

**ANNUAL REPORT OF
CITY OF SEDALIA, MISSOURI
YEAR ENDED MARCH 31, 2011**

CITY OF SEDALIA, MISSOURI

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Professional Corporation
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

723 Main St.
P.O. Box 81
Boonville, MO 65233
(660) 882-7000
Fax: (660) 882-7765
www.gkccpas.com

To The City Council
City of Sedalia, 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, of the City of Sedalia, Missouri (the "City"), as of and for the year ended March 31, 2011, which collectively comprise the City's basic financial statements as listed in the 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 did not audit the financial statements of the Health Center Fund, which represents 53 percent and 95 percent, respectively of the assets and revenues of the Enterprise Fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Health Center Fund, is based on the report of the other auditors.

PARTNERS

Robert A. Gerding
Fred W. Korte, Jr.
Joseph E. Chitwood
James R. McGinnis
Travis W. Hundley

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 misstatements. 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of March 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 20, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Schedule of Funding Progress on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements of the City. The combining and individual nonmajor fund financial statements and budgetary comparison information as listed in the table of contents and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 20, 2011



Certified Public Accountants

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2011
(UNAUDITED)**

As management of the City of Sedalia, Missouri, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended March 31, 2011. The City implemented Governmental Accounting Standards Board GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, for the first time for fiscal year 2004. As discussed in footnote I.B, Statement 34 allows for certain transition treatments in regards to infrastructure. The City elected to capitalize its infrastructure utilizing the transition treatments of Statement 34. The City completed the capitalization of these infrastructure networks in the fiscal year 2007.

Financial Highlights

- The assets of the City of Sedalia exceeded its liabilities at the close of the most recent fiscal year by \$202,820,281 (Net assets). Of this amount, \$58,229,263 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets increased by \$7,188,970 from \$195,631,311 to \$202,820,281.
- As of the close of the current fiscal year, the City of Sedalia's governmental funds reported combined ending fund balances of \$16,195,524. 100% is unreserved and available for use within the City's designation and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$10,270,714 or 76% of the total general fund expenditures.
- The City's revenue bonds payable decreased \$1,225,000 due to scheduled payments.
- The City's certificates of participation debt increased \$34,110,000 due to scheduled payments of 335,000, defeasement of the Series 2005 Certificates of Participation in the amount of 2,630,000 and the issuance of 37,075,000 2010 Certificates of Participation.
- The City's capital lease debt decreased \$960,622 due to scheduled payments.
- The City's note payable debt decreased \$181,825 due to scheduled payments.
- The City's other Debt for the Health Center debt increased \$4,094,303 due to scheduled payments of \$1,600,261 and issuance of Construction Note for the Health Center of \$5,694,564.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2011
(UNAUDITED)**

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

The Statement of Net Assets presents information on all of the City'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 to whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when 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 the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration, public safety, transportation, cultural, parks and recreation and community development. The business-type activities of the City include Health, Water and Wastewater operations. The government-wide financial statements can be found on page 13-16 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, 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 can be divided into three categories - governmental funds, proprietary funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable 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 the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the 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 funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2011
(UNAUDITED)**

The City maintains 6 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, which is considered to be major fund. Data from the other 4 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 basic governmental funds financial statements can be found on pages 17-21.

Proprietary Funds - The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its health, water 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 Health, Water and Wastewater funds since they are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 22-26 of this report.

Fiduciary Funds - This report also includes information for fiduciary funds which are funds held in trust for others. The basic fiduciary fund financial statements can be found on pages 27-28 of this report. Combining statements can be found on pages 107-108 of this 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 29-91.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 92 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 93-106 of this report.

Governmental-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Sedalia, assets exceeded liabilities by \$202,820,281 as of March 31, 2011.

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2011**

(UNAUDITED)

The largest portion of the City's net assets (65%) reflects its investments in capital assets (e.g., land, building, equipment, improvements and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investments 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.

The following provides a summary of net assets at March 31, 2010 and 2011:

	Net Assets					
	2010			2011		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 15,402,959	\$ 42,105,156	\$ 57,508,115	\$ 16,809,383	\$ 50,946,543	\$ 67,755,926
Restricted assets	1,093,888	9,234,815	10,328,703	942,475	43,941,613	44,884,088
Capital assets	78,200,031	95,769,114	173,969,145	78,087,715	95,773,278	173,860,993
Other assets	-	103,838	103,838	-	381,301	381,301
Total Assets	<u>\$ 94,696,878</u>	<u>147,109,085</u>	<u>241,805,963</u>	<u>\$ 95,839,573</u>	<u>191,042,735</u>	<u>286,882,308</u>
Current liabilities	2326,949	14,339,566	16,666,615	2,194,017	14,050,843	16,244,860
Long-term liabilities	8,822,016	20,686,121	29,508,137	8,196,462	59,620,705	67,817,167
Total Liabilities	<u>11,148,965</u>	<u>35,025,687</u>	<u>46,174,652</u>	<u>10,390,479</u>	<u>73,671,548</u>	<u>84,062,027</u>
Net Assets						
Invested in capital assets, net of related debt	68,524,409	70,468,306	138,992,715	68,986,418	63,248,003	132,234,421
Debt service	-	2,578,360	2,578,360	-	3,194,883	3,194,883
Expendable for capital acquisition	-	277,042	277,042	-	3,135,290	3,135,290
Nonexpendable permanent endowments	-	101,614	101,614	-	101,614	101,614
Expendable for other purposes	5,969,161	-	5,969,161	5,924,810	-	5,924,810
Unrestricted	9,054,343	38,658,076	47,712,419	10,537,866	47,691,397	58,229,263
Total Net Assets	<u>\$83,547,913</u>	<u>\$112,083,398</u>	<u>\$195,631,311</u>	<u>\$ 85,449,094</u>	<u>\$117,371,187</u>	<u>\$202,820,281</u>

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2011
(UNAUDITED)**

As of March 31, 2011, the City is able to report positive balances in all three categories of net assets for the government as a whole.

Analysis of the City's Operations - Overall the City had an increase in net assets of \$7,188,970.

Governmental Activities: Governmental activities increased the net assets by \$1,901,181 or 2.3% from \$83,547,913 to \$85,449,094. This is due primarily to an increase in revenue.

Business-type Activities: Net Assets from business-type activities increased by \$5,287,789 or 5% from \$112,083,398 to \$117,371,187. This increase was primarily due to completion of capital projects and recognition of capital contributions; and the unrestricted net assets increase from an excess of operating revenues over operating expenditures.

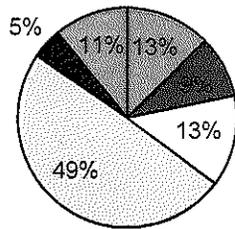
The following table provides a summary of the City's operations for year ended March 31, 2010 and 2011.

CHANGES IN NET ASSETS

	2010			2011		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program Revenues						
Fees, fines and charges for services	\$ 2,200,808	\$ 99,317,688	\$ 101,518,496	\$ 2,758,752	\$ 101,980,061	104,738,813
Operating grants and contributions	151,423	-37,948	113,475	60,444	0	60,444
Capital grants and contributions	812,640	1,040,764	1,853,404	1,987,953	564,412	2,552,365
General Revenues						
Property taxes	1,834,633	-	1,834,633	2,007,420	-	2,007,420
Franchise taxes	2,628,076	-	2,628,076	2,934,179	-	2,934,179
Sales and uses taxes	9,511,157	802,291	10,313,448	10,833,990	955,188	11,789,178
Motor vehicle and fuel taxes	758,405	-	758,405	782,589	-	782,589
Other taxes	220,457	-	220,457	202,325	-	202,325
Investment earnings	164,128	643,067	807,195	73,648	292,376	366,024
Transfer from Agency Funding	7,264	-	7,264	0	-	0
Transfers	900,000	-900,000	0	812,571	-812,571	0
Miscellaneous	217,759	2,634	220,393	267,004	5,581	272,585
Total Revenues	\$ 19,406,750	\$ 91,868,496	\$ 120,278,246	\$ 22,720,875	\$ 102,985,047	\$ 125,705,922
Expenses:						
General government	\$ 3,567,757	\$ -	\$ 3,505,117	\$ 4,443,923	\$ -	\$ 4,443,923
Public safety	5,934,251	-	5,810,495	6,137,141	-	6,137,141
Transportation	6,731,350	-	7,836,589	7,062,698	-	7,062,698
Cultural park, library & comm. centr	2,421,828	-	2,375,109	2,540,638	-	2,540,638
Community development	404,811	-	344,283	443,577	-	443,577
Interest on long-term debt	212,726	-	244,869	191,717	-	191,717
Health	-	89,522,317	87,242,147	-	90,756,133	90,756,133
Water	-	3,075,980	3,183,799	-	3,197,547	3,197,547
Wastewater	-	2,863,857	2,513,067	-	3,743,578	3,743,578
Total Expenses	\$ 19,272,723	95,462,154	\$ 113,055,475	\$ 20,819,694	97,697,258	\$ 118,516,952
Change in Net Assets	134,027	5,406,342	4,449,855	1,901,181	5,287,789	7,188,970
Net Assets-April 1,2010	\$ 83,413,886	106,677,056	\$ 190,090,942	\$ 83,547,913	\$ 112,083,398	\$ 195,631,311
Net Assets-March 31, 2011	\$ 83,547,913	\$ 112,083,398	\$ 195,631,311	\$ 85,449,094	\$ 117,371,187	\$ 202,820,281

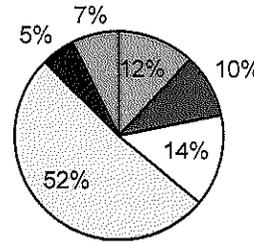
**CITY OF SEDALIA
REVENUE & EXPENSE COMPARISONS
MARCH 31, 2011 & MARCH 31, 2010**

**2011 Governmental Activities
Revenues**



- Fees, fines & charges for services - 13%
- Property taxes - 9%
- Franchise taxes - 13%
- Sales and use taxes - 49%
- Other taxes - 5%
- Miscellaneous - 11%

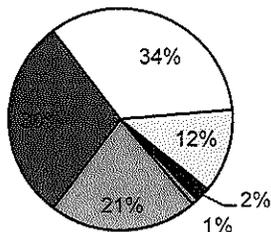
**2010 Governmental Activities
Revenues**



- Fees, fines & charges for services - 12%
- Property taxes - 10%
- Franchise taxes - 14%
- Sales and use taxes - 52%
- Other taxes - 5%
- Miscellaneous - 7%

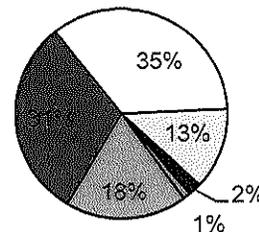
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**2011 Governmental Activities
Expenses**



- General Government - 21%
- Public Safety - 30%
- Transportation - 34%
- Cultural parks and recreation - 12%
- Community development - 2%
- Interest on long-term debt - 1%

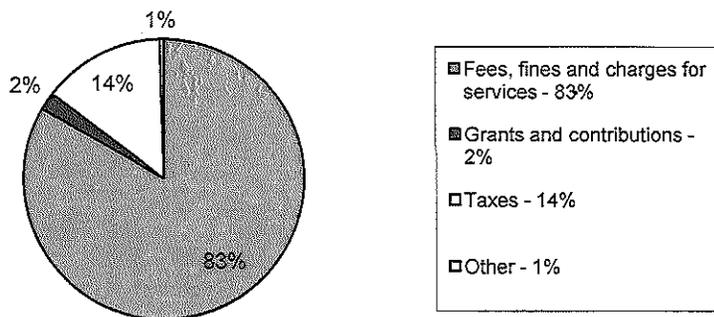
**2010 Governmental Activities
Expenses**



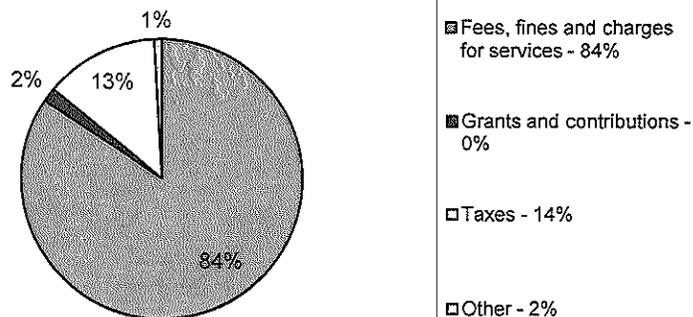
- General Government - 18%
- Public Safety - 31%
- Transportation - 35%
- Cultural parks and recreation - 13%
- Community development - 2%
- Interest on long-term debt - 1%

**CITY OF SEDALIA
TOTAL REVENUES & EXPENSES
MARCH 31, 2011 & MARCH 31, 2010**

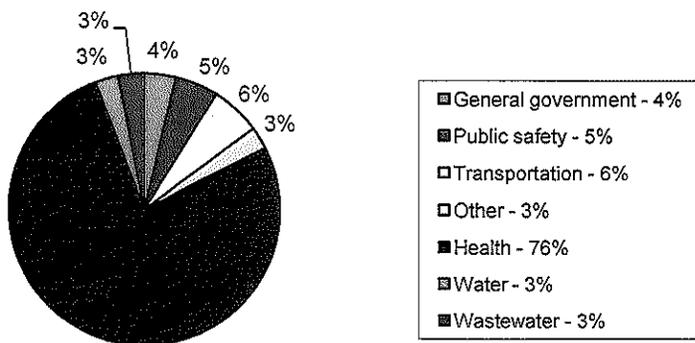
2011 Total Revenues



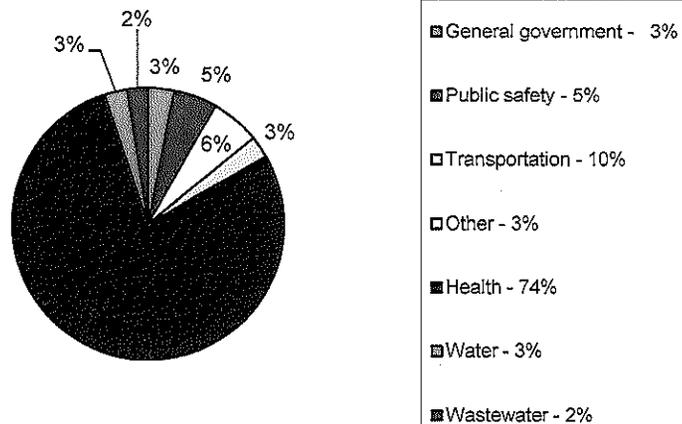
2010 Total Revenues



2011 Total Expenses



2010 Total Expenses



**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2011
(UNAUDITED)**

Financial Analysis of the Government's Funds

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

At the end of the current fiscal year, the City of Sedalia's governmental funds reported combined ending unreserved fund balances of \$16,195,524. This is an increase of 9.67% from \$14,766,723.

In the general fund, the City budgeted for a decrease in the fund balance of \$1,757,749 which was primarily resulting from additional expenditures. Due to actual revenues being more than budgeted and actual expenses being less than budgeted, the actual fund balance increase for fiscal year 2011 was \$1,473,152.

In the Capital Project #2 Fund, the City budgeted for a decrease in the fund balance of \$325,190, due to actual expenses being more than budgeted, which is offset by excess revenues. The actual fund balance decrease for fiscal year 2010 was \$178,051.

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

Unrestricted net assets of the respective proprietary funds are Health - \$38,624,722, Water - \$3,415,112, and Wastewater - \$5,651,563. The Health and Water funds had a net assets increase in 2011 as follows: Health - \$6,132,820, Water - \$232,507. The Wastewater fund had a net asset decrease in 2011 of \$1,077,538.

General Fund Budgetary Highlights - The City spent \$1,300,116 less than the actual budget for the General Fund. The majority of this amount (\$799,728) was due to the delay of capital expenditures and a reduction in public safety and transportation expenditures (409,866).

Capital Assets

The City of Sedalia's investment in capital assets for its governmental and business-type activities as of March 31, 2011 amounts to \$173,860,993 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements and construction in progress.

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2011
(UNAUDITED)**

	Capital Asset at Year-End Net of Accumulated Depreciation					
	2011			2010		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Property, plant and equipment						
Land, land rights and land improvements	\$ 2,398,449	\$ 5,797,555	\$ 8,196,004	\$ 2,321,660	\$ 5,821,208	\$ 8,142,868
Structures, improvements and and plant equipment	17,987,766	35,326,080	53,313,846	17,939,613	37,765,432	55,705,045
Distribution system	-	9,324,064	9,324,064	-	9,195,139	9,195,139
Pumping and purification equipment	-	16,351,150	16,351,150	-	16,353,333	16,353,333
Transmission mains	-	5,855,210	5,855,210	-	5,932,259	5,932,259
General equipment	2,808,855	19,763,077	22,571,932	2,979,388	19,508,254	22,487,642
Construction in progress	-	3,356,142	3,356,142	-	1,089,651	1,089,651
Infrastructure	54,892,645	-	54,892,645	54,959,370	-	54,959,370
Net Capital Assets	<u>\$ 78,087,715</u>	<u>\$ 95,773,278</u>	<u>\$ 173,860,993</u>	<u>\$ 78,200,031</u>	<u>\$ 95,665,276</u>	<u>\$ 173,865,307</u>

Additional information on the City of Sedalia's capital assets can be found in Note III-E and III-F on pages 52-55 of this report.

Debt Administration

At the end of the current fiscal year, the City of Sedalia had a total bonded debt, certificate of participation debt note payable and capital lease payable of \$70,811,891. Of this amount, \$15,025,000 comprises revenue bonded debt backed by the revenues of the Health Center and Water Department; \$43,980,000 represents certificates of participation debt; \$2,160,153 represents capital lease obligations that are expected to be paid so long as the City appropriates funds for payment, and \$9,646,738 represents the amount due on notes payable.

Outstanding Debt at Year End
Revenue Bonds, Certificate of Participation Debt, Capital Lease and Note Payable

	2010			2011		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenue Bonds	\$ -	\$ 20,863,638	\$ 20,863,638	\$ -	\$ 15,025,000	\$ 15,025,000
Certificate of participation debt	8,555,000	1,315,000	9,870,000	8,162,500	35,817,500	43,980,000
Capital leases	-	3,120,775	3,120,775	-	2,160,153	2,160,153
Note payable	1,120,622	-	1,120,622	938,797	8,707,941	9,646,738
Total	<u>\$ 9,675,622</u>	<u>\$ 25,299,413</u>	<u>\$ 34,975,035</u>	<u>\$ 9,101,297</u>	<u>\$ 61,710,594</u>	<u>\$ 70,811,891</u>

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2011
(UNAUDITED)**

During the fiscal year, the City's total debt increased by \$35,836,856. The increase was due to scheduled payments of \$4,302,708, pay off the Series 2005 Certificates of Participation in the amount of \$2,630,000 and additional borrowing of \$42,769,564 for the City Sewer System and the Hospital Health Center.

Additional information on the City of Sedalia's long term-debt can be found in footnote III-G on pages 56-73 of this report.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City of Sedalia, Missouri, Attn: Pam Burlingame, Finance Director, 200 S Osage, Sedalia, Missouri 65301 or call (660) 827-3000 ext 132.

