380	\$ 13,051	\$ 524,701	\$ 5,232,233

The notes to the financial statements are an integral part of these statements.

CITY OF MEXICO

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended September 30, 2011

Net change in fund balances - total governmental funds \$ (175,333)

Amounts reported for governmental activities in the statement
of activities is different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the detail of the amount by which capital outlays were less than the depreciation in the current period.

Capital outlay capitalized as assets	931,290	
Capital asset contribution to business-type activity	(170,504)	
Capital asset contribution to outside entity	(241,173)	
Depreciation	<u>(541,843)</u>	(22,230)

Revenues in the statement of activities that do not provide
current financial resources are not reported as revenues in
the funds.

Deferred revenues	(156,985)
Amount of contributed capital assets	617,244

The issuance of long-term debt (e.g., bonds, loans, and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items.

Repayment of principal	<u>137,266</u>
------------------------	----------------

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

Compensated absences	(975)
Other post-employment benefit obligations	(62,826)
Amortization of issuance costs	(5,863)
Investment in joint venture	<u>50,000</u>
Change in net assets of governmental activities	<u><u>\$ 380,298</u></u>

The notes to the financial statements are an integral part of these statements.

CITY OF MEXICO
STATEMENT OF NET ASSETS
ALL PROPRIETARY FUNDS
September 30, 2011

	Major Funds		
	Wastewater Fund	Sanitation Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,085,869	\$ 305,811	\$ 1,391,680
Restricted cash	6,124,170	-	6,124,170
Accounts receivable (net of allowance of \$45,945)	283,335	73,704	357,039
Prepaid expenses	6,737	-	6,737
Total current assets	<u>7,500,111</u>	<u>379,515</u>	<u>7,879,626</u>
Non-current assets:			
Deferred charges, net of accumulated amortization	198,536	-	198,536
Property, plant and equipment, net of accumulated depreciation	14,675,108	726	14,675,834
Total non-current assets	<u>14,873,644</u>	<u>726</u>	<u>14,874,370</u>
Total assets	<u>22,373,755</u>	<u>380,241</u>	<u>22,753,996</u>
LIABILITIES			
Current liabilities:			
Leases payable	12,189	-	12,189
Bonds payable	95,000	-	95,000
Accrued interest payable	174,332	-	174,332
Accrued landfill closure costs	-	13,000	13,000
Accounts payable	497,622	35,609	533,231
Compensated absences	7,804	-	7,804
Total current liabilities	<u>786,947</u>	<u>48,609</u>	<u>835,556</u>
Non-current liabilities:			
Lease payable	8,370	-	8,370
Bonds payable	11,365,000	-	11,365,000
Other post employment benefits payable	5,773	1,444	7,217
Accrued landfill closure costs	-	206,000	206,000
Compensated absences	7,804	-	7,804
Total long-term liabilities	<u>11,386,947</u>	<u>207,444</u>	<u>11,594,391</u>
Total liabilities	<u>12,173,893</u>	<u>256,053</u>	<u>12,429,946</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,650,738	-	7,650,738
Restricted for debt service	1,198,157	-	1,198,157
Unrestricted	1,350,967	124,188	1,475,155
TOTAL NET ASSETS	<u>\$ 10,199,862</u>	<u>\$ 124,188</u>	<u>\$ 10,324,050</u>

The notes to the financial statements are an integral part of these statements.

CITY OF MEXICO

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ALL PROPRIETARY FUND TYPES
Year Ended September 30, 2011**

	Major Funds		
	Wastewater Fund	Sanitation Fund	Total
OPERATING REVENUES			
Charges for services	\$ 2,033,713	\$ 530,885	\$ 2,564,598
Miscellaneous	2,814	1,073	3,887
Total operating revenues	<u>2,036,527</u>	<u>531,958</u>	<u>2,568,485</u>
OPERATING EXPENSES			
Salaries and wages	400,045	34,467	434,512
Employee benefits	157,480	12,269	169,749
Materials and supplies	61,030	42,669	103,699
Electricity	97,144	162	97,306
Repairs and maintenance	154,664	18,751	173,415
Telephone and utilities	36,962	-	36,962
Fuel and oil	13,116	-	13,116
Other operating expenses	310,017	17,169	327,186
Depreciation and amortization	339,954	1,880	341,834
Contracted haulers	-	367,590	367,590
Total operating expenses	<u>1,570,412</u>	<u>494,957</u>	<u>2,065,369</u>
OPERATING INCOME	<u>466,115</u>	<u>37,001</u>	<u>503,116</u>
NON-OPERATING REVENUES (EXPENSES)			
Contributions to others	(152,636)	-	(152,636)
Interest income	18,300	848	19,148
Interest rebate on Build America Bonds	134,386	-	134,386
Interest expense	(866)	-	(866)
Total non-operating revenues (expenses)	<u>(816)</u>	<u>848</u>	<u>32</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>465,299</u>	<u>37,849</u>	<u>503,148</u>
Capital contributions	170,504	-	170,504
Change in net assets	635,803	37,849	673,652
Net assets, October 1	<u>9,564,059</u>	<u>86,339</u>	<u>9,650,398</u>
NET ASSETS, SEPTEMBER 30	<u><u>\$ 10,199,862</u></u>	<u><u>\$ 124,188</u></u>	<u><u>\$ 10,324,050</u></u>

The notes to the financial statements are an integral part of these statements.

CITY OF MEXICO

**STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES**

Year Ended September 30, 2011

	Major Funds		
	Wastewater Fund	Sanitation Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,983,622	\$ 525,562	\$ 2,509,184
Cash received from other sources	2,814	1,073	3,887
Cash paid to vendors	(555,757)	(468,014)	(1,023,771)
Cash paid to employees	(397,034)	(33,647)	(430,681)
Net cash provided by operating activities	<u>1,033,645</u>	<u>24,974</u>	<u>1,058,619</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payment for capital acquisitions	(5,061,960)	-	(5,061,960)
Proceeds from issuance of wastewater bonds	5,695,000	-	5,695,000
Bond issuance costs	(101,652)	-	(101,652)
Interest rebates on Build America Bonds	134,386	-	134,386
Principal and interest payments on debt	(305,494)	-	(305,494)
Net cash provided by capital and related financing activities	<u>360,280</u>	<u>-</u>	<u>360,280</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	18,300	848	19,148
Net increase in cash and cash equivalents	1,412,225	25,822	1,438,047
Cash and cash equivalents, beginning of year	5,797,814	279,989	6,077,803
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,210,039</u>	<u>\$ 305,811</u>	<u>\$ 7,515,850</u>
Cash and cash equivalents	\$ 1,085,869	\$ 305,811	\$ 1,391,680
Restricted cash	6,124,170	-	6,124,170
Total cash and cash equivalents	<u>\$ 7,210,039</u>	<u>\$ 305,811</u>	<u>\$ 7,515,850</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income	\$ 466,115	\$ 37,001	\$ 503,116
Adjustments:			
Depreciation and amortization	339,954	1,880	341,834
(Increase) decrease in assets:			
Accounts receivable	(50,091)	(5,323)	(55,414)
Prepaid expenses	16,308	-	16,308
Increase (decrease) in liabilities:			
Accounts payable	258,348	3,596	261,944
Accrued expenses	70	-	70
Other post-employment benefit obligations	2,941	820	3,761
Accrued landfill	-	(13,000)	(13,000)
Net cash provided (used) by operating activities	<u>\$ 1,033,645</u>	<u>\$ 24,974</u>	<u>\$ 1,058,619</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Contributions of capital assets	\$ 170,504	\$ -	\$ 170,504
Contributions to others	(152,636)	-	(152,636)

The notes to the financial statements are an integral part of these statements.

CITY OF MEXICO

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies employed in the preparation of the accompanying financial statements, as presented on the basis set forth in Governmental Accounting Standards Board Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

A. Reporting Entity

The City of Mexico is located in central Missouri and is governed by a city manager, an elected mayor, and a five-member council.

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Mexico. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Mexico that have been determined not to be component units as defined by Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" (GASB 14). Based on the criteria of GASB 14, there are no other agencies or entities for which the City has been determined to be financially accountable and, therefore, should be included in the financial statements of the City.

B. Fund Accounting

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the City. The effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City uses funds to report its financial position and results of its operations in the fund financial statements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into two categories: governmental and proprietary.

The City reports the following major governmental funds:

General Fund – This 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.

Parks and Recreation Fund – This fund is used to account for funds provided from charges for recreational programs and for the portion of City taxes restricted for maintenance of the City parks and playgrounds and operation of recreation programs.

Public Health Fund – This fund is used to account for funds provided from City property taxes and restricted for animal control, public health, nursing, and environmental sanitation.

Mid-America Brick Neighborhood Improvement District (NID) Fund - The City was petitioned by E.L.T. Mexico, LLC and Mid-America Brick & Structural Clay Products, LLC to form a neighborhood improvement district to make funds available for redevelopment of the designated NID area for use as a refractory and manufacturing facility for production and marketing of structural brick and clay products. This fund is used to account for bond proceeds made available to Mid-America Brick and Structural Clay Products, LLC and annual bond payments over a twenty year amortization.

Community Development Grants Fund - This fund is used to account for various grants received and restricted for special community development projects.

The City reports the following major proprietary funds:

Wastewater Fund – The Wastewater Fund is used to account for the provision of sanitary wastewater services to residents of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, billing and collection.

Sanitation Fund – The Sanitation Fund is used to account for the provision of landfill and refuse service to the residents of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operation, maintenance, billing and collection.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, interest and principal on general long-term debt is recognized when due.

Property tax, sales tax, gasoline tax, motor vehicle tax, interest, and revenues from other governmental units associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. Operating expenses include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City's general spending prioritization policy is to consider restricted resources to have been used first, followed by committed, assigned, and unassigned amounts when expenditures have been incurred for which resources in more than one classification could be used.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The City does not apply FASB Statements and Interpretations issued after November 30, 1989.

D. Budgets

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and capital project funds. All annual appropriations lapse at fiscal year end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. There were no encumbrances outstanding at September 30, 2011.

E. Pooled Cash

The City maintains a cash money-market pool that is used by all funds. Interest income is allocated to each fund in proportion to each fund's ownership of the pool each month.

For purposes of the statement of cash flows, all highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents. Because a statement of cash flows is prepared only for proprietary funds under generally accepted accounting principles, cash and cash equivalents are distinguished only for those funds.

F. Accounts Receivable

Accounts receivable result primarily of taxes, grants, and wastewater and sanitation services provided. All unbilled wastewater and sanitation receivables are included in accounts receivable in the accompanying financial statements as of September 30, 2011. Receivables are shown net of an allowance for estimated uncollectible amounts.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with GASB Statement No. 34, general government infrastructure assets (streets, bridges, sidewalks) have been capitalized retroactively to 1980 at estimated historical cost.

The costs of normal maintenance and repairs that do not enhance functionality or materially extend the life of an asset are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	25 – 50 years
Structures and improvements	3 – 65 years
Equipment	3 – 30 years
Vehicles	3 – 20 years

GASB Statement No. 34 allows an alternative (modified) approach which reflects a reasonable value of the asset and cost required to maintain the service potential at established minimum standards in lieu of depreciation. The City has elected to use this option for its street system of infrastructure. The City has developed and implemented an asset management system that establishes minimum standards. It determines, at least every three years, whether the minimum standards are being met. Disclosures of the minimum standards and the current status of the City’s system of streets are included in the Required Supplementary Information section of this report.

Fully depreciated capital assets are included in the capital assets accounts until their disposal.

H. Amortization of Debt Issue Costs

In the government-wide financial statements, debt issue costs totaling \$68,164 related to the special assessment debt and \$211,755 related to wastewater bonds are deferred and being amortized by the straight-line method over the repayment period of the related debt. As of September 30, 2011, accumulated amortization amounted to \$11,726 and \$13,219 for governmental and business-type activities, respectively. In the governmental fund statements, these issuance costs are recognized as expenses when paid.

I. Compensated Absences

All vested or accumulated vacation leave is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Under terms of the City’s personnel policy, City employees are granted vacation and sick leave in varying amounts. However, in the event of termination, an employee is only paid for accumulated vacation.

J. Long-Term Obligations

General long-term obligations consist of the non-current portion of capital lease obligations, compensable leave, revenue bonds, and other long-term loans. General long-term obligations are not reported as liabilities in governmental funds, but are reported in the governmental activities column in the government-wide statement of net assets. In the government-wide and proprietary fund statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

K. Equity

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended September 30, 2011. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance

classifications and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

In the governmental fund financial statements, equity is displayed in five components as follows:

Nonspendable - This consists of amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted – This consists of amounts that are constrained to specific purposes by their providers, through constitutional or contractual provisions or by enabling legislation.

Committed - This consists of amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority (the City Council) by the end of the fiscal year.

Assigned - This consists of amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned – This consists of amounts that are available for any purpose and can only be reported in the General Fund.

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

Invested in Capital Assets, Net of Related Debt – 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 improvements of those assets.

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

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

L. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The most significant estimates used by management are of the allowance for uncollectible receivable balances, useful lives of capital assets, fair value of contributions, other post-employment obligations, and the post closure liability related to the landfill.

M. Industrial Revenue Bonds

The City has issued several revenue bonds to provide funds to assist companies within the City to acquire and construct facilities for manufacturing and industrial development purposes. The City has issued and sold these bonds to financial institutions. The companies are required to make monthly principal and interest payments to the financial institutions over the maturity of the bonds. The City is not liable for repayment of these revenue bonds. The original issuance amount of these revenue bonds totals \$15,862,283 and the maturity of these bonds ranges from 5 to 20 years. See Note 14 to the financial statements for further information.

2. LEGAL COMPLIANCE - BUDGET

The City's policy is to prepare the operating budgets in accordance with U.S. generally accepted accounting principles. The City prepared budgets for all governmental fund types for the year ended September 30, 2011.

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal period commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (4) The City Manager is authorized to transfer budgeted amounts between departments within any fund. Any revision that alters the total expenditures of any fund must be approved by the City Council. Expenditures may not exceed appropriations for any fund without approval by the City Council.
- (5) All appropriations lapse at year end.

The reported budgetary data represents the final approved budget after amendments as adopted by the City Council. The budget was amended during the year.

