

**ANNUAL REPORT OF
CITY OF SEDALIA, MISSOURI
YEAR ENDED MARCH 31, 2012**

CITY OF SEDALIA, MISSOURI

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Professional Corporation
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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To The City Council
City of Sedalia, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2012, 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 54 percent and 92 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of March 31, 2012, 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 July 27, 2012, 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.

As described in Note I to the financial statements, the City has adopted the provisions of Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund type Definitions*, in fiscal year 2012.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 3 through 13 and 91 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink, appearing to read "Audrey G. Whitehead", is enclosed in a thin black rectangular border.

July 27, 2012

Certified Public Accountants

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2012
(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, 2012. 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 \$205,811,861 (Net assets). Of this amount, \$52,676,929 (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 \$2,991,580 from \$202,820,281 to \$205,811,861.
- As of the close of the current fiscal year, the City of Sedalia's governmental funds reported combined ending fund balances of \$16,506,947. 62% is unassigned and available for use within the City's designation and policies. 38% is assigned to capital projects and special revenue purposes.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,129,749 or 68% of the total general fund expenditures.
- The City's revenue bonds payable decreased \$1,350,000 due to scheduled payments and refunding of the water department revenue bonds .
- The City's certificates of participation debt decreased \$545,000 due to scheduled payments.
- The City's capital lease debt decreased \$671,325 due to scheduled payments.
- The City's note payable debt decreased \$1,593,649 due to scheduled payments.
- The City's other note payable debt for the Health Center debt increased \$4,827,816 due to scheduled payments of \$304,848 and issuance of Construction Note for the Health Center of \$5,132,664.

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, 2012
(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 14-17 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, 2012
(UNAUDITED)**

The City maintains 7 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 6 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 18-22.

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 23-27 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 28-29 of this report. Combining statements can be found on pages 106-107 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 30-90.

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 91 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 92-100 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 \$205,811,861 as of March 31, 2012.

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2012
(UNAUDITED)**

The largest portion of the City's net assets (69%) 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, 2012 and 2011:

2012 NET ASSETS

	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 17,277,110	\$ 45,476,378	\$ 62,753,488
Restricted assets	952,198	37,918,156	38,870,354
Capital assets	77,727,344	112,742,062	190,469,406
Other assets	-	777,467	777,467
Total Assets	95,956,652	196,914,063	292,870,715
Current liabilities	2,391,567	16,339,063	18,730,630
Long-term liabilities	7,549,980	60,778,244	68,328,224
Total Liabilities	9,941,547	77,117,307	87,058,854
Net Assets			
Invested in capital assets, net of related debt	69,263,730	72,287,060	141,550,790
Debt service	-	5,006,513	5,006,513
Expendable for capital acquisition	-	315,374	315,374
Nonexpendable permanent endowments	-	101,614	101,614
Expendable for other purposes	6,160,641	-	6,160,641
Unrestricted	10,590,734	42,086,195	52,676,929
Total Net Assets	\$ 86,015,105	\$ 119,796,756	\$ 205,811,861

2011 NET ASSETS

	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 16,809,383	\$ 50,946,543	\$ 67,755,926
Restricted assets	942,475	43,941,613	44,884,088
Capital assets	78,087,715	95,773,278	173,860,993
Other assets	-	381,301	381,301
Total Assets	95,839,573	191,042,735	286,882,308
Current liabilities	2,194,017	14,050,843	16,244,860
Long-term liabilities	8,196,462	59,620,705	67,817,167
Total Liabilities	10,390,479	73,671,548	84,062,027
Net Assets			
Invested in capital assets, net of related debt	68,986,418	63,248,003	132,234,421
Debt service	-	3,194,883	3,194,883
Expendable for capital acquisition	-	3,135,290	3,135,290
Nonexpendable permanent endowments	-	101,614	101,614
Expendable for other purposes	5,924,810	-	5,924,810
Unrestricted	10,537,866	47,691,397	58,229,263
Total Net Assets	\$ 85,449,094	\$ 117,371,187	\$ 202,820,281

CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2012
(UNAUDITED)

As of March 31, 2012, 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 \$2,991,580.