CITY OF SEDALIA, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
MARCH 31, 2011

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current Assets:			
Cash and cash equivalents	\$ 12,563,887	\$ 28,294,723	\$ 40,858,610
Short-term investments	-	5,767,072	5,767,072
Current portion of noncurrent cash and investments	-	412,391	412,391
Internal balances	-	-	-
Accrued interest receivable	20,976	9,892	30,868
Accounts receivable (net of allowance - \$5,261,000)	197,020	13,799,434	13,996,454
Taxes receivable - net of allowance for uncollectible - \$15,000	3,246,409	311,841	3,558,250
Due from other governmental agencies	391,337	-	391,337
Due from other funds	193,755	(193,755)	-
Estimated third-party payor settlements	-	-	-
Board designated assets	-	-	-
Inventory	56,657	1,644,767	1,701,424
Prepaid expenses and other assets	139,342	900,178	1,039,520
Total Current Assets	<u>16,809,383</u>	<u>50,946,543</u>	<u>67,755,926</u>
Restricted assets:			
Cash and cash equivalents	-	35,940,573	35,940,573
Short-term investments	942,475	900,000	1,842,475
Noncurrent cash and investments	-	7,101,040	7,101,040
Total Restricted Assets	<u>942,475</u>	<u>43,941,613</u>	<u>44,884,088</u>
Noncurrent Assets:			
Capital Assets			
Land, land rights and land improvements	2,398,449	5,486,185	7,884,634
Structures, improvements and plant equipment	29,154,156	75,003,451	104,157,607
Distribution system	-	13,001,834	13,001,834
Pumping and purification equipment	-	27,569,470	27,569,470
Transmission mains	-	10,966,378	10,966,378
Equipment	11,353,955	64,271,462	75,625,417
Infrastructure	150,648,437	-	150,648,437
Construction in progress	-	3,356,142	3,356,142
Accumulated depreciation	(115,467,282)	(103,881,644)	(219,348,926)
Total Capital Assets, net of accumulated depreciation	<u>78,087,715</u>	<u>95,773,278</u>	<u>173,860,993</u>
Other Assets	-	381,301	381,301
Total Noncurrent Assets	<u>78,087,715</u>	<u>96,154,579</u>	<u>174,242,294</u>
Total Assets	<u>\$ 95,839,573</u>	<u>\$ 191,042,735</u>	<u>\$ 286,882,308</u>

See notes to the financial statements

CITY OF SEDALIA, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS (CONT'D)
MARCH 31, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 57,901	\$ 3,454,360	\$ 3,512,261
Accrued expenses	1,347,211	4,958,526	6,305,737
Accrued long-term debt interest	-	743,964	743,964
Estimated third-party payor settlements payable	-	348,344	348,344
Current maturities of long term debt	-	3,771,598	3,771,598
Court bonds payable	21,155	-	21,155
Deferred revenue	130,067	-	130,067
Payable from segregated funds:			
Accrued bond interest	-	13,663	13,663
Current maturities of long term debt	637,683	315,000	952,683
Bonded debt due within one year	-	445,388	445,388
Customer's deposits	-	-	-
Total Current Liabilities	<u>2,194,017</u>	<u>14,050,843</u>	<u>16,244,860</u>
Noncurrent Liabilities:			
Certificates of participation	7,710,000	35,725,000	43,435,000
Energy loans payable	753,614	-	753,614
Capital lease payable	-	4,741,238	4,741,238
Bonded debt due after one year	-	20,605,420	20,605,420
Less unamortized bond premium and debt issuance costs	(267,152)	(1,450,953)	(1,718,105)
Total Noncurrent Liabilities	<u>8,196,462</u>	<u>59,620,705</u>	<u>67,817,167</u>
Total Liabilities	<u>10,390,479</u>	<u>73,671,548</u>	<u>84,062,027</u>
NET ASSETS			
Invested in capital assets, net of related debt	68,986,418	63,248,003	132,234,421
Restricted for:			
Expendable for debt service	-	3,194,883	3,194,883
Expendable for capital acquisitions	-	3,135,290	3,135,290
Expendable for other purposes	5,924,810	-	5,924,810
Nonexpendable permanent endowments	-	101,614	101,614
Unrestricted	10,537,866	47,691,397	58,229,263
Total Net Assets	<u>\$ 85,449,094</u>	<u>\$ 117,371,187</u>	<u>\$ 202,820,281</u>

See notes to the financial statements

CITY OF SEDALIA, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental Activities:							
General Government:							
General and administration	\$ 3,250,770	\$ 611,129	\$ 49,847	\$ 17,863	\$ (2,571,931)	\$ -	\$ (2,571,931)
Sanitation	1,193,153	1,250,187	-	-	57,034	-	57,034
Total General Government	4,443,923	1,861,316	49,847	17,863	(2,514,897)	-	(2,514,897)
Public Safety:							
Police	3,474,941	216,405	-	17,508	(3,241,028)	-	(3,241,028)
Fire	2,374,893	-	-	-	(2,374,893)	-	(2,374,893)
Cemetery	287,307	67,489	-	-	(219,818)	-	(219,818)
Total Public Safety	6,137,141	283,894	-	17,508	(5,835,739)	-	(5,835,739)
Transportation:							
Airport	633,801	355,568	-	191,028	(87,205)	-	(87,205)
Streets	2,953,964	-	-	1,265,777	(1,688,187)	-	(1,688,187)
Infrastructure	3,474,933	-	-	491,277	(2,983,656)	-	(2,983,656)
Total Transportation	7,062,698	355,568	-	1,948,082	(4,759,048)	-	(4,759,048)
Cultural, Parks and Recreation:							
Library	462,926	18,783	10,597	4,500	(429,046)	-	(429,046)
Park	1,922,188	223,736	-	-	(1,698,452)	-	(1,698,452)
Community center	155,524	15,455	-	-	(140,069)	-	(140,069)
Total Cultural, Parks and Recreation	2,540,638	257,974	10,597	4,500	(2,267,567)	-	(2,267,567)
Community/Economic Development:							
Planning, building and economic development	443,577	-	-	-	(443,577)	-	(443,577)
Total Community/Economic Development	443,577	-	-	-	(443,577)	-	(443,577)
Debt Service							
Interest and fees	191,717	-	-	-	(191,717)	-	(191,717)
Total Debt Service	191,717	-	-	-	(191,717)	-	(191,717)
Total Governmental Activities	20,819,694	2,758,752	60,444	1,987,953	(16,012,545)	-	(16,012,545)
Business-Type Activities:							
Health	90,756,133	96,606,309	-	51,857	-	5,902,033	5,902,033
Water	3,197,547	3,191,997	-	196,376	-	190,826	190,826
Wastewater	3,743,578	2,181,755	-	316,179	-	(1,245,644)	(1,245,644)
Total Business-Type Activities	97,697,258	101,980,061	-	564,412	-	4,847,215	4,847,215
Total	\$ 118,516,952	\$ 104,738,813	\$ 60,444	\$ 2,552,365	\$ (16,012,545)	\$ 4,847,215	\$ (11,165,330)

See notes to the financial statements

CITY OF SEDALIA, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (Cont'd)
YEAR ENDED MARCH 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
General Revenues:							
Taxes:							
	Property taxes, levied for general purposes				2,007,420	-	2,007,420
	Franchise taxes				2,934,179	-	2,934,179
	Sales and use taxes				10,833,990	955,188	11,789,178
	Motor vehicle and fuel taxes				782,589	-	782,589
	Other taxes				202,325	-	202,325
	Unrestricted investment earnings				73,648	292,376	366,024
	Transfer from Agency Fund				-	-	-
	Transfers				812,571	(812,571)	-
	Miscellaneous				267,004	5,581	272,585
	Total general revenues				<u>17,913,726</u>	<u>440,574</u>	<u>18,354,300</u>
	Change in net assets				1,901,181	5,287,789	7,188,970
	Net assets - beginning				<u>83,547,913</u>	<u>112,083,398</u>	<u>195,631,311</u>
	Net assets - ending				<u>\$ 85,449,094</u>	<u>\$ 117,371,187</u>	<u>\$ 202,820,281</u>

**CITY OF SEDALIA, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2011**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash, including time deposits	\$ 8,779,499	\$ 3,784,388	\$ 12,563,887
Taxes receivable - net of allowance for uncollectible - \$15,000	2,448,020	798,389	3,246,409
Accrued interest receivable	13,513	7,463	20,976
Accounts receivable	105,670	91,350	197,020
Due from other governmental agencies	-	391,337	391,337
Due from Water	193,755	-	193,755
Inventory	56,657	-	56,657
Prepaid expenses	125,607	13,735	139,342
Investments	-	942,475	942,475
Total Assets	\$ 11,722,721	\$ 6,029,137	\$ 17,751,858
LIABILITIES			
Accounts payable	\$ 57,901	\$ -	\$ 57,901
Accrued expenses	1,242,884	104,327	1,347,211
Court bonds payable	21,155	-	21,155
Deferred revenue	130,067	-	130,067
Total Liabilities	1,452,007	104,327	1,556,334
FUND EQUITY			
Fund balances:			
Reserved for:			
D.A.R.E. and LLE programs	-	-	-
Energy project	-	-	-
Fund balance- unreserved	10,270,714	5,924,810	16,195,524
Total Fund Equity	10,270,714	5,924,810	16,195,524
Total Liabilities and Fund Equity	\$ 11,722,721	\$ 6,029,137	\$ 17,751,858

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
MARCH 31, 2011**

Total fund balance - total governmental funds	\$ 16,195,524
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$115,467,282	78,087,715
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Debt due within one year	(637,683)
Debt due in more than one year	(8,463,614)
Unamortized debt issuance costs are not financial resources and therefore are not reported in the funds, net of accumulated amortization of \$88,898	<u>267,152</u>
 Net assets of governmental activities	 <u>\$ 85,449,094</u>

See notes to the financial statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 11,447,057	\$ 4,530,857	\$ 15,977,914
Licenses and permits	611,129	-	611,129
Intergovernmental	800,097	1,539,612	2,339,709
Charges for services	1,688,699	242,519	1,931,218
Fines and penalties	216,405	-	216,405
Miscellaneous	299,465	41,187	340,652
Total Revenues	<u>15,062,852</u>	<u>6,354,175</u>	<u>21,417,027</u>
EXPENDITURES			
General and administrative	2,075,100	-	2,075,100
Sanitation	1,140,876	-	1,140,876
Public safety	5,844,176	-	5,844,176
Transportation	2,904,468	-	2,904,468
Cultural	137,189	-	137,189
Library	-	440,835	440,835
Park	-	1,479,997	1,479,997
Planning, building and economic development	-	443,577	443,577
Capital outlay	1,466,999	4,091,167	5,558,166
Debt service	4,371	2,029,542	2,033,913
Total Expenditures	<u>13,573,179</u>	<u>8,485,118</u>	<u>22,058,297</u>
Excess (Deficit) of Revenues over Expenditures	<u>1,489,673</u>	<u>(2,130,943)</u>	<u>(641,270)</u>
Other Financing Sources (Uses)			
Certificates of participation proceeds	-	1,257,500	1,257,500
Operating transfers in (out)	<u>(16,521)</u>	<u>829,092</u>	<u>812,571</u>
Total Other Financing Sources (Uses)	<u>(16,521)</u>	<u>2,086,592</u>	<u>2,070,071</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	1,473,152	(44,351)	1,428,801
Fund Balance, beginning of year	<u>8,797,562</u>	<u>5,969,161</u>	<u>14,766,723</u>
Fund Balance, end of year	<u>\$ 10,270,714</u>	<u>\$ 5,924,810</u>	<u>\$ 16,195,524</u>

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2011**

Net change in fund balances - total governmental funds \$ 1,428,801

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset purchases capitalized	4,412,589
Capital contributions from developers	491,277
Depreciation expense	<u>(5,016,182)</u>
	<u>(112,316)</u>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.

The issuance of long-term debt (e.g., bonds, 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. Neither transaction, however, has any effect on net assets. 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.

Certificates of participation proceeds	(1,257,500)
Costs of issuance of certificates of participation	31,056
Certificates of participation obligation principal payments	1,650,000
Note payable principal payments	181,825
Amortization expense	<u>(20,685)</u>
	<u>584,696</u>

Change in Net Assets of Governmental Activities \$ 1,901,181

See notes to the financial statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 9,716,182	\$ 9,716,182	\$ 11,447,057	\$ 1,730,875
Licenses and permits	469,000	469,000	611,129	142,129
Intergovernmental	755,000	755,000	800,097	45,097
Charges for services	1,461,800	1,461,800	1,688,699	226,899
Fines and penalties	186,000	186,000	216,405	30,405
Miscellaneous	<u>198,340</u>	<u>198,340</u>	<u>299,465</u>	<u>101,125</u>
Total Revenues	<u>12,786,322</u>	<u>12,786,322</u>	<u>15,062,852</u>	<u>2,276,530</u>
EXPENDITURES				
General and administrative	2,034,137	2,119,837	2,075,100	44,737
Sanitation	1,183,005	1,183,005	1,140,876	42,129
Public safety	6,059,017	6,092,154	5,844,176	247,978
Transportation	2,871,356	3,066,356	2,904,468	161,888
Cultural	141,816	141,816	137,189	4,627
Capital outlay	2,218,340	2,266,727	1,466,999	799,728
Debt service	<u>3,400</u>	<u>3,400</u>	<u>4,371</u>	<u>(971)</u>
Total Expenditures	<u>14,511,071</u>	<u>14,873,295</u>	<u>13,573,179</u>	<u>1,300,116</u>
Excess (Deficit) of Revenues over Expenditures	<u>(1,724,749)</u>	<u>(2,086,973)</u>	<u>1,489,673</u>	<u>3,576,646</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>(33,000)</u>	<u>(33,000)</u>	<u>(16,521)</u>	<u>16,479</u>
Total Other Financing Sources (Uses)	<u>(33,000)</u>	<u>(33,000)</u>	<u>(16,521)</u>	<u>16,479</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	<u>(1,757,749)</u>	<u>(2,119,973)</u>	<u>1,473,152</u>	<u>\$ 3,593,125</u>
Fund Balance, beginning of year	<u>8,797,562</u>	<u>8,797,562</u>	<u>8,797,562</u>	
Fund Balance, end of year	<u>\$ 7,039,813</u>	<u>\$ 6,677,589</u>	<u>\$ 10,270,714</u>	

See notes to the financial statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2011

	Business Type Activities - Enterprise Funds			
	Health	Water	Wastewater	Total
ASSETS				
Operating Funds				
Cash and cash equivalents	\$ 23,933,080	\$ 998,014	\$ 3,363,629	\$ 28,294,723
Short-term investments	1,749,410	1,998,311	2,019,351	5,767,072
Current portion of noncurrent cash and investments	412,391	-	-	412,391
Taxes receivable	-	-	311,841	311,841
Accounts receivable:				
Consumers	12,320,688	540,411	-	12,861,099
Other	937,665	-	670	938,335
Estimated third-party payor - settlements	-	-	-	-
Due from other funds	-	(706,874)	706,874	-
Accrued interest	-	8,890	1,002	9,892
Inventories	1,423,342	221,425	-	1,644,767
Prepaid expenses and other assets	845,505	35,528	19,145	900,178
	<u>41,622,081</u>	<u>3,095,705</u>	<u>6,422,512</u>	<u>51,140,298</u>
SEGREGATED FUNDS				
Cash and cash equivalents	-	3,493,589	32,446,984	35,940,573
Short-term investments	-	900,000	-	900,000
Noncurrent cash and investments	7,101,040	-	-	7,101,040
	<u>7,101,040</u>	<u>4,393,589</u>	<u>32,446,984</u>	<u>43,941,613</u>
Total Current Assets (Including Segregated Funds)	<u>48,723,121</u>	<u>7,489,294</u>	<u>38,869,496</u>	<u>95,081,911</u>
Noncurrent Assets				
Capital Assets				
Land, land rights and land improvements	2,990,892	176,240	2,319,053	5,486,185
Structures, improvements and plant equipment	63,750,582	11,252,869	-	75,003,451
Distribution system	-	13,001,834	-	13,001,834
Pumping and purification equipment	-	4,749,930	22,819,540	27,569,470
Transmission mains	-	964,302	10,002,076	10,966,378
Equipment	60,124,122	1,610,454	2,536,886	64,271,462
Construction in progress	2,494,328	718,369	143,445	3,356,142
Accumulated depreciation	<u>(77,326,500)</u>	<u>(10,870,367)</u>	<u>(15,684,777)</u>	<u>(103,881,644)</u>
Total Capital Assets, net of accumulated depreciation	52,033,424	21,603,631	22,136,223	95,773,278
Other assets	381,301	-	-	381,301
Total Noncurrent Assets	<u>52,414,725</u>	<u>21,603,631</u>	<u>22,136,223</u>	<u>96,154,579</u>
Total Assets	<u>101,137,846</u>	<u>29,092,925</u>	<u>61,005,719</u>	<u>191,236,490</u>

See notes to the financial statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF NET ASSETS (CONT'D)
PROPRIETARY FUNDS
MARCH 31, 2011

	Business Type Activities - Enterprise Funds			
	Health	Water	Wastewater	Total
LIABILITIES				
Operating Funds:				
Accounts payable	\$ 2,541,629	\$ 20,059	\$ -	\$ 2,561,688
Construction accounts payable	892,672	-	-	892,672
Accrued interest	72,888	21,265	649,811	743,964
Accrued payroll and related benefits	4,780,944	56,444	121,138	4,958,526
Estimated third-party payor settlements payable	348,344	-	-	348,344
Due to other funds	-	193,755	-	193,755
Current maturities of capital lease obligations	762,483	181,051	92,500	1,036,034
Current maturities of revenue bonds payable	2,735,564	-	-	2,735,564
	<u>12,134,524</u>	<u>472,574</u>	<u>863,449</u>	<u>13,470,547</u>
Segregated Funds:				
Accrued bond interest	-	13,663	-	13,663
Bonded debt due within one year	-	315,000	-	315,000
Consumer's deposits	-	445,388	-	445,388
	<u>-</u>	<u>774,051</u>	<u>-</u>	<u>774,051</u>
Total Current Liabilities (Including Segregated Funds)	<u>12,134,524</u>	<u>1,246,625</u>	<u>863,449</u>	<u>14,244,598</u>
Long-Term Debt:				
Bonded debt due after one year	13,275,420	7,330,000	-	20,605,420
Less unamortized call premium and debt issuance costs	(204,728)	(415,465)	(830,760)	(1,450,953)
Capital lease obligations	1,397,670	3,343,568	-	4,741,238
Certificates of participation	-	-	35,725,000	35,725,000
Less unamortized call premium and debt issuance costs	-	-	-	-
Deferred credits - customers' advances for construction	-	-	-	-
Total Noncurrent Liabilities	<u>14,468,362</u>	<u>10,258,103</u>	<u>34,894,240</u>	<u>59,620,705</u>
Total Liabilities	<u>26,602,886</u>	<u>11,504,728</u>	<u>35,757,689</u>	<u>73,865,303</u>
NET ASSETS				
Invested in capital assets, net of related debt	33,862,287	10,434,012	18,951,704	63,248,003
Restricted				
For debt service	1,650,120	900,000	644,763	3,194,883
Expendable for capital acquisitions	296,217	2,839,073	-	3,135,290
Nonexpendable permanent endowments	101,614	-	-	101,614
Unrestricted	<u>38,624,722</u>	<u>3,415,112</u>	<u>5,651,563</u>	<u>47,691,397</u>
Total Net Assets	<u>\$ 74,534,960</u>	<u>\$ 17,588,197</u>	<u>\$ 25,248,030</u>	<u>\$ 117,371,187</u>

See notes to the financial statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2011