3. CASH AND INVESTMENTS

Missouri State Statutes authorize the City to deposit funds in obligations of the U.S. Treasury; federal agencies and instrumentalities; certificates of deposit; and repurchase agreements. Custodial credit risk is the risk that, in event of a bank failure, the government's deposits may not be returned to it. The City's deposit policy for custodial credit risk is set by statute. Statutes require that collateral pledged must have a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities, which are of the same type as authorized for investment by the City, are limited to the following as prescribed by state statutes:

- Bonds of the State of Missouri, of the United States, or of any wholly owned corporation of the United States.
- Other short term obligations of the United States.

The City of Mexico maintains a cash pool that is available for use by all funds. A reconciliation of cash and cash equivalents as shown on the government-wide statement of net assets is as follows:

	Government-Wide Statement of Net Assets
Cash and cash equivalents	\$ 4,815,192
Restricted assets:	
Cash and cash equivalents	6,516,209
Total	<u>\$ 11,331,401</u>

specifies the taxes are being levied for use in the next fiscal year. Thus, those amounts are included as deferred revenue in both the government-wide and fund financial statements.

The City's assessed valuation and tax levies per \$100 assessed valuation of those properties are as follows:

	<u>For the 2010 Calendar Year</u>
Assessed valuation:	
Real estate	\$ 92,784,570
Personal property	36,273,684
Railroad and utilities	<u>5,948,668</u>
	<u>\$ 135,006,922</u>
	<u>For the 2010 Calendar Year</u>
Tax rates per \$100 assessed valuation:	
General Fund	\$ 0.4147
Parks and Recreation Fund	0.2000
Public Health Fund	<u>0.2000</u>
	<u>\$ 0.8147</u>

5. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at September 30, 2011, in the fund financial statements resulting from interfund transfers, activity and loans were as follows:

	<u>Receivable</u>	<u>Payable</u>
Governmental funds:		
General Fund	\$ 71,282	\$ -
Cunningham Road NID Fund	-	14,840
Department of Natural Resources Energy Grant Fund	-	26,323
Roads and Other Funds	-	<u>30,119</u>
Total for all funds	<u>\$ 71,282</u>	<u>\$ 71,282</u>

The City maintains a pooled cash account encompassing the majority of its funds. Interfund receivables and payables arise due to the deficiencies in cash at year-end in some funds which are covered by sufficiency of cash in other funds.

7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance October 1, 2010	Additions	Retirements	Transfers	Balance September 30, 2011
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 4,042,130	\$ -	\$ -	\$ -	\$ 4,042,130
Infrastructure	29,980,124	195,931	-	-	30,176,055
Construction in progress	34,610	383,290	-	(34,610)	383,290
Total capital assets, not being depreciated	<u>34,056,864</u>	<u>579,221</u>	<u>-</u>	<u>(34,610)</u>	<u>34,601,475</u>
Capital assets, being depreciated:					
Buildings	5,128,632	59,647	-	-	5,188,279
Structures other than buildings	4,874,691	639,485	412,677	34,610	5,136,109
Equipment	3,468,155	270,829	106,588	-	3,632,396
Infrastructure	1,780,511	-	-	-	1,780,511
Total capital assets, being depreciated	<u>15,251,989</u>	<u>969,961</u>	<u>519,265</u>	<u>34,610</u>	<u>15,737,295</u>
Less accumulated depreciation for:					
Buildings	1,988,530	126,194	-	-	2,114,724
Structures other than buildings	2,107,534	128,221	-	-	2,235,755
Equipment	2,509,567	264,721	106,588	-	2,667,700
Infrastructure	887,611	22,707	-	-	910,318
Total accumulated depreciation	<u>7,493,242</u>	<u>541,843</u>	<u>106,588</u>	<u>-</u>	<u>7,928,497</u>
Total capital assets being depreciated, net	<u>7,758,747</u>	<u>428,118</u>	<u>412,677</u>	<u>34,610</u>	<u>7,808,798</u>
Governmental activities capital assets, net	<u>\$ 41,815,611</u>	<u>\$ 1,007,339</u>	<u>\$ 412,677</u>	<u>\$ -</u>	<u>\$ 42,410,273</u>

During the fiscal year, the City's governmental activities received contributed capital assets of approximately \$617,000. The most significant of these contributions included Cunningham Road and Commerce Road, valued at approximately \$190,000 and \$344,000, respectively.

The City's governmental activities also contributed a lift station and sewer line to the Wastewater Fund during the fiscal year. These assets were constructed using federal grant funding and were valued at \$170,504. This contribution is reflected as a transfer on the accompanying Statement of Activities.

	Balance October 1, 2010	Additions	Retirements	Transfers	Balance September 30, 2011
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 17,420	\$ -	\$ -	\$ -	\$ 17,420
Construction in progress	932,779	952,186	-	(932,780)	952,185
Total capital assets, not being depreciated	<u>950,199</u>	<u>952,186</u>	<u>-</u>	<u>(932,780)</u>	<u>969,605</u>
Capital assets, being depreciated:					
Buildings	6,690,183	-	-	-	6,690,183
Structures other than buildings	6,801,158	170,504	174,314	-	6,797,348
Equipment	1,054,089	4,515,184	12,973	932,780	6,489,080
Total capital assets, being depreciated	<u>14,545,430</u>	<u>4,685,688</u>	<u>187,287</u>	<u>932,780</u>	<u>19,976,611</u>
Less accumulated depreciation for:					
Buildings	2,483,666	129,370	21,678	-	2,591,358
Structures other than buildings	2,879,749	111,115	-	-	2,990,864
Equipment	608,088	93,045	12,973	-	688,160
Total accumulated depreciation	<u>5,971,503</u>	<u>333,530</u>	<u>34,651</u>	<u>-</u>	<u>6,270,382</u>
Total capital assets being depreciated, net	<u>8,573,927</u>	<u>4,352,158</u>	<u>152,636</u>	<u>932,780</u>	<u>13,706,229</u>
Business-type activities capital assets, net	<u>\$ 9,524,126</u>	<u>\$ 5,304,344</u>	<u>\$ 152,636</u>	<u>\$ -</u>	<u>\$ 14,675,834</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	70,248
Public safety	83,927
Streets	116,355
Cemetery	6,618
Parks and recreation	123,012
Public health	11,005
Community and economic development	53,244
Airport	77,434
Total depreciation expense - governmental activities	<u>\$ 541,843</u>

Business-type activities:

Wastewater	331,650
Sanitation	1,880
Total depreciation expense - business-type activities	<u>\$ 333,530</u>

During the fiscal year, the City's business-type activities and governmental-type activities donated a lift station valued at \$152,636 to Dawn Foods and a water line valued at \$242,173 to Missouri American Water, respectively. These amounts are reflected as "contributions to others" in the accompanying Statement of Activities.

8. CAPITAL LEASES

Capital lease obligations at September 30, 2011 consist of the following:

Governmental Activities:

1. The City has a \$1,275,000 lease-purchase agreement for property and improvements to be leased to commercial entities. As of September 30, 2011, \$1,278,128 has been capitalized and the associated debt is recorded in the Governmental Activities on the government-wide statements. Accumulated depreciation for this asset was \$224,335 as of September 30, 2011. This lease agreement qualifies as a capital lease for accounting purposes because title transfers at the end of the lease-term. Therefore, it has been recorded as debt at the present value of the future minimum lease payments as of the date of its inception.
2. The City has a lease-purchase agreement for an excavator. As of September 30, 2011, \$45,744 has been capitalized and fifty percent of the associated debt is recorded in the Governmental Activities on the government-wide statements. This asset is being shared with the wastewater department as noted below. Accumulated depreciation for this asset was \$9,258 as of September 30, 2011. This lease agreement qualifies as a capital lease for accounting purposes because title transfers at the end of the lease-term. Therefore, it has been recorded as debt at the present value of future minimum lease payments as of the date of its inception.

Business-type Activities:

3. The City has a lease-purchase agreement for an excavator. As of September 30, 2011, \$45,744 has been capitalized and fifty percent of the associated debt is recorded in the Business-Type Activities on the government-wide statements. Accumulated depreciation for this asset was \$9,258 as of September 30, 2011. This lease agreement qualifies as a capital lease for accounting purposes because title transfers at the end of the lease-term. Therefore, it has been recorded as debt at the present value of future minimum lease payments as of the date of its inception.

The following summarizes the terms:

	Interest Rate	Maturity Date	Principal Balance 9/30/2011
Long Term Debt Financed by:			
Economic Development Special Revenue Fund - Speculative Building (1)	5.00%	8/15/2012	\$ 894,352
Community Development Fund - Excavator (2)	3.57%	5/15/2013	20,559
Wastewater Fund - Excavator (3)	3.57%	5/15/2013	20,559
			<u>\$ 935,470</u>

The following summarizes the future minimum lease payments under the above capital leases, and the present value of the future net minimum lease payments at September 30, 2011:

	Speculative Building (1)	Excavator (2)	Excavator (3)	Total
Total minimum lease payments	\$ 1,166,571	\$ 21,207	\$ 21,207	\$ 1,208,985
Less: Amount representing interest	<u>(272,219)</u>	<u>(648)</u>	<u>(648)</u>	<u>(273,515)</u>
Present value of future minimum lease payments	<u>\$ 894,352</u>	<u>\$ 20,559</u>	<u>\$ 20,559</u>	<u>\$ 935,470</u>

The following is a schedule of the future minimum lease payments for the above capital leases in aggregate, and the present value of the net minimum lease payments at September 30, 2011:

Year Ending September 30:	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2012	\$ 75,045	\$ 44,542	\$ 12,189	\$ 536	\$ 132,312
2013	74,611	40,732	8,370	112	123,825
2014	69,678	37,183	-	-	106,861
2015	73,294	33,568	-	-	106,862
2016	77,013	29,849	-	-	106,862
2017-2021	449,745	84,561	-	-	534,306
2022	95,525	2,432	-	-	97,957
Total minimum lease payments	<u>\$ 914,911</u>	<u>\$ 272,867</u>	<u>\$ 20,559</u>	<u>\$ 648</u>	<u>\$ 1,208,985</u>

9. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2011:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount due In one year
Governmental activities:					
Capital leases	\$ 987,177	\$ -	\$ 72,266	\$ 914,911	\$ 75,045
NID bonds	1,930,000	-	65,000	1,865,000	70,000
Compensated absences	199,273	195,040	196,015	198,298	99,149
Business-type activities:					
Capital leases	32,320	-	11,761	20,559	12,189
Revenue bonds	5,765,000	5,695,000	-	11,460,000	95,000
Compensated absences	15,537	20,862	20,792	15,607	7,804
Landfill closure costs	232,000	-	13,000	219,000	13,000
	<u>\$ 9,161,307</u>	<u>\$ 5,910,902</u>	<u>\$ 378,834</u>	<u>\$ 14,693,375</u>	<u>\$ 372,187</u>

Accrued compensated absences are generally liquidated by the General Fund.

NID Bonds

On September 1, 2010, the City issued \$1,930,000 of special assessment debt to provide funds for certain capital purchases, capital improvements, and land leases benefiting a neighborhood improvement district (NID). These bonds will be repaid from amounts levied against the property owners benefited by this development. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are received. However, the City cannot levy additional taxes unless approved by the voters.

As part of this debt issuance, the City used \$1,037,500 of proceeds to enter into a twenty year lease with Mid-America Brick Refinery for land to be used by the City as a park. This amount has been recorded as a prepaid expense and is being amortized over the term of the lease.

The governmental activities' bonds issued to fund NID projects are as follows:

	Original Amount	Interest Rate	Final Maturity Date	Balance September 30, 2011
NID Bonds:				
2010A, Tax-Exempt Limited General Obligation Bonds	\$ 810,000	1.0%-3.0%	3/1/2020	\$ 745,000
2010B, Taxable Limited General Obligation Bonds	1,120,000	5.500%-6.125%	3/1/2030	1,120,000
				<u>\$ 1,865,000</u>

The annual requirements to amortize debt outstanding in the governmental activities as of September 30, 2011, including interest payments, are as follows:

Year Ending September 30:	Principal	Interest	Total
2012	\$ 70,000	\$ 82,850	\$ 152,850
2013	70,000	81,975	151,975
2014	70,000	80,925	150,925
2015	70,000	79,569	149,569
2016	75,000	77,847	152,847
2017-2021	475,000	353,353	828,353
2022-2026	475,000	241,275	716,275
2027-2030	560,000	80,238	640,238
Total minimum payments	<u>\$ 1,865,000</u>	<u>\$ 1,078,032</u>	<u>\$ 2,943,032</u>

Revenue Bonds

The business-type activities' revenue bonds are composed of sewerage system revenue bonds. In 2010, the City issued \$595,000 (Series 2010A) and \$5,170,000 (Series 2010B) in Tax-Exempt Sewerage System Revenue Bonds and Taxable Sewerage System Revenue Bonds (Build America Bonds) respectively. In 2011, the City issued an additional \$5,695,000 (Series 2011) in Tax-Exempt Sewerage System Revenue Bonds. These bonds were issued for the purpose of financing capital improvements for two wastewater treatment facilities and costs associated with the issuance of the bonds.

Under the Build America Bonds program, the Treasury Department makes a direct payment to the City in an amount equal to 35 percent of the interest payment on the Build America Bonds. Reimbursements from the Treasury Department were approximately \$134,000 during fiscal year 2011.

The City has pledged future utility customer revenues, net of current specified operating expenses, to repay \$11,460,000 in revenue bonds. Proceeds from the bonds provided financing for capital improvements for two

wastewater treatment facilities. The bonds are payable solely from utility customer net revenues and are payable through 2040. Net revenues available for debt service are not to be less than 110% of the amount required to be paid annually of principal and interest. Net revenues are over 236% of the annual principal and interest payments made during the year ended September 30, 2011. The total principal and interest remaining to be paid on the bonds is \$22,408,213. Principal paid and interest accrued for the current year and total customer net revenues were \$405,412 and \$958,755, respectively.

As of September 30, 2011, the City had capitalized interest expense of \$578,079 related to the revenue bonds.

