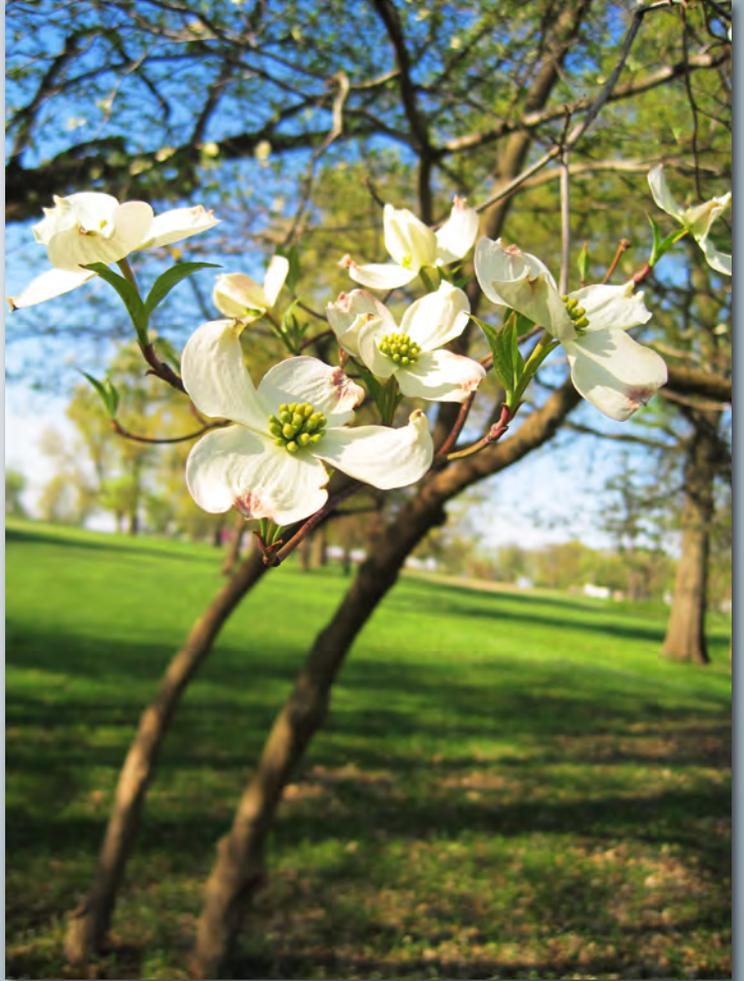


*City of*  
**Mexico, Missouri**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2012**

**CITY OF MEXICO, MISSOURI**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2012**

**Prepared By:**  
**Administrative Services Department**  
**Roger Haynes**  
**Administrative Services Director**  
**Vicki Duenke**  
**Financial Analyst/Accountant**

**CITY OF MEXICO, MISSOURI  
AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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## **INTRODUCTORY SECTION**



January 15, 2013

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, 2012. 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 Center (MPSRC), as a joint venture within this report. The MPSRC's operating agreement, which created the newly formed joint venture company, was formalized and signed during the last month of the 2009 fiscal year, 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, one technical college, and one military academy. The public school, Mexico School District #59, has the largest enrollment of students, which totaled 2,592 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 2012 represented the forty-second 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 pre-professional dance programs, various theatre productions, musical productions, lecture series for both youth and adults, theatre camps, 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, 2012, local unemployment is 5.80%, which compares favorably to the State of Missouri unemployment rate of 6.90% and that of the national unemployment rate, which was reported at 7.80%.

In review of employment of the top ten employers from fiscal year 2011 to fiscal year 2012, two hundred and twelve new jobs were added; growing from 2,818 employees to 3,030.

Assessed real estate value in Mexico increased in fiscal year 2012 as compared to fiscal year 2011.

The increase in total valuation was attributed to both gains in valuation in personal and real property value.

Adjustments in the overall tax levy was increased by four hundredths of one cent per one hundred dollars of assessed valuation for fiscal year 2012 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 real and personal property increased by 2.38% for the upcoming 2013 fiscal year, due to a combination of new construction and re-assessment of existing property.

## **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 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 with \$12.6 million dollars of required improvements being identified. In April of 2009, voters approved for the City to issue up to \$16 million in Wastewater Treatment Improvement Bonds.

In early 2010, the City of Mexico received its first rating by Standard and Poor's, which resulted in an AA-Rating.

In May of 2010, 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 were 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. The two revenue bonds have amortization 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 serves as Administrator of three grants totaling \$6,000,000 related to the Plant Science Research Center and surrounding area, 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.

In fiscal year 2012, with \$240,000 in grant funds being available after construction of the Plant Science Research Center, the City optioned to utilize the funds to expand the land footprint of the Research Industrial Park. The City of Mexico and Audrain County partnered to purchase 52.68 acres of land adjacent to the Plant Science Research Center. As of the close of fiscal year 2012, the grant remains open with \$24,075 remaining to expend.

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 provides funding for street and infrastructure improvements to the Center such as water, sewer, electric, and gas. As of the close of fiscal year 2012, the grant remains open with \$23,362 remaining to expend.

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 Audrain County Road 820, leading to the Center. The first segment of road construction was completed in fiscal year 2012. A second phase expanding the scope of road surface to be paved will be undertaken during fiscal year 2013.

With the road and utility infrastructure in place and additional land purchased, the City is well positioned for more economic development opportunities 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 (M.A.B.)

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 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. The first scheduled bond payment on this issue was made during fiscal 2012. Additional information on this revenue bond transaction can be found within the financial section of this report.

On August 7, 2012, voters approved a one-half of one percent park sales tax and reduction of property tax levied for public parks by ten cents per one hundred dollars assessed valuation. The sales tax became effective January 1, 2013 and the property tax levy reduction became effective for the 2012 assessment.

The passage of this park sales tax allows for the Parks Fund to be more adequately self-funded and removes a significant strain from the General Fund which heavily supported the Parks Fund through inter-fund transfers for the past several years. It is anticipated the passage of the sales tax and reduction in property tax levy will net out to benefit the Parks Fund revenue by approximately \$312,500 in fiscal year 2013 and \$646,000 in fiscal year 2014, excluding inter-fund transfers.

As part of the City's continued focus on economic development, on August 27, 2012, City Council approved funding for a Technology Park Feasibility Analysis pertaining to the development of the 52.68 acres purchased by the City and Audrain County. A company, ZAK, d/b/a/ Full Circle Advantage, LLC was selected as the consultant for the study.

In addition to the feasibility study, as another development initiative, the process of hiring a firm for an updated Comprehensive Plan began in 2012 with the final selection of Hoefer Wysocki Architects, LLC being approved by City Council on October 8, 2012.

## **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.

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, 2012, the City had pooled cash resources of \$9,490,567 consisting primarily of fully insured or security collateralized money market accounts. The City, during fiscal year 2012, earned \$144,679 in interest income, inclusive of Build America Bond Interest Credits, 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 17%, of regular operating revenues when developing budgets 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 17% 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 \$851,642 in 2012. 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 utilizes 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, 2011. This was the twenty-third 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. Funds available for City services continue to be more difficult to obtain than in previous years. The City targeted cutbacks of operating expenditures and will continue to work diligently to seek improvements that hold potential of increasing revenues.

As noted earlier in this report, in 2012, residents of the City of Mexico supported increased local funding by passing a one-half of one percent park sales tax, which will provide additional cash resources beginning in fiscal year 2013 and signifies a big step forward in funding operational and capital improvement needs into the future.

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, 2011

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.



*Christopher P. Morill*

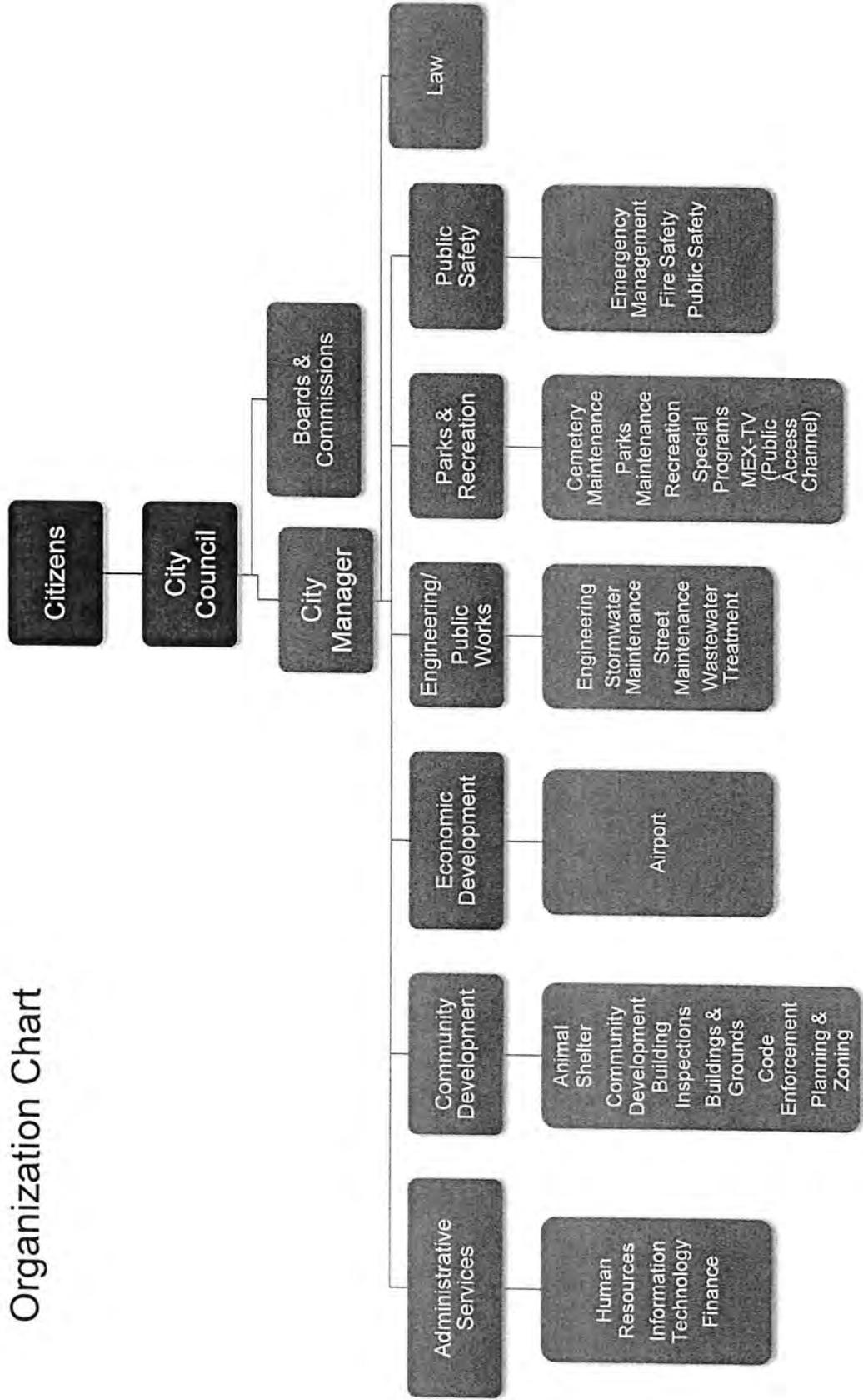
President

*Jeffrey R. Emer*

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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OFFICE (573) 442-6171 FAX (573) 777-7800

3220 West Edgewood, Suite E, Jefferson City, MO 65109  
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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, 2012, 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2013, 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 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and the modified approach to reporting infrastructure as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and

other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mexico's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Williams Keepers LLC*

January 15, 2013

# CITY OF MEXICO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2012

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, 2012. 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 \$57,998,521 on the entity-wide statements. Of this amount, \$49,718,268 represents investment in capital assets; \$3,304,129 is restricted and the remaining \$4,976,124 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,133,491. Of that total, \$876,413 is attributable to governmental activities and \$257,078 is attributable to business-type activities.
- As of the close of the current fiscal year, the City of Mexico's governmental activities reported net assets of \$47,417,393, an increase of \$876,413 in comparison with the prior year. Of this total amount, \$42,229,128 represents investment in capital assets, \$2,102,698 is restricted, and \$3,085,567 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 \$3,239,024, or 63.69% of the total General Fund expenditures, excluding transfers.
- The City of Mexico's total long term debt decreased by \$155,226 or 1.05% during the current fiscal year. The decrease relates to scheduled principal payments made on Sewerage System Capital Improvement Revenue Bonds and Mid-America Brick NID Bonds. Additional information on these long term obligations can be found within the Long-Term Debt section of this report on pages 36 – 38 of this report.
- The City of Mexico's other liabilities decreased by \$435,493 or 18.74% during the current fiscal year. The key factors in the decrease relates to payment of 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 that extended into fiscal year 2012.
- The City of Mexico utilized a combination of six State and Federal grants during fiscal year 2012, with approximately \$685,553 being expended and \$985,925 being reimbursed during the twelve-month period. Substantially all of the expenditures and reimbursements were attributable to grants associated with Missouri Plant Science Center construction/infrastructure improvements, the purchase of 52.68 acres for a technology park development, and a DNR energy conservation initiative.

## 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 such as 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 funds' balance sheet and in the governmental funds' statement of revenues, expenditures, and changes in fund balances for the General, Parks and Recreation, Public Health, and Mid-America Brick NID Funds, which are considered to be major funds. Data from the other ten 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 – 46 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 budgetary supplementary information can be found on pages 47 – 51 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 6.24. 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.

Required supplementary information related to the City's pension plan can be found on page 54.