Governmental Activities: Governmental activities increased the net assets by \$566,011 from \$85,449,094 to \$86,015,105. This is due primarily to a decrease in expense.

Business-type Activities: Net Assets from business-type activities increased by \$2,425,569 from \$117,371,187 to \$119,796,756. 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, 2012 and 2011.

	2012 CHANGES IN NET ASSETS		
	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program Revenues			
Fees, fines and charges for services	\$ 2,777,653	\$ 98,959,681	\$ 101,737,334
Operating grants and contributions	154,737	190,192	344,929
Capital grants and contributions	-	643,049	643,049
General Revenues			
Property taxes	2,130,080	-	2,130,080
Franchise taxes	2,416,409	-	2,416,409
Sales and use taxes	11,501,445	1,034,887	12,536,332
Motor vehicle and fuel taxes	769,401	-	769,401
Other taxes	121,670	-	121,670
Investment earnings	64,124	143,916	208,040
Transfers	490,140	(490,140)	-
Miscellaneous	153,812	(41,761)	112,051
Total Revenues	20,579,471	100,439,824	121,019,295
Expenses:			
General government	4,163,244	-	4,163,244
Public safety	6,408,748	-	6,408,748
Transportation	6,301,130	-	6,301,130
Cultural park, library & comm. centr	2,584,676	-	2,584,676
Community development	319,831	-	319,831
Interest on long-term debt	235,831	-	235,831
Health	-	90,640,246	90,640,246
Water	-	3,356,640	3,356,640
Wastewater	-	4,017,369	4,017,369
Total Expenses	20,013,460	98,014,255	118,027,715
Change in Net Assets	566,011	2,425,569	2,991,580
Net Assets-April 1, 2011	85,449,094	117,371,187	202,820,281
Net Assets-March 31, 2012	\$ 86,015,105	\$ 119,796,756	\$ 205,811,861

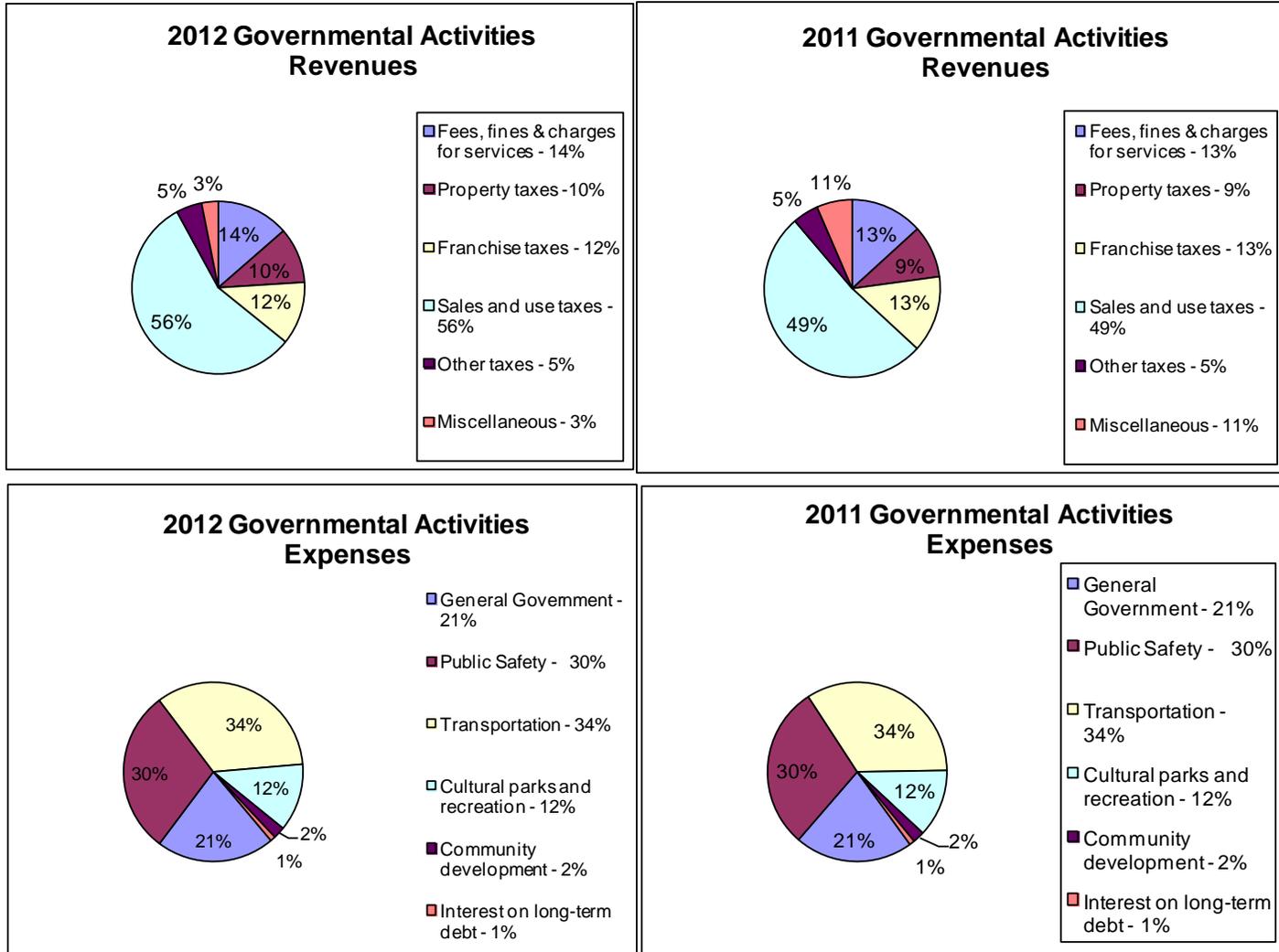
**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2012
(UNAUDITED)**