Bonds payable are comprised of the following individual issues:

	Original Amount	Interest Rate	Final Maturity Date	Balance September 30, 2011
Revenue Bonds:				
2010A, Tax-Exempt Sewerage System Revenue Bonds	\$ 595,000	3.20%	7/1/2016	\$ 595,000
2010B, Taxable Sewerage System Revenue Bonds	5,170,000	4.50%	7/1/2040	5,170,000
2011, Tax-Exempt Sewerage System Revenue Bonds	5,695,000	4.67%	7/1/2032	5,695,000
				<u>\$ 11,460,000</u>

The annual requirements to amortize debt outstanding in the business-type activities as of September 30, 2011, including interest payments, are as follows:

Year Ending September 30:	Principal	Interest	Total
2012	\$ 95,000	\$ 665,385	\$ 760,385
2013	285,000	610,009	895,009
2014	295,000	601,459	896,459
2015	300,000	592,609	892,609
2016	375,000	583,609	958,609
2017-2021	1,720,000	2,721,909	4,441,909
2022-2026	2,080,000	2,286,361	4,366,361
2027-2031	2,590,000	1,677,753	4,267,753
2032-2036	2,125,000	876,109	3,001,109
2037-2040	1,595,000	333,010	1,928,010
Total minimum payments	<u>\$ 11,460,000</u>	<u>\$ 10,948,213</u>	<u>\$ 22,408,213</u>

The State Constitution permits a city, by vote of two-thirds of the voting electorate, to incur general obligation indebtedness for "city purposes" not to exceed 10% of the assessed value of taxable tangible property and to incur additional general obligation indebtedness not to exceed, in the aggregate, an additional 10% of the assessed value of taxable tangible property, for the purpose of acquiring rights-of-way, construction, extending and improving streets and avenues and/or sanitary or storm wastewater systems, and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed 20% of the assessed valuation of taxable property. Based on the assessed valuation as of January 1, 2010, of \$135,006,922, the constitutional total general obligation debt limit for "city purposes" was \$27,001,384, which provides a general obligation debt margin of \$25,329,384.

10. LEASE REVENUE

On April 18, 2011, the City entered into a lease for a building to Wilderest Logistics Solutions, Inc., through May 31, 2014. The carrying value of this building in the Governmental Activities is \$435,000. Payments are \$5,000 per month for the eight months of March through October with no rent due for the four months of November through February. Future lease revenue by fiscal year for the lease is as follows:

2012	\$	40,000
2013		40,000
2014		20,000
	\$	<u>100,000</u>

Total lease revenue recognized in the General Fund the year ended September 30, 2011, totaled \$20,000.

11. INTERFUND TRANSFERS

Amounts were transferred as a result of reallocation of resources. All transfers were approved by the City Council.

A summary of interfund transfers for the year ended September 30, 2011 follows:

	TRANSFERRED FROM			Total
	Major Fund	Non-major Funds		
	General Fund	Cemetery Trust Fund	Capital Improvement Sales Tax Fund	
TRANSFERRED TO				
Governmental Funds:				
Major Funds:				
General Fund	\$ 9,233	\$ 718	\$ 270,000	\$ 279,951
Parks and Recreation Fund	340,000	-	50,000	390,000
Community Development Grants Fund	-	-	52,000	52,000
	<u>349,233</u>	<u>718</u>	<u>372,000</u>	<u>721,951</u>
Non-major Funds:				
Cunningham Road NID Fund	-	-	30,000	30,000
Roads and Other Projects Fund	-	-	20,000	20,000
	-	-	50,000	50,000
	<u>\$ 349,233</u>	<u>\$ 718</u>	<u>\$ 422,000</u>	<u>\$ 771,951</u>

12. COMMITMENTS AND CONTINGENCIES

A. Landfill

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The City closed its landfill in April, 1994. As of September 30, 2011, the City has recorded \$219,000 in estimated closure and postclosure costs, a change in the liability of \$13,000 from the prior year. The estimated total closure and postclosure care costs is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of September 30, 2011. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

B. Joint Dispatch Communication

The City has entered into a partnership agreement with the Emergency Services Board (ESB) to provide joint dispatch communication for Audrain County. The City bills the ESB for the labor costs incurred while operating the joint dispatch communication service on behalf of the ESB. The City's costs for operating and salary support for the joint dispatch and reimbursements received were \$117,722 for the year ended September 30, 2011.

C. 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 obtained coverage from commercial insurance companies for these risks of losses. There were no significant reductions in insurance coverage from the prior year. In addition, no settlements have exceeded insurance coverage in the previous three fiscal years.

D. Contracts for Construction

The City has entered into agreements with contractors for various projects for airport construction and wastewater treatment plant improvements. As of September 30, 2011, commitments under contracts were as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Commitment</u>
Wastewater Treatment Plant	4,578,293	892,991
Road Construction	253,184	532,429
Safe Routes to School Grant	17,600	4,400
	<u>\$ 4,849,077</u>	<u>\$ 1,429,820</u>

13. INTERGOVERNMENTAL REVENUE

The City receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants. Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of

management, any such disallowed claims will not have a material effect on any of the financial statements or the individual fund-types included herein or on the overall financial position of the City as of September 30, 2011.

14. CONDUIT BOND ISSUES

As of September 30, 2011, the City has issued \$15,862,283 in Industrial Revenue Bonds. The City has no liability for repayment of the above revenue bonds and, accordingly, these bonds have not been recorded in the accompanying financial statements. Security for the bondholders consists of the unconditional obligation of the borrowers to repay the bonds.

15. PENSION PLAN

Employees' Retirement System

The following information is presented in accordance with Governmental Accounting Standards Board Statement 27 (GASB 27), "Accounting for Pensions by State and Local Governmental Employers."

Plan Description

The City of Mexico participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, section RSMO. 70.600 - 70.755. As such, it is the system's 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 it is tax-exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, PO Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

The City's payroll for employees covered by LAGERS for the year ended September 30, 2011, was \$3,446,387 and the total City payroll was \$3,620,087. The City's contribution to LAGERS for the year ended September 30, 2011, was \$369,146, which represents 10.7% of covered payroll.

Funding Status

The City of Mexico's full-time employees do not contribute to the pension plan. The June 30th statutorily required contribution rates are 8.8% (General), 13.2% (Police), and 0.6% (Fire) of the annual payroll. The contribution requirements of plan members are determined by the governing body of each participating political subdivision. The contribution provisions of political subdivisions participating in the plan are established by state statute.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

For LAGERS fiscal year ended June 30, 2011, the City's annual pension cost and net pension obligation for the current year were as follows:

Annual Required Contribution	\$ 468,359
Interest on net pension obligation	-
Adjustment to annual required contribution	-
	<hr/>
Annual pension cost	468,359
Actual contributions	357,826
	<hr/>
Increase (decrease) in NPO	110,533
NPO beginning of year	-
	<hr/>
NPO end of year	<u>\$ 110,533</u>

The City has elected not to record the net pension obligation as of September 30, 2011, due to its immateriality to the City as a whole.

The required contribution was determined as part of the February 29, 2008 and February 28, 2009, annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011, included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table projected to 2000 set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 29, 2008, and February 28, 2009 was 15 years and 30 years, respectively, for all divisions.

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

Three-Year Trend Information			
Fiscal Year	Annual	Percentage	Net Pension
Ended	Pension Cost	of APC	Obligation
	(APC)	Contributed	
6/30/2009	\$ 328,895	100%	-
6/30/2010	349,659	100%	-
6/30/2011	468,359	76%	110,533

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded Accrued Liability (UAL)	Fund Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
2/28/2011	\$ 8,593,662	\$ 9,737,492	\$ 1,143,830	88%	\$ 3,270,585	35%

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011, annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, contact the LAGERS office in Jefferson City.

The required schedule of funding progress included in required supplementary information immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

16. POST EMPLOYMENT BENEFITS

Effective October 1, 2009, the City adopted the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" (GASB 45). As a result, the financial statements reflect a long-term liability of \$129,956 and \$7,220 and related expenses of \$63,076 and \$3,504 in the governmental and business-type activities, respectively, as of and for the year ended September 30, 2011.

Plan Description

The City sponsors a single-employer health care plan that provides health benefits to retirees and spouses. All full time employees over age 55 with five years of service are eligible for post retirement benefits. Retirees who elect to continue coverage in the medical plan offered through the City are required to pay a contribution until the employee becomes eligible for Medicare. Since the retirees pay the same premium as active employees each year, the City share of any premium cost is determined on the basis of a blended rate or implicit rate subsidy calculation. The implicit rate subsidy is the difference between what the retiree actually pays and the age adjusted amount he or she would have paid for the full cost of the benefit.

Funding Policy

The City does not pay retiree benefits directly; they are paid implicitly over time through employer subsidization of active premiums charged to plan participants that would be lower if retirees were not part of the experience group.

Annual OPEB Costs and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. For the year ended September 30, 2011, the annual OPEB costs and changes in the net obligation are as follows:

Annual accrued liability	\$ 443,211
OPEB plan assets	-
Unfunded actuarial accrued liability as of September 30, 2011	<u>\$ 443,211</u>
Amortization factor (based on 30-year open-level dollar)	<u>17.026</u>
Amortization of unfunded liability	\$ 26,031
Normal costs	41,975
Annual required contribution (ARC)	<u>68,006</u>
Interest to end of the year	3,177
Adjustment to the ARC	<u>(4,146)</u>
Annual OPEB cost	67,037
Net OPEB obligation, beginning of year	70,596
Actual contributions for 2011	<u>(457)</u>
Net OPEB obligation, end of year	<u>\$ 137,176</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended September 30, 2011 and 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Estimated Retiree Benefits for the Year	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation - End of Year
9/30/2010	\$ 70,596	-	0%	\$ 70,596
9/30/2011	67,037	457	1%	137,176

Because 2010 was the year of transition for GASB 45, requirements of GASB 45 have been implemented prospectively; therefore, the above illustration does not reflect information respective of the year ended September 30, 2009.

Funding Status and Schedule of Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The following summarizes the funding progress for the year ended September 30, 2011:

Actuarial Valuation Date	Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Current Fiscal Year Covered Payroll	UALL as a Percentage of Covered Payroll
9/30/2009	\$ -	\$ 443,211	\$ 443,211	0%	\$ 3,780,631	11.72%

Because the City is only required to have a full actuarial valuation every three years, the *Schedule of Funding Progress* presented above will not be updated until the new valuation is completed in 2012.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the City and plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities, consistent with the long-term perspective of the calculation.

The population valued is based on a closed group. Only current employees and retirees as of a valuation date are considered; no provision is made for future new hires.

As of the September 30, 2011, actuarial valuation, the liabilities were computed using the projected unit credit method with a 30-year level dollar amortization of the unfunded actuarial accrued liability. Because the City funds its OPEB on a pay-as-you-go basis, the plan has no assets (investments) used specifically for paying the post-retirement health benefits; therefore, the actuarial assumption utilized a 4.5% discount rate. Actuarial assumptions also included annual healthcare trend rates of 8.5%, initially, reduced by decrements to an ultimate rate of 4.5% after nine years. The UAAL is being amortized as a level dollar amount over thirty years on an open period amortization basis.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides healthcare benefits to eligible employees and eligible dependents. The Federal government outlines certain requirements for this coverage. The premium is paid by the insured either monthly or quarterly at the insured's discretion for the next period's coverage. This program is offered for 18 months after the termination date. There is no associated cost to the City under this program.

17. JOINT VENTURE

During fiscal year 2009, the City of Mexico entered into a joint venture company, the Missouri Plant Science Center, LLC (the Company), to organize the establishment and operation of a facility where basic research, applied research and light and pilot-scale manufacturing, all in agriculture/biotechnology could be developed utilizing plant-based products. The intent is for the Company to promote and provide a facility to incubate the development of new agriculture/ biotechnology business for existing and potentially new companies to further economic development in the central region of the State of Missouri.

The Company is organized and operated as a supporting organization as described in Section 509(a)(3) of the U.S. Tax Code, and the Company is intended to be exempt from federal income taxation under Section 501 (c)(3) of the U.S. Tax Code. The Company's members consist of the City of Mexico, the Curators of the University of Missouri, and the Missouri Technology Corporation. The members entered into an operating agreement in September, 2009 containing various stipulations and terms. A member is only liable to make an initial capital contribution as agreed in the agreement and additional capital contributions as subsequently voted by the members. No member is obligated to pay any distribution to or for the account of the Company or any creditor of the Company. As of September 30, 2010, the City had made its required initial capital contribution, as described in the following paragraph.

In 2009, the City entered a purchase option agreement totaling \$350,000 to convey 70 acres of land adjacent to the facility once construction is completed in 2011. There were no additional developments on the 70 acre purchase or conveyance in fiscal year 2010. In fiscal year 2010, the City of Mexico contributed ten (10) acres of land valued at \$50,000, which provided the land necessary for a construction site of the Missouri Plant Science Center. This investment is recorded as an investment in joint venture on the entity-wide statements.

Compiled financial statement information for the Company may be obtained by writing to Missouri Technology Corporation, 301 West High Street, Suite 680, Jefferson City, MO 65101.

18. BUDGETS AND FUND BALANCES

The Department of Natural Resources Energy Grant Fund and Cunningham Road NID Fund, both governmental funds, have deficits of \$47,736 and \$14,840, respectively, which will be reduced by future grants and NID repayments. The Mid-America Brick NID Fund and DNR Energy Grant Fund, both governmental funds, had expenditures that exceed their budgeted expenditures by \$39,477 and \$9,622, respectively. The Mid-America Brick NID Fund exceeded budget due to certain non-cash items, such as amortization expense, not being budgeted. The DNR Energy Grant Fund exceeded budget due to timing of vendor payments, which were dictated by funding receipts from DNR.

19. SUBSEQUENT EVENT

Prior to fiscal year end 2011, the City of Mexico was working on the purchase of 52.38 acres adjacent to the existing joint venture property known as the Missouri Plant Science Center (as described in Note 17) for purposes of expanding economic growth in the area of plant science research and other bio-technologies. The purchase was contingent on several factors including the availability of State of Missouri grant funds and a purchasing partnership with the County of Audrain.

In October 2011, with confirmation of available grant funds in the amount of at least \$240,000 from the State of Missouri, a commitment of \$40,000 from the County of Audrain, and a matching \$40,000 contribution being made available through City funds, a sales agreement was executed to purchase the 52.38 acres, and the property sale was closed on November 2, 2011. The City of Mexico, under an agreement with the County of Audrain, has an undivided interest of 85% on the property, while the County of Audrain has an undivided interest of 15% on the same.