	Business Type Activities - Enterprise Funds			
	Health	Water	Wastewater	Total
Operating revenues:				
Charges for services	\$ 95,972,787	\$ 3,086,309	\$ 2,159,826	\$ 101,218,922
Miscellaneous	633,522	105,688	21,929	761,139
Total operating revenues	<u>96,606,309</u>	<u>3,191,997</u>	<u>2,181,755</u>	<u>101,980,061</u>
Operating expenses:				
Nursing services	21,096,092	-	-	21,096,092
Other professional services	35,312,812	-	-	35,312,812
General services	5,839,415	-	-	5,839,415
Personnel services	-	-	942,188	942,188
Pumping and purification	-	740,939	-	740,939
Transmission and distribution	-	294,398	1,083,218	1,377,616
Accounting and collection	-	266,072	-	266,072
Fiscal and administrative services	20,666,029	770,486	-	21,436,515
Maintenance and repair	-	175,911	-	175,911
Depreciation and amortization	7,196,029	609,168	1,027,190	8,832,387
Total operating expenses	<u>90,110,377</u>	<u>2,856,974</u>	<u>3,052,596</u>	<u>96,019,947</u>
Net operating income	<u>6,495,932</u>	<u>335,023</u>	<u>(870,841)</u>	<u>5,960,114</u>
Nonoperating revenue (expense):				
Taxes	-	-	955,188	955,188
Investment income	231,978	34,909	25,489	292,376
Interest expense	(645,756)	(340,573)	(690,982)	(1,677,311)
Noncapital contributions	13,978	-	-	13,978
Gain(loss) on disposal of capital assets	(15,169)	6,772	-	(8,397)
Total nonoperating revenue (expense)	<u>(414,969)</u>	<u>(298,892)</u>	<u>289,695</u>	<u>(424,166)</u>
Net Income before contributions and transfers	6,080,963	36,131	(581,146)	5,535,948
Capital contributions and grants	51,857	196,376	316,179	564,412
Transfers	-	-	(812,571)	(812,571)
Total capital contributions and transfers	<u>51,857</u>	<u>196,376</u>	<u>(496,392)</u>	<u>(248,159)</u>
Net income	6,132,820	232,507	(1,077,538)	5,287,789
Net assets - beginning of year	<u>68,402,140</u>	<u>17,355,690</u>	<u>26,325,568</u>	<u>112,083,398</u>
Net assets - end of year	<u>\$ 74,534,960</u>	<u>\$ 17,588,197</u>	<u>\$ 25,248,030</u>	<u>\$ 117,371,187</u>

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2011**

	<u>Business Type Activities - Enterprise Funds</u>			
	<u>Health</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from and on behalf of customers/patients	\$ 98,792,266	\$ 3,063,156	\$ 1,787,727	\$ 103,643,149
Payments to suppliers and contractors	(34,786,941)	(697,857)	(1,080,507)	(36,565,305)
Payments to and on behalf of employees	(49,574,601)	(986,095)	(935,981)	(51,496,677)
Other receipts and payments	994,510	-	-	994,510
Net cash provided (used) by operating activities	<u>15,425,234</u>	<u>1,379,204</u>	<u>(228,761)</u>	<u>16,575,677</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Taxes	-	-	894,060	894,060
Noncapital contributions	13,978	-	-	13,978
Interfund transfer	-	-	(812,571)	(812,571)
Net cash provided by noncapital financing activities	<u>13,978</u>	<u>-</u>	<u>81,489</u>	<u>95,467</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Cash paid for financing costs	(72,756)	-	(768,781)	(841,537)
Capital grants and contributions	51,857	196,376	316,179	564,412
Proceeds from sale of assets	-	6,772	-	6,772
Proceeds from issuance of long-term debt	5,694,564	3,524,619	35,817,500	45,036,683
Acquisition and construction of capital assets	(6,135,981)	(1,158,614)	(1,633,573)	(8,928,168)
Principal paid on capital lease obligations	(960,622)	-	(1,315,000)	(2,275,622)
Repayment of long-term debt	(2,510,262)	(315,000)	-	(2,825,262)
Interest paid on revenue bonds	(481,870)	(319,770)	-	(801,640)
Interest paid on capital debt	(134,953)	-	(58,916)	(193,869)
Net cash provided (used) by capital and related financing activities	<u>(4,550,023)</u>	<u>1,934,383</u>	<u>32,357,409</u>	<u>29,741,769</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investment assets	9,106,020	2,849,652	4,150,000	16,105,672
Purchase of investment assets	(8,546,431)	(2,898,311)	(2,019,351)	(13,464,093)
Income from investments	256,895	34,331	55,749	346,975
Net cash provided by investing activities	<u>816,484</u>	<u>(14,328)</u>	<u>2,186,398</u>	<u>2,988,554</u>
Net increase (decrease) in cash and cash equivalents	11,705,673	3,299,259	34,396,535	49,401,467
Balances - beginning of year	<u>12,227,407</u>	<u>1,192,344</u>	<u>1,414,078</u>	<u>14,833,829</u>
Balances - end of year	<u>\$ 23,933,080</u>	<u>\$ 4,491,603</u>	<u>\$ 35,810,613</u>	<u>\$ 64,235,296</u>
Cash and cash equivalents	\$ 23,933,080	\$ 998,014	\$ 3,363,629	\$ 28,294,723
Segregated cash and cash equivalents	-	3,493,589	32,446,984	35,940,573
Total cash and cash equivalents, end of year	<u>\$ 23,933,080</u>	<u>\$ 4,491,603</u>	<u>\$ 35,810,613</u>	<u>\$ 64,235,296</u>

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI
STATEMENT OF CASH FLOWS (CONT'D)
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2011**

	<u>Business Type Activities - Enterprise Funds</u>			
	<u>Health</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 5,850,176	\$ 335,023	\$ (870,841)	\$ 5,314,358
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Cash flows reported in other categories:				
Interest expense considered financing activity	609,543	-	-	609,543
Depreciation and amortization expense	7,196,029	609,168	1,027,190	8,832,387
Provision for bad debts	10,455,699	-	-	10,455,699
Change in assets and liabilities:				
Receivables, net	(7,762,350)	(128,841)	(394,028)	(8,285,219)
Other receivables	360,988	-	-	360,988
Estimated third-party payor settlements	126,130	-	-	126,130
Inventory and other assets	(87,067)	(5,615)	2,711	(89,971)
Prepaid expenses	(405,360)	4,003	-	(401,357)
Accounts payable and accrued expenses	(1,162,569)	562,919	-	(599,650)
Accrued payroll, related taxes and benefits	244,015	2,547	6,207	252,769
Net cash provided (used) by operating activities	<u>\$ 15,425,234</u>	<u>\$ 1,379,204</u>	<u>\$ (228,761)</u>	<u>\$ 16,575,677</u>
 Noncash investing, capital, and financing activities:				
Capital lease obligations incurred for the purchase of new equipment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Construction accounts payable	<u>\$ 892,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 892,672</u>

See notes to the financial statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
MARCH 31, 2011

ASSETS	
Cash and cash equivalents	\$ <u>770,468</u>
Investments	
U.S. Government securities	799,234
Corporate debt and equity	4,923,848
Other investments	<u>5,312,251</u>
Total investments	<u>11,035,333</u>
 Total Assets	 <u>11,805,801</u>
 LIABILITIES	
Refundable contributions	<u>1,998,851</u>
 Total Liabilities	 <u>1,998,851</u>
 NET ASSETS	
Held in trust for pension benefits and other purposes	\$ <u><u>9,806,950</u></u>

See notes to the financial statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED MARCH 31, 2011

ADDITIONS	
Contributions	
Taxes	\$ 339,098
Employer/employee	340,648
Miscellaneous	<u>9,214</u>
Total contributions	<u>688,960</u>
Investment earnings	
Investment income	385,307
Net increase (decrease) in fair value of investments	<u>780,991</u>
Net investment earnings	<u>1,166,298</u>
Total Additions	<u>1,855,258</u>
DEDUCTIONS	
Pension expense	1,222,966
Insurance	31,758
Administrative fees	78,153
Pension refunds	62,737
Miscellaneous	<u>32,577</u>
Total Deductions	<u>1,428,191</u>
Change in net assets	427,067
Net assets, beginning of year	<u>9,379,883</u>
Net assets, end of year	<u>\$ 9,806,950</u>

See notes to the financial statements

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Sedalia, Missouri (the "City"), was incorporated in February, 1864 under the provisions of the State of Missouri. The City operates under a City Council - Mayor form of government and provides the following services: public safety (police and fire), streets, culture, recreation, public improvements, planning, and general administrative services. Other services include health care, water, sewer and sanitation operations. The City receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since Council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Bothwell Regional Health Center, (the Health Center) is a provider of health care services located in Sedalia, Missouri. The Health Center is governed by a board of trustees appointed by the City Council of Sedalia, Missouri (City). The Health Center may not issue debt without the City's approval. For these reasons, the Health Center is considered to be a component unit of the City of Sedalia and is included as a discretely presented component unit in the basic financial statements of the City. The Health Center is owned by and is a part of the primary government of the City because the City holds the corporate powers of the Health Center. The accompanying financial statements include only those operations related to the Health Center and its various physician clinics. The Health Center is the only hospital located in Pettis County, Missouri, and primarily provides health services to the City of Sedalia and the surrounding area. Admitting physicians are primarily practitioners in the local area. The Health Center has been designated as a sole community provider and a rural referral center for Medicare reimbursement purposes. The Truman Lake Clinic is certified as a Rural Health Clinic which increases Medicare and Medicaid reimbursement.

The Sedalia Water Department (the Department) was established by ordinance of the City of Sedalia (the City) in 1957 and provides service to approximately 10,000 customers. The Department is owned by and is a part of the primary government of the City because the City holds the corporate powers of the Department.

B. Financial Reporting Entity

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As required by generally accepted accounting principles, these financial statements present the government and its

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

Blended Component Units

Bothwell Regional Health Center is governed by a board of trustees appointed by the City Council of Sedalia, Missouri. Bothwell Regional Health Center has a May 31 year end.

Sedalia Water Department was established by ordinance of the City of Sedalia. The City holds the corporate powers of the department. Sedalia Water Department has a March 31 year end.

Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices.

Bothwell Regional Health Center
601 East 14th Street
Sedalia, Missouri 65301

Sedalia Water Department
111 West 4th Street
Sedalia, Missouri 65301

During 2003, the City adopted GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments*, as amended. The City adopted the retroactive infrastructure provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* for the fiscal year ending March 31, 2011.

C. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities. When the Health Center has both restricted and unrestricted resources available to finance capital acquisitions, it is the Health Center's policy to use restricted resources before unrestricted resources.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, public works, community and youth services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The City distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the City's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and 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 net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc). The City does not allocate indirect costs.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund: The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund: The special revenue funds account for revenue sources that are legally restricted to expenditures for specified purposes. The Library, Park and Special Business District Funds are Special Revenue Funds of the City.

Capital Projects Fund: The capital projects fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds. The Capital Project and Capital Project #2 Funds are Capital Project Funds of the City.

Proprietary Fund

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Health Center, Water and Sewer Funds.

Fiduciary Funds (Not included in government-wide statements)

Trust Funds

Trust funds account for assets held by the City in trust for cemetery upkeep and pension benefits. The trust funds are as follows:

Cemetery Fund - Accounts for funds held in trust. Investment earnings are used for cemetery maintenance.

Fireman's Pension Fund - Accounts for additions and deductions to the pension plan for firemen.

Police Pension Fund - Accounts for additions and deductions for the pension plan for policemen.

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

<u>Fund</u>	<u>Brief Description</u>
Major: General	See above for description
Proprietary Fund: Health Center, Water and Wastewater	Accounts for activities in providing health, water and wastewater services to the public.
Nonmajor: Special Revenue Funds: Library	Accounts for revenues and expenditures of the library.
Park	Accounts for revenues and expenditures of the park.
Special Business District	Accounts for revenues and expenditures of the special business district.
Midtown Special Allocation	Accounts for revenues and expenditures of the midtown special allocation district.
Capital Project Fund	See above for description.
Capital Projects Fund #2	See above for description

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Enterprise Fund Accounting: The Health Center uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, as amended, the Health Center has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Patient Accounts Receivable: The Health Center provides an allowance for uncollectible accounts using management's judgment. Patients are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of invoice. Past due accounts are individually analyzed for collectibility, and then turned over to collection agents. Accounts for which no payments have been received are analyzed and after approval are written off. In addition, an allowance is estimated for other accounts based on historical experience of the Health Center. At May 31, 2010 the allowance for uncollectible accounts was approximately \$5,261,000.

Net Patient Service Revenue: Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care: The Health Center provides care to patients who meet criteria under its charity policy without charge or at amounts less than its established rates. Because the Health Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charges excluded from revenue under the Health Center's Charity Care policy were approximately \$1,007,000 for the year ended May 31, 2010.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions: From time to time, the City and Health Center receive contributions from individuals and private organizations. Revenues contributions (including contributions from capital assets) are recognized when all eligibility requirements, including time requirements are met. Contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Endowments: Endowments are provided to the Health Center on a voluntary basis by individuals. Permanent endowments require that the principal or corpus of the endowment be retained in perpetuity. Investment earnings from the permanent endowment is expendable to support the Health Center.

Assets, Liabilities and Equity

Cash and Investments

Cash of all funds, except Health and Water, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has an equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's pooled Cash and Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities not included in the common pooled accounts that are purchased with a maturity of ninety days or less are also considered to be "cash equivalents".

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments in debt and equity securities are reported at fair market value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned. Additional cash and investment disclosures are presented in Note III-A.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Noncurrent cash and investments consist of cash, short-term certificates of deposit, money markets and U.S. Treasury Obligations. These assets include assets restricted under a bond indenture agreement, restricted by contributors for capital acquisitions, principal of permanent endowment and internally designated unrestricted assets set aside by the Board of Trustees over which the Board retains control and may at its discretion use for other purposes. Amounts required to meet current liabilities of the Hospital are included in current assets.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

Inventory

The inventories are recorded at the lower of cost or market using the latest invoice cost, which approximates the first-in, first-out method.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

With the implementation of GASB Statement No. 34, the City has recorded all its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems in its government-wide financial statements.

Capital assets are reported at cost, if purchased, or at fair market value on the date received if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the property. Useful lives are assigned based on estimated useful lives of depreciable assets. It is the City's policy to include amortization expense on assets acquired under capital leases with depreciation on owned assets.

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of the assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of the capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the statement of net assets as a reduction in the book value of the fixed assets.

Government-Wide Statements

In the government-wide financial statements, all capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements	20-50 years
Machinery and Equipment	3-20 years
Utility System	25-75 years
Infrastructure	5-50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to revenue bond trustee accounts and utility meter deposits.

When the Health Center has both restricted and unrestricted resources available to finance a particular program, it is the Health Center's policy to use restricted resources before unrestricted resources.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of certificates of participation, notes payable, revenue bonds payable and capital leases payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Charges

Revenue bond and capitalized lease issuance costs and related refunding costs and losses arising from the issuance of debt in the Proprietary Funds are capitalized and amortized over the period the related debt is outstanding.

Compensated Absences - City

Under the terms of the City's personnel policy, City employees are granted vacation based upon length of service. In the event of termination, employees are paid for accumulated vacation days. Vested or accumulated vacation is recorded as an expenditure or expense and liability of those funds as the benefits accrue to the employee. Sick leave is granted at varying rates dependent upon department of employment. Upon retirement, employees are paid for one-third of accumulated sick leave.

Compensated Absences – Health Center

Under the terms of the personnel policy, employees are granted vacation and sick leave based upon length of service. In the event of termination, employees are paid for accumulated vacation days up to the equivalent of two years' vacation. Vested or accumulated vacation is recorded as an expense and liability as the benefits accrue to the employee. Employees eligible to receive pension benefits, who retire, and who start to receive their benefits immediately upon their retirement, will receive one day for every eight of their accumulated sick leave days in cash benefits at retirement or paid days off just prior to their retirement date. Amounts for sick leave are recognized when paid.

Compensated Absences – Water Department

Under the terms of the Department's personnel policy, employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days up to the equivalent of one year's vacation (maximum of three weeks). Employees are not paid for unused sick leave. The costs of vacation are accrued.

Capital Leases

Property, plant and equipment financed by capital leases are reflected as assets and corresponding liabilities of the Enterprise Funds and the related depreciation expense is provided on the same basis as assets financed with other resources.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets -
 - (1) Expendable - Net assets whose use by the City is subject to externally imposed stipulations that can be fulfilled by actions of the City pursuant to those stipulations or that expire by the passage of time. The City's policy is to utilize specifically restricted net assets, as required by revenue bond indentures, prior to unrestricted net assets.
 - (2) Nonexpendable - Net assets subject to externally imposed stipulations that they be maintained permanently by the City. Such assets include the Health Center's permanent endowment funds.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."
- d. Net assets of the Health Center are classified in four components. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net assets* are non-capital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Health Center, including amounts deposited with trustees as required by revenue bond indentures. *Restricted nonexpendable net assets* equal the principal portion of permanent endowments. *Unrestricted net assets* are the remaining net assets that do not meet the definition of *invested capital assets net of related debt or restricted*.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

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

Estimated Employee Health Care and Workmen's Compensation Costs

The provision for estimated self-insured employee health care and workmen's compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. Health claims are based on studies of the Health Center's claim experience. Workmen's compensation claims are based on reserve amounts established by the plan administrators.

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Unamortized bond discounts and deferred financing fees are amortized over the lives of the bonds using the level yield method.

Amortization of deferred bond costs is capitalized during the period of construction of capital assets.

Income Taxes

The Health Center qualifies under Internal Revenue Service Code Section 501(c)(3) as a nonprofit organization and therefore is exempt from Federal and State income taxes.

Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Function

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Reclassification

Certain items in the prior year financial statements have been reclassified to conform with the current year basis of presentation. These reclassifications had no effect on the overall net assets of the Health Center.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deposits and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Missouri or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note III-A, all deposits were fully insured or collateralized.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. Budget Basis of Accounting

The City of Sedalia prepares its annual budget on a basis (budget basis), which agrees with generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual to provide a meaningful comparison of actual results with the budget.

The City did not amend the budget during the fiscal year.

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, net assets, revenues, and expenditures/expenses.

A. Deposits and Investments

The City of Sedalia is governed by the deposit and investment limitations of state law. The deposits and investments held at March 31, 2011, are shown below:

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

	Maturity Date	Carrying Value
Deposits:		
Demand deposits		\$ 13,685,859
		13,685,859
Investments:		
Time deposit	7/25/2011	1,000,000
Time deposit	9/9/2011	1,000,000
Time deposit	11/5/2011	1,011,008
Time deposit	12/10/2011	250,000
Time deposit	12/14/2011	1,000,000
U.S. Federal Obligations		33,389,459
		37,650,467
Total deposits and investments (excluding Health Center and Water Department)		51,336,326
Water Department deposits and investments		7,389,914
Health Center deposits and investments		33,195,921
Total deposits and investments		\$ 91,922,161
Reconciliation of Statement of Net Assets:		
Current:		
Cash and cash equivalents		\$ 40,858,610
Short-term investments		5,767,072
Current portion of noncurrent cash and investments		412,391
Total Current		47,038,073
Restricted:		
Cash and cash equivalents		\$ 35,940,573
Short-term investments		1,842,475
Noncurrent cash and investments		7,101,040
Total Noncurrent		44,884,088
Total		\$ 91,922,161

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Custodial Credit Risk. Deposits in financial institutions, reported as components of cash and investments had a bank balance of \$18,944,743 at March 31, 2011, which was fully insured by depository insurance or secured with collateral. This amount does not include the Water Department's or Health Center's deposits, which are discussed below.

Investment interest rate risk. The City has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at March 31, 2011, are provided in the previous schedule.

Investment credit risk. The City maintains cash deposits and investments which are authorized by City ordinances related to the long-term debt issuances. The Council has given the City Administrator and Finance Director the authority to invest idle funds of the City in low-risk investments such as United States government securities or collateralized certificates of deposit.

Concentration of investment credit risk. The City places no limit on the amount it may invest in any one issuer. At March 31, 2011, the City had no concentration of credit risk.