2011 CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues			
Fees, fines and charges for services	\$ 2,758,752	\$ 101,980,061	\$ 104,738,813
Operating grants and contributions	60,444	-	60,444
Capital grants and contributions	1,987,953	564,412	2,552,365
General Revenues			
Property taxes	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
Investment earnings	73,648	292,376	366,024
Transfers	812,571	(812,571)	-
Miscellaneous	267,004	5,581	272,585
Total Revenues	<u>22,720,875</u>	<u>102,985,047</u>	<u>125,705,922</u>
Expenses:			
General government	4,443,923	-	4,443,923
Public safety	6,137,141	-	6,137,141
Transportation	7,062,698	-	7,062,698
Cultural park, library & comm. centr	2,540,638	-	2,540,638
Community development	443,577	-	443,577
Interest on long-term debt	191,717	-	191,717
Health	-	90,756,133	90,756,133
Water	-	3,197,547	3,197,547
Wastewater	-	3,743,578	3,743,578
Total Expenses	<u>20,819,694</u>	<u>97,697,258</u>	<u>118,516,952</u>
Change in Net Assets	1,901,181	5,287,789	7,188,970
Net Assets-April 1,2010	83,547,913	112,083,398	195,631,311
Net Assets-March 31, 2011	<u>\$ 85,449,094</u>	<u>\$ 117,371,187</u>	<u>\$ 202,820,281</u>