It is the intent of the City and County to work in partnership in planning the development and recruitment of businesses to locate on the acquired property, and seek State and/or Federal grants to assist with future infrastructure and job creation needs.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MEXICO
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
Year Ended September 30, 2011

	General Fund as reported in Financial Statements	Less Other City Funds Included for Reporting Purposes	General Fund Activity on the City's Budgetary Basis	Original General Fund Budget	Final General Fund Budget	Variance Favorable/ (Unfavorable)
REVENUES:						
Taxes	\$ 4,529,522	\$ -	\$ 4,529,522	\$ 4,367,122	\$ 4,492,435	\$ 37,087
Licenses and permits	152,645	-	152,645	124,300	147,190	5,455
Intergovernmental revenues	202,549	(180,894)	21,655	6,538	24,174	(2,519)
Fines and forfeitures	46,975	-	46,975	41,600	43,410	3,565
Miscellaneous	618,672	(114,080)	504,592	938,766	536,623	(32,031)
Total revenues	<u>5,550,363</u>	<u>(294,974)</u>	<u>5,255,389</u>	<u>5,478,326</u>	<u>5,243,832</u>	<u>11,557</u>
EXPENDITURES:						
General government	1,005,234	-	1,005,234	1,148,021	1,043,988	38,754
Public safety	2,498,895	-	2,498,895	2,968,919	2,534,862	35,967
Streets	820,924	-	820,924	850,820	851,082	30,158
Cemetery	107,284	-	107,284	124,205	119,507	12,223
Economic development	172,721	(35,380)	137,341	162,543	150,295	12,954
Airport	56,044	(56,044)	-	-	-	-
Community development	251,921	(30,064)	221,857	243,518	234,568	12,711
Capital outlay	508,433	(196,432)	312,001	297,257	325,761	13,760
Debt service	118,525	(118,525)	-	-	-	-
Total expenditures	<u>5,539,981</u>	<u>(436,445)</u>	<u>5,103,536</u>	<u>5,795,283</u>	<u>5,260,063</u>	<u>156,527</u>
Excess (deficiency) of revenues over expenditures	<u>10,382</u>	<u>141,471</u>	<u>151,853</u>	<u>(316,957)</u>	<u>(16,231)</u>	<u>168,084</u>
OTHER FINANCING SOURCES:						
Transfers in	279,951	(9,233)	270,718	271,000	270,750	(32)
Transfers (out)	(349,233)	-	(349,233)	(415,000)	(355,000)	5,767
Total other financing sources	<u>(69,282)</u>	<u>(9,233)</u>	<u>(78,515)</u>	<u>(144,000)</u>	<u>(84,250)</u>	<u>5,735</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (58,900)</u>	<u>\$ 132,238</u>	<u>\$ 73,338</u>	<u>\$ (460,957)</u>	<u>\$ (100,481)</u>	<u>\$ 173,819</u>

Note: The Economic Development, Airport, and Community Development Funds are recorded in separate funds for internal reporting and budgeting by the City, but are combined with the City's General Fund for financial reporting purposes as they do not meet the definition of a special revenue fund type. Because this schedule is presented on a budgetary basis, activity for these funds are removed so only General Fund activity remains.

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - PARKS AND RECREATION FUND
Year Ended September 30, 2011**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Taxes	\$ 281,444	\$ 271,548	\$ 278,047	\$ 3,397
Charges for services	46,755	48,200	50,778	(4,023)
Intergovernmental revenues	20,000	2,000	20,000	-
Miscellaneous	14,055	16,500	13,736	319
Total revenues	<u>362,254</u>	<u>338,248</u>	<u>362,561</u>	<u>(307)</u>
EXPENDITURES:				
Parks and recreation	710,020	749,240	754,926	44,906
Capital outlay	<u>65,375</u>	<u>53,300</u>	<u>68,100</u>	<u>2,725</u>
Total expenditures	<u>775,395</u>	<u>802,540</u>	<u>823,026</u>	<u>47,631</u>
Excess (deficiency) of revenues over expenditures	<u>(413,141)</u>	<u>(464,292)</u>	<u>(460,465)</u>	<u>47,324</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>390,000</u>	<u>390,000</u>	<u>390,000</u>	<u>-</u>
Total other financing sources	<u>390,000</u>	<u>390,000</u>	<u>390,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (23,141)</u>	<u>\$ (74,292)</u>	<u>\$ (70,465)</u>	<u>\$ 47,324</u>

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - PUBLIC HEALTH FUND
Year Ended September 30, 2011**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Taxes	\$ 281,444	\$ 271,549	\$ 278,047	\$ 3,397
Miscellaneous	38,462	27,500	36,028	2,434
Total revenues	<u>319,906</u>	<u>299,049</u>	<u>314,075</u>	<u>5,831</u>
EXPENDITURES:				
Public health	<u>294,034</u>	<u>314,407</u>	<u>311,468</u>	<u>17,434</u>
Total expenditures	<u>294,034</u>	<u>314,407</u>	<u>311,468</u>	<u>17,434</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 25,872</u>	<u>\$ (15,358)</u>	<u>\$ 2,607</u>	<u>\$ 23,265</u>

CITY OF MEXICO
BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - MID-AMERICA BRICK NID FUND
Year Ended September 30, 2011

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Taxes	\$ 154,741	\$ 158,609	\$ 154,741	\$ -
Miscellaneous	917	23,898	24,398	(23,481)
Total revenues	<u>155,658</u>	<u>182,507</u>	<u>179,139</u>	<u>(23,481)</u>
EXPENDITURES:				
Community development	87,523	1,244,273	24,148	(63,375)
Debt service	127,888	151,786	151,786	23,898
Total expenditures	<u>215,411</u>	<u>1,396,059</u>	<u>175,934</u>	<u>(39,477)</u>
Excess (deficiency) of revenues over expenditures	<u>(59,753)</u>	<u>(1,213,552)</u>	<u>3,205</u>	<u>(62,958)</u>
OTHER FINANCING (USES):				
Issuance costs related to NID	-	-	(474)	474
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>(474)</u>	<u>474</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (59,753)</u>	<u>\$ (1,213,552)</u>	<u>\$ 2,731</u>	<u>\$ (62,484)</u>

CITY OF MEXICO
BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - COMMUNITY DEVELOPMENT GRANTS FUND
Year Ended September 30, 2011

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Intergovernmental revenues	\$ 2,137,435	\$ 1,906,842	\$ 2,338,204	\$ (200,769)
Total revenues	2,137,435	1,906,842	2,338,204	(200,769)
EXPENDITURES:				
Capital outlay	2,171,993	1,906,842	2,339,204	167,211
Total expenditures	2,171,993	1,906,842	2,339,204	167,211
Excess (deficiency) of revenues over expenditures	(34,558)	-	(1,000)	(33,558)
OTHER FINANCING SOURCES:				
Transfers in	52,000	-	52,000	-
Total other financing sources	52,000	-	52,000	-
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	\$ 17,442	\$ -	\$ 51,000	\$ (33,558)

CITY OF MEXICO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Information

An annual budget prepared under the modified accrual basis of accounting is adopted in September prior to the beginning of each fiscal year for all revenues and expenditures of all governmental funds of the City. The City also prepares annual operating budgets for the enterprise funds; however, there is no requirement to report on these budgets. Therefore, the financial statements include a comparison of budget to actual only for the budgeted governmental funds.

The primary basis of budgetary control is at the fund level. Funds may not legally exceed their total appropriation without City Council approval. A review of the current year's budget is made by the departments within each fund in September of each year and interdepartmental transfers are made with City Council approval. Any remaining unencumbered appropriations lapse at fiscal year end. Any increase in appropriations during the fiscal year must be approved by the City Council. During the current budget year, supplemental budget appropriations were necessary to approve funding for new grant programs, as well as other approved City programs. These changes are reflected in the final budgeted amounts in the accompanying required supplemental information.

A Budgetary Comparison Schedule for the City's General Fund and major special revenues funds are included in the Required Supplementary Information. The budgetary comparison schedules for all other governmental funds are included as supplemental information.

For financial reporting purposes, certain internal City funds (the Economic Development, Airport, and Community Development Funds) are combined with the City's General Fund because they do not meet the definition of a special revenue fund. However, for budget purposes, the City budgets each of those funds separately. Thus, there is a reconciliation between the reported General Fund and the budgeted General Fund.

Excess of Expenditures Over Appropriations

The Department of Natural Resources Energy Grant Fund and Cunningham Road NID Fund, both governmental funds, have deficits of \$47,736 and \$14,840, respectively, which will be reduced by future grants and NID repayments. The Mid-America Brick NID Fund and DNR Energy Grant Fund, both governmental funds, had expenditures that exceed their budgeted expenditures by \$39,477 and \$9,622, respectively. The Mid-America Brick NID Fund exceeded budget due to certain non-cash items, such as amortization expense, not being budgeted. The DNR Energy Grant Fund exceeded budget due to timing of vendor payments, which were dictated by funding receipts from DNR.

CITY OF MEXICO

MODIFIED APPROACH FOR REPORTING INFRASTRUCTURE ASSETS

As permitted by GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, the City of Mexico has adopted the modified approach for reporting its highway system. Under the modified approach, depreciation is not reported and certain preservation and maintenance costs are expensed.

The modified approach requires that the City:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets,
- Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale in order to document that the eligible infrastructure assets are being preserved approximately at (or above) the condition level established and disclosed by the government, and
- Estimate each year the annual amount needed to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.

Although bridges are an integral part of the infrastructure system, the City of Mexico has elected to depreciate bridges. Therefore, they are not reported using the modified approach.

Condition Assessments

The City of Mexico Public Works Department performs and reports yearly condition assessments based on core sampling, written records, updated traffic counts, visual inspection, and data entry into a street condition software program. During fiscal year 2010, the City replaced the LASIS (Larkin Associates Street Information System) software program with PASER (Pavement Surface Evaluation and Rating). PASER operates similar to the LASIS program, but uses a condition index of 1 to 10 rather than 0 to 100. The PASER index allows the additional feature of being applied to GIS and places considerable weight to visual inspections.

PASER, by utilizing visual inspections, identifies different types of pavement distress and links them to a cause, which in turn helps select the appropriate maintenance or rehabilitation technique. Under PASER, all streets are to be re-rated every three years. The City's goal under PASER is to keep the average street condition in the range of 6 to 7, which is a "good" rating and normally requires only routine type maintenance. The average street rating as of this report is 6.3, which is comparable to a low 80s rating under LASIS.

<u>Rating</u>	<u>Condition</u>	<u>Maintenance</u>
1	Failed	Reconstruct
2	Very Poor	Extensive reconstruction
3	Poor	Patching and repair prior to major overlay
4	Fair	Overlay
5	Fair	Sealcoat or thin non-structural overlay
6	Good	Sealcoat
7	Good	Crack filing
8	Very Good	Minor crack filing to no maintenance
9	Excellent	None
10	Excellent (new)	None

Assessed Conditions

For the current year and two prior years, the results of the condition assessments are as follows:

<u>Year</u>	<u>Assessed Condition</u>
2011	6.39
2010	6.3
2009	81

Estimated and Actual Costs for Maintenance

The table below provides a comparison between the City of Mexico's estimate of maintenance expenditures required to maintain the highway system at or above the adopted condition levels and the actual expenditures. Since GASB 34 only became effective in 2004 for Phase III governments, no prior year estimates are available. However, the actual maintenance expenditures are presented for comparison.

<u>Year</u>	<u>Actual Expense</u>	<u>Estimated Expense</u>
2011	\$ 739,987	\$ 817,572
2010	\$ 678,616	\$ 866,294
2009	\$ 621,742	\$ 630,000

Factors Affecting Condition Assessments

Although the City of Mexico has adopted condition levels for the street system, this process is new and represents a different approach to maintaining and monitoring the street system for financial reporting purposes. As time progresses, the City of Mexico hopes to achieve a greater correlation between the estimated and actual maintenance expenditures needed to maintain the street system at or above the adopted condition levels.

In reviewing the condition assessments, it is also necessary to consider the effects of other factors such as increases in traffic, legislative mandates, and environmental effects (rainfall, drought, freeze, thaw, etc.) which may have a major impact on needed funds and the condition of Mexico roads.

CITY OF MEXICO

PENSION PLAN – TREND INFORMATION

September 30, 2011

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded Accrued Liability (UAL)	Fund Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
2/28/2009	\$ 7,991,108	\$ 8,719,954	\$ 728,846	92%	\$ 3,196,632	23%
2/28/2010	7,915,835	9,011,398	1,095,563	88%	3,519,227	31%
2/28/2011	8,593,662	9,737,492	1,143,830	88%	3,270,585	35%

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, contact the LAGERS office in Jefferson City.

SUPPLEMENTARY INFORMATION

CITY OF MEXICO, MISSOURI

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt or capital projects. The following are the City of Mexico's non-major special revenue funds:

Tourism Tax

To account for the City lodging gross receipt tax collections restricted for expenditures for designated tourism promotion activities.

Capital Improvement Sale Tax Fund

To account for City capital improvement sales tax collections restricted for expenditures for designated capital projects.

Department of Natural Resources Energy Grant Fund

To account for American Recovery and Reinvestment Act grants received restricted for disbursements for qualified energy efficiency improvement programs to eligible downtown area businesses and for City owned buildings.

Cunningham Road NID Fund

To account for revenue derived from tax assessments to property owners located within the NID. Assessment revenues can only be used to pay back the City of Mexico for funds it fronted for the reconstruction of Cunningham Road which serves the properties within the NID.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds are used to account for financial resources to be used for the acquisition and construction of capital facilities, other than those financed by proprietary funds and trust funds, and is grouped together by purpose. The City uses subfunds for each construction project in the Capital Projects Funds. The following are the City of Mexico's non-major capital projects funds:

Grants and Other Funds

To account for grants received and disbursed by the City for specified capital projects. In the current year, activity included a Safe Routes to School Grant and various grants received through the Missouri Department of Transportation.

PERMANENT FUND

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery Perpetual Care Permanent Fund

To account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the City Cemetery. City ordinances require that the monies generated from the perpetual care fees be retained in the Cemetery Fund. Cemetery lot sales of \$12,950 and burial permits of \$17,200 for the year were recorded in the General Fund and were used to finance cemetery maintenance costs which are also recorded in the General Fund. The Cemetery Fund contributed \$718 of investment interest and contributions received in the current period to the General Fund to finance maintenance costs.