Sedalia Water Department Deposits and Investments

The Sedalia Water Department is governed by the deposit and investment limitations of state law. State statutes authorize the Department to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool. The deposits and investments held at March 31, 2011 are shown below:

	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:		
Demand deposits		\$ 4,491,603
		<u>4,491,603</u>
Investments:		
Time deposit	04/30/11	708,654
Time deposit	11/15/11	356,070
Time deposit	01/06/12	1,147,891
Time deposit	03/14/12	685,696
		<u>2,898,311</u>
Total deposits and investments		<u>\$ 7,389,914</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Reconciliation of Statement of Net Assets:

Current:

Cash and cash equivalents	\$ 998,014
Investments	1,998,311
Total Current	2,996,325

Segregated:

Cash and cash equivalents	\$ 3,493,589
Investments	900,000
Total Segregated	4,393,589

Total	\$ 7,389,914
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Custodial Credit Risk. Deposits in financial institutions, reported as components of cash and investments had a bank balance of \$4,600,445 at March 31, 2011, which was fully insured by depository insurance or secured with collateral held by the Department's agent in its name.

Investment interest rate risk. The Department has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at March 31, 2011, are provided in the previous schedule.

Investment credit risk. The Department maintains cash deposits and investments which are authorized by the Board of Public Works.

Concentration of investment credit risk. The Department places no limit on the amount it may invest in any one issuer. At March 31, 2011, the Department had no concentration of credit risk.

Bothwell Health Center Deposits and Investments

Deposits

Missouri State Statutes authorize the Health Center, with certain restrictions, to deposit funds in open accounts, time deposits and certificates of deposit. Statutes also require that collateral pledged must have a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the Health Center or a disinterested third-party and must be of the kind prescribed by State Statutes and approved by the State.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Health Center's deposits may not be returned to it in full.

At May 31, 2010 the Health Center had deposits as follows at custodial financial institutions:

Insured (FDIC)	\$ 25,443,695
Collateralized by securities held by the pledging financial institution	6,102,106
Total	\$ 31,545,801

Investments

Missouri State statute does not specifically enumerate the investments which may be held by a county hospital. The Health Center's investment policy is to hold money market and U.S. Treasury Obligations.

At May 31, 2010, the Health Center's investments at fair market value are as follows with maturity dates of less than one year:

Investment Type:	
Money Markets	\$ 1,650,120
U.S. Treasury Obligations	-
Total	\$ 1,650,120

Interest Rate Risk

The Health Center has a formal investment policy that addresses permissible investments, portfolio diversification and instrument maturities. Within these parameters, the liquidity of the investments are a concern and maximizing income and the quality of the investment are paramount.

Credit Risk

The Health Center may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities. The Health Center's investments were all rated AAA by Standard and Poor's and Fitch Ratings and AAA by Moody's Investor Services.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Concentration of Credit Risk

The Health Center does not place a limit on the amount of the total portfolio that may be invested in any one depository or issuer. The Finance Department is responsible for the formulation, documentation and monitoring of investment strategy consistent with the investment policy.

Summary of Carrying Values

The carrying value of deposits and investments are included in the Health Center's balance sheet as of May 31, 2010, as follows:

Carrying Value:	
Deposits	\$ 31,545,801
Investments	1,650,120
	<u>\$ 33,195,921</u>

Included in the following balance sheet captions:

Cash and cash equivalents	23,933,080
Short-term investments	1,749,410
Internally designated for funded depreciation	5,465,480
Restricted by bond agreement for debt service	412,825
Restricted by bond agreement for debt reserve	1,237,295
Restricted by contributors for capital acquisitions	296,217
Principal of permanent endowment	101,614
	<u>\$ 33,195,921</u>

B. Net Patient Service Revenue - Health Center

The Health Center has agreements with third party payors that provide for payments to the Health Center at amounts different from its established rates. A summary of the payment arrangements with major third party payors follows.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Medicare. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient non-acute services, certain outpatient services, and defined capital related to Medicare beneficiaries are paid based on a phase-in method of cost and prospectively determined rates reimbursement methodology. Home health and skilled nursing services are paid at prospectively determined rates. The Health Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the Medicare fiscal intermediary. The Health Center claims Medicare payments based on disproportionate share rules. The Health Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Health Center.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Health Center is reimbursed at predetermined rates based on historical cost data of the Health Center.

Other. The Health Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Health Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Revenue from the Medicare and Medicaid programs accounted for approximately 38 percent and 16 percent, respectively, of the Health Center's net patient revenue for the year ended May 31, 2010. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2010 net patient service revenue increased approximately \$131,000 due to prior year retroactive adjustments in excess of amounts previously estimated.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

A summary of patient service revenue and revenue adjustments for the year ended May 31, 2010, is as follows:

Total Patient Service Revenues	\$ 219,228,228
Contractual adjustments and provision for bad debt:	
Medicare	77,134,808
Medicaid	6,598,977
Other	29,065,957
Provision for bad debt	<u>10,455,699</u>
Total	<u>123,255,441</u>
Net Patient Service Revenue	<u>\$ 95,972,787</u>

C. Accounts Receivable

Accounts receivable of the business-type activities consist of patient and utilities receivable. Accounts receivable of the governmental activities consist of miscellaneous receivables. Receivables detail at March 31, 2011, is as follows:

	Governmental Activities	Business- Type Activities	Total
Accounts receivable	\$ 197,020	\$ 18,122,099	\$ 18,319,119
Allowance for doubtful accounts	-	(5,261,000)	(5,261,000)
Net accounts receivable	<u>\$ 197,020</u>	<u>\$ 12,861,099</u>	<u>\$ 13,058,119</u>

D. Taxes Receivable

Taxes receivable of the governmental activities consist of property, sales, franchise, gas and motor vehicle tax receivable. Receivables detail at March 31, 2011, was as follows:

	Governmental Activities	Business- Type Activities	Total
Taxes receivable	\$ 3,261,409	\$ 311,841	\$ 3,573,250
Allowance for doubtful accounts	(15,000)	-	(15,000)
Net taxes receivable	<u>\$ 3,246,409</u>	<u>\$ 311,841</u>	<u>\$ 3,558,250</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

E. Capital Assets - Governmental Activities

Capital asset activity for the year ended March 31, 2011, was as follows:

	Balance at March 31, 2010	Additions	Disposals	Balance at March 31, 2010
Capital assets not being depreciated:				
Land and land rights	\$ 2,321,660	\$ 76,789	\$ -	\$ 2,398,449
Subtotal	<u>2,321,660</u>	<u>76,789</u>	<u>-</u>	<u>2,398,449</u>
Other capital assets being depreciated:				
Structures and improvements	20,242,216	776,966	-	21,019,182
Other improvements	7,976,052	158,922	-	8,134,974
General equipment	10,966,322	482,981	(95,348)	11,353,955
Infrastructure	147,240,229	3,408,208	-	150,648,437
Subtotal	<u>186,424,819</u>	<u>4,827,077</u>	<u>(95,348)</u>	<u>191,156,548</u>
Total capital assets at historical costs	<u>188,746,479</u>	<u>4,903,866</u>	<u>(95,348)</u>	<u>193,554,997</u>
Accumulated Depreciation				
Structures and improvements	(6,927,484)	(615,015)	-	(7,542,499)
Other improvements	(3,351,171)	(272,720)	-	(3,623,891)
General	(7,986,934)	(653,514)	95,348	(8,545,100)
Infrastructures	<u>(92,280,859)</u>	<u>(3,474,933)</u>	<u>-</u>	<u>(95,755,792)</u>
Subtotal	<u>(110,546,448)</u>	<u>(5,016,182)</u>	<u>95,348</u>	<u>(115,467,282)</u>
Net capital assets being depreciated	<u>75,878,371</u>	<u>(189,105)</u>	<u>-</u>	<u>75,689,266</u>
Governmental activities capital assets	<u>\$ 78,200,031</u>	<u>\$ (112,316)</u>	<u>\$ -</u>	<u>\$ 78,087,715</u>

F. Capital Assets - Business-Type Activities

Capital assets of the Health, Water, and Wastewater Funds are stated at cost if purchased, or fair market value on the date of contribution (appraised value) if donated, adjusted for the cost of subsequent additions and disposals or retirements. The costs of normal maintenance and repairs are charged to operations as incurred. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized and depreciated over the remaining estimated useful lives of the related assets. The interest cost of borrowed funds used to finance construction projects is capitalized when material. Capital asset activity for the year ended March 31 was as follows:

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Health

	Balance at June 1, 2009	Additions	Disposals	Balance at May 31, 2010
Land	\$ 2,932,814	\$ 58,078	\$ -	\$ 2,990,892
Land and land improvements	1,073,672	-	-	1,073,672
Buildings	62,630,949	101,128	(55,167)	62,676,910
Equipment	56,719,068	3,328,681	76,373	60,124,122
Construction in progress	1,089,651	2,566,175	(1,161,498)	2,494,328
Total at Historical Cost	<u>124,446,154</u>	<u>6,054,062</u>	<u>(1,140,292)</u>	<u>129,359,924</u>
Less Accumulated Depreciation				
Land improvements	(680,571)	(81,731)	-	(762,302)
Buildings	(32,325,402)	(2,393,699)	-	(34,719,101)
Equipment	(38,313,616)	(4,647,713)	(1,116,232)	(41,845,097)
Total Accumulated Depreciation	<u>(71,319,589)</u>	<u>(7,123,143)</u>	<u>(1,116,232)</u>	<u>(77,326,500)</u>
Capital Assets, Net	<u>\$ 53,126,565</u>	<u>\$ (1,069,081)</u>	<u>\$ (24,060)</u>	<u>\$ 52,033,424</u>

Construction in progress as of May 31, 2010 consists of the following projects:

- Costs incurred for the planning and construction of a medical office building and cancer center addition to the facility. The projects have a combined estimated cost to complete of approximately \$21,500,000. The projects are expected to be completed during the fiscal year ending May 31, 2011 and are anticipated to be funded with \$18 million of funds on a note payable and \$3.5 million of capital contributions from the Foundation.
- Costs associated with various equipment and facility upgrades. The total costs of these projects are estimated to be approximately \$3,360,000. The various projects are anticipated to be financed with cash reserves and are expected to be completed at various dates through fiscal year 2011.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Water

	Balance at April 1, 2010	Additions	Disposals	Balance at March 31, 2011
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 176,240	\$ -	\$ -	\$ 176,240
Construction in progress	-	1,088,319	(369,950)	718,369
Total capital assets not being depreciated	<u>176,240</u>	<u>1,088,319</u>	<u>(369,950)</u>	<u>894,609</u>
Other capital assets being depreciated:				
Structures and improvements	11,146,609	106,260	-	11,252,869
Pumping and purification equipment	4,749,930	-	-	4,749,930
Transmission mains	964,302	-	-	964,302
Distribution mains and equipment	12,717,611	324,064	(39,841)	13,001,834
General equipment	1,600,533	9,921	-	1,610,454
Total capital assets being depreciated	<u>31,178,985</u>	<u>440,245</u>	<u>(39,841)</u>	<u>31,579,389</u>
Total capital assets at historical cost	<u>31,355,225</u>	<u>1,528,564</u>	<u>(409,791)</u>	<u>32,473,998</u>
Accumulated Depreciation				
Structures and improvements	(3,686,724)	(197,874)	-	(3,884,598)
Pumping and purification equipment	(1,269,862)	(94,490)	-	(1,364,352)
Transmission mains	(502,686)	(9,643)	-	(512,329)
Distribution mains and equipment	(3,522,472)	(195,139)	39,841	(3,677,770)
General equipment	(1,353,090)	(78,228)	-	(1,431,318)
Total accumulated depreciation	<u>(10,334,834)</u>	<u>(575,374)</u>	<u>39,841</u>	<u>(10,870,367)</u>
Other capital assets, net	<u>20,844,151</u>	<u>(135,129)</u>	<u>-</u>	<u>20,709,022</u>
Business-Type Activities Capital Assets	<u>\$ 21,020,391</u>	<u>\$ 953,190</u>	<u>\$ (369,950)</u>	<u>\$ 21,603,631</u>

Sewer

	Balance at March 31, 2010	Additions	Disposals	Balance at March 31, 2011
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 2,319,053	\$ -	\$ -	\$ 2,319,053
Subtotal	<u>2,319,053</u>	<u>-</u>	<u>-</u>	<u>2,319,053</u>
Capital assets being depreciated:				
Pumping and purification equipment	22,070,166	749,374	-	22,819,540
Transmission mains	9,822,876	179,200	-	10,002,076
General equipment	1,975,332	561,554	-	2,536,886
Construction work in process	-	143,445	-	143,445
Subtotal	<u>33,868,374</u>	<u>1,633,573</u>	<u>-</u>	<u>35,501,947</u>
Total	<u>36,187,427</u>	<u>1,633,573</u>	<u>-</u>	<u>37,821,000</u>
Less accumulated depreciation and amortization:				
Pumping and purification equipment	(9,196,901)	(657,067)	-	(9,853,968)
Transmission mains	(4,352,233)	(246,606)	-	(4,598,839)
General equipment	(1,119,973)	(111,997)	-	(1,231,970)
Construction work in process	-	-	-	-
Subtotal	<u>(14,669,107)</u>	<u>(1,015,670)</u>	<u>-</u>	<u>(15,684,777)</u>
Net capital assets being depreciated	<u>19,199,267</u>	<u>617,903</u>	<u>-</u>	<u>19,817,170</u>
Business-Type Activities Capital Assets	<u>\$ 21,518,320</u>	<u>\$ 617,903</u>	<u>\$ -</u>	<u>\$ 22,136,223</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

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

Governmental activities:	
General and administration	\$ 476,218
Sanitation	52,277
Total general government	<u>528,495</u>
Public safety:	
Police	169,317
Fire	107,831
Cemetery	15,817
Total public safety	<u>292,965</u>
Transportation:	
Airport	94,454
Streets	161,199
Total transportation	<u>255,653</u>
Cultural, parks and recreation:	
Library	22,091
Park	423,710
Community center	18,335
Total cultural, parks and recreation	<u>464,136</u>
Infrastructure	<u>3,474,933</u>
Total Infrastructure	<u>3,474,933</u>
Total depreciation expense - Governmental activity	<u><u>\$ 5,016,182</u></u>
Business-type activities:	
Health	\$ 7,123,143
Water	575,374
Sewer	1,015,670
Total depreciation expense - Business-type activity	<u><u>\$ 8,714,187</u></u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

G. Long-Term Debt

A summary of changes in long-term debt for the year is as follows:

	Beginning of Year	Additions	Retirements	End of Year	Amount Due Within 1 Year
Business-Type Activities:					
Revenue Bonds:					
Health Center	\$ 8,290,000	\$ -	\$ 910,000	\$ 7,380,000	\$ 940,000
Water	7,960,000	-	315,000	7,645,000	315,000
Certificates of Participation:					
Series 2005 - Sewer	1,315,000	-	1,315,000	-	-
Series 2010A	-	6,337,500	-	6,337,500	92,500
Series 2010B	-	29,480,000	-	29,480,000	-
Other Debt:					
Health Center					
Note payable - Information System	2,307,219	-	1,036,165	1,271,054	1,085,245
Note payable - Imaging Equipment	2,306,419	-	531,162	1,775,257	508,402
Note payable - Construction	-	5,694,564	32,934	5,661,630	201,917
Capital Leases:					
Health Center	3,120,775	-	960,622	2,160,153	762,483
Total Business-Type Activities	<u>\$ 25,299,413</u>	<u>\$ 41,512,064</u>	<u>\$ 5,100,883</u>	<u>\$ 61,710,594</u>	<u>\$ 3,905,547</u>
Governmental Activities:					
Certificates of Participation:					
Series 2005	1,315,000	-	1,315,000	-	360,000
Series 2007	7,240,000	-	335,000	6,905,000	92,500
Series 2010A	-	1,257,500	-	1,257,500	-
Series 2010B	-	-	-	-	-
Loan	2,901	-	2,901	-	-
Energy Loan	689,481	-	148,332	541,149	154,591
DNR Energy Loan	428,240	-	30,592	397,648	30,592
Total Governmental Activities	<u>\$ 9,675,622</u>	<u>\$ 1,257,500</u>	<u>\$ 1,831,825</u>	<u>\$ 9,101,297</u>	<u>\$ 637,683</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

1. Certificates of Participation

Certificates of participation for park and public works improvement projects at March 31, 2011, are comprised of the following individual issues:

On April 2, 2007, the City issued refunding certificates of participation (Series 2007) of \$8,140,000 (par value) with an interest rate of 3.700% to 4.400% to advance refund revenue certificates of participation (Series 2001) with an interest rate of 2.250% to 5.300% and a par value of \$7,885,000. The Series 2007 certificates mature on March 15, 2023, and are callable beginning March 15, 2017. The Series 2007 certificates were issued at par plus accrued interest of \$934 and, after paying issuance costs of \$102,288, the net proceeds were \$8,038,646. The net proceeds from the issuance of the Series 2007 certificates were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments when the term certificates were called on April 23, 2007. The advance refunding met the requirements of an in-substance debt defeasance and the certificates were removed from the City's financial statements.

At the option of the City, the Series 2007 Certificates with stated payment dates of March 15, 2018, and thereafter are subject to prepayment on March 15, 2017, and thereafter in whole or in part at any time, at the prepayment price of 100% of the Principal Component of Rental Payments plus the Interest Component of Rental Payments plus accrued interest thereon to the Prepayment Date.

\$8,140,000 2007 refunding series due in annual installments of \$290,000 beginning March 15, 2011, to \$660,000 through March 15, 2023, interest at 3.70% to 4.40%; term certificate of \$1,430,000 due March 15, 2023, at 4.40% interest. The Series 2007 certificates with stated payment dates of March 15, 2018, and thereafter are subject to prepayment on March 15, 2017, and thereafter in whole or in part at any time.

\$ 6,905,000

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011**

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The annual debt service requirements to maturity for the 2007 certificates of participation outstanding at March 31, 2011, are as follows:

Year Ending March 31	Governmental Activities	
	Principal	Interest
2012	\$ 360,000	\$ 289,970
2013	385,000	276,110
2014	410,000	261,288
2015	430,000	245,297
2016	460,000	228,312
2017-2021	2,770,000	831,353
2022-2023	2,090,000	154,880
	\$ 6,905,000	\$ 2,287,210

Series 2010A

On December 22, 2010, the City entered into a lease/purchase agreement to advance refund the Series 2005 issue in the amount of \$2,630,000 and the remainder of \$5,080,000 to fund various improvements. The initial term of this Lease shall expire on March 31, 2011 (the "Initial Term"), subject to the Lessee's option to extend the term of this Lease for successive one-year terms commencing April 1, of each year, and a final renewal term ending March 31, 2023. Each option shall be exercised by the appropriation by the City Council of the Lessee, in accordance with applicable law, of sufficient moneys (after taking into account any moneys legally available for such purpose) specifically designated for the payment of Base Rentals and adequate moneys to pay the reasonably estimated Supplemental Rent for the next succeeding Renewal Term. Such appropriation shall automatically extend the term of this Lease for the succeeding Renewal Term without any further action required by any officers or officials of the Lessee. The terms of the lease set the interest rate at 2.00% to 4.10%.

The City is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year. It is expected that the City will not abandon this lease, and accordingly, the lease obligation is shown as long-term debt.

\$7,595,000 2010A series due in annual installments of \$185,000 to \$1,125,000 beginning June 1, 2011, to \$1,125,000 through June 1, 2022, interest at 2.00% to 4.10%.