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 56 – 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	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 8,600,070	\$ 8,855,258	\$ 6,187,090	\$ 8,078,162	\$ 14,787,160	\$ 16,933,420
Capital assets	43,232,597	42,410,273	16,852,994	14,675,834	60,085,591	57,086,107
Total assets	<u>51,832,667</u>	<u>51,265,531</u>	<u>23,040,084</u>	<u>22,753,996</u>	<u>74,872,751</u>	<u>74,019,527</u>
Long-term obligations	3,235,988	3,108,164	11,749,785	11,722,383	14,985,773	14,830,547
Other liabilities	1,179,286	1,616,387	709,171	707,563	1,888,457	2,323,950
Total liabilities	<u>4,415,274</u>	<u>4,724,551</u>	<u>12,458,956</u>	<u>12,429,946</u>	<u>16,874,230</u>	<u>17,154,497</u>
Net assets						
Invested in capital assets, net of related debt	42,229,128	41,259,862	7,489,140	7,650,738	49,718,268	48,910,600
Restricted	2,102,698	2,147,275	1,201,431	1,198,157	3,304,129	3,345,432
Unrestricted	<u>3,085,567</u>	<u>3,133,843</u>	<u>1,890,557</u>	<u>1,475,155</u>	<u>4,976,124</u>	<u>4,608,998</u>
Total net assets	<u>\$ 47,417,393</u>	<u>\$ 46,540,980</u>	<u>\$ 10,581,128</u>	<u>\$ 10,324,050</u>	<u>\$ 57,998,521</u>	<u>\$ 56,865,030</u>

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 \$57,998,521 at the close of the most recent fiscal year. Net assets increased by \$1,133,491 for the current fiscal year over the prior fiscal year. Assets exceed liabilities by \$56,865,030 at the close of the prior fiscal year and net assets for that year increased by \$1,053,950.

Governmental activities' assets constitute 69.23% of total assets and 89.37% of total net assets for the most recent fiscal year. Governmental activities' assets constituted 69.25% of total assets and 90.15% of total net assets in the prior fiscal year. The business-type activities constitute 30.77% of total assets, 73.83% of liabilities, and 18.24% of total net assets. The business-type activities constituted 30.74% of total assets, 72.46% of liabilities, and 18.16% of total net assets in the prior fiscal year.

By far the largest portion of the City of Mexico's net assets (\$49,718,268 or 85.72%) 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 \$48,910,600 or 86.01% of total net assets. During the current year, the City's investment in capital assets increased by \$807,668 over the prior fiscal year. Most of this increase is due to road construction, the purchase of 52.68 acres of land, 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 (\$3,304,129 or 5.70%) represents resources that are subject to external restrictions on how they may be used. This portion of net assets was \$3,345,432 or 5.88% in the prior fiscal year. The remaining balance of unrestricted net assets of \$4,976,124 may be used to meet the government's ongoing obligations to citizens and creditors. This is an increase of \$367,126 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 \$255,188 due to planned investment in capital assets. Other changes in current and other assets included decreased grant receivables. Long-term obligations increased by \$127,824. Although the second scheduled principal payment of \$70,000 was made on the \$1,930,000 Mid American Brick NID that was issued in fiscal year 2010, the increase is due to increases in LAGERS net pension obligations and other post-employment benefit obligations during 2012. Other liabilities decreased by \$437,101 due to decreases in accounts payable and unearned revenue related to capital grants that were either more active or closed out in fiscal year 2011.

Business-type activities - Current and other assets decreased significantly as a result of expending 2010 and 2011 Series bond proceeds for planned capital improvements. Capital assets increased as a result of completed construction and construction in progress. Construction in progress at fiscal year-end 2012 equaled \$3,578,994, which represented the Phase II sewerage treatment facility capital improvement construction value as of September 30, 2012. Long-term obligations increased by \$27,402. Although a scheduled principal payment of \$95,000 was made on the Series 2010 Sewer System Revenue Bonds, the increase is due to the issuance of a capital lease for a closed-circuit TV system during 2012, as well as increases in LAGERS net pension obligations and other post-employment benefit obligations during 2012.

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, \$60,953 and \$6,617 was recorded for fiscal year 2012 in the long-term obligations category for governmental and business-type activities, respectively. For more information, refer to the note disclosures on pages 43 – 45.

### 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	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 411,739	450,862	\$ 2,969,499	\$ 2,564,598	\$ 3,381,238	\$ 3,015,460
Grants and contributions:						
Operating	-	20,000	-	-	-	20,000
Capital	994,834	3,132,982	-	-	994,834	3,132,982
General revenues:						
Taxes	5,970,789	6,013,383	-	-	5,970,789	6,013,383
Investment revenue	12,111	16,541	9,778	19,148	21,889	35,689
Interest rebates	-	-	122,790	134,386	122,790	134,386
Other	517,157	432,392	-	3,887	517,157	436,279
Total revenues	<u>7,906,630</u>	<u>10,066,160</u>	<u>3,102,067</u>	<u>2,722,019</u>	<u>11,008,697</u>	<u>12,788,179</u>

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Expenses:						
General government	1,237,910	1,153,299	-	-	1,237,910	1,153,299
Public safety	2,373,261	2,588,564	-	-	2,373,261	2,588,564
Streets	1,264,331	1,298,659	-	-	1,264,331	1,298,659
Cemetery	119,683	93,901	-	-	119,683	93,901
Parks and recreation	785,099	883,698	-	-	785,099	883,698
Public health	317,007	312,670	-	-	317,007	312,670
Economic development	234,431	246,301	-	-	234,431	246,301
Airport	134,531	120,473	-	-	134,531	120,473
Community development	460,657	2,464,877	-	-	460,657	2,464,877
Interest expense	103,307	110,743	-	-	103,307	110,743
Wastewater utility	-	-	2,288,282	1,571,278	2,288,282	1,571,278
Sanitation	-	-	556,707	494,957	556,707	494,957
Total expenses	<u>7,030,217</u>	<u>9,273,185</u>	<u>2,844,989</u>	<u>2,066,235</u>	<u>9,875,206</u>	<u>11,339,420</u>
Increase in net assets before transfers and contributions	876,413	792,975	257,078	655,784	1,133,491	1,448,759
Net transfers (out) in	-	(170,504)	-	170,504	-	-
Contributions to others	-	(242,173)	-	(152,636)	-	(394,809)
Increase in net assets after transfers and contributions	876,413	380,298	257,078	673,652	1,133,491	1,053,950
Net assets, beginning	<u>46,540,980</u>	<u>46,160,682</u>	<u>10,324,050</u>	<u>9,650,398</u>	<u>56,865,030</u>	<u>55,811,080</u>
Net assets, ending	<u>\$ 47,417,393</u>	<u>\$ 46,540,980</u>	<u>\$ 10,581,128</u>	<u>\$ 10,324,050</u>	<u>\$ 57,998,521</u>	<u>\$ 56,865,030</u>

**Governmental activities:** Governmental activities increased the City of Mexico's net assets by \$876,413. Governmental activities increased the City of Mexico's net assets by \$380,298 in the prior fiscal year.

The following summarizes significant events or changes in governmental activities for the year ended September 30, 2012.

- Operating grants and contributions for governmental activities decreased by \$20,000 in fiscal year 2012 as compared to 2011 as a result of local funding in the amount of \$20,000 for park entrance improvements in 2011 that were not received during 2012.
- Capital grants and contributions for governmental activities decreased by \$2,138,148. This was caused by a series of capital grants that were either more active or closed out in fiscal year 2011. Most notable was a reduction in activity on a \$4,000,000 building construction grant for the Missouri Plant Science Center.

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 Science center 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-America 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.

As a whole, expenses for governmental activities decreased \$2,242,968 in fiscal year 2012 as compared to fiscal year 2011. 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 2012, general government expenditures increased by \$84,611 or 7.34%, public safety, including joint dispatch operations, decreased by \$215,303 or 8.32%, street department decreased by \$34,328 or 2.64%, parks department operations decreased by \$98,599 or 11.16%, and public health increased by \$4,337 or 1.38% as compared to fiscal year 2011. The larger percentage decreases in the departments of public safety and parks can be attributed to the reduction of personnel cost through not filling vacated positions or delay in filling open positions.

The reduction in street department expenditures related to special maintenance projects that occurred in fiscal year 2011 that did not repeat in fiscal year 2012, due in part to additional expenses related to the blizzard that took place on February 1<sup>st</sup> and 2<sup>nd</sup> of 2011.

Community development expenditures decreased by \$2,004,220 from the previous year due to the significant reduction in the amount of community block grant expenses associated with the Missouri Plant Science Center.

**Business-type activities:** Business type activities increased the City of Mexico's net assets by \$257,078. Business type activities increased the City of Mexico's net assets by \$673,652 in the prior fiscal year. Of the \$257,078 increase in business-type net assets, \$260,906 of the net asset increase resulted from wastewater operations, whereas there was a \$3,828 reduction in sanitation net assets during 2012.

The following summarizes significant events or changes in business-type activities for the year ended September 30, 2012.

- Sewerage rates were increased by an average of 19% in anticipation of revenue bond debt service needs related to the Series 2011 bond issuance.
- Residential sanitation service rates were increased by 3% to cover costs associated with providing this service.
- Operating expenses for business-type activities increased by \$778,754. This increase was due to increases in salaries and wages, employee benefits, and depreciation in the Wastewater Fund and increases in fees paid to contracted haulers in the Sanitation Fund.

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

- 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.
- Residential sanitation service rates were increased by 3% to cover operating costs associated with providing this service.
- Operating expenses remained relatively flat, offset by decreases in repairs and maintenance from the previous 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 \$5,570,811, an increase of \$338,578 in comparison with the prior year. Approximately 58.09% of this total amount (\$3,235,841) constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 56.44% (\$2,953,449) 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.

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 \$3,239,024, all of which was unassigned. The fund balance of the City of Mexico's General Fund increased by \$222,999 compared to the prior year. The fund balance of the General Fund was \$3,016,025 in the prior fiscal year. There was a positive change in General Fund's total fund balance from fiscal year 2011 to 2012. 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 \$232,272. The fund balance of the Parks and Recreation Fund increased \$100,763 from the prior fiscal year. The fund balance of the Parks and Recreation Fund was \$131,509 in the prior year. The key factor for this change was management's decision to re-align staffing and trim other operational expenditures due to potential revenue source shortfalls.

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 \$188,094. The fund balance of the City of Mexico's Public Health Fund increased by \$29,527 compared to the prior year. The fund balance of the Public Health Fund was \$158,567 in the prior year. The key factors for this change were tax and miscellaneous revenues exceeding expectations and expenditures related to contributions to the Audrain City/County Health Department being less than estimated in the revised budget (a \$26,875 accrual adjustment).

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 2012 fiscal year, the total fund balance of the Mid-America Brick NID Fund was \$1,329,151 as compared to the fund balance of \$1,388,380 in the 2011 fiscal year, reflecting a \$59,229 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.

**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 \$10,460,768, and the net assets for Sanitation Fund amounted to \$120,360. The increase in net assets for the Wastewater Fund was \$260,906, and there was a decrease of \$3,828 for the Sanitation Fund. The net assets in the Wastewater Fund amounted to \$10,199,862, and net assets for the Sanitation Fund amounted to \$124,188 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 minor, but made to reflect changes in original budgeting assumptions. The original General Fund expenditure budget was forecasted at \$5,183,966 and the revised expenditure budget was reduced by 0.06% to \$5,150,638. Such revisions included reduced salary and benefit expenses resulting from employee position vacancies with the departments of Public Safety and Streets.

Actual expenditures for the General Fund came in 6.17% or \$317,625 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 \$107,652 under the revised budget due to reduced cost in the categories of personnel services, supplies, and services.
- The Public Safety Department, came in \$77,699 under budget with a better than revised budget savings of \$43,466 in the category of personnel services and \$22,724 in supplies.
- The Street Department came in \$59,803 under budget with a better than revised budget savings of \$11,486 in personnel cost, \$38,007 in supplies and \$10,310 in services.
- The Economic Development Department came in \$11,619 under budget with a better than budget savings of \$10,334 in the category of services expense.

- Cemetery Operations came in \$10,267 under budget with a better than budget savings of \$6,959 in supplies.
- Capital Outlay came in \$42,782 under the revised budget due to projects being completed at less cost and postponement of certain projects into the next fiscal cycle.

Revisions of the original revenue budget were also minor, with an adjustment upward in the amount of \$8,495; a 0.017% change.

General Fund revenues exceeded the revised budget for General Fund revenues by approximately \$19,703, which was largely contributed to:

- Taxes, inclusive of property, gross receipts, and sales tax came in \$17,276 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:

	2012	2011
Capital assets, not being depreciated:		
Land	\$ 4,405,168	\$ 4,059,550
Infrastructure	30,176,055	30,176,055
Construction in progress	4,547,140	1,335,475
Total capital assets, not being depreciated	<u>39,128,363</u>	<u>35,571,080</u>
Capital assets, being depreciated:		
Buildings	11,909,473	11,878,462
Structures other than buildings	11,968,273	11,933,457
Equipment	10,258,161	10,121,476
Infrastructure	1,780,511	1,780,511
Total capital assets, being depreciated	<u>35,916,418</u>	<u>35,713,906</u>
Less accumulated depreciation	<u>(14,959,190)</u>	<u>(14,198,879)</u>
Total capital assets being depreciated, net	<u>20,957,228</u>	<u>21,515,027</u>
Capital assets, net	<u>\$ 60,085,591</u>	<u>\$ 57,086,107</u>

The major capital asset events in the current year included continuing work on Phase II construction at the City's wastewater sewer plant, booking an additional \$2,626,809 value to Construction in Progress bringing that Phase II total to \$3,578,995. The City also entered into a joint agreement with Audrain County government to purchase an additional 52.68 acres adjacent to the Missouri Plant Science Research Center to develop a Tech Park with the City's portion valued at \$345,618. As part of the continuing infrastructure improvements leading out to the Missouri Plant Science Center, the City recorded an additional \$487,042 to Construction in Progress for Audrain County Road 820, bringing that project total to \$825,209.

During the fiscal year, the City's governmental activities received contributed capital assets of \$54,850. These contributions included a discounted purchase price by the seller and a contribution from Progress Mexico relating to the purchase of the 52.68 acres Tech Park.