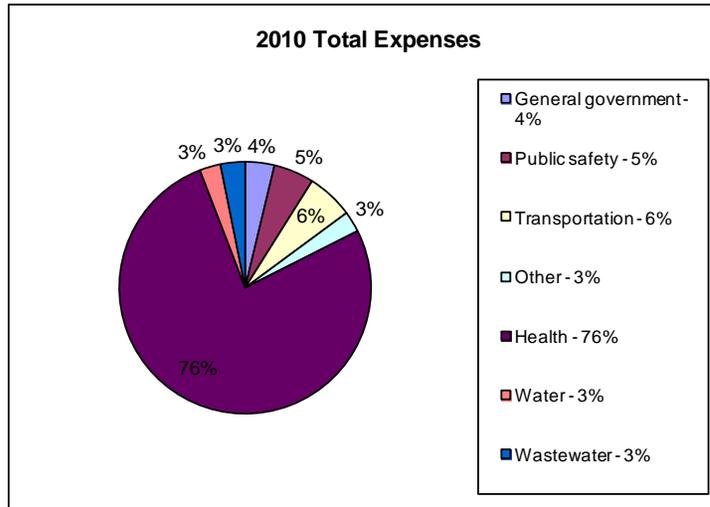
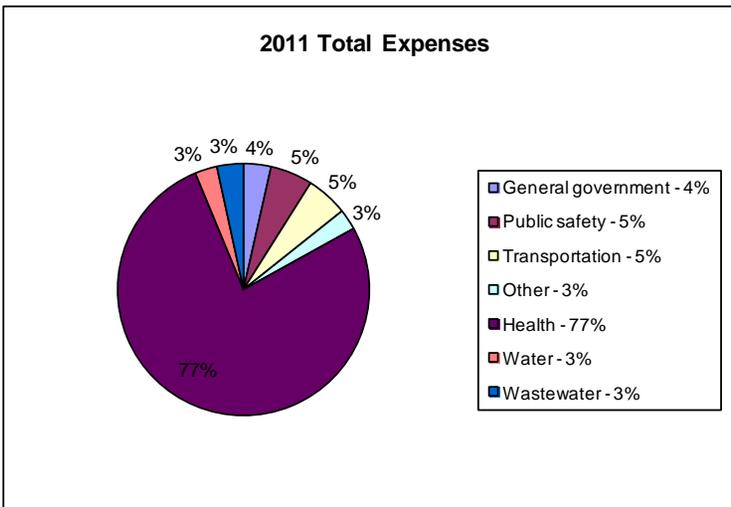
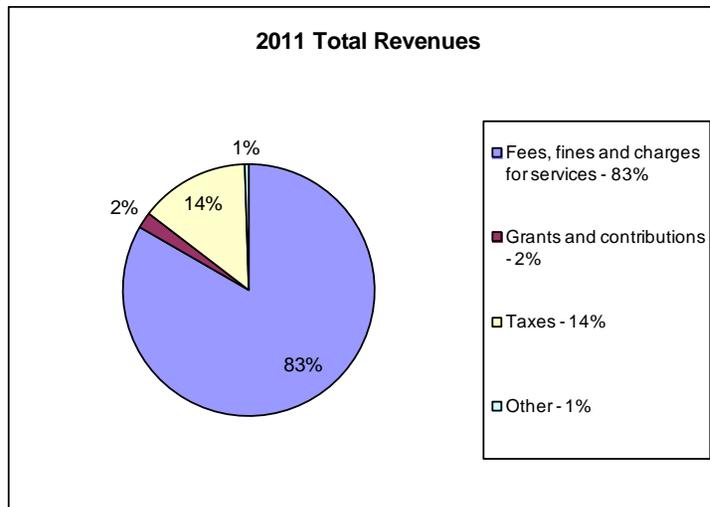
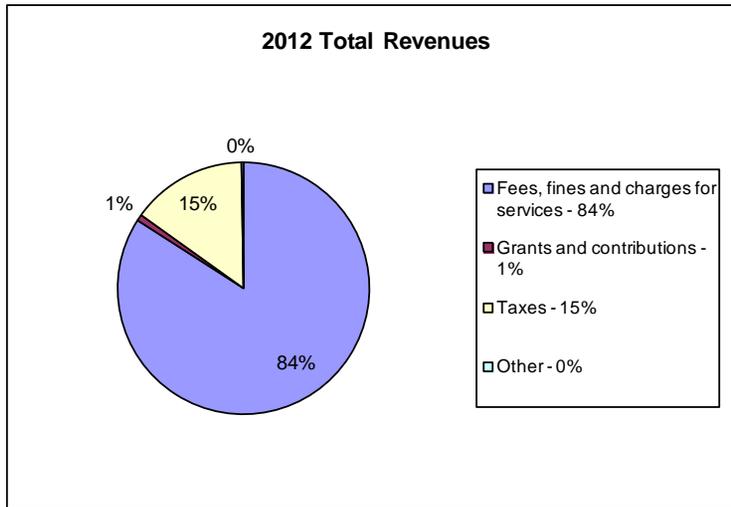
**CITY OF SEDALIA, MISSOURI
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR YEAR ENDED MARCH 31, 2012
 (UNAUDITED)**

**Revenue & Expense Comparisons
 March 31, 2012 & March 31, 2011**



**CITY OF SEDALIA, MISSOURI
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR YEAR ENDED MARCH 31, 2012
 (UNAUDITED)**

**Total Revenues & Expenses
 March 31, 2012 & March 31, 2011**



**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2012
(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, unassigned 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 unassigned fund balances of \$10,129,749.