\$ 7,595,000

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The annual debt service requirements to maturity for the 2010A certificates of participation outstanding at March 31, 2011, are as follows:

Year Ending March 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 92,500	\$ 36,918	\$ 92,500	\$ 173,507
2013	92,500	36,950	887,500	170,075
2014	97,500	34,588	907,500	147,688
2015	97,500	32,638	932,500	129,288
2016	102,500	30,125	952,500	105,675
2017-2021	557,500	96,350	2,347,500	164,150
2022-2023	217,500	8,189	217,500	8,189
	<u>\$ 1,257,500</u>	<u>\$ 275,758</u>	<u>\$ 6,337,500</u>	<u>\$ 898,572</u>

Defeased Debt

On December 22, 2010, the City issued certificates of participation (Series 2010A) of \$7,595,000 (par value) with an interest rate of 2.000% to 4.100% to advance refund revenue certificates of participation (Series 2005) with an interest rate of 2.400% to 4.450% and a par value of \$2,630,000. The Series 2010A certificates mature on June 1, 2022, and are callable beginning January 1, 2011. The Series 2010A certificates were issued at par plus premium of \$105,970 and, after paying issuance costs of \$132,951, the net proceeds were \$7,568,019. The net proceeds of \$2,211,819 from the issuance of the Series 2010A certificates were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments when the term certificates were called on January 31, 2011. The remaining \$5,356,200 of the 2010A issue was transferred to the City to fund various projects. The advance refunding met the requirements of an in-substance debt defeasance and the certificates were removed from the City's financial statements.

As a result of the advance refunding, the City reduced its total debt service requirements by \$76,936, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$58,077.

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011**

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Series 2010B

On December 22, 2010, the City entered into a lease/purchase agreement to fund various improvements. The initial term of the lease will commence on December 22, 2010 and end on March 31, 2011. The initial term of this Lease shall expire on March 31, 2011 (the "Initial Term"), subject to the Lessee's option to extend the term of this Lease for successive one-year terms commencing April 1, of each year, and a final renewal term ending March 31, 2036. Each option shall be exercised by the appropriation by the City Council of the Lessee, in accordance with applicable law, of sufficient moneys (after taking into account any moneys legally available for such purpose) specifically designated for the payment of Base Rentals and adequate moneys to pay the reasonably estimated Supplemental Rent for the next succeeding Renewal Term. Such appropriation shall automatically extend the term of this Lease for the succeeding Renewal Term without any further action required by any officers or officials of the Lessee. The terms of the lease set the interest rate at 4.800% to 7.300%.

The City is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year. It is expected that the City will not abandon this lease, and accordingly, the lease obligation is shown as long-term debt.

In lieu of issuing the Certificates as Tax-Exempt Obligations, the Issuer is electing (a) to issue the Certificates as taxable "Build America Bonds" (BAB) as defined in Code § 54AA ("Build America Bonds"), and (b) to treat the Certificates as "qualified" Build America Bonds, eligible to receive payments from the U.S. Treasury equal to 35% of each Interest Component payment on the Certificates in accordance with Code §54AA and 6431 (BAB Interest Subsidy Payments").

\$29,480,000 2010B series due in annual installments of \$945,000 beginning June 1, 2018, to \$2,445,000 through June 1, 2035, interest at 4.800% to 7.300%. \$ 29,480,000

The annual debt service requirements to maturity for the Series 2010B certificates of participation outstanding at March 31, 2011 are as follows:

Year Ending March 31	Principal Series 2010B	Interest Series 2010B	Debt Service Before Subsidy	BAB Interest Subsidy	Net Payments
2012	\$ -	\$ 1,903,737	\$ 1,903,737	\$ (666,308)	\$ 1,237,429
2013	-	2,021,667	2,021,667	(707,583)	1,314,084
2014	-	2,021,668	2,021,668	(707,584)	1,314,084
2015	-	2,021,667	2,021,667	(707,583)	1,314,084
2016	-	2,021,668	2,021,668	(707,584)	1,314,084
2017-2021	2,920,000	9,893,598	12,813,598	(3,462,758)	9,350,840
2022-2026	6,605,000	8,407,781	15,012,781	(2,942,724)	12,070,057
2027-2031	8,815,000	5,705,642	14,520,642	(1,996,975)	12,523,667
2032-2036	11,140,000	2,110,430	13,250,430	(738,651)	12,511,779
	<u>\$ 29,480,000</u>	<u>\$ 36,107,858</u>	<u>\$ 65,587,858</u>	<u>\$ (12,637,750)</u>	<u>\$ 52,950,108</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

2. Bonds Payable - Bothwell Regional Health Center

Revenue bonds as of May 31, 2010, are as follows:

Hospital Refunding Revenue Bonds

The City of Sedalia issued \$12,585,000 of Hospital Refunding Revenue Bonds, Series 2004 on April 1, 2004, for the purpose of providing funds to redeem the Hospital Revenue Bonds, Series 1997, funding a debt service reserve fund for the Series 2004 Bonds and paying certain costs associated with the issuance of the Bonds as provided in the City ordinance.

Hospital Refunding Revenue Bonds bear interest at rates varying from 2.9% to 4.3%, depending upon the maturity date. Revenue bonds or portions thereof maturing in the year 2011 and thereafter are subject to redemption and payment at the option of the City upon written direction of the Board of Trustees, in whole or in part, on March 1, 2011, or on any interest payment date thereafter at redemption prices of 100%.

The Hospital Revenue Bonds are secured by the pledge of the revenue derived from the operation of the Health Center.

Under the terms of the Revenue Bonds, the Health Center is required to maintain certain deposits. Such deposits are included in the financial statements with noncurrent cash and investments. The Revenue Bonds also place limits on the incurrence of additional borrowings and requires that the Health Center satisfy certain measures of financial performance as long as the bonds are outstanding.

Other Long-Term Debt - Health Center

Note Payable – Construction

The City of Sedalia, Missouri acting through the board of trustees of Bothwell Regional Health Center entered into an agreement dated as of December 31, 2009 for issuance of debt within the meaning of Section 103 of the Code.

The agreement allows for the advancement of up to \$18,300,000 in proceeds to be utilized for construction projects through December 31, 2011. The agreement bears interest at 3.7% and requires interest only payments on a monthly basis. The maturity date of the agreement is the Health Center's fiscal year end with the option of the Health Center to extend the agreement for an additional one year renewal term. The Health Center cannot extend the agreement past the final maturity date of January 1, 2030. The agreement does not contain terms for repayment of principal however future maturities are based on an internally determined repayment schedule. The debt is secured by real property and improvements of the Truman Lake Clinic.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Note Payable – Information System

The City of Sedalia, Missouri, acting through the Board of Trustees of Bothwell Regional Health Center entered into an agreement dated as of August 8, 2006, for issuance of debt within the meaning of Section 103 of the Code.

The debt bearing interest at 4.64% is payable in monthly payments of \$93,443 through August 1, 2011.

The debt is secured by all equipment, all repairs, replacements, substitutions and modifications thereto or thereof and in investments and funds held under the Escrow Agreement.

Note Payable – Imaging Equipment

The City of Sedalia, Missouri, acting through the Board of Trustees of Bothwell Regional Health Center entered into an agreement dated as of October 1, 2008, for issuance of debt within the meaning of Section 103 of the Code.

The debt bearing interest at 3.6% is payable in monthly payments of \$47,188 through November 3, 2013.

The debt is secured by all equipment, all repairs, replacements, substitutions and modifications thereto or thereof and in investments and funds held under the Escrow Agreement.

Capital Lease Obligations - Health Center

The Health Center leases various equipment under capital leases with monthly payments ranging from \$2,574 to \$53,630, at varying rates of imputed interest from 3.1 percent to 7.7 percent collateralized by leased equipment. Capital assets include the following amounts for leases which have been capitalized at May 31, 2010:

Equipment	\$	6,466,336
Less: accumulated depreciation		(3,959,862)
Total		\$ 2,506,474
Depreciation expense	\$	1,169,142

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Scheduled principal and interest payments on long-term debt and capital lease obligations for the Health Center are as follows:

Year Ending March 31	Bonds and Notes Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2011	\$ 2,735,564	\$ 591,562	\$ 762,483	\$ 105,556
2012	1,892,499	496,763	694,100	94,756
2013	1,773,240	434,217	146,950	46,640
2014	1,469,423	369,874	57,073	40,967
2015	1,324,072	317,239	61,633	36,407
Thereafter	6,893,143	1,492,375	437,914	100,895
	<u>\$ 16,087,941</u>	<u>\$ 3,702,030</u>	<u>\$ 2,160,153</u>	<u>\$ 425,221</u>

3. Bonds Payable - Water Department

The following is a summary of changes in long-term debt transactions for the year ended March 31, 2011:

	Revenue Bonds	Capital Lease	Total
Balance, April 1, 2010	\$ 7,960,000	\$ -	\$ 7,960,000
Bonds issued	-	-	-
Capital lease proceeds	-	3,524,619	3,524,619
Bonds retired	(315,000)	-	(315,000)
Balance, March 31, 2011	<u>\$ 7,645,000</u>	<u>\$ 3,524,619</u>	<u>\$ 11,169,619</u>

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011**

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Revenue Bonds

Revenue bonded debt as of March 31, 2011 is as follows:

Water revenue bonds 2.150% to 4.300%, series of 2005, due in \$95,000 to \$600,000 annual installments to March 15, 2029 (callable)	\$ 3,825,000
Water revenue bonds 3.20% to 4.40%, series of 2006, due in \$40,000 to \$150,000 annual installments to September 15, 2027 (callable)	3,820,000
	7,645,000
Less amounts due within one year	315,000
Long-term portion of debt	\$ 7,330,000

In 1999 and 1997, the City issued Waterworks Revenue Bonds of \$4,705,000 and \$5,175,000, respectively, for the purpose of constructing several projects to improve the Department's system, including a new 1,500,000 gallon elevated storage tank, installation and extension of water lines to improve pressure and flows in the City, improvements at the water treatment plant, and upgrading the main transmission line from Springfork Lake, the City's main water supply.

The bonds are special limited obligations of the City payable solely from the net income, and revenues derived are from the operation of the Department after payment of costs of operations and maintenance.

Defeased Debt - 2005

On March 15, 2005, the Sedalia Water Department issued waterworks refunding revenue bonds (Series 2005) of \$4,540,000 (par value) with an interest rate of 2.150% to 4.300% to advance refund revenue bonds (Series 1999) with an interest rate of 4.400% to 5.300% and a par value of \$4,290,000. A redemption premium of \$85,800 was also paid. The Series 1999 bonds mature on March 15, 2020, and are callable on March 15, 2005. The Series 2005 bonds were issued at par plus accrued interest of \$7,113 and, after paying issuance costs of \$164,200, the net proceeds were \$4,375,800. The net proceeds from the issuance of the Series 2005 bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds were called on March 15, 2005. The advance refunding met the requirements of an in-substance debt defeasance and the revenue bonds were removed from the Department's financial statements.

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011**

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

As a result of the advance refunding, the Department reduced its total debt service requirements by \$473,848, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$326,017.

At the option of the Department, the Series 2005 bonds or portions thereof maturing on March 15, 2013, and thereafter may be called for redemption and payment prior to their Stated Maturity on March 15, 2012, and thereafter in whole or in part at any time at the Redemption Price of 100% of the principal amount thereof, plus accrued interest thereon to the Redemption Date.

No optional redemption of the Series 2005 bonds will be permitted to the extent any amounts are owed to the Bond Insurer for amounts drawn on the debt service reserve surety bond on deposit in the Debt Service Reserve Fund.

The Series 2005 bonds maturing in the years 2026 and 2029 shall be subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements set forth below at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date. The payments specified in the Bond Ordinance which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the City shall redeem on each March 15, the following principal amounts of Bonds:

Term Bonds Maturing March 15, 2026

Redemption Dates March 15	Principal Amount
2025	\$ 205,000
2026	220,000

Term Bonds Maturing March 15, 2029

2027	225,000
2028	410,000
2029	600,000

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Defeased Debt - 2006

On December 19, 2005, the Sedalia Water Department issued waterworks refunding revenue bonds (Series 2006) of \$4,625,000 (par value) with an interest rate of 3.200% to 4.400% to advance refund revenue bonds (Series 1997) with an interest rate of 3.800% to 5.350% and a par value of \$4,405,000. A redemption premium of \$85,800 was also paid. The Series 1997 bonds mature on September 15, 2027, and are callable on February 1, 2006. The Series 2011 bonds were issued at par plus accrued interest of \$1,034 and, after paying issuance costs of \$156,341, the net proceeds were \$4,468,659. The net proceeds from the issuance of the Series 2006 bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds were called on February 1, 2006. The advance refunding met the requirements of an in-substance debt defeasance and the revenue bonds were removed from the Department's financial statements.

As a result of the advance refunding, the Department reduced its total debt service requirements by \$376,055, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$186,611.

Optional Redemption. At the option of the Department, the Bonds or portions thereof may be called for redemption and payment prior to their Stated Maturity on March 15, 2011, and thereafter in whole or in part at any time at the Redemption Price of 100% of the principal amount thereof, plus accrued interest thereon to the Redemption Date.

No optional redemption of the Bonds will be permitted to the extent any amounts are owed to the Bond Insurer for amounts drawn on the municipal bond debt service reserve insurance policy on deposit in the Debt Service Reserve Fund.

Mandatory Redemption. The Bonds maturing in the years 2011 through 2024 and in 2027 shall be subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements set forth below at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date. The payments specified in the Bond Ordinance which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the City shall redeem on each March 15 and September 15, the following principal amounts of Bonds:

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Stated Maturity March 15	Principal Amount	Stated Maturity September 15	Principal Amount
2010	\$ 85,000	2010	\$ 90,000
2011	90,000	2011	90,000
2012	95,000	2012	95,000
2013	95,000	2013	100,000
2014	100,000	2014	100,000
2015	105,000	2015	100,000
2016	90,000	2016	95,000
2017	100,000	2017	100,000
2018	105,000	2018	105,000
2019	110,000	2019	110,000
2020	115,000	2020	115,000
2021	120,000	2021	120,000
2022	125,000	2022	125,000
2023	130,000	2023	130,000
2024	135,000	2024	135,000
2025	140,000	2025	140,000
2026	145,000	2026	150,000
2027	155,000	2027	145,000

The annual debt service requirements to amortize the revenue bonds outstanding as of March 31, 2011 are as follows:

Year Ending March 31,	Principal	Interest	Total
2012	\$ 315,000	\$ 309,218	\$ 624,218
2013	330,000	298,230	628,230
2014	340,000	286,415	626,415
2015	360,000	270,935	630,935
2016	345,000	260,462	605,462
2017-2021	1,945,000	1,089,128	3,034,128
2022-2026	2,325,000	656,851	2,981,851
2027-2029	1,685,000	142,025	1,827,025
	<u>\$ 7,645,000</u>	<u>\$ 3,313,264</u>	<u>\$ 10,958,264</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The City ordinance authorizing the issuance of the Waterworks Revenue Bonds requires that the Department be accounted for as a separate fund. It also requires the establishment of the following accounts:

1. *Waterworks System Project Account* - This account was established to make payments for bond-related planning, engineering, and construction costs of the project.
2. *Waterworks System Operation and Maintenance Account* - This account was established to account for funds set aside to pay estimated costs of operating and maintaining the Department during the ensuing month as long as the bonds remain outstanding.
3. *Debt Service Account for Waterworks Revenue Bonds* - This account was established to account for principal and interest in the amounts specified in the Bond Agreement.

All amounts paid and credited to the Debt Service Account are expended and used for the purpose of paying the interest on and principal of the bonds as and when the same become due at maturity and on each interest payment date.

4. *Debt Service Reserve Account for Waterworks Revenue Bonds* - This account was established to collect funds to be expended and used solely to prevent any default in the payment of interest on or principal of the bonds on any maturity date or interest payment date if the monies in the Debt Service Account are insufficient to pay interest or principal as they become due.
5. *Waterworks System Depreciation and Replacement Account* - This account was funded at the time of issuance of the bonds with available monies in the amount of \$250,000. These funds are to be used if no other funds are available solely for the purpose of making replacements and repairs in and to the waterworks system (the system) as may be necessary to keep the system in good repair and working order to assure the continued effective and efficient operating of the system.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Restricted amounts and special reserves are reported on the accompanying balance sheets as restricted assets and reservations of retained earnings as follows:

<u>Account</u>	<u>Restricted Assets</u>	<u>Restricted Retained Earnings</u>	<u>Liabilities Payable from Restricted Assets</u>
Construction	\$ 2,839,073	\$ 2,839,073	\$ -
Depreciation and Replacement	250,000	250,000	-
Debt Service	161,570	-	328,663
Debt Service Reserve	650,000	650,000	-
Customer Deposits	492,946	-	445,388
	<u>\$ 4,393,589</u>	<u>\$ 3,739,073</u>	<u>\$ 774,051</u>

The revenue bond ordinances require that the systems be accounted for in separate Enterprise Funds. They also require that sufficient current assets have been set aside to operate the systems, all remaining monies held in the funds be segregated and restricted in separate special reserves and accounts, in the following sequence:

<u>Account</u>	<u>Purpose</u>
(a) Principal and Interest (Debt Service) Account	Paying current principal and interest on bonds
(b) Reserve Account	Paying principal and interest in the event of a deficiency in the principal and interest account
(c) Renewal and Replacement Account	Paying the expenses of operating, maintaining and repairing the utility systems
(d) Surplus Account	Recording all amounts remaining after accounts payment into the above.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Surplus account monies are reflected as unrestricted cash. Assets of all special reserves and accounts, along with assets restricted for repayment of customer deposits and for donor-specified purposes, consist of cash and investments and are reported in the accompanying combined balance sheet as follows:

<u>Account</u>	<u>Enterprise Funds</u>		
	<u>Restricted Assets</u>	<u>Restricted Net Assets</u>	<u>Liabilities Payable from Restricted Assets</u>
Principal and interest accounts	\$ 2,044,062	\$ 3,194,883	\$ -
Reserve account	3,789,688	-	-
Renewal and replacement	250,000	-	-
Customer Deposits	492,946	-	445,388
Donor-specified purposes	101,614	101,614	-
Construction funds	37,263,303	3,135,290	-
Debt service	-	-	328,663
	<u>\$43,941,613</u>	<u>\$ 6,431,787</u>	<u>\$ 774,051</u>

The various bond ordinances and indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. The City is in compliance with all such significant financial limitations and restrictions.

Capital Leases

On January 5, 2011, the Department entered into a lease/purchase agreement to fund water improvements. The initial term of the lease will commence on December 1, 2010 and end on March 31, 2011. Payments under the Lease are subject to annual appropriation and are expected to be payable only from the funds maintained by the Department and the assets under control of the Department.

The Department is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year. It is expected that the Department will not abandon this lease, and accordingly, the lease obligation is shown as long-term debt.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Future payments as of March 31, 2011 are as follows assuming noncancellation:

Year Ending March 31,	Principal	Interest	Total
2012	\$ 181,051	\$ 127,592	\$ 308,643
2013	187,606	121,037	308,643
2014	194,397	114,246	308,643
2015	201,434	107,209	308,643
2016	208,726	99,917	308,643
2017-2021	1,162,590	380,625	1,543,215
2022-2026	1,388,815	154,397	1,543,212
	<u>\$ 3,524,619</u>	<u>\$ 1,105,023</u>	<u>\$ 4,629,642</u>

4. Loans

Airport Hanger Loan:

On May 26, 2000, the City borrowed \$145,000 from the Missouri Transportation and Highway Commission to finance the construction of a ten unit T-hanger at the City's airport. The interest rate is 3.83% and monthly payments are \$1,457.13 for 120 months.

This loan was paid off during the fiscal year ended March 31, 2011.

Energy Performance Loan:

On July 25, 2007, the City borrowed \$968,373 from Bank of America to provide financing of an energy performance contract. The interest rate is 4.14% and monthly payments are \$14,506.95 for 84 months.