Major capital events during the prior fiscal year included the completion of Phase I construction at the City's wastewater sewer plant valued at \$5,401,333. The City completed a taxiway widening project at the Mexico Memorial Airport 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 Progress for Audrain County Road 820/Commerce Road and the adjacent Right of Way. In addition to the road, the City constructed a sewer line leading to the MPSC valued at \$170,504.

During the prior 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 prior fiscal year, the City's business-type activities and governmental 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 were reflected as "Contributions to Others" in the accompanying Statement of Activities.

During the fiscal year, the City recorded an increase in Construction in Progress in the amount of \$3,211,665. Phase II of the Wastewater improvements represent \$2,626,809 of the increase. The Commerce Road project represented \$487,042 of the increase. The Safe Routes to School Sidewalk project represented a \$77,187 increase, along with the A.P. Green Road project increase of \$20,627.

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 2010 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 6.24 was met for 2012.

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

<u>Year</u>	<u>Assessed Condition</u>
2012	6.24
2011	6.39
2010	6.30

Additional information regarding the City's capital assets can be found in Note 6 on pages 33 and 34 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 \$13,160,000, 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 8 on pages 36 – 38 of this report.

At the end of the prior fiscal year, the City of Mexico had \$13,325,000 in bonded debt.

### **Economic Factors and Next Year's Budgets and Rates**

- Mid American Brick Refractory and Structural Clay products missed the December 31<sup>st</sup> scheduled assessment for purposes of paying certain Neighborhood Improvement District Bond obligations. Being limited obligation bonds, the City of Mexico has the responsibility to continue scheduled bond payments without interruption, even if not supported by NID assessments, by utilizing General Fund sources.

The City of Mexico will have funds available to make the first bond payment due on March 1 of the 2013 fiscal year without utilizing General Fund or NID Debt Service Reserve. The City will closely monitor, manage, and appropriately develop future annual budgets to ensure funds are available for payment on the NID Bonds with no intent to use funds set aside for Debt Service Reserve.

- The unemployment rate for the City of Mexico is 5.80% at September 30, 2012, which is significantly lower as compared to last year's rate of 7.60%. This rate compares favorably to the State's average unemployment rate of 6.90% and the national average of 7.80%.
- 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 2013 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, 2012

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,547,949	\$ 1,766,351	\$ 5,314,300
Restricted cash	387,657	3,788,610	4,176,267
Accounts receivable (net of allowance of \$57,651)	-	425,138	425,138
Taxes receivable	1,558,880	-	1,558,880
Intergovernmental revenue receivable	102,521	-	102,521
Special assessment receivable	1,751,974	-	1,751,974
Other receivables	25,964	-	25,964
Prepaid expenses	1,124,550	16,758	1,141,308
Deferred charges, net of amortization	50,575	190,233	240,808
Investment in joint venture	50,000	-	50,000
Capital assets:			
Non-depreciable	35,531,949	3,596,414	39,128,363
Depreciable, net	7,700,648	13,256,580	20,957,228
Total assets	<u>51,832,667</u>	<u>23,040,084</u>	<u>74,872,751</u>
<b>LIABILITIES</b>			
Accounts payable	168,828	587,365	756,193
Accrued interest payable	2,108	121,806	123,914
Unearned revenue	1,008,350	-	1,008,350
Long-term liabilities:			
Other post-employment benefit obligations	190,910	13,834	204,744
LAGERS net pension obligations	206,771	27,773	234,544
Leases payable			
Amounts due within one year	79,101	32,465	111,566
Amount due beyond one year	758,868	29,208	788,076
Bonds payable			
Amounts due within one year	70,000	285,000	355,000
Amount due beyond one year	1,725,000	11,080,000	12,805,000
Accrued landfill closure costs			
Amounts due within one year	-	13,216	13,216
Amounts due beyond one year	-	251,104	251,104
Compensated absences			
Amounts due within one year	102,669	8,593	111,262
Amounts due beyond one year	102,669	8,593	111,262
Total liabilities	<u>4,415,274</u>	<u>12,458,956</u>	<u>16,874,230</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	42,229,128	7,489,140	49,718,268
Restricted for:			
Perpetual care, nonexpendable	166,352	-	166,352
Capital improvements	356,863	-	356,863
Public health	188,094	-	188,094
Community development	1,128,394	-	1,128,394
Tourism	43,680	-	43,680
Grants	14,714	-	14,714
Debt service	204,601	1,201,431	1,406,032
Unrestricted	3,085,567	1,890,557	4,976,124
Total net assets	<u>\$ 47,417,393</u>	<u>\$ 10,581,128</u>	<u>\$ 57,998,521</u>

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

**CITY OF MEXICO**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2012**

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	
<b>Governmental activities:</b>							
General government	\$ 1,237,910	\$ 153,384	\$ 13,961	\$ -	\$ (1,070,565)	\$ -	\$ (1,070,565)
Public safety	2,373,261	36,632	-	-	(2,336,629)	-	(2,336,629)
Streets	1,264,331	-	131,699	-	(1,132,632)	-	(1,132,632)
Cemetery	119,683	-	-	-	(119,683)	-	(119,683)
Parks and recreation	785,099	43,114	-	-	(741,985)	-	(741,985)
Public health	317,007	-	-	-	(317,007)	-	(317,007)
Economic development	234,431	155,833	115,850	-	37,252	-	37,252
Airport	134,531	22,776	-	-	(111,755)	-	(111,755)
Community development	460,657	-	733,324	-	272,667	-	272,667
Interest expense	103,307	-	-	-	(103,307)	-	(103,307)
<b>Total governmental activities</b>	<b>7,030,217</b>	<b>411,739</b>	<b>994,834</b>	<b>-</b>	<b>(5,623,644)</b>	<b>-</b>	<b>(5,623,644)</b>
<b>Business-type activities:</b>							
Wastewater utility	2,288,282	2,417,368	-	-	-	129,086	129,086
Sanitation	556,707	552,131	-	-	-	(4,576)	(4,576)
<b>Total business-type activities</b>	<b>2,844,989</b>	<b>2,969,499</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>124,510</b>	<b>124,510</b>
<b>Total city</b>	<b>\$ 9,875,206</b>	<b>\$ 3,381,238</b>	<b>\$ 994,834</b>	<b>\$ -</b>	<b>(5,623,644)</b>	<b>124,510</b>	<b>(5,499,134)</b>
<b>General revenue:</b>							
<b>Taxes:</b>							
Property taxes					1,205,154	-	1,205,154
Sales taxes					2,939,444	-	2,939,444
Franchise taxes					1,826,191	-	1,826,191
Miscellaneous income					285,741	-	285,741
Administrative reimbursement					189,745	-	189,745
Gain on sale of capital assets					41,671	-	41,671
Interest income					12,111	9,778	21,889
Interest rebates on Build America Bonds					-	122,790	122,790
<b>Total general revenues</b>					<b>6,500,057</b>	<b>132,568</b>	<b>6,632,625</b>
<b>Changes in net assets</b>					<b>876,413</b>	<b>257,078</b>	<b>1,133,491</b>
Net assets - beginning					46,540,980	10,324,050	56,865,030
Net assets - ending					\$ 47,417,393	\$ 10,581,128	\$ 57,998,521

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

CITY OF MEXICO

BALANCE SHEET  
ALL GOVERNMENTAL FUND TYPES  
September 30, 2012

Major Funds

ASSETS	General Fund	Parks and Recreation Fund	Public Health Fund	Mid-America Brick NID Fund	Non-major Funds	Totals
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,813,131	\$ 241,575	\$ 189,427	\$ 7,366	\$ 296,450	\$ 3,547,949
Restricted cash	3,152	-	-	218,153	166,352	387,657
Taxes receivable	1,024,834	141,954	279,113	-	112,979	1,558,880
Intergovernmental receivable	15,611	-	-	-	86,910	102,521
NID receivable	-	-	-	1,737,000	14,974	1,751,974
Other receivables	7,430	-	2,415	15,586	533	25,964
Interfund receivable	74,143	-	-	-	-	74,143
Prepaid expenditures	-	-	-	1,124,550	-	1,124,550
Total assets	<u>\$ 3,938,301</u>	<u>\$ 383,529</u>	<u>\$ 470,955</u>	<u>\$ 3,102,655</u>	<u>\$ 678,198</u>	<u>\$ 8,573,638</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 49,358	\$ 1,878	\$ 472	\$ 36,504	\$ 7,279	\$ 95,491
Accrued liabilities	62,636	7,425	3,276	-	-	73,337
Interfund payable	-	-	-	-	74,143	74,143
Deferred revenue	587,283	141,954	279,113	1,737,000	14,506	2,759,856
Total liabilities	<u>699,277</u>	<u>151,257</u>	<u>282,861</u>	<u>1,773,504</u>	<u>95,928</u>	<u>3,002,827</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Prepays	-	-	-	1,124,550	-	1,124,550
Perpetual care	-	-	-	-	166,352	166,352
Restricted for:						
Capital improvements	-	-	-	-	356,863	356,863
Public health	-	-	188,094	-	-	188,094
Community development	-	-	-	-	3,844	3,844
Tourism	-	-	-	-	43,680	43,680
Grant activity	-	-	-	-	14,714	14,714
Debt service	-	-	-	204,601	-	204,601
Assigned:						
Parks and recreation	-	232,272	-	-	-	232,272
Unassigned	3,239,024	-	-	-	(3,183)	3,235,841
Total fund balances	<u>3,239,024</u>	<u>232,272</u>	<u>188,094</u>	<u>1,329,151</u>	<u>582,270</u>	<u>5,570,811</u>
Total liabilities and fund balances	<u>\$ 3,938,301</u>	<u>\$ 383,529</u>	<u>\$ 470,955</u>	<u>\$ 3,102,655</u>	<u>\$ 678,198</u>	<u>\$ 8,573,638</u>

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

**CITY OF MEXICO**

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

September 30, 2012

Fund balances - total governmental funds		\$ 5,570,811
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	51,417,064	
Less accumulated depreciation	(8,184,467)	43,232,597
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		
		1,751,506
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	(1,795,000)	
Less deferred charges on issuance	50,575	(1,744,425)
Capital lease obligations		(837,969)
Accrued compensated absences		(205,338)
Other post-employment benefit obligations		(190,910)
LAGERS net pension obligations		(206,771)
Accrued interest payable		(2,108)
Net assets of governmental activities		\$ 47,417,393

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, 2012**

	Major Funds					Totals
	General Fund	Parks and Recreation Fund	Public Health Fund	Mid-America Brick NID Fund	Non-major Funds	
<b>REVENUES:</b>						
Taxes						
Property	\$ 584,501	\$ 281,180	\$ 281,180	\$ 154,741	\$ 5,192	\$ 1,306,794
Sales	2,118,260	931	931	-	819,322	2,939,444
Franchise	1,826,191	-	-	-	-	1,826,191
Licenses and permits	153,384	-	-	-	-	153,384
Charges for services	-	43,114	-	-	-	43,114
Intergovernmental revenues	12,551	-	-	-	912,758	925,309
Fines and forfeitures	36,632	-	-	-	-	36,632
Miscellaneous	-	-	-	-	-	-
Rent	178,609	-	-	-	-	178,609
Interest	9,484	-	-	714	1,913	12,111
Administrative reimbursement	189,745	-	-	-	-	189,745
Other	268,884	19,913	38,179	-	436	327,412
<b>TOTAL REVENUES</b>	<b>5,378,241</b>	<b>345,138</b>	<b>320,290</b>	<b>155,455</b>	<b>1,739,621</b>	<b>7,938,745</b>
<b>EXPENDITURES:</b>						
Current:						
General government	1,018,077	-	-	-	-	1,018,077
Public safety	2,179,572	-	-	-	-	2,179,572
Streets	738,818	-	-	-	-	738,818
Cemetery	109,242	-	-	-	-	109,242
Parks and recreation	-	624,341	-	-	-	624,341
Public health	-	-	290,763	-	-	290,763
Economic development	212,179	-	-	-	-	212,179
Airport	53,815	-	-	-	-	53,815
Community development	226,462	-	-	84,838	450,401	761,701
Capital outlay	428,633	85,034	-	-	849,171	1,362,838
Debt service:						
Principal	76,942	-	-	70,000	-	146,942
Interest	42,033	-	-	59,846	-	101,879
<b>TOTAL EXPENDITURES</b>	<b>5,085,773</b>	<b>709,375</b>	<b>290,763</b>	<b>214,684</b>	<b>1,299,572</b>	<b>7,600,167</b>
Excess (deficiency) of revenues over expenditures	292,468	(364,237)	29,527	(59,229)	440,049	338,578
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	300,531	465,000	-	-	-	765,531
Transfers (out)	(370,000)	-	-	-	(395,531)	(765,531)
Total other financing sources (uses)	(69,469)	465,000	-	-	(395,531)	-
Net change in fund balances	222,999	100,763	29,527	(59,229)	44,518	338,578
Fund balances, October 1	3,016,025	131,509	158,567	1,388,380	537,752	5,232,233
<b>FUND BALANCES, SEPTEMBER 30</b>	<b>\$ 3,239,024</b>	<b>\$ 232,272</b>	<b>\$ 188,094</b>	<b>\$ 1,329,151</b>	<b>\$ 582,270</b>	<b>\$ 5,570,811</b>

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, 2012

Net change in fund balances - total governmental funds		\$ 338,578
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	1,264,646	
Gain on disposal of fixed assets	37,280	
Depreciation	<u>(555,191)</u>	
		746,735
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred revenues		(206,554)
Amount of contributed capital assets		117,260
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 expenditures 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>146,942</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		7,040
Other post-employment benefit obligations		(60,954)
LAGERS net pension obligations		(206,771)
Amortization of issuance costs		<u>(5,863)</u>
Change in net assets of governmental activities		<u>\$ 876,413</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, 2012