CITY OF MEXICO
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
September 30, 2011

	Special Revenue Funds					Capital Projects Fund	Permanent Fund	Total
	Tourism Tax Fund	Capital Improvement Sales Tax Fund	Department of Natural Resources Energy Grant Fund	Cunningham Road NID Fund	Grant Funds			
ASSETS								
Cash and cash equivalents	\$ 38,803	\$ 372,155	\$ -	\$ -	\$ 19,349	\$ -	\$ 430,307	
Restricted cash	-	-	-	-	-	166,352	166,352	
Taxes receivable	4,670	112,541	-	-	-	-	117,211	
Intergovernmental receivable	-	-	58,421	-	123,497	-	181,918	
NID receivable	-	-	-	18,415	-	-	18,415	
Other receivables	-	-	-	1,231	-	-	1,231	
TOTAL ASSETS	43,473	484,696	58,421	19,646	142,846	166,352	915,434	
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	-	120,432	32,099	-	99,539	-	252,070	
Accrued liabilities	-	-	-	-	-	-	-	
Interfund payable	-	-	26,323	14,840	30,119	-	71,282	
Deferred revenue	-	-	47,735	19,646	-	-	67,381	
Total Liabilities	-	120,432	106,157	34,486	129,658	-	390,733	
FUND BALANCES								
Nonexpendable - perpetual care	-	-	-	-	-	166,352	166,352	
Restricted to:								
Capital improvements	-	364,264	-	-	-	-	364,264	
Parks and recreation	-	-	-	-	-	-	-	
Public health	-	-	-	-	-	-	-	
Community development	-	-	-	-	-	-	-	
Tourism	43,473	-	-	-	13,188	-	43,473	
Grant activity	-	-	-	-	-	-	13,188	
Debt service	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	
Unassigned	-	-	(47,736)	(14,840)	-	-	(62,576)	
Total Fund Balances	43,473	364,264	(47,736)	(14,840)	13,188	166,352	524,701	
TOTAL LIABILITIES AND FUND BALANCES	\$ 43,473	\$ 484,696	\$ 58,421	\$ 19,646	\$ 142,846	\$ 166,352	\$ 915,434	

CITY OF MEXICO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS

Year Ended September 30, 2011

	Special Revenue Funds				Capital Projects Fund	Permanent Fund	Total
	Tourism Tax Fund	Capital Improvement Sales Tax Fund	Department of Natural Resources Energy Grant Fund	Cunningham Road NID Fund			
REVENUES:							
Taxes							
Property	\$ -	\$ -	\$ -	\$ 34,259	\$ -	\$ -	\$ 34,259
Sales	44,827	764,000	-	-	-	-	808,827
Intergovernmental revenues	-	-	39,925	-	165,263	-	205,188
Miscellaneous	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-
Interest	-	2,233	-	-	-	718	2,951
Other	-	3,036	-	26,024	-	-	29,060
TOTAL REVENUES	44,827	769,269	39,925	60,283	165,263	718	1,080,285
EXPENDITURES:							
Current:							
Economic development	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-
Community development	26,043	-	57,661	948	171,426	-	256,078
Capital outlay	-	404,292	-	104,175	19,875	-	528,342
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	26,043	404,292	57,661	105,123	191,301	-	784,420
Excess (deficiency) of revenues over expenditures	18,784	364,977	(17,736)	(44,840)	(26,038)	718	295,865
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	30,000	20,000	-	50,000
Transfers (out)	-	(422,000)	-	-	-	(718)	(422,718)
Total other financing sources (uses)	-	(422,000)	-	30,000	20,000	(718)	(372,718)
Net change in fund balances	18,784	(57,023)	(17,736)	(14,840)	(6,038)	-	(76,853)
Fund balances, October 1	24,689	421,287	(30,000)	-	19,226	166,352	601,554
FUND BALANCES, SEPTEMBER 30	\$ 43,473	\$ 364,264	\$ (47,736)	\$ (14,840)	\$ 13,188	\$ 166,352	\$ 524,701

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - TOURISM TAX FUND
Year Ended September 30, 2011**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Taxes	\$ 44,827	\$ 40,000	\$ 45,100	\$ (273)
Total revenues	44,827	40,000	45,100	(273)
EXPENDITURES:				
Community development	26,043	40,000	32,573	6,530
Total expenditures	26,043	40,000	32,573	6,530
Excess (deficiency) of revenues over expenditures	18,784	-	12,527	6,257
Excess (deficiency) of revenues over expenditures	<u>\$ 18,784</u>	<u>\$ -</u>	<u>\$ 12,527</u>	<u>\$ 6,257</u>

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - CAPITAL IMPROVEMENT SALES TAX FUND
Year Ended September 30, 2011**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Taxes	\$ 764,000	744,512	752,264	\$ 11,736
Miscellaneous	5,269	4,986	5,231	38
Total revenues	<u>769,269</u>	<u>749,498</u>	<u>757,495</u>	<u>11,774</u>
EXPENDITURES:				
Capital outlay	404,292	406,700	497,775	93,483
Total expenditures	<u>404,292</u>	<u>406,700</u>	<u>497,775</u>	<u>93,483</u>
Excess (deficiency) of revenues over expenditures	<u>364,977</u>	<u>342,798</u>	<u>259,720</u>	<u>105,257</u>
OTHER FINANCING USES:				
Transfers (out)	(422,000)	(350,000)	(422,000)	-
Total other financing (uses)	<u>(422,000)</u>	<u>(350,000)</u>	<u>(422,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (57,023)</u>	<u>\$ (7,202)</u>	<u>\$ (162,280)</u>	<u>\$ 105,257</u>

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - DEPARTMENT OF NATURAL RESOURCES
ENERGY GRANT FUND
Year Ended September 30, 2011**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Intergovernmental revenues	\$ 39,925	\$ 410,770	\$ 78,039	\$ (38,114)
Total revenues	39,925	410,770	78,039	(38,114)
EXPENDITURES:				
Community development	57,661	410,770	48,039	(9,622)
Total expenditures	57,661	410,770	48,039	(9,622)
Excess (deficiency) of revenues over expenditures	(17,736)	-	30,000	(47,736)
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	\$ (17,736)	\$ -	\$ 30,000	\$ (47,736)

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - CUNNINGHAM ROAD NID FUND
Year Ended September 30, 2011**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Taxes	\$ 34,259	\$ -	\$ 35,490	\$ (1,231)
Miscellaneous	26,024	30,000	26,024	-
Total revenues	<u>60,283</u>	<u>30,000</u>	<u>61,514</u>	<u>(1,231)</u>
EXPENDITURES:				
Community development	948	-	1,350	402
Capital outlay	104,175	120,000	104,175	-
Total expenditures	<u>105,123</u>	<u>120,000</u>	<u>105,525</u>	<u>402</u>
Excess (deficiency) of revenues over expenditures	<u>(44,840)</u>	<u>(90,000)</u>	<u>(44,011)</u>	<u>(829)</u>
OTHER FINANCING SOURCES:				
Transfers in	30,000	30,000	30,000	-
Total other financing sources	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (14,840)</u>	<u>\$ (60,000)</u>	<u>\$ (14,011)</u>	<u>\$ (829)</u>

CITY OF MEXICO
BUDGETARY COMPARISON SCHEDULE -
AIRPORT FUND
Year Ended September 30, 2011

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Intergovernmental revenues	\$ 180,894	\$ 97,016	\$ 235,761	\$ (54,867)
Miscellaneous	24,191	25,220	24,289	(98)
Total revenues	<u>205,085</u>	<u>122,236</u>	<u>260,050</u>	<u>(54,965)</u>
EXPENDITURES:				
Airport	56,044	58,650	61,120	5,076
Capital outlay	163,272	154,122	276,226	112,954
Total expenditures	<u>219,316</u>	<u>212,772</u>	<u>337,346</u>	<u>118,030</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (14,231)</u>	<u>\$ (90,536)</u>	<u>\$ (77,296)</u>	<u>\$ 63,065</u>

Note: The Airport Fund is recorded in a separate fund for internal reporting and budgeting by the City, but is combined with the City's General Fund for financial reporting purposes as it does not meet the definition of a special revenue fund type. Because this schedule is presented on a budgetary basis, activity for the Airport Fund is shown separately.

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
COMMUNITY DEVELOPMENT FUND
Year Ended September 30, 2011**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Miscellaneous	\$ -	\$ 7,500	\$ -	\$ -
Total revenues	<u>-</u>	<u>7,500</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Community development	30,064	72,000	34,770	4,706
Capital outlay	-	15,000	0	-
Debt service	11,663	12,724	12,724	1,061
Total expenditures	<u>41,727</u>	<u>99,724</u>	<u>47,494</u>	<u>5,767</u>
Excess (deficiency) of revenues over expenditures	<u>(41,727)</u>	<u>(92,224)</u>	<u>(47,494)</u>	<u>5,767</u>
OTHER FINANCING SOURCES:				
Transfers in	<u>9,233</u>	<u>75,000</u>	<u>15,000</u>	<u>(5,767)</u>
Total other financing sources	<u>9,233</u>	<u>75,000</u>	<u>15,000</u>	<u>(5,767)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (32,494)</u>	<u>\$ (17,224)</u>	<u>\$ (32,494)</u>	<u>\$ -</u>

Note: The Community Development Fund is recorded in a separate fund for internal reporting and budgeting by the City, but is combined with the City's General Fund for financial reporting purposes as it does not meet the definition of a special revenue fund type. Because this schedule is presented on a budgetary basis, activity for the Airport Fund is shown separately.

CITY OF MEXICO
BUDGETARY COMPARISON SCHEDULE -
ECONOMIC DEVELOPMENT FUND
Year Ended September 30, 2011

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Miscellaneous	\$ 89,889	\$ 138,097	\$ 88,003	\$ 1,886
Total revenues	<u>89,889</u>	<u>138,097</u>	<u>88,003</u>	<u>1,886</u>
EXPENDITURES:				
Economic development	35,380	110,671	73,162	37,782
Capital outlay	33,160	5,000	40,000	6,840
Debt service	106,862	106,861	106,861	(1)
Total expenditures	<u>175,402</u>	<u>222,532</u>	<u>220,023</u>	<u>44,621</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (85,513)</u>	<u>\$ (84,435)</u>	<u>\$ (132,020)</u>	<u>\$ 46,507</u>

Note: The Economic Development Fund is recorded in a separate fund for internal reporting and budgeting by the City, but is combined with the City's General Fund for financial reporting purposes as it does not meet the definition of a special revenue fund type. Because this schedule is presented on a budgetary basis, activity for the Airport Fund is shown separately.

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
CAPITAL PROJECTS - GRANTS AND OTHER FUNDS
Year Ended September 30, 2011**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Intergovernmental revenues	\$ 165,263	\$ 900,000	\$ 620,000	\$ (454,737)
Total revenues	<u>165,263</u>	<u>900,000</u>	<u>620,000</u>	<u>(454,737)</u>
EXPENDITURES:				
Community development	171,426	902,000	620,000	448,574
Capital outlay	19,875	-	21,058	1,183
Total expenditures	<u>191,301</u>	<u>902,000</u>	<u>641,058</u>	<u>449,757</u>
Excess (deficiency) of revenues over expenditures	<u>(26,038)</u>	<u>(2,000)</u>	<u>(21,058)</u>	<u>(4,980)</u>
OTHER FINANCING SOURCES:				
Transfers in	20,000	-	20,000	-
Total other financing sources	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (6,038)</u>	<u>\$ (2,000)</u>	<u>\$ (1,058)</u>	<u>\$ (4,980)</u>

CITY OF MEXICO

**BUDGETARY COMPARISON SCHEDULE -
PERMANENT - CEMETERY PERPETUAL CARE FUND
Year Ended September 30, 2011**

	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
REVENUES:				
Miscellaneous	\$ 718	\$ 1,000	\$ 750	\$ (32)
Total revenues	<u>718</u>	<u>1,000</u>	<u>750</u>	<u>(32)</u>
OTHER FINANCING USES:				
Transfers (out)	<u>(718)</u>	<u>(1,000)</u>	<u>(750)</u>	<u>32</u>
Total other financing (uses)	<u>(718)</u>	<u>(1,000)</u>	<u>(750)</u>	<u>32</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATISTICAL SECTION (Unaudited)

Statistical Section

This part of the City of Mexico's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time. (schedules 1 through 4)</i>	1 - 6
Revenue Capacity <i>These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes. (schedules 5 through 11)</i>	7 - 13
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future. (schedules 12 through 16)</i>	14 - 18
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments. (schedules 17 through 18)</i>	19 - 20
Operating Information <i>These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs. (schedule 19 through 21)</i>	21 - 23

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.*

Schedule 1
City of Mexico Statistical
Net Assets by Component
Last Seven Fiscal Years
(accrual basis of accounting)

	FISCAL YEAR							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities								
Invested in capital assets, net of related debt	\$36,634,261	\$37,893,947	\$40,051,333	\$40,222,312	\$40,306,835	\$40,400,657	\$40,527,934	\$41,259,862
Restricted	467,423	494,454	372,656	362,367	431,253	411,321	805,641	2,147,275
Unrestricted	1,485,969	1,149,140	1,487,151	2,401,214	2,991,706	3,216,020	4,827,108	3,133,843
Total governmental activities net assets	<u>38,587,653</u>	<u>39,537,541</u>	<u>41,911,140</u>	<u>42,985,893</u>	<u>43,729,794</u>	<u>44,027,998</u>	<u>46,160,683</u>	<u>46,540,990</u>
Business-type activities								
Invested in capital assets, net of related debt	8,776,302	8,783,227	8,965,499	9,083,219	9,083,219	8,828,500	8,031,312	7,650,738
Restricted	-	-	-	-	-	25,383	510,874	1,198,157
Unrestricted	310,437	528,992	714,198	1,038,199	1,035,895	716,251	1,108,212	1,475,155
Total business-type activities net assets	<u>9,086,739</u>	<u>9,312,219</u>	<u>9,679,697</u>	<u>10,121,408</u>	<u>10,119,114</u>	<u>9,570,134</u>	<u>9,650,398</u>	<u>10,324,050</u>
Primary government								
Invested in capital assets, net of related debt	45,410,563	46,677,174	49,016,832	49,305,531	49,390,054	49,229,157	48,559,246	48,910,600
Restricted	467,423	494,454	372,656	362,367	431,253	436,704	1,316,515	3,345,432
Unrestricted	1,796,406	1,678,132	2,201,349	3,439,403	4,027,601	3,932,271	5,935,320	4,608,998
Total primary government net assets	<u>\$47,674,392</u>	<u>\$48,849,760</u>	<u>\$51,590,837</u>	<u>\$53,107,301</u>	<u>\$53,848,908</u>	<u>\$53,598,132</u>	<u>\$55,811,081</u>	<u>\$56,865,030</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year ending September 2004.