The annual debt service requirements to amortize the principal on the loan outstanding at March 31, 2011, are as follows:

Year Ending March 31,	Governmental Funds		
	Principal	Interest	Total
2012	\$ 154,592	\$ 19,492	\$ 174,084
2013	161,114	12,969	174,083
2014	167,912	6,171	174,083
2015	57,531	497	58,028
	<u>\$ 541,149</u>	<u>\$ 39,129</u>	<u>\$ 580,278</u>

**CITY OF SEDALIA, MISSOURI.
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011**

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

DNR Energy Construction Loan:

On April 2, 2007, the City approved a loan agreement with the Missouri Department of Natural Resources and the State Environmental Improvement Energy Resources Authority to provide financing for the installation and construction of energy conservation measures. The financing is to be repaid from energy cost savings realized by the City as a result of implementation of such energy conservation measures.

The amount of the loan received was \$489,424. The loan proceeds were received by the City on May 19, 2010.

The interest rate is 0.00% plus a 1% loan origination fee and semi-annual payments are \$15,449 for 15 years.

The annual debt service requirements to amortize the principal on the loan outstanding at March 31, 2011, are as follows:

Year Ending March 31,	Governmental Funds		
	Principal	Interest	Total
2012	\$ 30,592	\$ 306	\$ 30,898
2013	30,592	306	30,898
2014	30,592	306	30,898
2015	30,592	306	30,898
2016	30,592	306	30,898
2017-2021	152,960	1,530	154,490
2022-2024	91,728	916	92,644
	<u>\$ 397,648</u>	<u>\$ 3,976</u>	<u>\$ 401,624</u>

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011**

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

5. Legal Debt Limit

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. The State Constitution also permits a City, by vote of two-thirds of the voting electorate, to incur additional assessed value of taxable tangible property, for the purpose of acquiring right-of-way, constructing, extending and improving streets and avenues and/or sanitary or storm sewer systems, and purchasing or constructing waterworks, electric or other light and plants, provided that the total general obligation indebtedness of the City does not exceed 20% of the assessed valuation of taxable property.

At March 31, 2011, based on the total assessed valuation as of December 31, 2010, of \$240,614,347 the constitutional general obligation debt limit was \$48,122,869.

H. Board Designated Funds - Health Center

Of the \$38,242,972 of unrestricted net assets reported in 2010, \$5,465,480 has been designated by the Health Center's Board of Trustees for capital acquisitions. Designated funds remain under the control of the Board of Trustees, which may at its discretion later use the funds for other purposes. Designated funds are reflected in noncurrent cash and investments.

I. Leases

Operating leases

The City leases equipment under cancellable operating leases. Total costs for such leases were \$44,597 for the year ended March 31, 2011. The future minimum lease payments for these leases, assuming noncancellation, is as follows:

Year Ending March 31	
2012	\$ 44,597
2013	<u>121,205</u>
	165,802
Amount representing interest	<u>(13,017)</u>
Net	<u><u>\$ 152,785</u></u>

The Health Center leases various equipment and facilities under operating leases based on minimum rentals and contingent rentals expiring at various dates.

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011**

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Contingent rentals include the lithotripter and the open magnetic resonance imaging equipment (MRI). The lease for the lithotripter is a five-year lease with automatic one-year renewals and is based on a fee of \$1,800 per treatment with a minimum of \$5,400 monthly. The MRI lease is a five-year lease with automatic one-year renewals and is based on a declining scale of \$375 to \$300 based on patient encounters on an annual basis.

Total rental expense in 2010 for minimum and contingent rentals was \$296,561 and \$364,837, respectively.

Future minimum lease payments under operating leases with initial or remaining lease terms in excess of one year consisted of the following:

Year Ending May 31,	
2011	\$ 269,878
2012	<u>48,405</u>
Total	<u>\$ 318,283</u>

J. Interfund Transfers

Interfund transfers during the year ended March 31, 2011, were as follows:

Disbursing Fund	Receiving Fund	Amount
Perpetual Care Cemetery (Agency)	General (Major)	\$ 4,767
General (Major)	Capital Projects #2 (Non-Major)	16,521
Capital Projects #2 (Non-Major)	Capital Projects (Non-Major)	450,000
Wastewater (Major)	Capital Projects (Non-Major)	948,683
Capital Projects #2 (Non-Major)	Wastewater (Major)	136,112

The purpose of the \$16,521 transfer from General was for Goodie's sales tax reimbursement.

The purpose of the \$450,000 transfer from Capital Projects #2 was for streetscape.

The purpose of the \$948,683 transfer from Wastewater was for streetscape.

The purpose of the \$136,112 transfer from Capital Projects #2 was to transfer COP 05 DSR to wastewater.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

K. Restricted Net Assets

The following table shows the net assets restricted for other purposes as shown on the Statement of Net Assets:

Activity	Governmental Activities	
	Restricted	
	By	Amount
Library	Council action	\$ 620,253
Park	Council action	1,982,997
Special Business District	Council action	42,412
Midtown Special Allocation	Council action	44,528
Capital Project	Council action	623,303
Capital Project #2	Council action	2,611,317
		<u>\$ 5,924,810</u>

L. Accounts Payable

Payables in the governmental funds are composed of payables to vendors (4%) and accrued salaries and benefits (96%). Payables of Enterprise Funds are composed of payables to vendors (41%) and accrued salaries and benefits (59%).

IV. OTHER INFORMATION

A. Related Organization

The Sedalia-Pettis County Development Corporation was created on July 8, 1975, as a "General Not-For-Profit Corporation" under Missouri Statutes and has been recognized by the Internal Revenue Service as a tax-exempt corporation operating under Internal Revenue Code Section 501(c)(6). The Corporation promotes industrial and business opportunities in Sedalia, Missouri. The Corporation solicits new businesses and manufacturers, develops industrial parks and other facilities, and acts as an information clearing house for existing businesses. The City has paid \$104,000 to the Corporation for the year ended March 31, 2011.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

IV. OTHER INFORMATION (continued)

B. Employee Pension Plans

Eligible City employees participate in one of four defined benefit pension plans.

1. Missouri Local Government Employees Retirement System

Plan Description

The City of Sedalia 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, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

Funding Status

Full-time employees of the City of Sedalia do not contribute to the pension plan. The June 30th statutorily required contribution rates are 12.8% (General) and 14.2% (Police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

IV. OTHER INFORMATION (continued)

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

The subdivision's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$	562,446
Interest on net pension obligation		-
Adjustment to annual required contribution		-
Annual pension cost		562,446
Actual contributions		534,886
Increase (decrease) in NPO		27,560
NPO beginning of year		-
NPO end of year	\$	27,560

The annual required contribution (ARC) was determined as part of the February 29, 2008 and February 28, 2009 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% 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 the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table for males projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 29, 2008 was 15 years for the General division. The amortization period as of February 28, 2009 was 30 years for the General division.

City
Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 447,797	100.0%	\$ —
2009	450,136	100.0%	—
2010	562,446	95.1%	27,560

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

IV. OTHER INFORMATION (continued)

Water Department
Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	\$ 152,114	100%	\$ —
6/30/09	146,217	100%	—
6/30/10	139,931	98.8%	1,679

2. Firemen's Pension Trust Fund

Plan Description

The Firemen's Pension Trust Fund is administered by the Fire Pension Fund Board of Trustees. The single-employer, defined-benefit pension plan was established by City ordinance in accordance with the City charter and state statutes. All employees of the fire department earning \$100 or more per calendar year are covered under the plan. Reserve and voluntary firemen are not eligible to participate in the plan.

Employees of the fire department become eligible for the plan immediately upon employment and are fully vested after ten years of full-time service. Employees completing 22 years of service are entitled to a monthly benefit of 50% of a base amount which increases by 3% per year (\$43,005 for the 2009 plan year). Any employee hired after July 1, 1989, must also attain age 55. The plan also provides death and disability benefits.

Funding Status and Progress

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of April 1, 2009. Significant actuarial assumptions used in determining the pension benefit obligation include 1) a rate of return on the investment or present and future assets of 7.0% per year compounded annually and 2) projected salary increases of 3.0% per year compounded annually, attributable to inflation and 3) no post-retirement benefit increases.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

IV. OTHER INFORMATION (continued)

At April 1, 2009, the unfunded pension benefit obligation was \$2,613,846 determined as follows:

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits	\$ 4,561,324
Current active employees	3,070,763
Total Pension Benefit Obligation	7,632,087
Net assets available for benefits, at market value	5,018,241
Unfunded Pension Benefit Obligation	\$ 2,613,846

Contributions Required and Contributions Made

The Plan receives an annual actuarial valuation for the purpose of determining recommended contribution rates. The method of valuation at April 1, 2009, is the entry age normal cost method. The actuary provides a range of contribution recommendations depending on how rapidly the past service liability is funded. The actuarially determined minimum contribution recommendation, including amortization of past service liability over forty years amounted to \$379,245 for the 2009 plan year which includes \$148,354 for normal costs and \$230,891 for amortization of the unfunded actuarial liability. Significant actuarial assumptions used to compute actuarially determined contribution requirements are substantially the same as those used to compute the pension benefit obligation.

As required by City ordinance, each member contributes 7.50% of a base compensation amount which is matched by the City. In addition, contributions to the Fund are made by the City from a \$.0500 per \$100 assessed valuation property tax levy established by City ordinance.

Total anticipated contributions to the pension plan for the plan year ended April 1, 2009, were \$334,223 of which \$222,551 was made by both the City and employees and \$111,672 was provided from the property tax levy.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

IV. OTHER INFORMATION (continued)

Valuation Date	<u>Trend Information</u>						
	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation (PBO)	(3) Percent Funded (1)/(2)	(4) Under-Funded PBO (2) - (1)	(5) Annual Covered Payroll	(6) Underfunded PBO as a Percent of Covered Payroll (4)/(5)	(7) Employer Contributions as a Percent of Covered Payroll
4/1/2000	\$ 4,191,586	\$ 4,850,829	86%	\$ 659,243	\$ 1,291,039	51.1%	13.8%
4/1/2001	4,266,236	4,753,207	90%	487,591	1,385,720	35.2%	14.0%
4/1/2002	4,475,454	4,968,644	90%	493,190	1,402,368	35.2%	14.7%
4/1/2003	4,100,687	5,871,481	70%	1,770,794	1,451,601	122.0%	14.3%
4/1/2004	4,851,479	6,069,910	80%	1,218,431	1,459,897	83.5%	14.9%
4/1/2005	5,145,526	6,388,856	81%	1,243,330	1,451,968	85.6%	15.6%
4/1/2006	5,576,704	6,548,435	85%	971,731	1,510,556	64.3%	20.2%
4/1/2007	5,851,469	6,698,403	87%	846,934	1,618,493	52.3%	18.8%
4/1/2008	6,088,585	6,970,345	87%	881,760	1,664,582	53.0%	20.0%
4/1/2009	5,018,241	7,632,087	66%	2,613,846	1,649,103	158.5%	20.3%

The ten year historical information showing the plan's progress in accumulating sufficient assets to pay benefits when due is presented above.

3. Police Pension Trust Fund

Plan Description

The Police Pension Trust Fund is administered by the Police Pension Fund Board of Trustees. The single-employer, defined-benefit pension plan was established by City ordinance in accordance with the City charter and state statutes. All employees of the police department earning \$100 or more per calendar year are covered under the plan. Reserve and voluntary police officers are not eligible to participate in the plan.

Employees of the police department become eligible for the plan immediately upon employment and are fully vested after fifteen years of full-time service. Employees completing twenty-two years of service are entitled to a monthly benefit equal to 2% of their final three-year average monthly compensation multiplied by total number of years of service. Any employee hired after August 1, 1989, must complete ten years of service or attain age 65. The plan permits early retirement with reduced benefits for employees who complete eleven years of service and attain age 52. The plan also provides death and disability benefits.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

IV. OTHER INFORMATION (continued)

An actuarial valuation of the Policemen's Retirement Fund of the City of Sedalia, Missouri was performed as of December 31, 2009. The valuation was made to determine the position of the trust fund under the assumption that benefits would be frozen as of April 1, 2010 and all active participants would become 100% vested in their accrued benefits as of that date. Since this is an interim valuation an "annual contribution" was not determined. Rather, this valuation is to illustrate the extent to which benefits are currently funded.

The benefit freeze could take two different forms and values were determined under both scenarios.

Under the first scenario benefits would be determined as of April 1, 2010 under the current provisions of the plan. Benefits would then be frozen so that no benefit increases would be accrued after April 1, 2010 due to either additional years of service or due to increases in salary. The frozen benefits would then become payable as under the current terms of the plan. This is referred to in the report as a "Hard Benefit Freeze".

Under the second scenario benefits would be determined as of April 1, 2010 under the current provisions of the plan. Benefits would then be frozen so that no additional benefit increases would be accrued after April 1, 2010 due to additional years of service. Benefits would be adjusted, however, due to increases in compensation that occur after April 1, 2010. The frozen benefits would then become payable as under the current terms of the plan. This is referred to in the report as a "Soft Benefit Freeze".

Funding Status and Progress

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of December 31, 2009. Significant actuarial assumptions used in determining the pension benefit obligation include 1) a rate of return on the investment or present and future assets of 7.5% per year compounded annually and 2) projected salary increases of 4.0% per year compounded annually, attributable to inflation and 3) no post-retirement benefit increases.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

IV. OTHER INFORMATION (continued)

At December 31, 2009, the unfunded pension benefit obligation was determined as follows:

	Hard Benefit Freeze	Soft Benefit Freeze
Pension benefit obligation:		
Active participants	\$ 2,438,639	\$ 3,175,408
Retired and terminated participants	5,034,329	5,034,329
Total Pension Benefit Obligation	<u>7,472,968</u>	<u>8,209,737</u>
Actuarial value of assets, market value	<u>3,298,346</u>	<u>3,298,346</u>
Unfunded Pension Benefit Obligation	<u>\$ 4,174,622</u>	<u>\$ 4,911,391</u>
Projected Benefit Obligation Ratio	<u>0.44</u>	<u>0.40</u>

Contributions Required and Contributions Made

The Plan receives an annual actuarial valuation for the purpose of determining recommended contribution rates. The method of valuation at December 31, 2009, is the entry age actuarial cost method. The actuary provides a range of contribution recommendations depending on how rapidly the past service liability is funded.

Trend Information

Valuation Date	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation (PBO)	(3) Percent Funded (1)/(2)	(4) Under- Funded PBO (2) - (1)	(5) Annual Covered Payroll	(6) Underfunded PBO as a Percent of Covered Payroll (4)/(5)	(7) Employer Contributions as a Percent of Covered Payroll
8/1/1999	\$ 3,866,054	\$ 3,529,901	109.5%	\$ (336,153)	\$ 1,582,595	-21.2%	10.0%
8/1/2000	3,838,799	3,866,224	99.3%	27,425	1,662,443	1.6%	10.1%
8/1/2001	3,929,201	4,192,111	93.7%	262,910	1,754,405	15.0%	10.0%
8/1/2002	3,499,987	4,578,768	76.4%	1,078,781	1,763,701	61.2%	10.5%
8/1/2003	3,668,439	4,908,122	74.7%	1,239,683	1,845,904	67.2%	10.2%
8/1/2004	3,940,408	5,119,399	77.0%	1,178,991	1,851,420	63.7%	10.8%
8/1/2005	4,241,613	6,283,781	67.5%	2,042,168	1,921,206	106.3%	10.5%
8/1/2007	4,521,203	6,439,108	70.2%	1,917,905	2,048,405	93.6%	11.5%
8/1/2008	4,163,737	7,702,179	54.1%	3,538,442	2,096,484	168.8%	10.4%
8/1/2009	3,168,121	8,114,072	39.0%	4,945,951	2,144,723	230.6%	10.3%
12/31/09 (Hard Freeze)	3,298,346	7,472,968	44.1%	4,174,622	2,111,849	197.7%	N/A
12/31/09 (Soft Freeze)	3,298,346	8,209,737	40.2%	4,911,391	2,111,849	232.6%	N/A

The ten year historical information showing the plan's progress in accumulating sufficient assets to pay benefits when due is presented above.

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011**

IV. OTHER INFORMATION (continued)

4. Bothwell Regional Health Center Employee Pension Plan

Defined Benefit Plan

Plan Description: The Retirement Plan for employees of Bothwell Regional Health Center (Plan) is a single-employer defined benefit pension plan. The Plan is established, maintained and/or amended by written resolutions by the Health Center's Board of Trustees. A Retirement Committee appointed by the Board of Trustees of Bothwell Regional Health Center administers the Plan. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Financial reports that include financial statements and required supplementary information of the Plan may be obtained by writing John M. Dawes, Chief Executive Officer, Bothwell Regional Health Center, P.O. Box 1706, Sedalia, Missouri 65302-1706 or by calling (660) 826-8833.

Effective June 1, 2006, the Plan was amended such that no employee whose employment date is after May 31, 2006, shall become a member of the Plan. The Plan was further amended to place certain restrictions on Plan members as of May 31, 2006.

Funding Policy: Bothwell Regional Health Center contributes to the Plan at a level that meets the minimum funding requirements. There are no permitted employee contributions.

Annual Pension Cost and Net Pension Obligation: The Health Center's annual pension cost and net pension obligation (prepayment) were as follows at May 31, 2010:

Annual required contribution	\$ 2,626,019
Interest on net pension obligation	67,470
Adjustment to annual required contribution	<u>(56,029)</u>
Annual Pension Cost	2,367,460
Contributions made	<u>3,019,210</u>
Decrease in net prepaid pension obligation	(381,750)
Net Pension Obligation Beginning of Year	<u>65,639</u>
Net Pension Obligation (Prepayment) End of Year	<u>\$ (316,111)</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

IV. OTHER INFORMATION (continued)

The annual required contribution for the current year was determined as part of the June 1, 2010 actuarial valuation rolled forward to May 31, 2011, using the projected unit credit actuarial cost method. The actuarial assumptions included an 8% investment rate of return and projected salary increases ranging from 4% to 9% per year.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
5/31/08	\$ 2,293,372	100%	\$ 144,127
5/31/09	2,369,087	103%	65,639
5/31/10	2,637,460	114%	(316,111)

Defined Contribution Plan

Plan Description: The Bothwell Regional Health Center Employee Savings Program (the Program) is established, maintained and/or amended by written resolutions by the Health Center's Board of Trustees. The Program covers substantially all employees and includes employee voluntary contributions as well as employer contributions. A Retirement Committee appointed by the Board of Trustees of Bothwell Regional Health Center administers the Plan. The Program provides retirement, disability and death benefits to plan members and beneficiaries.

Funding Policy: The Health Center's contribution to the Program is dependent on employee's date of employment and participation in the Health Center's Defined Benefit Pension Plan above. For employees whose employment date is prior to June 1, 2006, the Health Center contributes at the rate of 25% of the employee's voluntary contribution up to a 4% employee contribution. For those whose employment date is after May 31, 2006, the Health Center contributes an amount equal to the employee's voluntary contribution up to 5% of compensation.

Annual Pension Cost: The Health Center's contributions for the year ended May 31, 2010, was \$518,489. Employee voluntary contributions were \$1,594,100 for the year ended May 31, 2010.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

IV. OTHER INFORMATION (continued)

C. Employee Health Care and Workers' Compensation Self-Insurance

The Health Center offers its employees a contributory self-insurance health care plan. An excess coverage insurance policy covers the portion of specific claims in excess of \$100,000 and the greater of aggregate claims in excess of \$4,546,770 or 90% of the first month's covered units times the number of months of coverage times the monthly aggregate stop-loss rates, which computes to be \$4,640,968. Claims incurred but not reported are accrued as a liability. The recorded payable at May 31, 2010, was approximately \$811,200. This amount is included in accrued expenses in the accompanying financial statements.

The Health Center is self-insured for workers' compensation. An excess coverage insurance policy, limited to \$1,000,000 per occurrence and \$5,000,000 aggregate per policy period covers indemnity claims in excess of \$300,000 per occurrence and \$1,906,737 aggregate per policy period. Claims incurred but not reported are accrued as a liability. The recorded payable at May 31, 2010, was approximately \$177,000. This amount is included in accrued expenses in the accompanying financial statements.