	Major Funds		
	Wastewater Fund	Sanitation Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,422,309	\$ 344,042	\$ 1,766,351
Restricted cash	3,788,610	-	3,788,610
Accounts receivable (net of allowance of \$57,651)	344,234	80,904	425,138
Prepaid expenses	16,758	-	16,758
Total current assets	5,571,911	424,946	5,996,857
Non-current assets:			
Deferred charges, net of accumulated amortization	190,233	-	190,233
Property, plant and equipment, net of accumulated depreciation	16,852,994	-	16,852,994
Total non-current assets	17,043,227	-	17,043,227
Total assets	22,615,138	424,946	23,040,084
<b>LIABILITIES</b>			
Current liabilities:			
Leases payable	32,465	-	32,465
Bonds payable	285,000	-	285,000
Accrued interest payable	121,806	-	121,806
Accrued landfill closure costs	-	13,216	13,216
Accounts payable	551,960	35,405	587,365
Compensated absences	8,593	-	8,593
Total current liabilities	999,824	48,621	1,048,445
Non-current liabilities:			
Lease payable	29,208	-	29,208
Bonds payable	11,080,000	-	11,080,000
Other post employment benefit obligations	11,067	2,767	13,834
LAGERS net pension obligations	25,679	2,094	27,773
Accrued landfill closure costs	-	251,104	251,104
Compensated absences	8,593	-	8,593
Total long-term liabilities	11,154,547	255,965	11,410,512
Total liabilities	12,154,370	304,586	12,458,956
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,489,140	-	7,489,140
Restricted for debt service	1,201,431	-	1,201,431
Unrestricted	1,770,197	120,360	1,890,557
<b>TOTAL NET ASSETS</b>	<b>\$ 10,460,768</b>	<b>\$ 120,360</b>	<b>\$ 10,581,128</b>

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, 2012**

	Major Funds		
	Wastewater Fund	Sanitation Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,417,368	\$ 552,131	\$ 2,969,499
Total operating revenues	2,417,368	552,131	2,969,499
<b>OPERATING EXPENSES</b>			
Salaries and wages	440,797	35,567	476,364
Employee benefits	212,265	15,703	227,968
Materials and supplies	54,752	44,060	98,812
Electricity	103,450	200	103,650
Repairs and maintenance	126,859	14,382	141,241
Telephone and utilities	31,960	-	31,960
Fuel and oil	17,903	-	17,903
Other operating expenses	381,470	5,089	386,559
Depreciation and amortization	546,676	726	547,402
Contracted haulers	-	440,980	440,980
Total operating expenses	1,916,132	556,707	2,472,839
<b>OPERATING INCOME (LOSS)</b>	501,236	(4,576)	496,660
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	9,030	748	9,778
Interest rebate on Build America Bonds	122,790	-	122,790
Interest expense	(372,150)	-	(372,150)
Total non-operating revenues (expenses)	(240,330)	748	(239,582)
Change in net assets	260,906	(3,828)	257,078
Net assets, October 1	10,199,862	124,188	10,324,050
<b>NET ASSETS, SEPTEMBER 30</b>	\$ 10,460,768	\$ 120,360	\$ 10,581,128

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, 2012**

	Major Funds		
	Wastewater Fund	Sanitation Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 2,356,469	\$ 544,931	\$ 2,901,400
Cash paid to vendors	(858,663)	(473,204)	(1,331,867)
Cash paid to employees	(433,926)	(34,244)	(468,170)
Net cash provided by operating activities	<u>1,063,880</u>	<u>37,483</u>	<u>1,101,363</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Payment for capital acquisitions	(2,474,855)	-	(2,474,855)
Proceeds from issuance of leases	72,736	-	72,736
Interest rebates on Build America Bonds	122,790	-	122,790
Principal and interest payments on debt	(792,701)	-	(792,701)
Net cash provided (used) by capital and related financing activities	<u>(3,072,030)</u>	<u>-</u>	<u>(3,072,030)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income	9,030	748	9,778
Net increase (decrease) in cash and cash equivalents	(1,999,120)	38,231	(1,960,889)
Cash and cash equivalents, beginning of year	<u>7,210,039</u>	<u>305,811</u>	<u>7,515,850</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 5,210,919</u>	<u>\$ 344,042</u>	<u>\$ 5,554,961</u>
Cash and cash equivalents	\$ 1,422,309	\$ 344,042	\$ 1,766,351
Restricted cash	3,788,610	-	3,788,610
Total cash and cash equivalents	<u>\$ 5,210,919</u>	<u>\$ 344,042</u>	<u>\$ 5,554,961</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 501,236	\$ (4,576)	\$ 496,660
Adjustments:			
Depreciation and amortization	546,676	726	547,402
(Increase) decrease in assets:			
Accounts receivable	(60,899)	(7,200)	(68,099)
Prepaid expenses	(10,021)	-	(10,021)
Increase (decrease) in liabilities:			
Accounts payable	80,017	1,890	81,907
Accrued expenses	1,580	-	1,580
Other post-employment benefit obligations	5,291	1,323	6,614
Accrued landfill	-	45,320	45,320
Net cash provided by operating activities	<u>\$ 1,063,880</u>	<u>\$ 37,483</u>	<u>\$ 1,101,363</u>

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.

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, 2012.

#### *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, 2012. 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, 2012, accumulated amortization amounted to \$17,589 and \$21,522 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*

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 (an ordinance or resolution) 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. The City Manager is authorized to assign amounts for specific purposes.

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

The City has adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the governmental funds. The Government Finance Officers Association (GFOA) recommends that local governments maintain an unrestricted fund balance in the General Fund between 5% and 15% of regular operating revenues, which the City follows in the development of its annual General Fund budget. The City sets similar unrestricted fund balances, between 8% and 16% of regular operating revenues, in the development of its annual budgets for other governmental funds in order to remain flexible in operations given unforeseen events or changes in economic conditions.

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 \$15,719,770 and the maturity of these bonds ranges from 5 to 20 years. See Note 13 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, 2012.

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	\$ 5,314,300
Restricted assets:	
Cash and cash equivalents	4,176,267
Total	<u>\$ 9,490,567</u>

The City's pooled deposits are categorized to give an indication of the level of custodial risk assumed by the City at September 30, 2012. Deposits, categorized by level of custodial risk, were as follows as of September 30, 2012:

	Cash and Cash Equivalents	Petty Cash	Total
Bank balance			
Insured by FDIC	\$ 259,646	\$ -	\$ 259,646
Collateralized with securities pledged by the financial institution	9,529,013	-	9,529,013
Collateralized with securities held by the pledging financial institutions' trust department or agent but not in the depositor government's name	-	-	-
Uncollateralized	-	-	-
	<u>\$ 9,788,659</u>	<u>\$ -</u>	<u>\$ 9,788,659</u>
Carrying value	<u>\$ 9,489,917</u>	<u>\$ 650</u>	<u>\$ 9,490,567</u>

At September 30, 2012, cash was restricted for various uses as follows:

Governmental funds:

General Fund		
Restricted for municipal court bonds and protested taxes	\$	3,152
Mid-America NID Fund		
Restricted for debt service		218,153
Cemetery Fund		
Restricted for perpetual maintenance		<u>166,352</u>
		<u>387,657</u>

Enterprise funds:

Wastewater Fund		
Restricted for wastewater improvements		3,616,082
Restricted for debt service		<u>172,528</u>
		<u>3,788,610</u>
Total for all funds	\$	<u><u>4,176,267</u></u>

#### 4. PROPERTY TAXES

Property tax revenue is recognized independent of receivable recognition. A receivable is recognizable as of the lien date when the City has an enforceable legal claim while revenue is recognized in the period for which the taxes are levied. Receivables recognized prior to that period are recorded as unearned revenue in both the government-wide and fund statements. Delinquent taxes expected to be received later than 60 days after the close of the fiscal year are also classified as deferred revenue within the governmental fund financial statements because they do not meet the criteria of being available as described in Note 1.

The City's property tax is levied by the City on September 1 on the value of all real and personal property located in the City as of the prior January 1, the lien date. Taxes are billed by November 1 and are considered delinquent after December 31. Property taxes levied in the fiscal year are recognized as receivable as of that fiscal year end, but the revenue is not recognized until the following fiscal year because the levy ordinance specifies the taxes are being levied for use in the next fiscal year. Thus, those amounts are included as unearned 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 2011 Calendar Year</u>
Assessed valuation:	
Real estate	\$ 92,947,530
Personal property	35,986,290
Railroad and utilities	<u>6,328,703</u>
	<u>\$ 135,262,523</u>
	<u>For the 2011 Calendar Year</u>
Tax rates per \$100 assessed valuation:	
General Fund	\$ 0.4150
Parks and Recreation Fund	0.2000
Public Health Fund	<u>0.2000</u>
	<u>\$ 0.8150</u>

## 5. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at September 30, 2012, 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	\$ 74,143	\$ -
Cunningham Road NID Fund	-	10,649
Department of Natural Resources Energy Grant Fund	-	6,519
Grant Funds	<u>-</u>	<u>56,975</u>
Total for all funds	<u>\$ 74,143</u>	<u>\$ 74,143</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.

## 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

	Balance October 1, 2011	Additions	Retirements	Transfers	Balance September 30, 2012
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 4,042,130	\$ 345,618	\$ -	\$ -	\$ 4,387,748
Infrastructure	30,176,055	-	-	-	30,176,055
Construction in progress	383,290	584,856	-	-	968,146
Total capital assets, not being depreciated	<u>34,601,475</u>	<u>930,474</u>	<u>-</u>	<u>-</u>	<u>35,531,949</u>
Capital assets, being depreciated:					
Buildings	5,188,279	31,011	-	-	5,219,290
Structures other than buildings	5,136,109	26,574	-	-	5,162,683
Equipment	3,632,396	393,847	303,612	-	3,722,631
Infrastructure	1,780,511	-	-	-	1,780,511
Total capital assets, being depreciated	<u>15,737,295</u>	<u>451,432</u>	<u>303,612</u>	<u>-</u>	<u>15,885,115</u>
Less accumulated depreciation for:					
Buildings	2,114,724	124,355	-	-	2,239,079
Structures other than buildings	2,235,755	132,951	-	-	2,368,706
Equipment	2,667,700	275,178	299,221	-	2,643,657
Infrastructure	910,318	22,707	-	-	933,025
Total accumulated depreciation	<u>7,928,497</u>	<u>555,191</u>	<u>299,221</u>	<u>-</u>	<u>8,184,467</u>
Total capital assets being depreciated, net	<u>7,808,798</u>	<u>(103,759)</u>	<u>(4,391)</u>	<u>-</u>	<u>7,700,648</u>
Governmental activities capital assets, net	<u>\$ 42,410,273</u>	<u>\$ 826,715</u>	<u>\$ (4,391)</u>	<u>\$ -</u>	<u>\$ 43,232,597</u>

During the fiscal year, the City's governmental activities received contributed capital assets of approximately \$804,000.

	Balance October 1, 2011	Additions	Retirements	Transfers	Balance September 30, 2012
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 17,420	\$ -	\$ -	\$ -	\$ 17,420
Construction in progress	952,185	2,626,809	-	-	3,578,994
Total capital assets, not being depreciated	<u>969,605</u>	<u>2,626,809</u>	<u>-</u>	<u>-</u>	<u>3,596,414</u>
Capital assets, being depreciated:					
Buildings	6,690,183	-	-	-	6,690,183
Structures other than buildings	6,797,348	8,242	-	-	6,805,590
Equipment	6,489,080	81,208	34,758	-	6,535,530
Total capital assets, being depreciated	<u>19,976,611</u>	<u>89,450</u>	<u>34,758</u>	<u>-</u>	<u>20,031,303</u>
Less accumulated depreciation for:					
Buildings	2,591,358	125,923	-	-	2,717,281
Structures other than buildings	2,990,864	141,361	-	-	3,132,225
Equipment	688,160	271,815	34,758	-	925,217
Total accumulated depreciation	<u>6,270,382</u>	<u>539,099</u>	<u>34,758</u>	<u>-</u>	<u>6,774,723</u>
Total capital assets being depreciated, net	<u>13,706,229</u>	<u>(449,649)</u>	<u>-</u>	<u>-</u>	<u>13,256,580</u>
Business-type activities capital assets, net	<u>\$ 14,675,834</u>	<u>\$ 2,177,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,852,994</u>

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

<b>Governmental activities:</b>	
General government	59,876
Public safety	84,356
Streets	129,092
Cemetery	7,487
Parks and recreation	123,251
Public health	15,208
Community and economic development	53,859
Airport	82,062
Total depreciation expense - governmental activities	<u>\$ 555,191</u>
<b>Business-type activities:</b>	
Wastewater	538,373
Sanitation	726
Total depreciation expense - business-type activities	<u>\$ 539,099</u>

## 7. CAPITAL LEASES

Capital lease obligations at September 30, 2012 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, 2012, \$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 \$249,898 as of September 30, 2012. 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, 2012, \$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 \$15,793 as of September 30, 2012. 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, 2012, \$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 \$15,793 as of September 30, 2012. 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.
4. The City has a lease-purchase agreement for a closed circuit TV system. As of September 30, 2012, \$74,354 has been capitalized and the associated debt is recorded in the Business-Type Activities on the government-wide statements. Accumulated depreciation for this asset was \$7,966 as of September 30, 2012. 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 9/30/2012
Long Term Debt Financed by:			
Economic Development Special Revenue Fund - Speculative Building (1)	3.50%	8/15/2022	\$ 829,598
Community Development Fund - Excavator (2)	3.57%	5/15/2013	8,371
Wastewater Fund - Excavator (3)	3.57%	5/15/2013	8,371
Wastewater Fund - Closed Circuit TV System (4)	3.50%	11/22/2014	53,302
			<u>\$ 899,642</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, 2012:

	Speculative Building (1)	Excavator (2)	Excavator (3)	Closed Circuit TV System
Total minimum lease payments	\$ 985,628	\$ 8,483	\$ 8,483	\$ 55,454
Less: Amount representing interest	<u>(156,030)</u>	<u>(112)</u>	<u>(112)</u>	<u>(2,152)</u>
Present value of future minimum lease payments	<u>\$ 829,598</u>	<u>\$ 8,371</u>	<u>\$ 8,371</u>	<u>\$ 53,302</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, 2012:

Year Ending September 30:	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2013	\$ 79,571	\$ 28,447	\$ 32,466	\$ 1,613	\$ 142,097
2014	73,768	25,767	24,964	632	125,131
2015	76,429	23,106	4,243	19	103,797
2016	79,129	20,406	-	-	99,535
2017	82,040	17,495	-	-	99,535
2018-2022	447,032	40,921	-	-	487,953
Total minimum lease payments	<u>\$ 837,969</u>	<u>\$ 156,142</u>	<u>\$ 61,673</u>	<u>\$ 2,264</u>	<u>\$ 1,058,048</u>

## 8. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2012:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount due In one year
Governmental activities:					
Capital leases	\$ 914,911	\$ -	\$ 76,942	\$ 837,969	\$ 79,101
NID bonds	1,865,000	-	70,000	1,795,000	70,000
Compensated absences	198,298	160,255	153,215	205,338	102,669
Business-type activities:					
Capital leases	20,559	72,734	31,620	61,673	32,465
Revenue bonds	11,460,000	-	95,000	11,365,000	285,000
Compensated absences	15,607	18,603	17,024	17,186	8,593
Landfill closure costs	219,000	58,536	13,216	264,320	13,216
	<u>\$ 14,693,375</u>	<u>\$ 310,128</u>	<u>\$ 457,017</u>	<u>\$ 14,546,486</u>	<u>\$ 591,044</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, 2012
NID Bonds:				
2010A, Tax-Exempt Limited General Obligation Bonds	\$ 810,000	1.0%-3.0%	3/1/2020	\$ 675,000
2010B, Taxable Limited General Obligation Bonds	1,120,000	5.500%-6.125%	3/1/2030	1,120,000
				<u>\$ 1,795,000</u>

The annual requirements to amortize debt outstanding in the governmental activities as of September 30, 2012, including interest payments, are as follows:

Year Ending September 30:	Principal	Interest	Total
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	75,000	76,066	151,066
2018-2022	490,000	335,863	825,863
2023-2027	490,000	213,784	703,784
2028-2030	455,000	49,153	504,153
Total minimum payments	<u>\$ 1,795,000</u>	<u>\$ 995,182</u>	<u>\$ 2,790,182</u>

As of the date of this report, Mid America Brick Refractory and Structural Clay Products missed the December 31, 2012, scheduled assessment payment due to the City for funding the upcoming bond payments due on March 1, 2013 and September 1, 2013. As noted above, the City is obligated under the terms of the limited obligation NID bond issuances for ensuring bond payments are made. The City will have available funds for the March 1, 2013 payment without utilization of General Fund or Debt Service Reserve resources. In the future, the City will utilize General Fund resources for future bond payments if not supported by NID assessment or sources other than Debt Service Reserve. The City of Mexico has no intention to utilize any funds from the Debt Service Reserve for the upcoming payment or future payments.

## 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 \$123,000 during fiscal year 2012.

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 155% of the annual principal and interest payments made during the year ended September 30, 2012. The total principal and interest remaining to be paid on the bonds is \$21,647,828. Principal paid and interest accrued for the current year and total customer net revenues were \$760,386 and \$1,185,023, respectively.

As of September 30, 2012, the City had capitalized interest expense of \$820,483 related to the revenue bonds.

Bonds payable are comprised of the following individual issues:

	Original Amount	Interest Rate	Final Maturity Date	Balance September 30, 2012
Revenue Bonds:				
2010A, Tax-Exempt Sewerage System Revenue Bonds	\$ 595,000	3.0%-4.0%	7/1/2016	\$ 500,000
2010B, Taxable Sewerage System Revenue Bonds	5,170,000	5.289%-7.108%	7/1/2040	5,170,000
2011, Tax-Exempt Sewerage System Revenue Bonds	5,695,000	3.0%-5.0%	7/1/2032	5,695,000
				<u>\$ 11,365,000</u>

The annual requirements to amortize debt outstanding in the business-type activities as of September 30, 2012, including interest payments, are as follows:

Year Ending September 30:	Principal	Interest	Total
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	320,000	570,609	890,609
2018-2022	1,780,000	2,650,155	4,430,155
2023-2027	2,170,000	2,177,312	4,347,312
2028-2032	3,265,000	1,532,866	4,797,866
2033-2037	1,255,000	744,563	1,999,563
2038-2040	1,320,000	219,637	1,539,637
Total minimum payments	<u>\$ 11,365,000</u>	<u>\$ 10,282,828</u>	<u>\$ 21,647,828</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, 2011, of \$135,262,523, the constitutional total general obligation debt limit for "city purposes" was \$27,052,505, which provides a general obligation debt margin of \$25,450,505.

**9. LEASE REVENUE**

On April 18, 2011, the City entered into a lease for a building to Wildernest Logistics Solutions, Inc., through May 31, 2014. The carrying value of this building in the General Fund is \$300,000. 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.

On 1/24/2012, the City entered into a lease for a building to Home Depot through January 31, 2013. The carrying value of this building in the General Fund is \$1,040,239. Payments are \$12,500 per month.

Future lease revenue by fiscal year for these leases is as follows:

2013	\$	90,000
2014		<u>20,000</u>
	\$	<u>110,000</u>

Total lease revenue recognized in the General Fund during the year ended September 30, 2012 was \$155,833.

**10. 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, 2012 follows:

TRANSFERRED TO	TRANSFERRED FROM			Total
	Major Fund	Non-major Funds		
	General Fund	Cemetery Trust Fund	Capital Improvement Sales Tax Fund	
Governmental Funds:				
Major Funds:				
General Fund	\$ -	\$ 531	\$ 300,000	\$ 300,531
Parks and Recreation Fund	<u>370,000</u>	<u>-</u>	<u>95,000</u>	<u>465,000</u>
	<u>\$ 370,000</u>	<u>\$ 531</u>	<u>\$ 395,000</u>	<u>\$ 765,531</u>

## 11. 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, 2012, the City has recorded \$264,320 in estimated closure and postclosure costs, an increase in the liability of \$45,320 from the prior year due to a change in estimated closure costs during the 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, 2012. 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. 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.

### C. 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, 2012, commitments under contracts were as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Commitment</u>
Wastewater Treatment Plant (Phase II)	\$ 1,984,557	\$ 1,834,661
Safe Routes to School Grant	72,787	127,145
Technical Park Development	-	39,660
Drainage Improvement	33,600	32,000
	<u>\$ 2,090,944</u>	<u>\$ 2,033,466</u>

## 12. 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, 2012.

### 13. CONDUIT BOND ISSUES

As of September 30, 2012, the City has issued \$15,719,770 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.

### 14. 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, 2012, was \$3,155,503 and the total City payroll was \$3,252,736. The City's contribution to LAGERS for the year ended September 30, 2012, was \$354,341, which represents 11.2% of covered payroll.

#### *Funding Status*

The City of Mexico's full-time employees do not contribute to the pension plan. The June 30<sup>th</sup> statutorily required contribution rates are 9.8% (General), 13.2% (Police) and 0.6% (Fire) of annual covered 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, 2012, the City's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 475,079
Interest on net pension obligation	8,014
Adjustment to annual required contribution	<u>(6,098)</u>
Annual pension cost	476,995
Actual contributions	<u>352,984</u>
Increase (decrease) in NPO	124,011
NPO beginning of year	<u>110,533</u>
NPO end of year	<u>\$ 234,544</u>

The City's net pension obligation as of September 30, 2012 is recorded as follows on the government-wide statements: \$206,771 in the governmental activities and \$27,773 in the business-type activities. Various governmental funds and the Wastewater and Sanitation proprietary funds will be used to liquidate the net pension obligation.

The annual required contribution was determined as part of the February 28, 2009 and February 28, 2010 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2012, 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 28, 2009 and 2010 was 30 years for all divisions.

**Trend Information**

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 349,659	100%	\$ -
6/30/2011	468,359	76%	110,533
6/30/2012	476,995	74%	234,544

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
2/29/2012	\$ 8,795,313	\$ 9,500,257	\$ 704,944	93%	\$ 3,164,548	22%

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 29, 2012, 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.

## **15. 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 \$190,910 and \$13,834 and related expenses of \$60,955 and \$6,614 in the governmental and business-type activities, respectively, as of and for the year ended September 30, 2012.

### ***Plan Description***

The City sponsors a single-employer health care plan that provides medical benefits to retirees and spouses. Public safety employees age 50 or older and all other employees age 55 or older are eligible for post-retirement benefits if certain service requirements are met.

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, 2012, the annual OPEB costs and changes in the net obligation are as follows:

Actuarial accrued liability	\$ 604,201
OPEB plan assets	-
Unfunded actuarial accrued liability as of September 30, 2012	<u>\$ 604,201</u>
Amortization factor (based on 30-year open-level dollar)	<u>17,984</u>
Amortization of unfunded liability	\$ 33,597
Normal costs	<u>49,638</u>
Annual required contribution (ARC)	83,235
Interest to end of year at 4.0%	3,329
Interest on net OPEB	5,487
Adjustment to the ARC	<u>(7,628)</u>
Annual OPEB cost	84,423
Net OPEB obligation, beginning of year	137,176
Estimated contributions made	<u>(16,853)</u>
Net OPEB obligation, end of year	<u>\$ 204,746</u>

Various governmental funds and the Wastewater and Sanitation proprietary funds will be used to liquidate the net OPEB obligation.

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, 2012 and 2011 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
9/30/2011	\$ 67,037	\$ 457	1%	\$ 137,176
9/30/2012	84,423	16,853	20%	204,746

#### ***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, 2012:

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
9/30/2012	\$ -	\$ 604,201	\$ 604,201	0%	\$ 2,820,570	21.42%

### *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, 2012 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% discount rate. Actuarial assumptions also included annual healthcare trend rates of 8%, initially, reduced by decrements to an ultimate rate of 4.5% after eight 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.

## **16. 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 into a purchase option agreement totaling \$350,000 to convey 70 acres of land adjacent to the facility once construction was 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.

#### **17. FUND BALANCES AND BUDGETS**

The Cunningham Road NID Fund, a governmental fund, had a deficit of \$9,648, which will be reduced by future NID repayments. The Mid-America Brick NID Fund, a governmental fund, had expenditures that exceed its budgeted expenditures by \$38,830, due to certain non-cash items, such as amortization expense of a twenty-year lease/maintenance agreement, not being budgeted.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MEXICO**  
**BUDGETARY COMPARISON SCHEDULE -**  
**GENERAL FUND**  
**Year Ended September 30, 2012**

	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)
<b>REVENUES:</b>						
Taxes	\$ 4,528,952	\$ -	\$ 4,528,952	\$ 4,530,370	\$ 4,511,676	\$ 17,276
Licenses and permits	153,384	-	153,384	154,956	149,470	3,914
Intergovernmental revenues	12,551	-	12,551	6,538	7,551	5,000
Fines and forfeitures	36,632	-	36,632	43,760	36,500	132
Miscellaneous	646,722	(189,885)	456,837	424,534	463,456	(6,619)
Total revenues	<u>5,378,241</u>	<u>(189,885)</u>	<u>5,188,356</u>	<u>5,160,158</u>	<u>5,168,653</u>	<u>19,703</u>
<b>EXPENDITURES:</b>						
General government	1,018,077	-	1,018,077	1,158,192	1,125,729	107,652
Public safety	2,179,572	-	2,179,572	2,303,840	2,257,271	77,699
Streets	738,818	-	738,818	813,580	798,621	59,803
Cemetery	109,242	-	109,242	123,971	119,509	10,267
Economic development	212,179	(72,684)	139,495	153,395	151,114	11,619
Airport	53,815	(53,815)	-	-	-	-
Community development	226,462	-	226,462	230,642	234,265	7,803
Capital outlay	428,633	(20,010)	408,623	336,740	451,405	42,782
Debt service	118,975	(106,251)	12,724	63,606	12,724	-
Total expenditures	<u>5,085,773</u>	<u>(252,760)</u>	<u>4,833,013</u>	<u>5,183,966</u>	<u>5,150,638</u>	<u>317,625</u>
Excess (deficiency) of revenues over expenditures	<u>292,468</u>	<u>62,875</u>	<u>355,343</u>	<u>(23,808)</u>	<u>18,015</u>	<u>337,328</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	300,531	(60,000)	240,531	300,750	300,470	(59,939)
Transfers (out)	(370,000)	-	(370,000)	(536,131)	(430,000)	60,000
Total other financing sources (uses)	<u>(69,469)</u>	<u>(60,000)</u>	<u>(129,469)</u>	<u>(235,381)</u>	<u>(129,530)</u>	<u>61</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ 222,999</u>	<u>\$ 2,875</u>	<u>\$ 225,874</u>	<u>\$ (259,189)</u>	<u>\$ (111,515)</u>	<u>\$ 337,389</u>

Note: The Economic Development and Airport 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, 2012**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>				
Taxes	\$ 282,111	\$ 272,042	\$ 281,628	\$ 483
Charges for services	43,114	51,400	43,466	(352)
Intergovernmental revenues	-	2,000	-	-
Miscellaneous	19,913	15,900	19,174	739
Total revenues	<u>345,138</u>	<u>341,342</u>	<u>344,268</u>	<u>870</u>
<b>EXPENDITURES:</b>				
Parks and recreation	624,341	766,154	707,437	83,096
Capital outlay	85,034	93,600	89,687	4,653
Total expenditures	<u>709,375</u>	<u>859,754</u>	<u>797,124</u>	<u>87,749</u>
Excess (deficiency) of revenues over expenditures	<u>(364,237)</u>	<u>(518,412)</u>	<u>(452,856)</u>	<u>88,619</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	465,000	465,000	465,000	-
Total other financing sources	<u>465,000</u>	<u>465,000</u>	<u>465,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ 100,763</u>	<u>\$ (53,412)</u>	<u>\$ 12,144</u>	<u>\$ 88,619</u>

CITY OF MEXICO

BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - PUBLIC HEALTH FUND  
Year Ended September 30, 2012

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Taxes	\$ 282,111	\$ 272,043	\$ 281,628	\$ 483
Miscellaneous	38,179	37,418	34,817	3,362
Total revenues	<u>320,290</u>	<u>309,461</u>	<u>316,445</u>	<u>3,845</u>
EXPENDITURES:				
Public health	<u>290,763</u>	<u>309,432</u>	<u>326,739</u>	<u>35,976</u>
Total expenditures	<u>290,763</u>	<u>309,432</u>	<u>326,739</u>	<u>35,976</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 29,527</u>	<u>\$ 29</u>	<u>\$ (10,294)</u>	<u>\$ 39,821</u>

**CITY OF MEXICO**  
**BUDGETARY COMPARISON SCHEDULE -**  
**SPECIAL REVENUE - MID-AMERICA BRICK NID FUND**  
**Year Ended September 30, 2012**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>				
Taxes	\$ 154,741	\$ 154,741	\$ 154,741	\$ -
Miscellaneous	714	500	570	144
Total revenues	<u>155,455</u>	<u>155,241</u>	<u>155,311</u>	<u>144</u>
<b>EXPENDITURES:</b>				
Community development	84,838	23,004	23,004	(61,834)
Debt service	129,846	152,850	152,850	23,004
Total expenditures	<u>214,684</u>	<u>175,854</u>	<u>175,854</u>	<u>(38,830)</u>
Excess (deficiency) of revenues over expenditures	<u>(59,229)</u>	<u>(20,613)</u>	<u>(20,543)</u>	<u>(38,686)</u>
<b>OTHER FINANCING (USES):</b>				
Debt proceeds from NID bonds	-	-	(894)	894
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>(894)</u>	<u>894</u>
(Deficiency) of revenues and other financing (uses) over expenditures	<u>\$ (59,229)</u>	<u>\$ (20,613)</u>	<u>\$ (21,437)</u>	<u>\$ (37,792)</u>

## 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 Mid-America Brick NID Fund, a governmental fund, had expenditures that exceed its budgeted expenditures by \$38,830, due to certain non-cash items, such as amortization expense, not being budgeted.