Schedule 2
City of Mexico Statistical
Changes in Net Assets, Last Seven Fiscal Years
(accrual basis of accounting)

	FISCAL YEAR							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental activities:								
General Government	\$1,182,563	\$1,271,804	\$1,142,529	\$1,198,109	\$1,076,185	\$1,187,124	\$1,172,615	\$1,153,299
Public Safety	2,044,546	2,126,942	2,334,216	2,411,185	2,499,074	2,635,278	2,781,807	2,588,564
Streets	772,977	518,376	942,616	1,084,270	1,202,872	1,124,209	1,158,808	1,298,659
Cemeteries	69,415	76,220	86,997	64,100	101,259	104,053	111,844	93,901
Parks and recreation	550,639	539,874	619,299	772,521	738,024	787,951	842,499	883,698
Public Health	243,211	237,757	258,891	264,344	322,190	328,804	390,387	312,670
Economic Development	153,267	520,174	213,753	256,284	396,448	295,034	238,929	246,301
Airport	87,571	32,658	130,388	136,487	126,166	119,922	117,739	120,473
Community Development	698,511	2,659,678	1,018,615	2,267,577	395,961	404,435	4,496,926	2,464,877
Interest on long-term debt	133,302	93,236	101,668	104,925	232,160	63,983	50,820	110,743
Loss on sale of capital assets	-	-	-	104,925	42,011	63,983	52,128	-
Total governmental activities expenses	<u>5,936,002</u>	<u>8,076,719</u>	<u>6,848,972</u>	<u>8,559,802</u>	<u>7,132,350</u>	<u>7,066,450</u>	<u>11,414,502</u>	<u>9,273,185</u>
Business-type activities:								
Wastewater Utility	985,127	939,278	903,561	968,139	1,248,086	1,692,600	1,571,695	1,571,278
Sanitation	393,570	393,360	413,830	397,429	445,968	451,564	473,264	494,957
MAAIN	1,987	-	-	-	-	-	-	-
Total business-type activities expenses	<u>1,380,684</u>	<u>1,332,638</u>	<u>1,317,391.00</u>	<u>1,365,568</u>	<u>1,694,054</u>	<u>2,144,484</u>	<u>2,044,959</u>	<u>2,066,235</u>
Total primary government expenses	<u>\$7,316,686</u>	<u>\$9,409,357</u>	<u>\$8,166,363</u>	<u>\$9,925,370</u>	<u>\$8,826,404</u>	<u>9,210,614</u>	<u>13,459,461</u>	<u>11,339,420</u>
Program Revenues								
Governmental activities:								
Charges for Services:								
General	\$146,710	\$145,095	\$154,490	\$138,514	\$156,405	\$114,322	\$132,660	\$152,645
Public Safety	403,334	366,087	435,456	466,165	472,741	493,238	515,245	164,697
Parks and recreation	52,351	42,551	40,273	42,886	40,217	39,652	47,615	46,755
Economic Development	173,676	220,165	226,007	230,069	152,630	130,964	29,113	65,252
Airport	23,956	24,428	22,253	23,050	22,140	22,490	22,800	21,513
Operating grants and contributions	454,510	1,715,633	32,176	330,105	90,754	2,663	683	20,000
Capital grants and contributions	510,678	2,288,213	2,652,789	2,097,620	395,158	198,330	6,483,395	3,132,982
Total governmental activities program revenues	<u>1,765,215</u>	<u>4,802,172</u>	<u>3,563,444</u>	<u>3,328,409</u>	<u>1,330,045</u>	<u>1,001,659</u>	<u>7,231,511</u>	<u>3,603,844</u>
Business-type activities:								
Charges for services:								
Wastewater Utility	982,547	1,089,206	1,049,665	1,153,744	1,092,773	1,082,665	1,573,091	2,033,713
Sanitation	464,753	430,084	421,947	443,060	466,907	489,656	509,198	530,885
Capital grants and contributions	-	-	145,113	42,354	76,501	-	-	-
Total business-type activities program revenues	<u>1,447,300</u>	<u>1,519,290</u>	<u>1,616,725</u>	<u>1,639,158</u>	<u>1,638,181</u>	<u>1,572,321</u>	<u>2,082,289</u>	<u>2,564,598</u>
Total primary government program revenues	<u>\$3,212,515</u>	<u>\$6,321,462</u>	<u>\$5,180,169</u>	<u>\$4,967,567</u>	<u>\$2,968,226</u>	<u>\$2,573,980</u>	<u>\$9,313,800</u>	<u>\$6,168,442</u>

FISCAL YEAR

	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense)/Revenue								
Governmental activities	(4,170,787)	(3,274,547)	(3,285,528)	(5,230,466)	(5,802,305)	(6,064,791)	(4,182,991)	(5,669,341)
Business-type activities	96,616	186,652	299,334	273,590	(55,873)	(571,843)	37,330	498,363
Total primary government net expense	<u>(\$4,104,171)</u>	<u>(\$3,087,895)</u>	<u>(\$2,986,194)</u>	<u>(\$4,956,876)</u>	<u>(\$5,858,178)</u>	<u>(\$6,636,634)</u>	<u>(\$4,145,661)</u>	<u>(\$5,170,978)</u>
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes	\$4,608,414	\$4,899,869						
Property Taxes		\$974,322		\$999,767	\$1,061,739	\$1,141,463	\$1,149,805	\$1,252,559
Sales Taxes		2,916,774		3,017,837	3,020,303	2,918,807	2,866,397	2,913,731
Franchise Taxes		1,271,386		1,444,128	2,007,059	1,965,108	1,773,704	1,847,093
Intergovernmental Revenues	961,604	44,148	21,559	9,058	5,038	5,000	-	-
Miscellaneous Income	226,114	293,375	387,137	219,212	364,195	311,609	517,974	432,392
Gain on Sale of Capital Assets	-	-	-	580,285	-	-	-	-
Investment earnings	16,589	39,694	87,949	148,461	87,875	21,008	17,392	16,541
Contributions to Others	-	-	-	-	-	-	-	(242,173)
Net transfers (out) in from other funds	-	-	-	(110,602)	-	-	(9,596)	(170,504)
Total governmental activities	<u>1,204,307</u>	<u>377,217</u>	<u>5,659,127</u>	<u>1,844,181</u>	<u>6,546,209</u>	<u>6,362,995</u>	<u>6,315,676</u>	<u>6,049,639</u>
Business-type activities:								
Change in landfill P/L estimate	13,000	13,000		-	-	-	-	-
Miscellaneous Income	23,791	15,897	3,612	2,773	15,450	15,363	22,300	3,887
Investment earnings	13,911	22,931	51,532	54,746	38,127	7,500	11,038	153,534
Contributions to Others	-	-	-	-	-	-	-	(152,636)
Net transfers (out) in from other funds	-	-	-	110,602	-	-	9,596	170,504
Total business-type activities	<u>50,702</u>	<u>38,828</u>	<u>68,144</u>	<u>168,121</u>	<u>53,577</u>	<u>22,863</u>	<u>42,934</u>	<u>175,289</u>
Total primary government	<u>\$1,255,009</u>	<u>\$416,045</u>	<u>\$5,727,271</u>	<u>\$2,012,302</u>	<u>\$6,599,786</u>	<u>\$6,385,858</u>	<u>\$6,358,610</u>	<u>\$6,224,928</u>
Change in Net Assets								
Governmental activities	\$1,641,934	\$2,002,539	\$2,373,599	\$1,074,753	\$743,904	\$298,204	\$2,132,685	\$380,298
Business-type activities	117,318	225,480	367,478	441,711	(2,296)	(548,980)	80,264	673,652
Total primary government	<u>\$1,759,252</u>	<u>\$2,228,019</u>	<u>\$2,741,077</u>	<u>\$1,516,464</u>	<u>\$741,608</u>	<u>(\$250,776)</u>	<u>\$2,212,949</u>	<u>\$1,053,950</u>

Notes: The city began to report accrual information when it implemented GASB 34 in fiscal year ending September 30, 2004.

Schedule 3
City of Statistical
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	FISCAL YEAR									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	831,937	665,276	951,625	1,003,552	1,070,357	1,406,458	2,115,543	2,117,852	2,773,700	3,016,025
Unassigned										
Total general fund	\$831,937	\$665,276	\$951,625	\$1,003,552	\$1,070,357	\$1,406,458	\$2,115,543	\$2,117,852	\$2,773,700	\$3,016,025
All Other Governmental Funds										
Reserved	187,174	174,334	301,071	328,102	372,656	362,367	431,253	411,321	805,641	-
Unreserved, reported in:										
Special revenue funds	857,123	831,006	677,833	519,228	670,989	1,250,733	1,024,916	898,168	1,808,999	-
Capital projects funds	(1,755)	62,959	-	225,373	50,142	(138,703)	(23,002)	(22,614)	19,226	-
Nonspendable										
Prepays	-	-	-	-	-	-	-	-	-	1,187,025
Perpetual Care	-	-	-	-	-	-	-	-	-	166,352
Restricted For:										
Capital Improvements	-	-	-	-	-	-	-	-	-	364,264
Public Health	-	-	-	-	-	-	-	-	-	158,567
Community Development	-	-	-	-	-	-	-	-	-	13,051
Tourism	-	-	-	-	-	-	-	-	-	43,473
Grant Activity	-	-	-	-	-	-	-	-	-	13,188
Debt Service	-	-	-	-	-	-	-	-	-	201,355
Assigned	-	-	-	-	-	-	-	-	-	131,509
Parks & Recreation	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	(62,576)
Non-major Fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$1,042,542	\$1,068,299	\$978,904	\$1,072,703	\$1,093,787	\$1,474,397	\$1,433,167	\$1,286,875	\$2,633,866	\$2,216,208

Note: GASB 34 implemented - Fiscal year ending September 30, 2004
GASB 54 implemented - Fiscal year ending September 30, 2011

Schedule 4
City of Mexico Statistical
Changes in fund balances, Governmental Funds,
Last Ten Fiscal Years
 (modified accrual basis of accounting)

FISCAL YEAR

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$4,695,213	\$4,621,386	\$4,602,134	\$4,899,869	\$974,322	\$999,767	\$1,061,739	\$1,141,463	\$1,149,805	\$1,329,413
Property					2,916,774	3,017,837	3,020,303	2,918,807	2,866,397	2,913,731
Sales					1,271,386	1,444,128	2,007,059	1,695,918	2,042,894	1,847,093
Franchise					154,490	138,514	156,405	114,322	132,660	152,645
Licenses, fees, and permits	117,313	134,061	146,710	145,095	44,268	44,151	43,594	47,916	44,234	46,975
Fines and penalties	57,282	46,386	60,065	49,979	40,273	42,886	40,217	39,652	47,615	46,755
Charges for services	41,188	49,124	52,351	42,551	1,020,223	2,265,656	457,901	129,934	4,481,243	2,565,172
Intergovernmental	811,827	1,477,569	1,926,792	3,603,338	87,949	146,462	87,875	21,008	17,392	16,541
Investment earnings	-	-	6,589	39,694	1,006,309	954,928	1,014,536	835,300	1,070,840	687,576
Other revenues	781,874	883,306	789,171	1,311,686						
Total revenues	\$6,504,697	\$7,211,832	\$7,583,812	\$10,092,212	\$7,515,994	\$9,054,329	\$7,889,629	\$6,944,320	\$11,853,080	\$9,605,901
Expenditures										
General government	\$842,848	\$793,169	\$826,088	\$783,997	\$819,426	\$844,913	\$930,061	\$951,126	\$1,001,272	\$1,005,234
Public Safety	1,862,476	1,895,863	2,016,956	2,147,788	2,298,277	2,374,666	2,478,127	2,635,278	2,674,804	2,498,895
Streets	674,857	662,016	652,687	683,715	704,252	751,972	749,858	760,172	784,612	820,924
Cemetery	70,819	65,685	69,431	75,907	92,887	93,052	97,975	104,053	106,433	107,284
Parks and recreation	475,600	406,212	439,913	460,001	472,927	479,490	585,016	630,228	689,277	710,020
Public Health	249,832	243,261	239,813	260,089	252,129	256,934	313,372	320,376	382,935	294,034
Economic Development	95,283	366,147	73,894	468,658	159,535	184,433	341,478	232,719	181,872	172,721
Airport	49,323	59,093	53,148	54,815	56,703	91,254	98,859	64,012	46,644	56,044
Community Development	329,651	1,186,857	647,801	1,609,441	275,375	1,955,556	311,664	353,337	708,979	595,522
Capital outlay	3,028,234	1,304,862	1,547,551	2,873,967	2,119,982	1,912,280	1,022,768	877,114	4,983,478	3,274,143
*Debt service										
Principal	225,311	430,055	1,271,359	310,864	241,009	72,170	216,327	95,368	87,209	135,670
Interest	124,087	167,289	138,697	97,551	101,955	105,053	97,939	64,520	50,820	110,743
Total expenditures	\$8,028,321	\$7,580,509	\$7,977,338	\$9,826,793	\$7,594,457	\$9,121,773	\$7,243,444	\$7,088,303	\$11,698,335	\$9,781,234
Excess of revenues over (under) expenditures	(\$1,523,624)	(\$368,677)	(\$393,526)	\$265,419	(\$78,463)	(\$67,444)	\$646,185	(\$143,983)	\$154,745	(\$175,333)

Other Financing Sources(uses)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Lease Proceeds	1,025,000	225,000	299,000	-	-	-	-	-	-	-
NID proceeds	-	-	-	-	-	-	-	-	1,916,259	-
Proceeds from sale of capital assets	-	-	-	-	-	894,758	22,600	-	-	-
Issuance costs	-	-	-	-	-	-	-	-	(68,164)	-
Transfers in	1,483,256	1,471,112	1,538,581	1,821,533	2,580,145	2,401,532	2,099,106	2,056,372	1,899,165	771,951
Transfers out	(1,476,516)	(1,468,338)	(1,550,737)	(1,821,533)	(2,580,145)	(2,512,134)	(2,099,106)	(2,056,372)	(1,899,165)	(771,951)
Total other financing sources (uses)	1,031,740	227,774	286,844	-	-	784,156	22,600	-	1,848,095	-
Net change in fund balances	(\$491,884)	(\$140,903)	(\$106,682)	\$265,419	(\$78,463)	\$716,712	\$668,785	(\$143,983)	\$2,002,840	(\$175,333)

Debt service as a percentage of noncapital expenditures	6.99%	9.52%	20.66%	5.46%	6.56%	2.17%	4.70%	2.44%	2.10%	3.93%
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Note: GASB 34 implemented-Fiscal Year ending september 30, 2004
 *Debt Service separated into Principal and Interest beginning fiscal year 2004.