D. Concentrations of Credit Risk

The Health Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors were as follows:

Medicare	44%
Medicaid	13%
Commercial insurance	19%
Self pay	24%
	<u>100%</u>

E. Funds Held in Trust by Others

The Health Center is the sole beneficiary of a trust established by John H. Bothwell in 1926 which is administered by an independent board of trustees. Proceeds from the Trust, which are restricted to building and equipment additions, for the year ended May 31, 2010, amounted to \$37,335. The assets and liabilities of the Trust are not included in the financial statements of the Health Center.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

IV. OTHER INFORMATION (continued)

F. Related Party Transactions

Bothwell Regional Health Center Foundation

The Bothwell Regional Health Center Foundation supports the health care services and education mission of Bothwell Regional Health Center. Established in 2005, the Foundation seeks, receives, and administers donations for the benefit of Bothwell Regional Health Center. The Foundation is governed by a Board of Directors composed of local leaders from across the Health Center service areas who have commitment to the importance of philanthropy and fulfilling the Health Center mission. Included on the Foundation Board are members from the Health Center's board and management.

During the year ending May 31, 2010, the Foundation began a capital campaign to assist with the raising of funds to complete the MOB and Cancer Center projects. The total amount expected to be raised is \$3.5 million. As of May 31, 2010, approximately \$2.0 million had been raised by the Foundation, however, \$0 had been contributed to the Health Center.

The Foundation contributed funds to the Health Center in the amount of \$14,522, restricted for equipment, during the year ending May 31, 2010.

The Health Center contributed funds to the Foundation in the amount of \$0 during the year ending May 31, 2010.

Local Bank

A member of the Board of Trustees is the president of the local bank which is the Health Center's primary bank for checking, short-term investments, capital leasing and other long-term debt.

G. Commitments and Contingencies

1. Risk Management

The Health Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant reduction in insurance coverage from the previous year in any of the Health Center's policies. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

IV. OTHER INFORMATION (continued)

2. Healthcare Legislation & Regulation

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violation of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Health Center is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

3. Medical Malpractice Insurance

The Health Center purchases medical malpractice insurance under a claims made policy on a fixed-premium basis. The Health Center is responsible for any individual claims exceeding \$2,000,000, and for aggregate claims exceeding \$6,000,000 for a policy year. Should this policy lapse and not be replaced with equivalent coverage, claims based upon occurrence during its term, but reported subsequent thereto, will be uninsured.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

IV. OTHER INFORMATION (continued)

4. Litigation

The Health Center is from time to time involved in litigation and regulatory investigations arising in the course of business. As of May 31, 2010 the Health Center has been named as a defendant in a class action lawsuit claiming age discrimination involving nine former employees. The Health Center adamantly denies any unlawful discrimination in relation to these cases, however management considered this exposure and accordingly has estimated and recorded a liability reserve for potential costs associated with this and other potential litigation matters which could result in a liability to the Health Center in future periods.

5. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is administered by a third-party administrator, is available to all City employees who qualify under the plan terms and permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets carried in an agency fund, totaling \$1,451,200 at March 31, 2011, to satisfy the claims of general creditors in the future.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

IV. OTHER INFORMATION (continued)

6. Grants

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of March 31, 2011, significant amounts of grant expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

7. Health Center

Medicare and Medicaid laws are very complex in nature and such laws are subject to interpretations. Management believes that they are in compliance with the applicable laws and regulations; however, the possibility of future government review and interpretation exists.

8. Sales Tax Reimbursement Agreement

On May 8, 2006, the City entered into an agreement with a Developer for the developer to construct and initially pay for infrastructure improvements.

After construction, inspection and approval by the City, the Developer will dedicate the infrastructure improvements to the City.

The City will reimburse the Developer for a portion of the costs of the infrastructure improvements, not to exceed \$210,000, utilizing sales taxes collected from the retail operation of the Developer's project.

Since inception sales taxes of \$141,490 have been collected on this project and paid to the Developer.

9. Infrastructure Improvement Agreement

The City has entered into an agreement with a developer whereby the developer constructs infrastructure improvements in accordance with City specifications. Upon completion of the project and subject to the City's acceptance, the City will reimburse the developer up to a maximum of \$646,670. This project is currently on hold as the developer has not begun construction.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011

IV. OTHER INFORMATION (continued)

H. Postclosure Care Cost

State and federal laws and regulations require the City to place a final cover on its Cherry Tree Street site as it has stopped accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure in 1989. The City reports a portion of these postclosure care costs as an operating expense in each period based on the remaining postclosure term as of each balance sheet date. The City will recognize the remaining estimated cost of postclosure care of \$85,120 over the remaining postclosure term. These amounts are based on what it would cost to perform all postclosure care in 2011. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City has filed a contract of obligation with the Department of Natural Resources authorizing the state to collect from future revenues due the City of Sedalia, primarily sales tax revenue, should the City fail to meet its postclosure care obligations.

In a letter dated May 6, 2004 the Missouri Department of Natural Resources has determined that the landfill no longer poses a detrimental impact to either the environment or public health and the post-closure care financial assurance obligation is no longer required.

I. Taxes

The City's real estate tax is levied each November 1 on the assessed value as of the prior January 1 for all real property located in the City. Real estate taxes are due on December 31 following the levy date. On January 1, a lien attaches to all property for which taxes are unpaid. Taxes remaining unpaid for two years after that date are submitted to Pettis County for collection through foreclosure proceedings.

Assessed values are established by the Pettis County Assessor subject to review by the County's Board of Equalization and State Tax Commission. The assessed value for property located in the City as of January 1, 2010, on which the fiscal 2010 levy was based, were as follows:

Real estate	\$ 178,688,630
Personal property	<u>61,925,717</u>
	<u>\$ 240,614,347</u>

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2011**

IV. OTHER INFORMATION (continued)

The City is permitted by Missouri State Statutes, which encompass certain limitations, to levy taxes for various general governmental services and in unlimited amounts for the payment of principal and interest on general obligation bonded debt. Property tax levies per \$100 assessed valuation for the year ended March 31, 2011, are as follows:

<u>Fund</u>	<u>Levy</u>
General Fund	\$.4295
Public Library	.2102
Public Parks	.1494
Firemen's Pension	.0459
Police Pension	<u>.0840</u>
Total City-Wide Levy	.9190
Special Business District	<u>.6176</u>
Total	<u>\$ 1.5366</u>

J. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

K. Litigation

The City currently has several lawsuits pending, the outcomes of which are not known at this time. Management believes there are no outstanding matters which will have a material effect on the financial statements of the City.

L. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

M. Consideration of Subsequent Events

Subsequent events have been evaluated through September 20, 2011, which is the date the financial statements are available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SEDALIA, MISSOURI
PENSION PLAN FUNDING PROGRESS
YEAR ENDED MARCH 31, 2011

The following information is required and presented in accordance with Governmental Accounting Board Statement 27, "Accounting for Pensions by State and Local Governmental Employers" (see Note IV-B).

UNAUDITED REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

City

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/29/2008	\$ 10,492,711	\$ 11,197,752	\$ 705,041	94%	\$ 3,938,851	18%
2/28/2009	8,571,275	11,206,466	2,635,191	76%	3,941,094	67%
2/28/2010	8,454,341	10,997,724	2,543,383	77%	3,911,843	65%

Schedule of Funding Progress

Water Department

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/29/2008	\$ 1,823,139	\$ 2,785,963	\$ 962,824	65%	\$ 848,099	114%
2/28/2009	1,515,192	2,820,822	1,305,630	54%	805,131	162%
2/28/2010	1,505,600	2,871,957	1,366,357	52%	782,594	175%

NOTE: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006, annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

Schedule of Funding Progress

Bothwell Regional Health Center

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
6/1/2008	\$ 34,903,115	\$ 39,387,243	\$ 4,484,128	89%	\$30,361,887	15%
6/1/2009	34,029,786	41,075,057	7,045,271	83%	27,268,707	26%
6/1/2010	36,317,719	43,315,133	6,997,414	84%	25,409,117	28%

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments between successive valuations. The unfunded actuarial accrued liability is being amortized as a level dollar closed over twenty years. The remaining amortization periods at May 31, 2010, was 20 years.

OTHER SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Special Revenue Funds and Capital Project Funds

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Library	Accounts for revenues and expenditures of the library.
Park	Accounts for revenues and expenditures of the park.
Special Business District	Accounts for revenues and expenditures of the special business district.
Midtown Special Allocation	Accounts for revenues and expenditures of the midtown special allocation district.

Capital Project Funds

Capital Project Fund	Accounts for resources restricted for the acquisition or construction of specified capital projects or items.
Capital Project Fund #2	Accounts for resources restricted for the acquisition or construction of specified capital projects or items.

CITY OF SEDALIA, MISSOURI
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 MARCH 31, 2011

	Special Revenue Funds				Capital Project Funds		Totals (Memorandum Only)
	Library	Park	Special Business District	Midtown Special Allocation	Capital Project	Capital Project # 2	
ASSETS							
Cash including time deposits	\$ 639,969	\$ 1,559,693	\$ 42,412	\$ 44,528	\$ 231,966	\$ 1,265,820	\$ 3,784,388
Taxes receivable, net of allowance	-	-	-	-	-	-	-
Receivables, net of allowance	-	467,720	-	-	391,337	422,019	1,281,076
Prepaid expenses	-	13,735	-	-	-	-	13,735
Accrued interest receivable	520	1,494	-	-	-	5,449	7,463
Due from other funds	-	-	-	-	-	-	-
Restricted assets	-	-	-	-	-	-	-
Investments	-	-	-	-	-	942,475	942,475
Total Assets	640,489	2,042,642	42,412	44,528	623,303	2,635,763	6,029,137
LIABILITIES AND FUND EQUITY							
LIABILITIES							
Accrued expenses	20,236	59,645	-	-	-	24,446	104,327
Total Liabilities	20,236	59,645	-	-	-	24,446	104,327
FUND EQUITY							
Fund Balance	620,253	1,982,997	42,412	44,528	623,303	2,611,317	5,924,810
Total Fund Equity	620,253	1,982,997	42,412	44,528	623,303	2,611,317	5,924,810
Total Liabilities and Fund Equity	\$ 640,489	\$ 2,042,642	\$ 42,412	\$ 44,528	\$ 623,303	\$ 2,635,763	\$ 6,029,137

CITY OF SEDALIA, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2011

	<u>Special Revenue Funds</u>	
	<u>Library</u>	<u>Park</u>
REVENUES		
Taxes	\$ 453,874	\$ 2,155,735
Intergovernmental	15,097	-
Charges for services	18,783	223,736
Miscellaneous	<u>4,125</u>	<u>11,278</u>
Total Revenues	<u>491,879</u>	<u>2,390,749</u>
EXPENDITURES		
Library	440,835	-
Park	-	1,479,997
Planning, building and economic development	-	-
Capital outlay	12,723	721,559
Debt service	<u>-</u>	<u>-</u>
Total Expenditures	<u>453,558</u>	<u>2,201,556</u>
Excess (Deficit) of Revenues over Expenditures	<u>38,321</u>	<u>189,193</u>
OTHER FINANCING SOURCES (USES)		
Certificates of participation proceeds	-	-
Operating transfers in (out)	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	38,321	189,193
Fund Balance, beginning of year	<u>581,932</u>	<u>1,793,804</u>
Fund Balance, end of year	<u>\$ 620,253</u>	<u>\$ 1,982,997</u>

Special Revenue Funds		Capital Project Funds		Totals
Special Business District	Midtown Special Allocation	Capital Project	Capital Project #2	(Memorandum Only)
\$ 38,454	\$ 25,756	\$ -	\$ 1,857,038	\$ 4,530,857
49,847	-	1,474,668	-	1,539,612
-	-	-	-	242,519
3,002	44	402	22,336	41,187
<u>91,303</u>	<u>25,800</u>	<u>1,475,070</u>	<u>1,879,374</u>	<u>6,354,175</u>
-	-	-	-	440,835
-	-	-	-	1,479,997
82,324	-	201,117	160,136	443,577
12,310	-	2,788,919	555,656	4,091,167
-	-	-	2,029,542	2,029,542
<u>94,634</u>	<u>-</u>	<u>2,990,036</u>	<u>2,745,334</u>	<u>8,485,118</u>
<u>(3,331)</u>	<u>25,800</u>	<u>(1,514,966)</u>	<u>(865,960)</u>	<u>(2,130,943)</u>
-	-	-	1,257,500	1,257,500
-	-	1,398,683	(569,591)	829,092
-	-	1,398,683	687,909	2,086,592
(3,331)	25,800	(116,283)	(178,051)	(44,351)
<u>45,743</u>	<u>18,728</u>	<u>739,586</u>	<u>2,789,368</u>	<u>5,969,161</u>
<u>\$ 42,412</u>	<u>\$ 44,528</u>	<u>\$ 623,303</u>	<u>\$ 2,611,317</u>	<u>\$ 5,924,810</u>

**CITY OF SEDALIA, MISSOURI
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 426,550	\$ 426,550	\$ 432,258	\$ 5,708
Payment in-lieu-of	250	250	292	42
Railroad and utilities	18,000	18,000	21,324	3,324
Total Taxes	<u>444,800</u>	<u>444,800</u>	<u>453,874</u>	<u>9,074</u>
Intergovernmental				
State and federal grants	<u>15,100</u>	<u>15,100</u>	<u>15,097</u>	<u>(3)</u>
Total Intergovernmental	<u>15,100</u>	<u>15,100</u>	<u>15,097</u>	<u>(3)</u>
Charges for Services				
Library fees	<u>15,000</u>	<u>15,000</u>	<u>18,783</u>	<u>3,783</u>
Total Charges for Services	<u>15,000</u>	<u>15,000</u>	<u>18,783</u>	<u>3,783</u>
Miscellaneous				
Interest	8,000	8,000	1,725	(6,275)
Miscellaneous	100	100	2,400	2,300
Total Miscellaneous	<u>8,100</u>	<u>8,100</u>	<u>4,125</u>	<u>(3,975)</u>
TOTAL REVENUES	<u>483,000</u>	<u>483,000</u>	<u>491,879</u>	<u>8,879</u>
EXPENDITURES				
Personnel services	248,950	248,950	279,111	(30,161)
Other charges and services	59,250	59,250	57,295	1,955
Operating supplies	100,300	100,300	104,429	(4,129)
Capital outlay	<u>38,500</u>	<u>38,500</u>	<u>12,723</u>	<u>25,777</u>
TOTAL EXPENDITURES	<u>447,000</u>	<u>447,000</u>	<u>453,558</u>	<u>(6,558)</u>
Excess (Deficit) of Revenues over Expenditures	36,000	36,000	38,321	<u>\$ 2,321</u>
Fund Balance, beginning of year	<u>581,932</u>	<u>581,932</u>	<u>581,932</u>	
Fund Balance, end of year	<u>\$ 617,932</u>	<u>\$ 617,932</u>	<u>\$ 620,253</u>	

CITY OF SEDALIA, MISSOURI
PARK FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 358,000	\$ 358,000	\$ 374,669	\$ 16,669
Payment in-lieu-of	-	-	207	207
Railroad and utility	13,000	13,000	15,161	2,161
General sales	<u>1,573,000</u>	<u>1,573,000</u>	<u>1,765,698</u>	<u>192,698</u>
Total Taxes	<u>1,944,000</u>	<u>1,944,000</u>	<u>2,155,735</u>	<u>211,735</u>
Charges for Services				
Park and recreation fees	<u>212,000</u>	<u>212,000</u>	<u>223,736</u>	<u>11,736</u>
Total Charges for Services	<u>212,000</u>	<u>212,000</u>	<u>223,736</u>	<u>11,736</u>
Miscellaneous				
Interest	23,000	23,000	6,559	(16,441)
Miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>4,719</u>	<u>2,719</u>
Total Miscellaneous	<u>25,000</u>	<u>25,000</u>	<u>11,278</u>	<u>(13,722)</u>
TOTAL REVENUES	<u>2,181,000</u>	<u>2,181,000</u>	<u>2,390,749</u>	<u>209,749</u>
EXPENDITURES				
Personnel services	798,592	814,296	821,349	(7,053)
Other charges and services	405,500	405,500	397,706	7,794
Operating supplies	257,500	267,500	260,942	6,558
Capital outlay	<u>719,407</u>	<u>719,407</u>	<u>721,559</u>	<u>(2,152)</u>
TOTAL EXPENDITURES	<u>2,180,999</u>	<u>2,206,703</u>	<u>2,201,556</u>	<u>5,147</u>
Excess (Deficit) of Revenues over Expenditures	1	(25,703)	189,193	<u>\$ 204,602</u>
Fund Balance, beginning of year	<u>1,793,804</u>	<u>1,793,804</u>	<u>1,793,804</u>	
Fund Balance, end of year	<u>\$ 1,793,805</u>	<u>\$ 1,768,101</u>	<u>\$ 1,982,997</u>	

**CITY OF SEDALIA, MISSOURI
SPECIAL BUSINESS DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 33,000	\$ 33,000	\$ 37,840	\$ 4,840
Financial institution	1,000	1,000	614	(386)
Total Taxes	<u>34,000</u>	<u>34,000</u>	<u>38,454</u>	<u>4,454</u>
Intergovernmental				
State and federal grants	-	-	49,847	49,847
Total Intergovernmental	<u>-</u>	<u>-</u>	<u>49,847</u>	<u>49,847</u>
Miscellaneous				
Interest	300	300	68	(232)
Miscellaneous	-	-	2,934	2,934
Total Miscellaneous	<u>300</u>	<u>300</u>	<u>3,002</u>	<u>2,702</u>
TOTAL REVENUES	<u>34,300</u>	<u>34,300</u>	<u>91,303</u>	<u>57,003</u>
EXPENDITURES				
Other charges and services	42,080	91,907	81,838	10,069
Operating supplies	1,500	1,500	486	1,014
Capital outlay	-	12,310	12,310	-
TOTAL EXPENDITURES	<u>43,580</u>	<u>105,717</u>	<u>94,634</u>	<u>11,083</u>
Excess (Deficit) of Revenues over Expenditures	<u>(9,280)</u>	<u>(71,417)</u>	<u>(3,331)</u>	<u>\$ 68,086</u>
Fund Balance, beginning of year	<u>45,743</u>	<u>45,743</u>	<u>45,743</u>	
Fund Balance, end of year	<u>\$ 36,463</u>	<u>\$ (25,674)</u>	<u>\$ 42,412</u>	

**CITY OF SEDALIA, MISSOURI
MIDTOWN SPECIAL ALLOCATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 19,000	\$ 19,000	\$ 25,756	\$ 6,756
Sales	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total Taxes	<u>29,000</u>	<u>29,000</u>	<u>25,756</u>	<u>(3,244)</u>
Miscellaneous				
Interest income	<u>150</u>	<u>150</u>	<u>44</u>	<u>(106)</u>
Total Miscellaneous	<u>150</u>	<u>150</u>	<u>44</u>	<u>(106)</u>
Total Revenues	<u>29,150</u>	<u>29,150</u>	<u>25,800</u>	<u>(10,106)</u>
EXPENDITURES				
Other charges and services	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	<u>29,150</u>	<u>29,150</u>	<u>25,800</u>	<u>(10,106)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	29,150	29,150	25,800	<u>\$ (10,106)</u>
Fund Balance, beginning of year	<u>18,728</u>	<u>18,728</u>	<u>18,728</u>	
Fund Balance, end of year	<u>\$ 47,878</u>	<u>\$ 47,878</u>	<u>\$ 44,528</u>	