## 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 6.2, 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>
2012	6.24
2011	6.39
2010	6.30

### 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>
2012	\$ 909,708	\$ 1,016,787
2011	\$ 739,987	\$ 817,572
2010	\$ 678,616	\$ 866,294

### 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, 2012**

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
2/28/2010	\$ 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%
2/29/2012	8,795,313	9,500,257	704,944	93%	3,164,548	22%

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 29, 2012 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 Sales Tax Fund*

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

#### *Community Development Grants Fund*

To account for various grants received and restricted for special community development 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 \$11,000 and burial permits of \$15,800 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 \$531 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, 2012**

	Special Revenue Funds							Total
	Department of Natural Resources			Capital Projects Fund		Permanent Fund		
	Tourism Tax Fund	Capital Improvement Sales Tax Fund	Community Development Grants Fund	Energy Grant Fund	Cunningham Road NID Fund		Grant Funds	
<b>ASSETS</b>								
Cash and cash equivalents	\$ 39,555	\$ 248,009	\$ 3,844	\$ -	\$ -	\$ 5,042	\$ -	\$ 296,450
Restricted cash	-	-	-	-	-	-	166,352	166,352
Taxes receivable	4,125	108,854	-	-	-	-	-	112,979
Intergovernmental receivable	-	-	-	12,984	-	73,926	-	86,910
NID receivable	-	-	-	-	14,974	-	-	14,974
Other receivables	-	-	-	-	533	-	-	533
<b>TOTAL ASSETS</b>	<b>43,680</b>	<b>356,863</b>	<b>3,844</b>	<b>12,984</b>	<b>15,507</b>	<b>78,968</b>	<b>166,352</b>	<b>678,198</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	-	-	-	-	-	7,279	-	7,279
Interfund payable	-	-	-	6,519	10,649	56,975	-	74,143
Deferred revenue	-	-	-	-	14,506	-	-	14,506
Total Liabilities	-	-	-	6,519	25,155	64,254	-	95,928
<b>FUND BALANCES</b>								
Nonexpendable - perpetual care	-	-	-	-	-	-	166,352	166,352
Restricted to:								
Capital improvements	-	356,863	-	-	-	-	-	356,863
Community development	-	-	3,844	-	-	-	-	3,844
Tourism	43,680	-	-	-	-	-	-	43,680
Grant activity	-	-	-	-	-	14,714	-	14,714
Unassigned	-	-	-	6,465	(9,648)	-	-	(3,183)
Total Fund Balances	43,680	356,863	3,844	6,465	(9,648)	14,714	166,352	582,270
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 43,680</b>	<b>\$ 356,863</b>	<b>\$ 3,844</b>	<b>\$ 12,984</b>	<b>\$ 15,507</b>	<b>\$ 78,968</b>	<b>\$ 166,352</b>	<b>\$ 678,198</b>

CITY OF MEXICO

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR FUNDS  
 Year Ended September 30, 2012

	Special Revenue Funds						Capital Projects Fund	Permanent Fund	Total
	Tourism Tax Fund	Capital Improvement Sales Tax Fund	Community Development Grants Fund	Department of Natural Resources Energy Grant Fund	Cunningham Road NID Fund	Grant Funds	Cemetery Perpetual Care Fund		
REVENUES:									
Taxes									
Property	\$ -	\$ -	\$ -	\$ -	\$ 5,192	\$ -	\$ -	\$ 5,192	
Sales	40,751	778,571	-	-	-	-	-	819,322	
Intergovernmental revenues	-	-	369,753	74,424	-	468,581	-	912,758	
Miscellaneous	-	-	-	-	-	-	-	-	
Interest	-	1,382	-	-	-	-	531	1,913	
Other	-	436	-	-	-	-	-	436	
<b>TOTAL REVENUES</b>	<b>40,751</b>	<b>780,389</b>	<b>369,753</b>	<b>74,424</b>	<b>5,192</b>	<b>468,581</b>	<b>531</b>	<b>1,739,621</b>	
EXPENDITURES:									
Current:									
Community development	40,544	-	-	20,223	-	389,634	-	450,401	
Capital outlay	-	392,790	378,960	-	-	77,421	-	849,171	
Total expenditures	40,544	392,790	378,960	20,223	-	467,055	-	1,299,572	
Excess (deficiency) of revenues over expenditures	207	387,599	(9,207)	54,201	5,192	1,526	531	440,049	
OTHER FINANCING (USES)									
Transfers (out)	-	(395,000)	-	-	-	-	(531)	(395,531)	
Total other financing (uses)	-	(395,000)	-	-	-	-	(531)	(395,531)	
Net change in fund balances	207	(7,401)	(9,207)	54,201	5,192	1,526	-	44,518	
Fund balances, October 1	43,473	364,264	13,051	(47,736)	(14,840)	13,188	166,352	537,752	
<b>FUND BALANCES, SEPTEMBER 30</b>	<b>\$ 43,680</b>	<b>\$ 356,863</b>	<b>\$ 3,844</b>	<b>\$ 6,465</b>	<b>\$ (9,648)</b>	<b>\$ 14,714</b>	<b>\$ 166,352</b>	<b>\$ 582,270</b>	

CITY OF MEXICO

BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - TOURISM TAX FUND  
Year Ended September 30, 2012

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Taxes	\$ 40,751	\$ 42,000	\$ 41,548	\$ (797)
Total revenues	<u>40,751</u>	<u>42,000</u>	<u>41,548</u>	<u>(797)</u>
EXPENDITURES:				
Community development	40,544	42,000	45,844	5,300
Total expenditures	<u>40,544</u>	<u>42,000</u>	<u>45,844</u>	<u>5,300</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 207</u>	<u>\$ -</u>	<u>\$ (4,296)</u>	<u>\$ 4,503</u>

**CITY OF MEXICO**

**BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - CAPITAL IMPROVEMENT SALES TAX FUND  
Year Ended September 30, 2012**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>				
Taxes	\$ 778,571	\$ 759,076	\$ 778,656	\$ (85)
Miscellaneous	1,818	2,436	1,686	132
Total revenues	<u>780,389</u>	<u>761,512</u>	<u>780,342</u>	<u>47</u>
<b>EXPENDITURES:</b>				
Capital outlay	<u>392,790</u>	<u>484,000</u>	<u>565,254</u>	<u>172,464</u>
Total expenditures	<u>392,790</u>	<u>484,000</u>	<u>565,254</u>	<u>172,464</u>
Excess (deficiency) of revenues over expenditures	<u>387,599</u>	<u>277,512</u>	<u>215,088</u>	<u>172,511</u>
<b>OTHER FINANCING (USES):</b>				
Transfers (out)	<u>(395,000)</u>	<u>(405,000)</u>	<u>(395,000)</u>	<u>-</u>
Total other financing (uses)	<u>(395,000)</u>	<u>(405,000)</u>	<u>(395,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing (uses) over expenditures	<u>\$ (7,401)</u>	<u>\$ (127,488)</u>	<u>\$ (179,912)</u>	<u>\$ 172,511</u>

**CITY OF MEXICO**

**BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - COMMUNITY DEVELOPMENT GRANTS FUND  
Year Ended September 30, 2012**

	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>REVENUES:</b>				
Intergovernmental revenues	\$ 369,753	\$ 957,474	\$ 417,024	\$ (47,271)
Total revenues	<u>369,753</u>	<u>957,474</u>	<u>417,024</u>	<u>(47,271)</u>
<b>EXPENDITURES:</b>				
Community development	-	993,842	455,443	455,443
Total expenditures	<u>378,960</u>	<u>993,842</u>	<u>455,443</u>	<u>76,483</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (9,207)</u>	<u>\$ (36,368)</u>	<u>\$ (38,419)</u>	<u>\$ 29,212</u>

**CITY OF MEXICO**

**BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - DEPARTMENT OF NATURAL RESOURCES  
ENERGY GRANT FUND  
Year Ended September 30, 2012**

	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>REVENUES:</b>				
Intergovernmental revenues	\$ 74,424	\$ 410,770	\$ 74,362	\$ 62
Total revenues	<u>74,424</u>	<u>410,770</u>	<u>74,362</u>	<u>62</u>
<b>EXPENDITURES:</b>				
Community development	<u>20,223</u>	<u>410,770</u>	<u>48,039</u>	<u>27,816</u>
Total expenditures	<u>20,223</u>	<u>410,770</u>	<u>48,039</u>	<u>27,816</u>
Excess of revenues over expenditures	<u>\$ 54,201</u>	<u>\$ -</u>	<u>\$ 26,323</u>	<u>\$ 27,878</u>

**CITY OF MEXICO**

**BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - CUNNINGHAM ROAD NID FUND  
Year Ended September 30, 2012**

	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
REVENUES:				
Taxes	\$ 5,192	\$ 575	\$ 1,967	\$ 3,225
Total revenues	<u>5,192</u>	<u>575</u>	<u>1,967</u>	<u>3,225</u>
Excess of revenues	<u>\$ 5,192</u>	<u>\$ 575</u>	<u>\$ 1,967</u>	<u>\$ 3,225</u>

**CITY OF MEXICO**  
**BUDGETARY COMPARISON SCHEDULE -**  
**AIRPORT FUND**  
**Year Ended September 30, 2012**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>				
Miscellaneous	\$ 24,798	\$ 28,220	\$ 24,157	\$ 641
Total revenues	<u>24,798</u>	<u>28,220</u>	<u>24,157</u>	<u>641</u>
<b>EXPENDITURES:</b>				
Airport	53,815	59,477	59,637	5,822
Capital outlay	1,154	10,000	1,154	-
Total expenditures	<u>54,969</u>	<u>69,477</u>	<u>60,791</u>	<u>5,822</u>
Excess (deficiency) of revenues over expenditures	<u>(30,171)</u>	<u>(41,257)</u>	<u>(36,634)</u>	<u>6,463</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	30,000	40,000	30,000	-
Total other financing sources	<u>30,000</u>	<u>40,000</u>	<u>30,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ (171)</u>	<u>\$ (1,257)</u>	<u>\$ (6,634)</u>	<u>\$ 6,463</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 -  
ECONOMIC DEVELOPMENT FUND  
Year Ended September 30, 2012**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>				
Miscellaneous	\$ 165,087	\$ 40,150	\$ 165,044	\$ 43
Total revenues	<u>165,087</u>	<u>40,150</u>	<u>165,044</u>	<u>43</u>
<b>EXPENDITURES:</b>				
Economic development	72,684	84,971	80,966	8,282
Capital outlay	18,856	25,000	37,242	18,386
Debt service	106,251	106,861	106,861	610
Total expenditures	<u>197,791</u>	<u>216,832</u>	<u>225,069</u>	<u>27,278</u>
Excess (deficiency) of revenues over expenditures	<u>(32,704)</u>	<u>(176,682)</u>	<u>(60,025)</u>	<u>27,321</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	30,000	-	-	30,000
Total other financing sources	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ (2,704)</u>	<u>\$ (176,682)</u>	<u>\$ (60,025)</u>	<u>\$ 57,321</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 Economic Development Fund is shown separately.