GASB 54 implemented-Fiscal Year ending September 30, 2011

Schedule 5
City of Mexico Statistical
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Tax Year	Total Tax Levy (1)	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
			Amount	Percent of Levy		Amount	Percentage of Levy
2002	2001	867,589	844,708	97.36%	22,651	867,359	99.97%
2003	2002	878,360	862,505	98.19%	20,138	882,643	100.49%
2004	2003	875,470	843,462	96.34%	21,546	865,008	98.80%
2005	2004	880,944	797,824	90.06%	21,216	819,040	92.98%
2006	2005	894,242	854,065	95.51%	13,157	867,222	96.98%
2007	2006	921,879	898,719	97.49%	22,671	921,390	99.95%
2008	2007	1,024,770	989,460	96.56%	32,746	1,022,206	99.75%
2009	2008	1,094,182	1,070,854	97.90%	23,320	1,094,174	99.99%
2010	2009	1,103,048	1,041,675	94.44%	42,166	1,083,841	98.25%
2011	2010	1,099,901	1,073,156	97.56%	-	1,073,156	97.56%

NOTES:

(1) Based on the valuation of real and personal property and railroad and utilities as reflected on Schedule 6.

Audrain County bills and collects real and personal property taxes on behalf of the city of Mexico for a fee of 2.5% on taxes collected.

Schedule 6
City of Mexico Numerical
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Residential Property	Agricultural Property	Commercial Property	Personal Property	RxR & Utility	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value	
2002	\$49,102,512	\$93,670	\$27,743,057	\$36,914,135	\$4,994,401	\$118,847,775	\$0.73	\$472,151,905		25.17%
2003	\$51,147,292	\$96,034	\$29,647,496	\$29,906,738	\$4,995,585	\$115,793,145	\$0.75	\$467,864,355		24.75%
2004	\$51,685,226	\$94,657	\$30,317,056	\$27,626,537	\$4,702,123	\$114,425,599	\$0.77	\$465,025,240		24.61%
2005	\$52,282,590	\$93,060	\$27,714,020	\$25,223,491	\$4,873,757	\$110,186,918	\$0.80	\$453,343,804		24.31%
2006	\$53,965,032	\$91,520	\$26,708,336	\$27,311,460	\$5,119,013	\$113,195,361	\$0.79	\$466,068,184		24.29%
2007	\$54,546,632	\$95,732	\$28,111,286	\$28,740,193	\$5,199,776	\$116,693,619	\$0.79	\$478,167,698		24.40%
2008	\$60,895,384	\$97,526	\$29,548,090	\$35,682,655	\$5,308,821	\$131,532,476	\$0.78	\$537,271,302		24.48%
2009	\$61,623,740	\$95,390	\$30,997,568	\$42,244,718	\$5,480,305	\$140,441,721	\$0.78	\$565,984,758		24.81%
2010	\$58,923,010	\$96,120	\$33,933,018	\$37,520,198	\$5,605,611	\$136,077,957	\$0.81	\$546,469,713		24.90%
2011	\$59,044,090	\$99,770	\$33,640,710	\$36,273,684	\$5,948,668	\$135,006,922	\$0.81	\$544,094,637		24.81%

Source: Audrain County Board of Equalization and Assessment, and the City of Mexico.
Supplemental Information for Table 5; Total Tax Column (1).

Notes: Property in Audrain county is reassessed by the county once every three (3) years on average.
Tax rates are per \$100 of assessed value. The county assesses property at: Commercial 32 percent
Personal 33.3 percent, Residential 19 percent, and Agricultural 12 percent of actual value.

Schedule 7
City of Statistical
Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Fiscal Year	City Direct Rates					Overlapping Rates					State	Total
	General Fund	General Obligation Debt Service	Special Revenue Funds		Total Direct Rate	Mexico						
			Parks & Public Hlth	Redevelopment Program		Mexico School District	Audrain County General	Audrain County Special	Mexico Ambulance District			
2002	0.37	0.00	0.36	\$0.00	0.73	3.25	0.13	0.86	-	0.03	5.00	
2003	0.38	0.00	0.37	\$0.00	0.75	3.25	0.13	0.86	-	0.03	5.02	
2004	0.39	0.00	0.38	\$0.00	0.77	3.30	0.13	0.94	-	0.03	5.17	
2005	0.41	0.00	0.39	\$0.00	0.80	3.30	0.13	0.94	-	0.03	5.20	
2006	0.40	0.00	0.39	\$0.00	0.79	3.30	0.13	0.95	-	0.03	5.20	
2007	0.40	0.00	0.39	\$0.00	0.79	3.36	0.16	0.89	-	0.03	5.23	
2008	0.39	0.00	0.39	\$0.00	0.78	3.36	0.16	0.89	-	0.03	5.23	
2009	0.39	0.00	0.39	\$0.00	0.78	3.40	0.02	0.88	.30	0.03	5.58	
2010	0.41	0.00	0.40	\$0.00	0.81	3.55	0.21	0.90	.30	0.03	5.80	
2011	0.41	0.00	0.40	\$0.00	0.81	3.62	0.22	0.90	.30	0.03	5.88	

Source: Audrain County Board of Equalization and Assessment.

Notes: The city's basic tax rate may be increased only by a majority vote of the city's residents. City rates are reviewed annually for compliance to Missouri Statutes by the State Auditors office. Rates for debt service are set based on the year's payment obligation. Overlapping rates are those of local and county governments that apply to property owners with the City of Statistical. State rate is disclosed for purpose of disclosing total rate assessed to residents of city.

Schedule 8
City of Mexico
Principal Property Tax Payers,
Current Year and Ten Years Ago

Taxpayer	Fiscal Year 2011			Fiscal Year 2002		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Spartan Light Metals	\$6,140,414	1	4.53%	1,804,786	6	1.50%
Archer Daniels Midland	3,186,320	2	2.35%	1,811,864	5	1.51%
Walmart	2,803,663	3	2.07%	835,076	11	0.70%
Mo Cities Water Co.	2,710,012	4	2.00%	2,116,810	4	1.76%
Dawn	1,968,468	5	1.45%	2,420,608	3	2.02%
Mexwest LLC	1,244,380	6	0.92%	560,310	16	0.47%
Biocraft/Teva	1,126,918	7	0.83%	1,188,994	9	0.99%
Three T Partnership	955,808	8	0.70%	674,880	13	0.56%
Cerro Copper	941,280	9	0.69%	1,064,704	10	0.89%
Consolidated Electric	697,481	10	0.51%	566,438	15	0.47%
A.P. Green	-	-	-	6,016,434	1	5.01%
Nexans	-	-	-	5,986,673	2	4.99%
Westlake Hardware	-	-	-	1,357,681	7	1.13%
Golden Corral	-	-	-	1,201,015	8	1.00%
Total	\$21,774,744		16.05%	\$27,606,273		23.00%

Source: Audrain County Assessor's Office.

Schedule 9
City of Mexico
Taxable Sales by Category
(in thousand of dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Communication	\$ 4,530	\$ 3,982	\$ 5,465	\$ 5,205	\$ 5,380	\$ 5,958	\$ 6,461	\$ 6,789	\$ 6,941	\$ 7,170
Wholesale Trade	1,114	1,141	1,046	1,424	1,561	1,556	790	1,437	1,218	1,342
Building Materials	-	-	-	-	2,365	813	-	4,138	3,894	4,879
Variety Stores	54	62	207	1,367	623	859	3,060	-	908	801
Food Stores	21,176	20,546	19,774	20,219	14,994	14,599	16,503	16,873	11,543	11,551
Automotive Store & Service Stations	5,844	5,463	5,355	2,603	3,105	3,347	3,358	3,668	3,663	4,042
Furniture and Home Furnishings	1,780	1,976	2,014	2,718	4,040	3,924	4,266	4,404	3,152	3,653
Eating and Drinking	10,656	10,133	9,863	10,368	11,632	11,772	12,268	12,742	12,359	12,862
Miscellaneous Retail	38,636	15,498	13,157	13,139	15,133	10,228	11,633	9,868	8,182	7,272
Miscellaneous Business Services	281	473	410	374	769	2,166	2,562	2,995	1,632	1,660
Automotive Repair Services	1,032	837	859	1,129	1,941	1,839	2,092	2,075	1,816	1,826
Miscellaneous Services	2,580	3,083	1,584	1,655	1,863	2,343	1,518	1,623	1,748	1,591
All other outlets	43,955	64,878	67,486	70,896	84,362	97,084	98,920	95,802	95,674	97,607
Total	\$ 131,638	\$ 128,072	\$ 127,220	\$ 131,097	\$ 147,768	\$ 156,488	\$ 163,431	\$ 162,414	\$ 152,730	\$ 156,256
City direct sales tax rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

Source: Missouri Department of Revenue

Notes: Sales Tax Revenue represents the City's largest own source revenue. Retail sales information is not available on the city's fiscal-year basis. Information provided by the State of Missouri Department of Revenue. General grocery items are not taxable: sales tax applies only to prepared food items and nonfood items.

**Schedule 10
City of Mexico
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Audrain County Rate</u>	<u>Audrain Emergency Services</u>	<u>Audrain Ambulance District</u>	<u>Total Local Sales Tax</u>
2002	1.50%	1.50%	0.00%	0.00%	3.000%
2003	1.50%	1.50%	0.00%	0.00%	3.000%
2004	1.50%	1.50%	0.00%	0.00%	3.000%
2005	1.50%	1.50%	0.375%	0.00%	3.375%
2006	1.50%	1.50%	0.375%	0.00%	3.375%
2007	1.50%	1.50%	0.375%	0.00%	3.375%
2008	1.50%	1.50%	0.375%	0.00%	3.375%
2009	1.50%	1.50%	0.375%	0.00%	3.375%
2010	1.50%	1.00%	0.375%	0.00%	2.875%
2011	1.50%	1.50%	0.375%	0.50%	3.875%

Sources: City Budget Office and Audrain County City Clerks Office.

Note: The city sales tax rate may be changed only with the approval of the citizens.
Total is local sales tax only; excludes state sales tax.
In 2005 the voters passed a three-eighths of a cent sales tax for support of emergency services dispatch centralization.
In 2010 the voters passed a one-half cent sales tax for support of the Audrain Ambulance district.

**Schedule 11
City of Mexico
Principal Sales Tax Remitters,
Current Year and Nine Years Ago**

<u>Tax Remitter</u>	2010			2001		
	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>
Retail Outlets	\$ 1,773,810	1	77.49%	\$ 1,354,035	1	68.57%
Eating & Drinking	192,930	2	8.43%	159,840	3	8.10%
Food Stores	173,265	3	7.59%	317,640	2	16.09%
Total	<u>\$ 2,140,005</u>		<u>93.51%</u>	<u>\$ 1,831,515</u>		<u>92.76%</u>

Source: Based on calendar year sales tax data provided by Missouri Department of Revenue. Individual Business data is considered confidential; only sales categories are permitted. Retail Outlets include: Variety stores, building supplies, automotive stores, furniture stores, miscellaneous retail and other retail as described within the Missouri Department of Revenue annual report.

Note: Percentage is based on total sales tax received for calendar year. Tax Rate 1.50%.

Schedule 12
City of Mexico
Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Tax Increment Bonds	Certificates of Participation	Special Assessment Bonds	Revenue Bonds	Certificates of Participation	Wastewater Capital Leases					
2004	-	1,767,638	65,000	-	-	-	-	418,795	-	-	2,251,433	0.008%	198
2005	-	1,486,775	35,000	-	-	-	-	233,478	-	-	1,755,253	0.008%	155
2006	-	1,283,503	-	-	-	-	-	91,467	-	-	1,374,970	0.000%	121
2007	-	1,211,333	-	-	-	-	-	-	-	-	1,211,333	0.000%	107
2008	-	1,130,583	-	-	-	-	-	-	-	-	1,130,583	0.000%	100
2009	-	1,035,214	-	-	-	-	-	-	-	-	1,035,214	0.000%	138
2010	-	987,177	-	-	1,930,000	-	-	32,320	-	-	8,717,915	3.750%	787
2011	-	914,911	-	-	1,865,000	-	-	20,559	-	-	14,260,470	5.223%	1,235

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

See Schedule 17 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

The City of Mexico was categorized as a phase III government and reported governmental activities schedules beginning in fiscal year 2004 to meet GASB 34 requirements.

Schedule 13
 City of Mexico
 Ratios of General Bonded Debt Outstanding,
 Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Redevelopment Bonds	Total		
2002	-	-	-	-	-
2003	-	-	-	-	-
2004	-	-	-	-	-
2005	-	-	-	-	-
2006	-	-	-	-	-
2007	-	-	-	-	-
2008	-	-	-	-	-
2009	-	-	-	-	-
2010	-	1,930,000	1,930,000	0.003	174
2011	-	1,865,000	1,865,000	0.003	162

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements. See Schedule 5 for property value data. Population data can be found in schedule 17.

Schedule 14
City of Mexico
Direct and Overlapping Governmental Activities Debt
As of September 30, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
City of Mexico, Missouri	\$ -	\$ -	\$ -
	-	-	-
	-	-	-
	-	-	-
Other debt			
Mexico Public School District #59	\$ 19,518,699	71%	\$ 13,858,255
	-	-	-
	-	-	-
	-	-	-
Subtotal, overlapping debt			\$ 13,858,255
City direct debt			-
Total direct and overlapping debt			<u>\$ 13,858,255</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Audrain County Board of Equalization and Assessment. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Statistical. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident-and therefore responsible for repaying the debt-of each overlapping government.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Schedule 15
 City of Mexico
 Legal Debt Margin Information,
 Last Ten Fiscal Years

Legal Debt margin Calculation for Fiscal Yr- 2011

Assessed value	\$135,006,922
Debt limit (20% of assessed valuation)	\$27,001,384
Debt applicable to limit:	
General obligation bonds	\$1,865,000
Less: Amount set aside for repayment of general obligation debt	\$193,000
Total net debt applicable to limit	\$1,672,000
Legal debt margin	\$25,329,384

FISCAL YEAR

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$ 23,592,032	\$ 23,158,629	\$ 22,885,120	\$ 22,037,385	\$ 22,639,072	\$ 23,338,723	\$ 26,306,495	\$ 28,088,344	\$ 27,215,591	\$ 27,001,384
Total net debt applicable to limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,737,000
Legal debt margin	\$ 23,592,032	\$ 23,158,629	\$ 22,885,120	\$ 22,037,385	\$ 22,639,072	\$ 23,338,723	\$ 26,306,495	\$ 28,088,344	\$ 25,478,591	\$ 25,329,384
Total net debt applicable to the limit as a percentage of debt limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.063
										\$ 0.062

Note: Under state finance law, the city's outstanding general obligation debt should not exceed 20 percent of total assessed property value.