**CITY OF SEDALIA, MISSOURI
CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
State and federal grants	\$ 1,729,670	\$ 1,729,670	\$ 1,474,668	\$ (255,002)
Total Intergovernmental	<u>1,729,670</u>	<u>1,729,670</u>	<u>1,474,668</u>	<u>(255,002)</u>
Miscellaneous				
Interest income	-	-	336	336
Miscellaneous	<u>1,500,000</u>	<u>1,500,000</u>	<u>66</u>	<u>(1,499,934)</u>
Total Miscellaneous	<u>1,500,000</u>	<u>1,500,000</u>	<u>402</u>	<u>(1,499,598)</u>
Total Revenues	<u>3,229,670</u>	<u>3,229,670</u>	<u>1,475,070</u>	<u>(1,754,600)</u>
EXPENDITURES				
Other charges and services	455,450	455,450	201,117	254,333
Capital outlay	<u>3,090,000</u>	<u>3,090,000</u>	<u>2,788,919</u>	<u>301,081</u>
Total Expenditures	<u>3,545,450</u>	<u>3,545,450</u>	<u>2,990,036</u>	<u>555,414</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	<u>(315,780)</u>	<u>(315,780)</u>	<u>(1,514,966)</u>	<u>(1,199,186)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>1,398,683</u>	<u>1,398,683</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,398,683</u>	<u>1,398,683</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	(315,780)	(315,780)	(116,283)	<u>\$ 199,497</u>
Fund Balance, beginning of year	<u>739,586</u>	<u>739,586</u>	<u>739,586</u>	
Fund Balance, end of year	<u>\$ 423,806</u>	<u>\$ 423,806</u>	<u>\$ 623,303</u>	

**CITY OF SEDALIA, MISSOURI
CAPITAL PROJECT FUND #2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Sales	\$ 1,700,900	\$ 1,700,900	\$ 1,812,038	\$ 111,138
Franchise	45,000	45,000	45,000	-
Total Taxes	<u>1,745,900</u>	<u>1,745,900</u>	<u>1,857,038</u>	<u>111,138</u>
Miscellaneous				
Rental income	4,000	4,000	4,000	-
Interest income	15,000	15,000	18,336	3,336
Total Miscellaneous	<u>19,000</u>	<u>19,000</u>	<u>22,336</u>	<u>3,336</u>
Total Revenues	<u>1,764,900</u>	<u>1,764,900</u>	<u>1,879,374</u>	<u>114,474</u>
EXPENDITURES				
Other charges and services	354,600	354,600	160,136	194,464
Capital outlay	270,000	600,000	555,656	44,344
Debt service	905,490	2,004,190	2,029,542	(25,352)
Total Expenditures	<u>1,530,090</u>	<u>2,958,790</u>	<u>2,745,334</u>	<u>213,456</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	<u>234,810</u>	<u>(1,193,890)</u>	<u>(865,960)</u>	<u>327,930</u>
OTHER FINANCING SOURCES (USES)				
Certificates of participation proceeds	-	-	1,257,500	1,257,500
Operating transfers in (out)	(560,000)	(560,000)	(569,591)	(9,591)
Total Other Financing Sources (Uses)	<u>(560,000)</u>	<u>(560,000)</u>	<u>687,909</u>	<u>1,247,909</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	<u>(325,190)</u>	<u>(1,753,890)</u>	<u>(178,051)</u>	<u>\$ 1,575,839</u>
Fund Balance, beginning of year	<u>2,789,368</u>	<u>2,789,368</u>	<u>2,789,368</u>	
Fund Balance, end of year	<u>\$ 2,464,178</u>	<u>\$ 1,035,478</u>	<u>\$ 2,611,317</u>	

SUPPLEMENTARY INDIVIDUAL FUND
FINANCIAL SCHEDULE

General Fund

This supplementary schedule is included to provide management additional information for financial analysis.

**CITY OF SEDALIA, MISSOURI
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 1,030,000	\$ 1,030,000	\$ 1,104,210	\$ 74,210
Interest and penalties	22,000	22,000	31,593	9,593
Payment-in-lieu-of taxes	-	-	595	595
Railroad and utilities	37,000	37,000	43,581	6,581
Financial institution	5,500	5,500	2,267	(3,233)
General sales	6,486,682	6,486,682	7,256,254	769,572
Franchise	2,010,000	2,010,000	2,889,179	879,179
Cigarette	<u>125,000</u>	<u>125,000</u>	<u>119,378</u>	<u>(5,622)</u>
Total Taxes	<u>9,716,182</u>	<u>9,716,182</u>	<u>11,447,057</u>	<u>1,730,875</u>
Licenses and Permits				
Occupational	318,000	318,000	323,168	5,168
Building	138,000	138,000	275,784	137,784
Street cuts	5,500	5,500	6,250	750
Other licenses	<u>7,500</u>	<u>7,500</u>	<u>5,927</u>	<u>(1,573)</u>
Total Licenses and Permits	<u>469,000</u>	<u>469,000</u>	<u>611,129</u>	<u>142,129</u>
Intergovernmental				
State gasoline tax	550,000	550,000	576,803	26,803
Motor vehicle sales tax	120,000	120,000	205,786	85,786
State and federal grants	<u>85,000</u>	<u>85,000</u>	<u>17,508</u>	<u>(67,492)</u>
Total Intergovernmental	<u>755,000</u>	<u>755,000</u>	<u>800,097</u>	<u>45,097</u>
Charges for Services				
Sanitation fees	1,220,000	1,220,000	1,250,187	30,187
Community center fees	14,000	14,000	15,455	1,455
Cemetery fees and lot sales	61,800	61,800	67,489	5,689
Airport fees	<u>166,000</u>	<u>166,000</u>	<u>355,568</u>	<u>189,568</u>
Total Charges for Services	<u>1,461,800</u>	<u>1,461,800</u>	<u>1,688,699</u>	<u>226,899</u>

**CITY OF SEDALIA, MISSOURI
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONT'D)
YEAR ENDED MARCH 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES (cont'd)				
Fines and Forfeitures	186,000	186,000	216,405	30,405
Total Fines and Forfeitures	<u>186,000</u>	<u>186,000</u>	<u>216,405</u>	<u>30,405</u>
Miscellaneous				
Interest income	104,900	104,900	46,580	(58,320)
Rental income	43,440	43,440	47,425	3,985
Miscellaneous	50,000	50,000	205,460	155,460
Total Miscellaneous	<u>198,340</u>	<u>198,340</u>	<u>299,465</u>	<u>101,125</u>
TOTAL REVENUES	<u>12,786,322</u>	<u>12,786,322</u>	<u>15,062,852</u>	<u>2,276,530</u>
EXPENDITURES				
General and Administrative				
Administrative				
Personnel services	501,733	551,733	603,086	(51,353)
Other charges and services	290,510	290,510	236,412	54,098
Operating supplies	20,250	20,250	20,262	(12)
Total Administrative	<u>812,493</u>	<u>862,493</u>	<u>859,760</u>	<u>2,733</u>
Finance				
Personnel services	296,365	296,365	289,416	6,949
Other charges and services	107,435	107,435	102,974	4,461
Operating supplies	2,500	2,500	3,495	(995)
Total Finance	<u>406,300</u>	<u>406,300</u>	<u>395,885</u>	<u>10,415</u>

**CITY OF SEDALIA, MISSOURI
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONT'D)
YEAR ENDED MARCH 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (cont'd)				
Records				
Personnel services	108,119	116,819	118,128	(1,309)
Other charges and services	35,760	35,760	25,437	10,323
Repairs and maintenance	1,200	1,200	1,089	111
Total Records	<u>145,079</u>	<u>153,779</u>	<u>144,654</u>	<u>9,125</u>
Code Enforcement				
Personnel services	324,831	351,831	354,244	(2,413)
Other charges and services	40,395	40,395	31,651	8,744
Repairs and maintenance	9,600	9,600	6,505	3,095
Total Code Enforcement	<u>374,826</u>	<u>401,826</u>	<u>392,400</u>	<u>9,426</u>
Building Maintenance				
Personnel services	193,078	193,078	194,474	(1,396)
Other charges and services	43,061	43,061	38,069	4,992
Operating supplies	10,800	10,800	9,279	1,521
Repairs and maintenance	48,500	48,500	40,579	7,921
Total Building Maintenance	<u>295,439</u>	<u>295,439</u>	<u>282,401</u>	<u>13,038</u>
Total General and Administrative	<u>2,034,137</u>	<u>2,119,837</u>	<u>2,075,100</u>	<u>44,737</u>
Sanitation				
Personnel services	734,445	734,445	682,497	51,948
Other charges and services	50,310	50,310	61,107	(10,797)
Operating supplies	398,250	398,250	397,272	978
Total Sanitation	<u>1,183,005</u>	<u>1,183,005</u>	<u>1,140,876</u>	<u>42,129</u>

**CITY OF SEDALIA, MISSOURI
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONT'D)
YEAR ENDED MARCH 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (cont'd)				
Public Safety				
Police				
Personnel services	2,977,088	2,977,088	2,829,218	147,870
Other charges and services	357,515	367,515	286,172	81,343
Operating supplies	<u>187,800</u>	<u>202,939</u>	<u>190,234</u>	<u>12,705</u>
Total Police	<u>3,522,403</u>	<u>3,547,542</u>	<u>3,305,624</u>	<u>241,918</u>
Fire				
Personnel services	2,120,335	2,120,335	2,122,899	(2,564)
Other charges and services	111,490	117,540	111,763	5,777
Operating supplies	<u>34,900</u>	<u>34,900</u>	<u>32,400</u>	<u>2,500</u>
Total Fire	<u>2,266,725</u>	<u>2,272,775</u>	<u>2,267,062</u>	<u>5,713</u>
Cemetery				
Personnel services	241,199	242,199	243,994	(1,795)
Other charges and services	17,890	18,838	18,529	309
Operating supplies	<u>10,800</u>	<u>10,800</u>	<u>8,967</u>	<u>1,833</u>
Total Cemetery	<u>269,889</u>	<u>271,837</u>	<u>271,490</u>	<u>347</u>
Total Public Safety	<u>6,059,017</u>	<u>6,092,154</u>	<u>5,844,176</u>	<u>247,978</u>
Transportation				
Streets and Alleys				
Personnel services	1,408,087	1,408,087	1,261,046	147,041
Other charges and services	624,280	624,280	601,554	22,726
Operating supplies	<u>491,900</u>	<u>491,900</u>	<u>502,521</u>	<u>(10,621)</u>
Total Streets and Alleys	<u>2,524,267</u>	<u>2,524,267</u>	<u>2,365,121</u>	<u>159,146</u>
Airport				
Personnel services	145,689	145,689	150,838	(5,149)
Other charges and services	42,000	42,000	44,089	(2,089)
Operating supplies	<u>159,400</u>	<u>354,400</u>	<u>344,420</u>	<u>9,980</u>
Total Airport	<u>347,089</u>	<u>542,089</u>	<u>539,347</u>	<u>2,742</u>

**CITY OF SEDALIA, MISSOURI
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONT'D)
YEAR ENDED MARCH 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Total Transportation	<u>2,871,356</u>	<u>3,066,356</u>	<u>2,904,468</u>	<u>161,888</u>
Cultural Parks and Recreation Community Center				
Personnel services	95,561	95,561	96,270	(709)
Other charges and services	41,505	41,505	37,008	4,497
Operating supplies	<u>4,750</u>	<u>4,750</u>	<u>3,911</u>	<u>839</u>
Total Community Center	<u>141,816</u>	<u>141,816</u>	<u>137,189</u>	<u>4,627</u>
Capital Expenditures				
Capital outlay	<u>2,218,340</u>	<u>2,266,727</u>	<u>1,466,999</u>	<u>799,728</u>
Total Capital Expenditures	<u>2,218,340</u>	<u>2,266,727</u>	<u>1,466,999</u>	<u>799,728</u>
Debt Service				
Total Debt Service	<u>3,400</u>	<u>3,400</u>	<u>4,371</u>	<u>(971)</u>
TOTAL EXPENDITURES	<u>14,511,071</u>	<u>14,873,295</u>	<u>13,573,179</u>	<u>1,300,116</u>
Excess (Deficit) of Revenues over Expenditures	(1,724,749)	(2,086,973)	1,489,673	3,576,646
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>(33,000)</u>	<u>(33,000)</u>	<u>(16,521)</u>	<u>16,479</u>
Total Other Financing Sources (Uses)	<u>(33,000)</u>	<u>(33,000)</u>	<u>(16,521)</u>	<u>16,479</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	(1,757,749)	(2,119,973)	1,473,152	<u>\$ 3,593,125</u>
Fund Balance, beginning of year	<u>8,797,562</u>	<u>8,797,562</u>	<u>8,797,562</u>	
Fund Balance, end of year	<u>\$ 7,039,813</u>	<u>\$ 6,677,589</u>	<u>\$ 10,270,714</u>	

COMBINING FINANCIAL STATEMENTS

Fiduciary Funds

CITY OF SEDALIA, MISSOURI
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED MARCH 31, 2011

	Private Purpose Trust	Pension Trust		Agency Fund	Total
	Cemetery	Firemen's Pension	Police Pension	Deferred Compensation	
ASSETS					
Cash and cash equivalents	\$ 301,445	\$ 270,198	\$ 198,825	\$ -	\$ 770,468
Investments					
U.S. Government securities	-	799,234	-	-	799,234
Corporate debt and equity	-	53,824	3,418,824	1,451,200	4,923,848
Other investments	-	5,312,251	-	-	5,312,251
Total investments	-	6,165,309	3,418,824	1,451,200	11,035,333
Total Assets	301,445	6,435,507	3,617,649	1,451,200	11,805,801
LIABILITIES					
Refundable contributions	-	1,723,178	275,673	-	1,998,851
Total Liabilities	-	1,723,178	275,673	-	1,998,851
NET ASSETS					
Held in trust for pension benefits and other purposes	\$ 301,445	\$ 4,712,329	\$ 3,341,976	\$ 1,451,200	\$ 9,806,950

CITY OF SEDALIA, MISSOURI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED MARCH 31, 2011

	<u>Private Purpose Trust</u>	<u>Firemen's Pension Trust</u>	<u>Police Pension Trust</u>	<u>Agency Fund Deferred Compensation</u>	<u>Total</u>
ADDITIONS					
Contributions					
Taxes	\$ -	\$ 119,813	\$ 219,285	\$ -	\$ 339,098
Employer/employee	-	143,497	-	197,151	340,648
Miscellaneous	6,000	-	3,214	-	9,214
Total contributions	<u>6,000</u>	<u>263,310</u>	<u>222,499</u>	<u>197,151</u>	<u>688,960</u>
Investment earnings					
Investment income	4,767	219,460	52,195	108,885	385,307
Net increase (decrease) in fair value of investments	<u>-</u>	<u>445,346</u>	<u>335,645</u>	<u>-</u>	<u>780,991</u>
Net investment earnings	<u>4,767</u>	<u>664,806</u>	<u>387,840</u>	<u>108,885</u>	<u>1,166,298</u>
Total Additions	<u>10,767</u>	<u>928,116</u>	<u>610,339</u>	<u>306,036</u>	<u>1,855,258</u>
DEDUCTIONS					
Pension expense	-	508,407	452,167	262,392	1,222,966
Insurance	-	31,758	-	-	31,758
Administrative fees	-	43,097	25,177	9,879	78,153
Pension refunds	-	54,007	8,730	-	62,737
Miscellaneous	4,767	13,384	14,426	-	32,577
Total Deductions	<u>4,767</u>	<u>650,653</u>	<u>500,500</u>	<u>272,271</u>	<u>1,428,191</u>
Change in net assets	6,000	277,463	109,839	33,765	427,067
Net assets, beginning of year	<u>295,445</u>	<u>4,434,866</u>	<u>3,232,137</u>	<u>1,417,435</u>	<u>9,379,883</u>
Net assets, end of year	<u>\$ 301,445</u>	<u>\$ 4,712,329</u>	<u>\$ 3,341,976</u>	<u>\$ 1,451,200</u>	<u>\$ 9,806,950</u>

COMPLIANCE AND INTERNAL CONTROL



Professional Corporation
Certified Public Accountants

723 Main St.
P.O. Box 81
Boonville, MO 65233
(660) 882-7000
Fax: (660) 882-7765
www.gkccpas.com

**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 Members
of the City Council
City of Sedalia, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sedalia, Missouri (the 'City'), as of and for the year ended March 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

PARTNERS

Robert A. Gerding
Fred W. Korte, Jr.
Joseph E. Chitwood
James R. McGinnis
Travis W. Hundley

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 opinions 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 entity'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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated September 20, 2011.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 20, 2011

A large, stylized handwritten signature in black ink, likely representing the firm's name, is positioned above the printed title.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and Members
of the City Council
City of Sedalia, Missouri

Compliance

We have audited the compliance of the City of Sedalia, Missouri with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2011. The City's major federal programs are identified in the summary of auditors' 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.

PARTNERS

Robert A. Gerding
Fred W. Korte, Jr.
Joseph E. Chitwood
James R. McGinnis
Travis W. Hundley

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 of Sedalia, Missouri complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2011.

Internal Control Over Compliance

The management of the City of Sedalia, Missouri is responsible for establishing and maintaining effective internal control over compliance with 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 to determine the 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 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 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 management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

September 20, 2011

CITY OF SEDALIA, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2011

Grantor Agency	Program Title	CFDA Number	Grant Number	Expenditures
U.S. Department of Justice				
Direct Funding	Bulletproof Vest Program	16.592		\$ 2,426
	Edward Byrne Justice Assistance Grant	16.738	2009-DJ-BX-0597	9,292
	Edward Byrne Justice Assistance Grant	16.738	2010-DJ-BX-0549	5,790
U.S. Department of Transportation				
Passed through Missouri Highway and Transportation Department	Airport Improvement Program	20.106	AIRE-09-020A-1	103,372
	Airport Improvement Program	20.106	AIRE-09-020A-1	17,184
	Airport Improvement Program	20.106	AIRE-10-020A-1	70,472
	MODOT STP - Pedestrian Trail	20.205	STP-5707(502)	244,668
	MODOT - Safe Routes to School	20.205	SRTS-N1-H105(003)	80,509
Institute of Museum & Library Services				
Passed through Missouri State Library	Library Services & Technology Act	45.310	2011-LCP9-TCDC9CN9-6268	4,500
U.S. Department of Housing & Urban Development				
Passed through the Missouri Department of Economic Development	CDBG - Streetscape	14.228	2007-DT-01	364,000
Passed through Missouri Housing Development & Commission	Home Repair Opportunity (HERO)	14.239	M-08-SG-29-0100	17,863
U.S. General Services Administration				
Passed through State Agency for Surplus Property	Surplus Property	39.003		170
U.S. Department of Human Services				
Passed through Missouri Department of Social Services	Emergency Shelter Grant	93.671	ERO1641039	<u>29,113</u>
TOTAL EXPENDITURES				<u>\$ 949,359</u>

CITY OF SEDALIA, MISSOURI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
MARCH 31, 2011

1. Summary of Significant Accounting Policies

A. Purpose of Schedule of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by City of Sedalia, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food, commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under-grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

The schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

2. Subrecipients

The City provided no federal awards to subrecipients during the year ended March 31, 2011.

**CITY OF SEDALIA, MISSOURI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 AND SUMMARY OF AUDITORS' RESULTS - FEDERAL REQUIREMENTS
 MARCH 31, 2011**

Section I: Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are
 not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statement noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that
 are not considered to be material weaknesses? Yes None Reported

Type of auditor's reports issued on compliance for major programs: unqualified

Any audit findings disclosed that are required
 to be reported in accordance with section 510(a)
 of Circular A-133? Yes No

CFDA Number(s)

Name of Federal Program or Cluster

14.228

CDBG - Streetscape

**CITY OF SEDALIA, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND
SUMMARY OF AUDITORS' RESULTS - FEDERAL REQUIREMENTS (CONT'D)
MARCH 31, 2011**

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

Section II: Financial Statement Findings

None

Section III: Federal Award Findings and Questioned Costs

None