**CITY OF MEXICO**

**BUDGETARY COMPARISON SCHEDULE -  
CAPITAL PROJECTS - GRANTS AND OTHER FUNDS  
Year Ended September 30, 2012**

	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>REVENUES:</b>				
Intergovernmental revenues	\$ 468,581	\$ 640,511	\$ 628,557	\$ (159,976)
Total revenues	<u>468,581</u>	<u>640,511</u>	<u>628,557</u>	<u>(159,976)</u>
<b>EXPENDITURES:</b>				
Community development	389,634	423,253	494,253	104,619
Capital outlay	77,421	226,742	123,534	46,113
Total expenditures	<u>467,055</u>	<u>649,995</u>	<u>617,787</u>	<u>150,732</u>
Excess (deficiency) of revenues over expenditures	<u>1,526</u>	<u>(9,484)</u>	<u>10,770</u>	<u>(9,244)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 1,526</u>	<u>\$ (9,484)</u>	<u>\$ 10,770</u>	<u>\$ (9,244)</u>

**CITY OF MEXICO**

**BUDGETARY COMPARISON SCHEDULE -  
PERMANENT - CEMETERY PERPETUAL CARE FUND  
Year Ended September 30, 2012**

	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
REVENUES:				
Miscellaneous	\$ 531	\$ 750	\$ 470	\$ 61
Total revenues	<u>531</u>	<u>750</u>	<u>470</u>	<u>61</u>
OTHER FINANCING (USES):				
Transfers (out)	<u>(531)</u>	<u>(750)</u>	<u>(470)</u>	<u>(61)</u>
Total other financing (uses)	<u>(531)</u>	<u>(750)</u>	<u>(470)</u>	<u>(61)</u>
Excess (deficiency) of revenues over other financing (uses)	<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.*

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> <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>	68 - 73
<b>Revenue Capacity</b> <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>	74 - 80
<b>Debt Capacity</b> <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>	81 - 85
<b>Demographic and Economic Information</b> <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>	86 - 87
<b>Operating Information</b> <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>	88 - 90

**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 Nine Fiscal Years  
(accrual basis of accounting)

	FISCAL YEAR								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>									
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	\$42,229,128
Restricted	467,423	494,454	372,656	362,367	431,253	411,321	805,641	2,147,275	2,102,698
Unrestricted	1,485,959	1,149,140	1,487,151	2,401,214	2,991,706	3,216,020	4,827,108	3,133,843	3,085,597
<b>Total governmental activities net assets</b>	<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>46,540,980</u>	<u>47,417,393</u>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	6,776,302	8,783,227	6,865,499	9,083,219	9,083,219	8,828,500	8,031,312	7,650,738	7,489,140
Restricted	-	-	-	-	-	25,383	510,874	1,198,157	1,201,431
Unrestricted	310,437	525,992	714,198	1,036,189	1,035,895	716,251	1,108,212	1,475,155	1,890,557
<b>Total business-type activities net assets</b>	<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>	<u>10,581,128</u>
<b>Primary government</b>									
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	49,718,268
Restricted	467,423	494,454	372,656	362,367	431,253	436,704	1,316,515	3,345,432	3,304,129
Unrestricted	1,796,406	1,678,132	2,201,349	3,439,403	4,027,501	3,932,271	5,935,320	4,608,998	4,976,124
<b>Total primary government net assets</b>	<u>\$47,674,392</u>	<u>\$48,849,760</u>	<u>\$51,590,837</u>	<u>\$53,107,301</u>	<u>\$53,848,808</u>	<u>\$53,598,132</u>	<u>\$55,811,081</u>	<u>\$56,865,030</u>	<u>\$57,998,521</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 Nine Fiscal Years**  
 (accrual basis of accounting)

	FISCAL YEAR								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>									
<b>Governmental activities:</b>									
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	\$1,237,910
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	2,373,261
Streets	772,977	518,376	942,616	1,084,270	1,202,872	1,124,209	1,158,808	1,298,659	1,264,331
Cemetery	69,415	76,220	86,997	64,100	101,259	104,053	111,844	93,901	119,883
Parks and recreation	550,639	539,874	619,299	772,521	738,024	787,951	842,499	883,698	785,099
Public Health	243,211	237,757	258,891	264,344	322,190	328,804	390,387	312,670	317,007
Economic Development	153,267	520,174	213,753	256,284	396,448	295,034	238,929	246,301	234,431
Airport	87,571	32,658	130,388	136,487	126,166	119,922	117,739	120,473	134,531
Community Development	698,511	2,659,678	1,018,615	2,267,577	395,961	404,435	4,496,926	2,464,877	460,657
Interest on long-term debt	133,302	93,236	101,668	104,925	232,160	63,983	50,820	110,743	103,307
Loss on sale of capital assets	-	-	-	-	42,011	5,657	52,128	-	-
<b>Total governmental activities expenses</b>	<b>5,936,002</b>	<b>8,076,719</b>	<b>9,848,972</b>	<b>8,559,802</b>	<b>7,132,350</b>	<b>7,066,450</b>	<b>11,414,502</b>	<b>9,273,165</b>	<b>7,030,217</b>
<b>Business-type activities:</b>									
Wastewater Utility	985,127	939,278	903,561	968,139	1,248,086	1,692,600	1,571,695	1,571,278	2,288,282
Sanitation	393,570	393,360	413,830	397,429	445,968	451,564	473,264	494,957	556,707
MA-11N	1,987	-	-	-	-	-	-	-	-
<b>Total business-type activities expenses</b>	<b>1,380,684</b>	<b>1,332,638</b>	<b>1,317,391</b>	<b>1,365,568</b>	<b>1,694,054</b>	<b>2,144,464</b>	<b>2,044,959</b>	<b>2,066,235</b>	<b>2,844,989</b>
<b>Total primary government expenses</b>	<b>\$7,316,686</b>	<b>\$9,409,357</b>	<b>\$8,166,363</b>	<b>\$9,925,370</b>	<b>\$8,826,404</b>	<b>9,210,614</b>	<b>13,459,461</b>	<b>11,339,420</b>	<b>9,875,206</b>
<b>Program Revenues</b>									
<b>Governmental activities:</b>									
Charges for Services:									
General	\$146,710	\$145,095	\$154,490	\$138,514	\$156,405	\$114,322	\$132,660	\$152,645	\$153,384
Public Safety	403,334	366,087	435,456	466,165	472,741	493,238	515,245	164,697	36,632
Parks and recreation	52,351	42,551	40,273	42,886	40,217	39,652	47,615	46,755	43,114
Economic Development	173,676	220,165	226,007	230,069	152,630	130,964	29,113	65,252	155,833
Airport	23,956	24,428	22,253	23,050	22,140	22,490	22,800	21,513	22,776
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	2,652,799	2,097,620	395,158	198,330	6,483,395	3,132,982	994,834
<b>Total governmental activities program revenues</b>	<b>1,765,215</b>	<b>4,802,172</b>	<b>3,563,444</b>	<b>3,328,409</b>	<b>1,330,045</b>	<b>1,001,659</b>	<b>7,231,511</b>	<b>3,603,844</b>	<b>1,406,573</b>
<b>Business-type activities:</b>									
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	2,417,368
Sanitation	464,753	430,084	421,947	443,060	468,907	489,656	509,198	530,885	552,131
Capital grants and contributions	-	-	145,113	42,354	76,501	-	-	-	-
<b>Total business-type activities program revenues</b>	<b>1,447,300</b>	<b>1,519,290</b>	<b>1,616,725</b>	<b>1,639,158</b>	<b>1,638,181</b>	<b>1,572,321</b>	<b>2,082,289</b>	<b>2,564,598</b>	<b>2,969,499</b>
<b>Total primary government program revenues</b>	<b>\$3,212,515</b>	<b>\$6,321,462</b>	<b>\$5,180,169</b>	<b>\$4,967,567</b>	<b>\$2,968,226</b>	<b>\$2,573,980</b>	<b>\$9,313,800</b>	<b>\$6,168,442</b>	<b>\$4,376,072</b>

FISCAL YEAR

	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Net (Expense)/Revenue</b>									
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)	(5,623,644)
Business-type activities	66,616	186,652	299,334	273,590	(55,873)	(571,843)	37,330	498,363	124,510
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>	<u>(\$5,499,134)</u>
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental activities:									
Taxes	\$4,608,414	\$4,899,869							
Property Taxes		\$974,322		\$989,767	\$1,061,739	\$1,141,463	\$1,149,805	\$1,252,559	\$1,205,154
Sales Taxes		2,916,774		3,017,837	3,020,303	2,918,807	2,866,397	2,913,731	2,939,444
Franchise Taxes		1,271,386		1,444,128	2,007,059	1,965,108	1,773,704	1,847,093	1,826,191
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	475,486
Gain on Sale of Capital Assets	-	-	-	580,285	-	-	-	-	41,871
Investment earnings	16,589	39,694	87,949	146,461	87,875	21,008	17,392	16,541	12,111
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>5,049,639</u>	<u>6,500,057</u>
Business-type activities:									
Change in landfill P/L estimate	13,000	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	132,568
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>	<u>132,568</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>	<u>\$6,632,625</u>
<b>Change in Net Assets</b>									
Governmental activities	\$1,641,934	\$2,002,539	\$2,373,599	\$1,074,753	\$743,904	\$298,204	\$2,132,685	\$380,298	\$876,413
Business-type activities	117,318	225,480	367,478	441,711	(2,296)	(548,980)	80,264	673,652	257,078
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>	<u>\$1,133,491</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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 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	\$ 3,239,024
Unassigned	\$ 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	\$ 3,239,024
Total general fund	\$ 1,330,552	\$ 1,903,250	\$ 2,007,104	\$ 2,140,714	\$ 2,812,916	\$ 4,231,086	\$ 4,235,704	\$ 5,547,400	\$ 6,032,050	\$ 6,478,048
All Other Governmental Funds										
Reserved	\$ 174,334	\$ 301,071	\$ 328,102	\$ 372,656	\$ 362,367	\$ 431,253	\$ 411,321	\$ 805,641	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	831,006	677,833	519,228	670,989	1,250,733	1,024,916	898,168	1,808,999	-	-
Capital projects funds	62,959	-	225,373	50,142	(138,703)	(23,002)	(22,614)	19,226	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Prepays	-	-	-	-	-	-	-	-	1,187,025	1,124,550
Perpetual Care	-	-	-	-	-	-	-	-	166,352	166,352
Restricted For:										
Capital Improvements	-	-	-	-	-	-	-	-	364,264	356,863
Public Health	-	-	-	-	-	-	-	-	158,567	186,094
Community Development	-	-	-	-	-	-	-	-	13,051	3,844
Tourism	-	-	-	-	-	-	-	-	43,473	43,680
Grant Activity	-	-	-	-	-	-	-	-	13,188	14,714
Debt Service	-	-	-	-	-	-	-	-	201,355	204,601
Assigned	-	-	-	-	-	-	-	-	131,509	232,272
Parks & Recreation	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	(62,576)	(3,183)
Non-major Fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 1,068,299	\$ 978,904	\$ 1,072,703	\$ 1,093,787	\$ 1,474,397	\$ 1,433,167	\$ 1,286,875	\$ 2,633,866	\$ 2,215,208	\$ 2,331,767

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Taxes										
Property	\$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	\$1,306,794
Sales				2,916,774	3,017,837	3,020,303	2,918,807	2,866,397	2,913,731	2,939,444
Franchise				1,271,386	1,444,128	2,007,059	1,695,918	2,042,894	1,847,093	1,826,191
Licenses, fees, and permits	134,061	146,710	145,095	154,490	138,514	156,405	114,322	132,660	152,645	153,384
Fines and penalties	46,386	60,065	49,979	44,268	44,151	43,594	47,916	44,234	46,975	36,632
Charges for services	49,124	52,351	42,551	40,273	42,886	40,217	39,652	47,615	46,755	43,114
Intergovernmental	1,477,569	1,926,792	3,603,338	1,020,223	2,265,656	457,901	129,934	4,481,243	2,565,172	925,309
Investment earnings		6,589	39,694	87,949	146,462	87,875	21,008	17,392	16,541	12,111
Other revenues	883,306	789,171	1,311,686	1,006,309	954,928	1,014,536	835,300	1,070,840	687,576	695,766
<b>Total revenues</b>	<b>\$7,211,832</b>	<b>\$7,583,812</b>	<b>\$10,092,212</b>	<b>\$7,515,994</b>	<b>\$9,054,329</b>	<b>\$7,889,629</b>	<b>\$6,944,320</b>	<b>\$11,853,080</b>	<b>\$9,605,901</b>	<b>\$7,938,745</b>
<b>Expenditures</b>										
General government	\$793,169	\$826,088	\$783,997	\$819,426	\$844,913	\$930,061	\$951,126	\$1,001,272	\$1,005,234	\$1,018,077
Public Safety	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	2,179,572
Streets	662,016	652,687	683,715	704,252	751,972	749,858	760,172	784,612	820,924	738,818
Cemetery	65,685	69,431	75,907	92,887	93,052	97,975	104,053	106,433	107,284	109,242
Parks and recreation	406,212	439,913	460,001	472,927	479,490	585,016	630,228	689,277	710,020	624,341
Public Health	243,261	239,813	260,089	252,129	256,934	313,372	320,376	382,935	294,034	290,763
Economic Development	366,147	73,894	468,658	159,535	184,433	341,478	232,719	181,872	172,721	212,179
Airport	59,093	53,148	54,815	56,703	91,254	98,859	64,012	46,644	56,044	53,815
Community Development	1,186,857	647,801	1,609,441	275,375	1,955,556	311,664	353,337	708,979	595,522	761,701
Capital outlay	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	1,362,838
Debt service										
Principal	430,055	1,271,359	310,864	241,009	72,170	216,327	95,368	87,209	135,670	146,942
Interest	167,289	138,697	97,551	101,955	105,053	97,939	64,520	50,820	110,743	101,879
<b>Total expenditures</b>	<b>\$7,580,509</b>	<b>\$7,977,338</b>	<b>\$9,826,793</b>	<b>\$7,594,457</b>	<b>\$9,121,773</b>	<b>\$7,243,444</b>	<b>\$7,088,303</b>	<b>\$11,698,335</b>	<b>\$9,781,234</b>	<b>\$7,600,167</b>
Excess of revenues over (under) expenditures	(\$368,677)	(\$393,526)	\$265,419	(\$78,463)	(\$67,444)	\$646,185	(\$143,983)	\$154,745	(\$175,333)	\$338,578