Schedule 16
City of Mexico
Pledged-Revenue Coverage,
Last Ten Fiscal Years

Fiscal Year	WasteWater Revenue Bonds			Special Assessment Bonds			Sales Tax Increment Bonds				
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage	Sales Tax Increment	Debt Service Principal	Debt Service Interest	Coverage
2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,884	\$ 45,307	\$ 60,001	\$ -
2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,414	\$ 50,898	\$ 65,271	\$ -
2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,826	\$ 46,959	\$ 35,394	\$ -
2005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,152	\$ 30,000	\$ 2,875	\$ 2.53
2006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,512	\$ 35,000	\$ 1,006	\$ 2.18
2007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2011	\$ 2,036,527	\$ 1,230,458	\$ 466,115	\$ 154,741	\$ 65,000	\$ 62,888	\$ 1.02	\$ -	\$ -	\$ -	\$ -

Notes: Sales Tax Increment Bonds issued under a Special TIF District received payment coverage through Sales Tax Interfund transfers from fiscal year 1997 through fiscal year 2004.

Wastewater revenue bonds closed on May 21, 2010, with the first scheduled payment made in fiscal year 2011.

Mid America Brick NID closed on August 17, 2010, with the first scheduled payment made in fiscal year 2011.

Operating expenses shown above exclude depreciation expense.

Debt service interest payments above are net of interest rebates received through the Build America Bond program.

Schedule 17
 City of Mexico
 Demographic and Economic Statistics,
 Last Ten Calendar Years

Calendar Year	Population	Personal Income In Thousands	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2002	11,320 *	\$ 229,119 *	\$ 20,241 *	40.30	2,450	4.40%
2003	11,320 *	\$ 244,011 *	\$ 21,556 *	40.70	2,427	6.30%
2004	11,320 *	\$ 259,872 *	\$ 22,957 *	41.30	2,427	5.90%
2005	11,320	\$ 268,940	\$ 23,785	41.70	2,375	5.40%
2006	11,320 *	\$ 277,317 *	\$ 24,498	41.70 **	2,351	4.50%
2007	11,320 *	\$ 238,037	\$ 21,028	39.80	2,388	5.00%
2008	11,320	\$ 238,037	\$ 21,028	39.80	2,415	6.20%
2009	11,320	\$ 238,037 *	\$ 21,208 *	39.80 **	2,434	9.20%
2010	11,320	\$ 238,037 *	\$ 21,208 *	38.00	2,417	9.20%
2011	11,543	\$ 273,050	\$ 23,655	39.69	2,325	7.60%

Sources: Population and median age information provided by the U.S. Census and Missouri Data Center as made available.

* Income, per Capita Personal Income levels, and median age were estimated between known values using an average growth rate factor between census provided values.

Notes: Personal income information is a total for the year stated in thousands. Unemployment rate information is an adjusted yearly average: 2011 is as of September 2011. School enrollment is based on the census at the start of the school year.

**Schedule 18
City of Mexico
Principal Employers
Current Year and Ten Years Ago**

<u>Employer</u>	2011			2002		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Audrain Medical Center	545	1	3.59%	673	1	5.02%
True Manufacturing	400	2	2.63%	-	-	0.00%
Mexico School Dirstrict	375	3	2.47%	353	3	2.63%
Wal-Mart	325	4	2.14%	-	-	0.00%
Dawn Food Products	294	5	1.93%	-	-	0.00%
Continental Products/Mexico Plasti	220	6	1.45%	-	-	0.00%
Missouri Veteran's Home	200	7	1.32%	156	9	1.16%
Spartan Light Metal Products	181	8	1.19%	-	-	0.00%
Brookstone	150	9	0.99%	153	7	1.14%
Home Decorators Collection	128	10	0.84%	165	8	1.23%
A. P. Green Industries	-	-	0.00%	543	2	4.05%
Optec DD, USA	-	-	0.00%	238	4	1.78%
Mexico Plastics	-	-	0.00%	225	5	1.68%
National Refractories	-	-	0.00%	210	6	1.57%
Roberts Consolidated Industries	-	-	0.00%	124	10	0.93%
Total	2818		18.54%	2840		21.19%

Source: City Economic Development Division and Website - fedstats.gov.
Employment percentages were calculated by using county employment numbers (15,198 and 13,425) respectively; (August report) employment numbers for the City of Mexico alone were not available.

**Schedule 19
City of Mexico
Full-time-Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government										
City Manager	2.4	2.4	2.4	2.8	2.8	2.3	2.3	2.3	2.3	1.8
Administrative Services	5.5	5.5	5.5	5.5	5.5	5	5	6	5	5.75
Comm.Dev./Animal Control	7.9	7.2	5.6	5.6	5.6	6.6	6.55	6.6	6.6	6.6
Economic Development	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Other										
Police										
Public Safety Officers	29.8	32.8	34	34	35	35	35	35	35.15	34.65
Clerk Typist/Dispatchers	14.35	13.35	14.35	13.35	13.35	14	15	15	15	1
Fire										
Fire Apparatus Operator	1	1	1	1	1	1	1	1	0	0
Civil Defense	0.8	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Other public works										
Engineering	2	2	1.5	1.5	1.5	1.5	1.5	1.25	1.25	1.2
Street Dept.	11.8	11.8	11	11	11	11.05	10.8	10.8	10	8.85
Parks and recreation/Cemetery	10.1	9.1	9.1	9.6	9.6	10.6	11	12	12	10.1
Internal Service	0	0	0	0	0	0	0	0	0	0
Wastewater	9.4	7.4	8.1	7.3	7.3	10.3	10.3	10.8	10.8	11.1
Sanitation	1	1	1	1	1	1	1	1	1	1.05
Total	<u>97.55</u>	<u>95.55</u>	<u>95.55</u>	<u>94.55</u>	<u>95.55</u>	<u>100.3</u>	<u>101.4</u>	<u>103.7</u>	<u>101</u>	<u>84</u>

Source: City Budget Office.

Notes: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full time-equivalent employment is calculated by dividing total labor hours by 2,080. (Does not include seasonal personnel). Some City Employee's wages are split between different departments.

Schedule 20
City of Mexico
Operating Indicators by Function/Program,
Last Ten fiscal Years

<u>Function/Program</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General government										
Building permits issued	474	461	408	477	543	509	442	404	570	525
Building inspections conducted	1422	1383	1507	1624	1273	1527	0	827	1373	1062
Police										
Physical arrests	580	578	672	749	852	831	708	699	599	*
Parking violations	394	608	330	410	540	494	445	238	318	*
Traffic violations	1024	971	973	1074	1218	861	1183	1169	1245	*
Fire										
Emergency responses	178	146	158	186	183	198	187	162	136	*
Fires extinguished	89	69	72	89	56	64	87	37	35	*
Inspections	12	13	12	42	30	40	57	38	36	*
Other public works										
Street resurfacing (miles)	5	1.6	1.9	2.1	3.7	2.3	1.6	2	2.1	2.1
Parks and recreation										
Pool Admissions	18,341	12,192	12,386	13,824	14,012	14,007	13,984	10,383	11,214	12,112
Wastewater										
Average daily sewage treatment (Millions of gallons)	1.802	1.971	2.302	1.921	1.959	2.03	2.08	2.26	2.01	2.06

Sources: Various city departments.

Notes: NA=Not Available

Under Fire/Emergency Responses the numbers reflects the number of responses by fire apparatus.

Wastewater plant maximum flow 3.001 MG per day.

*Statistics for Police and Fire activity is reported in summary on a calendar year basis.

Schedule 21
City of Mexico
Capital Asset Statistics by Function/Program,
Last Ten Fiscal Years

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	7	7	7	7	8	8	8	8	8	8
Fire stations	1	1	1	1	1	1	1	1	1	1
Other public works										
Streets (miles)	71	71	81	82	82	82	82	82	82	82
Streetsights	1135	1140	1140	1140	1150	1162	1188	1188	1188	1188
Storm sewers (miles)	52	52	52	52	53	53.5	54	54	54	54
Parks and recreation										
Pools	1	1	1	1	1	1	1	1	1	1
Acreage	383	383	386	386	475	475	475	475	475	475
Playgrounds	8	8	7	7	7	7	7	7	7	7
Baseball/softball diamonds	2	2	2	2	1	1	1	1	1	1
Soccer/football fields	1	1	1	1	1	1	1	1	1	1
Community lakes	3	3	3	3	4	4	4	4	4	4
Wastewater										
Sanitary sewers (miles)	84	84	84	85	85	86	86	86	86	86
Treatment capacity (millions of gallons) per day	3.001	3.001	3.001	3.001	3.001	3.001	3.001	3.001	3.001	3.001

Sources: Various city departments.

Notes: Water, gas and electric utilities are not owned or operated by the City of Mexico.
Sanitation services are contracted.

SINGLE AUDIT REPORTS



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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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 Mexico, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Mexico, Missouri (the City) as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents and have issued our report thereon dated January 25, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as finding 11-01 that we consider to be a significant deficiency in internal control. *A significant deficiency* is a deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management in a separate letter dated January 25, 2012.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, City Council and management of the City of Mexico and is not intended to be and should not be used by anyone other than those specified parties.

Williams Keppers LLC

January 25, 2012



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council
City of Mexico, Missouri

Compliance

We have audited the compliance of the City of Mexico, Missouri (the City) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency* in an internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Mayor, City Council and management of the City of Mexico and is not intended to be and should not be used by anyone other than those specified parties.

William's Keepers LLC

January 25, 2012

CITY OF MEXICO, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2011**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements and schedule of expenditures of federal awards of the City of Mexico, Missouri.
2. A significant deficiency relating to the audit of the financial statements are reported in the "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*." Finding 11-01 is not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the City of Mexico, Missouri were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133."
5. The auditors' report on compliance for the major federal award programs for the City of Mexico, Missouri expresses an unqualified opinion.
6. No findings relative to the major federal award programs for the City of Mexico, Missouri are reported in Part C of this Schedule.
7. The programs tested as major programs include:

	Federal CFDA Number
CDBG Plant Science Center Grant - 2008	14.228
CDBG Plant Science Center Grant - 2009	14.228
CDBG Mid America Brick Action Grant	14.228

8. The dollar threshold used to distinguish between Type A and B programs, as described in Section 520(b) of OMB Circular A-133, was \$300,000.
9. Using the criteria as defined in Section 530 of OMB Circular A-133, the City of Mexico, Missouri did not qualify as a low-risk auditee.

B. FINDINGS--FINANCIAL STATEMENT AUDIT

Finding 11-01: Preparation of GAAP Financial Statements (significant deficiency)

Statement of Condition: As part of our engagement, we prepare the City's financial statements in accordance with generally accepted accounting principles ("GAAP"). Upon completion, those financial statements are submitted to management for review, comment, and ultimately acceptance as management's representation.

Criteria: We are required to report as at least significant deficiencies in internal control those aspects of an entity's preparation of financial statements in accordance with GAAP that we believe management does not have the means to perform without our assistance and that have a significant impact on the financial statements.

Effect of Condition: With respect to ensuring that the internal control standard is met of ensuring that there are no misstatements or omissions that would be considered significant to GAAP financial statements, we believe the City has internal control deficiencies that are significant deficiencies with respect to the following:

- Identifying material adjustments to the books and records used to prepare the financial statements,
- Preparing the annual financial statements in accordance with the City's basis of accounting, including drafting the note disclosures.

Cause of Condition: In evaluating the situation for the City we considered that the City's accounting staff, though trained in accounting and reporting standards, do not necessarily keep current with all relevant GAAP accounting and reporting standards.

Recommendation: We are pleased to continue to provide the service of preparation of the annual GAAP financial statements for the City and are not recommending City make other arrangements. We feel the process of us as auditors preparing the financial statements at the conclusion of the audit, followed by management review and acceptance, is an efficient and cost-effective process overall. The City has participated in various educational presentations related to GAAP, and we encourage the City to continue to look for opportunities to increase its knowledge. In addition, the City has made an effort to post more of the adjustments needed for the financial statements.

Management's Response: At this time, the City does not have the means to perform both of the identified items above, although it makes every attempt to record all adjustments of which it is aware. Management has participated in various educational opportunities and has increased its depth of knowledge to make needed adjustments and provide adequate oversight over the financial statements. However, management does not believe that the benefits of obtaining the needed skills outweigh the costs that would be required to do so to fully eliminate this finding.

C. FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings relative to federal awards from the current year's audit.

CITY OF MEXICO, MISSOURI

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
For the Year Ended September 30, 2011**

There were no findings relative to federal awards from the prior year's audit.

CITY OF MEXICO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2011

	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development		
Passed through the Missouri Department of Economic Development:		
CDBG Plant Science Center Grant - 2008	14.228	\$ 1,430,469
CDBG Plant Science Center Grant - 2009	14.228	450,575
CDBG Mid America Brick Action Grant	14.228	250,000
U.S. Department of Energy		
Passed through the Missouri Department of Natural Resources:		
Department of Energy Downtown Energy Grant (ARRA)	81.128	57,660
U.S. Department of Transportation		
Passed through the Missouri Department of Transportation:		
MoDOT TCSP - Road 820 PSC Grant	20.205	165,263
Non-Entitlement Grant - Terminal 2009	20.205	2,071
Non-Entitlement Grant - Taxiway 2009	20.205	45,132
Non-Entitlement Grant - Taxiway 2010	20.205	95,691
U.S. Department of Homeland Security		
Passed through the Missouri State Emergency Management Agency:		
Disaster Grants - Public Assistance	97.036	<u>19,136</u>
Total expenditures of federal awards		<u>\$ 2,515,997</u>