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Other Financing Sources(uses)</b>										
Lease Proceeds	225,000	299,000	-	-	-	-	-	-	-	-
NID proceeds	-	-	-	-	-	-	-	1,916,259	-	-
Proceeds from sale of capital assets	-	-	-	-	894,758	22,600	-	-	-	-
Issuance costs	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	765,531
Transfers in	(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)	(765,531)
Transfers out										
<b>Total other financing sources (uses)</b>	<b>227,774</b>	<b>286,844</b>	<b>-</b>	<b>-</b>	<b>784,156</b>	<b>22,600</b>	<b>-</b>	<b>1,848,095</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(\$140,903)</b>	<b>(\$106,682)</b>	<b>\$265,419</b>	<b>(\$78,463)</b>	<b>\$716,712</b>	<b>\$668,785</b>	<b>(\$143,983)</b>	<b>\$2,002,840</b>	<b>(\$175,333)</b>	<b>\$338,578</b>

Debt service as a percentage of noncapital expenditures	9.52%	20.66%	5.46%	6.56%	2.17%	4.70%	2.44%	2.10%	3.93%	3.92%
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Note: GASB 34 implemented-Fiscal Year ending September 30, 2004

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		Collection in Subsequent Years	Total Collections to Date	
			Fiscal Year of the Levy	Percent of Levy		Amount	Percentage of Levy
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%	13,284	867,349	96.99%
2007	2006	921,879	898,719	97.49%	22,853	921,572	99.96%
2008	2007	1,024,770	989,460	96.56%	34,967	1,024,427	99.96%
2009	2008	1,094,182	1,070,854	97.90%	23,328	1,094,182	100.00%
2010	2009	1,103,048	1,041,675	94.44%	44,602	1,086,277	98.47%
2011	2010	1,099,901	1,073,156	97.56%	17,649	1,090,805	99.17%
2012	2011	1,102,389	1,086,503	98.55%	-	1,086,503	98.55%

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
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%
2012	\$59,458,450	\$102,660	\$34,984,986	\$37,666,925	\$6,343,083	\$138,556,104	\$0.82	\$550,997,770	25.15%

**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					Total	
	General Fund	General Obligation Debt Service	Special Revenue Funds		Redevelopment Program	Total Direct Rate	Mexico				State
			Parks & Public Hlth				Mexico School District	Audrain County General	Audrain County Special		
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	0.03	5.58
2010	0.41	0.00	0.40		\$0.00	0.81	3.55	0.21	0.90	0.03	5.80
2011	0.41	0.00	0.40		\$0.00	0.81	3.62	0.22	0.90	0.03	5.88
2012	0.42	0.00	0.40		\$0.00	0.82	3.64	0.24	0.91	0.03	5.94

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 Nine Years Ago

Taxpayer	Fiscal Year 2012			Fiscal Year 2003		
	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	\$5,920,559	1	4.37%	1,259,381	6	1.08%
Archer Daniels Midland	3,700,896	2	2.73%	1,110,080	8	0.95%
Mo Cities Water Co.	2,808,672	3	2.07%	827,546	10	0.71%
WalMart	2,729,701	4	2.01%	2,114,320	3	1.82%
Dawn	1,789,832	5	1.32%	1,499,133	4	1.29%
Teva	1,555,842	6	1.15%	-	-	-
Mexwest LLC	1,386,060	7	1.02%	1,192,114	7	1.02%
Three T' Partnership	1,260,280	8	0.93%	-	-	-
Cerro Copper	948,070	9	0.70%	889,973	9	0.76%
Consolidated Electric	697,876	10	0.51%	-	-	-
A.P. Green	-	-	-	4,061,191	1	3.50%
Nexans	-	-	-	3,511,303	2	3.03%
Westlake Hardware	-	-	-	1,418,346	5	1.22%
<b>Total</b>	<b>\$22,797,788</b>		<b>16.81%</b>	<b>\$17,883,387</b>		<b>15.38%</b>

Source: Audrain County Assessor's Office.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Communication	\$ 3,982	\$ 5,465	\$ 5,205	\$ 5,380	\$ 5,958	\$ 6,461	\$ 6,789	\$ 6,941	\$ 7,170	\$ 6,611
Wholesale Trade	1,141	1,046	1,424	1,561	1,556	790	1,437	1,218	1,342	1,586
Building Materials	-	-	-	2,365	813	-	4,138	3,894	4,879	4,996
Variety Stores	62	207	1,367	623	859	3,060	-	908	801	-
Food Stores	20,546	19,774	20,219	14,994	14,599	16,503	16,873	11,543	11,551	16,024
Automotive Store & Service Stations	5,463	5,355	2,603	3,105	3,347	3,358	3,668	3,663	4,042	4,308
Furniture and Home Furnishings	1,976	2,014	2,718	4,040	3,924	4,266	4,404	3,152	3,653	3,271
Eating and Drinking	10,133	9,863	10,368	11,632	11,772	12,268	12,742	12,359	12,862	13,069
Miscellaneous Retail	15,498	13,157	13,139	15,133	10,228	11,633	9,868	8,182	7,272	7,946
Miscellaneous Business Services	473	410	374	769	2,166	2,562	2,995	1,632	1,660	1,692
Automotive Repair Services	837	859	1,129	1,941	1,839	2,092	2,075	1,816	1,826	1,706
Miscellaneous Services	3,083	1,584	1,655	1,863	2,343	1,518	1,623	1,748	1,591	1,573
All other outlets	64,878	67,486	70,896	84,362	97,084	98,920	95,802	95,674	97,607	92,026
<b>Total</b>	<b>\$ 128,072</b>	<b>\$ 127,220</b>	<b>\$ 131,097</b>	<b>\$ 147,768</b>	<b>\$ 156,488</b>	<b>\$ 163,431</b>	<b>\$ 162,414</b>	<b>\$ 152,730</b>	<b>\$ 156,256</b>	<b>\$ 154,808</b>

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>
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%
2012	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>	2011			2002		
	<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	\$ 1,785,244	1	76.88%	\$ 1,301,303	1	69.88%
Food Stores	240,364	2	10.35%	308,172	3	16.54%
Eating & Drinking	196,036	3	8.44%	151,619	2	8.14%
Total	<u>\$ 2,221,644</u>		<u>95.67%</u>	<u>\$ 1,761,094</u>		<u>94.56%</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 Nine Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Sales 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	-	1,022,915	-	-	1,930,000	-	-	32,320	8,717,915	3.750%	787
2011	-	935,470	-	-	1,865,000	-	-	20,559	14,260,470	5.223%	1,235
2012	-	837,969	-	-	1,795,000	-	-	61,673	14,052,701	5.090%	1,217

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		
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
2012	-	1,795,000	1,795,000	0.003	156

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.  
 See Schedule 6 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, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
City of Mexico, Missouri	\$ -	\$ -	\$ -
	-	-	-
	-	-	-
	-	-	-
<b>Other debt</b>			
Mexico Public School District #59	\$ 14,892,404	71%	\$ 10,573,607
	-	-	-
	-	-	-
	-	-	-
Subtotal, overlapping debt			\$ 10,573,607
City direct debt			-
<b>Total direct and overlapping debt</b>			<u>\$ 10,573,607</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 the City. 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 2012

Assessed value	\$135,262,523
Debt limit (20% of assessed valuation)	\$27,052,505
Debt applicable to limit:	
General obligation bonds	\$1,795,000
Less: Amount set aside for repayment of general obligation debt	\$193,000
Total net debt applicable to limit	\$1,602,000
Legal debt margin	\$25,450,505

FISCAL YEAR

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 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	\$ 27,052,505
Total net debt applicable to limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,737,000	\$ 1,672,000	\$ 1,602,000
Legal debt margin	\$ 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	\$ 25,450,505
Total net debt applicable to the limit as a percentage of debt limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.063	\$ 0.062	\$ 0.063

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
2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,414	\$ 50,898	\$ 65,271	\$ -
2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,826	\$ 46,959	\$ 35,354	\$ -
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	\$ 806,069	\$ 154,741	\$ 65,000	\$ 62,888	\$ 1.72	\$ -	\$ 65,000	\$ -	\$ 1.02
2012	\$ 2,417,368	\$ 1,369,456	\$ 1,047,912	\$ 154,741	\$ 70,000	\$ 59,496	\$ 1.64	\$ -	\$ 70,000	\$ -	\$ 1.19

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.

Phase II Wastewater bonds closed on April 13, 2011, with the first scheduled payment made in fiscal year 2012.

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

Note: Both the Wastewater and Mid-America Brick bond interest payments are net of Build America Bonds interest credits.

Wastewater revenue bond coverage calculation excludes depreciation and amortization expense.

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
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%
2012	11,543	\$ 275,780	\$ 23,892	39.69	2,592	5.80%

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 as of September 30 of each year; 2012 is as of September 2012. 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>	2012			2003		
	<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%	669	1	4.99%
True Manufacturing	400	2	2.63%	-	-	0.00%
Mexico School District	370	3	2.43%	355	3	2.65%
Wal-Mart	325	4	2.14%	-	-	0.00%
Dawn Food Products	300	5	1.97%	-	-	0.00%
Spartan Light Metal Products	250	6	1.64%	-	-	0.00%
Home Decorators Collection	236	7	1.55%	167	9	1.25%
Continental Products	215	8	1.41%	-	-	0.00%
Brookstone	205	9	1.35%	156	7	1.16%
Missouri Veterans Home	184	10	1.21%	158	8	1.18%
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%
<b>Total</b>	<b>3030</b>		<b>19.94%</b>	<b>2845</b>		<b>21.23%</b>

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>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>	<u>2012</u>
General government										
City Manager	2.4	2.4	2.8	2.8	2.3	2.3	2.3	2.3	1.8	1.8
Administrative Services	5.5	5.5	5.5	5.5	5	5	6	5	5.75	5.75
Comm.Dev./Animal Control	7.2	5.6	5.6	5.6	6.6	6.55	6.6	6.6	6.6	7.6
Economic Development	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Other										
Police										
Public Safety Officers	32.8	34	34	35	35	35	35	35.15	34.65	34.65
Clerk Typist/Dispatchers	13.35	14.35	13.35	13.35	14	15	15	15	1	1
Fire										
Fire Apparatus Operator	1	1	1	1	1	1	1	0	0	0
Civil Defense	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Other public works										
Engineering	2	1.5	1.5	1.5	1.5	1.5	1.25	1.25	1.2	1.2
Street Dept.	11.8	11	11	11	11.05	10.8	10.8	10	8.85	8.85
Parks and recreation/Cemetery	9.1	9.1	9.6	9.6	10.6	11	12	12	10.1	11.1
Internal Service	0	0	0	0	0	0	0	0	0	0
Wastewater	7.4	8.1	7.3	7.3	10.3	10.3	10.8	10.8	11.1	11.1
Sanitation	1	1	1	1	1	1	1	1	1.05	1.05
<b>Total</b>	<b>95.55</b>	<b>95.55</b>	<b>94.55</b>	<b>95.55</b>	<b>100.3</b>	<b>101.4</b>	<b>103.7</b>	<b>101</b>	<b>84</b>	<b>86</b>

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

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government										
Building permits issued	461	408	477	543	509	442	404	570	525	696
Building inspections conducted	1383	1507	1624	1273	1527	0	827	1373	1062	1040
Police										
Physical arrests	578	672	749	852	831	708	699	599	519	*
Parking violations	608	330	410	540	494	445	238	318	101	*
Traffic violations	971	973	1074	1218	861	1183	1169	1245	603	*
Fire										
Emergency responses	146	158	186	183	198	187	162	136	163	*
Fires extinguished	69	72	89	56	64	87	37	35	30	*
Inspections	13	12	42	30	40	57	38	36	248	*
Other public works										
Street resurfacing/overlay (miles)	1.6	1.9	2.1	3.7	2.3	1.6	2	2.1	2.1	0.66
Micro seal	0	0	0	0	0	0	0	0	0	2.4
Parks and recreation										
Pool Admissions	12,192	12,386	13,824	14,012	14,007	13,984	10,383	11,214	12,112	12,112
Wastewater										
Average daily sewage treatment (Millions of gallons)	1,971	2,302	1,921	1,959	2,03	2,08	2,26	2,01	2,06	2,10

Sources: Various city departments.

Notes: NA=Not Available

Under Fire/Emergency Responses the numbers reflect 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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	7	7	7	8	8	8	8	8	8	8
Fire stations	1	1	1	1	1	1	1	1	1	1
Other public works										
Streets (miles)	71	81	82	82	82	82	82	82	82	82
Streetlights	1140	1140	1140	1150	1162	1188	1188	1188	1188	1188
Storm sewers (miles)	52	52	52	53	53.5	54	54	54	54	54
Parks and recreation										
Pools	1	1	1	1	1	1	1	1	1	1
Acreage	383	386	386	475	475	475	475	475	475	475
Playgrounds	8	7	7	7	7	7	7	7	7	7
Baseball/softball diamonds	2	2	2	1	1	1	1	1	1	1
Soccer/football fields	1	1	1	1	1	1	1	1	1	1
Community lakes	3	3	3	4	4	4	4	4	4	4
Wastewater										
Sanitary sewers (miles)	84	84	85	85	86	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**

**CITY OF MEXICO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended September 30, 2012**

	<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	\$ 260,925
CDBG Plant Science Center Grant - 2009	14.228	110,824
U.S. Department of Energy		
Passed through the Missouri Department of Natural Resources:		
Department of Energy Downtown Energy Grant (ARRA)	81.128	20,223
U.S. Department of Transportation		
Passed through the Missouri Department of Transportation:		
MoDOT TCSP - Road 820 PSC Grant	20.205	395,794
MoDOT - Safe Routes to Schools Grant	20.205	72,787
U.S. Department of Homeland Security		
Passed through the Missouri State Emergency Management Agency:		
Emergency Management Performance Grant	97.042	<u>5,000</u>
Total expenditures of federal awards		<u>\$ 865,553</u>



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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, 2012, 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 15, 2013. 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.

### 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*.

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 15, 2013



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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, 2012. 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, 2012.

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.

*Williams Keepers LLC*

January 15, 2013

**CITY OF MEXICO, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended September 30, 2012**

**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. No deficiencies 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*."
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

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 qualify as a low-risk auditee.

**B. FINDINGS--FINANCIAL STATEMENT AUDIT**

There were no findings from the current year's financial statement audit.

**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, 2012**

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