In the general fund, the City budgeted for an decrease in the fund balance of \$1,650,368 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 2012 was \$75,592.

In the Capital Project #2 Fund, the City budgeted for a increase in the fund balance of \$197,910. Due to actual expenses being less than budgeted, the actual fund balance increase for fiscal year 2012 was \$421,719.

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 - \$29,956,152, Water - \$2,564,733, and Wastewater - \$9,565,310. The Health and Water funds had a net assets increase in 2012 as follows: Health - \$1,475,274, Water - \$147,015. The Wastewater fund had a net asset increase in 2012 of \$803,280.

General Fund Budgetary Highlights - The City spent \$908,925 less than the actual budget for the General Fund. The majority of this amount (\$507,658) was due to the delay of capital expenditures and a reduction in public safety and transportation and general administrative expenditures (\$336,838).

Capital Assets

The City of Sedalia's investment in capital assets for its governmental and business-type activities as of March 31, 2012 amounts to \$190,469,406 (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, 2012
(UNAUDITED)**

**2012 CAPITAL ASSETS AT YEAR-END
NET OF ACCUMULATED DEPRECIATION**

	Governmental Activities	Business-Type Activities	Total
Property, plant and equipment			
Land, land rights and land Improvements	\$ 2,398,449	\$ 5,742,576	\$ 8,141,025
Structures, improvements and plant equipment	18,310,884	33,074,547	51,385,431
Distribution system	-	9,248,257	9,248,257
Pumping and purification equipment	-	15,621,346	15,621,346
Transmission mains	-	6,192,224	6,192,224
General equipment	3,025,904	20,318,257	23,344,161
Construction in progress	-	22,544,855	22,544,855
Infrastructure	53,992,107	-	53,992,107
Net Capital Assets	<u>\$ 77,727,344</u>	<u>\$ 112,742,062</u>	<u>\$ 190,469,406</u>

**2011 CAPITAL ASSETS AT YEAR-END
NET OF ACCUMULATED DEPRECIATION**

	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
Structures, improvements and plant equipment	17,987,766	35,326,080	53,313,846
Distribution system	-	9,324,064	9,324,064
Pumping and purification equipment	-	16,351,150	16,351,150
Transmission mains	-	5,855,210	5,855,210
General equipment	2,808,855	19,763,077	22,571,932
Construction in progress	-	3,356,142	3,356,142
Infrastructure	54,892,645	-	54,892,645
Net Capital Assets	<u>\$ 78,087,715</u>	<u>\$ 95,773,278</u>	<u>\$ 173,860,993</u>

Additional information on the City of Sedalia's capital assets can be found in Note III-E and III-F on pages 54-57 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 \$74,819,169. Of this amount, \$13,675,000 comprises revenue bonded debt backed by the revenues of the Health Center and Water Department; \$43,435,000 represents certificates of participation debt; \$5,013,447 represents capital lease obligations that are expected to be paid so long as the City appropriates funds for payment, and \$12,695,722 represents the amount due on notes payable.

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2012
(UNAUDITED)**

2012 Outstanding Debt at Year End
Revenue Bonds, Certificate of Participation Debt, Capital Lease and Note Payable

	Governmental Activities	Business-Type Activities	Total
Revenue Bonds	\$ -	\$ 13,675,000	\$ 13,675,000
Certificate of participation debt	7,710,000	35,725,000	43,435,000
Capital leases	-	5,013,447	5,013,447
Note payable	753,614	11,942,108	12,695,722
Total	<u>\$ 8,463,614</u>	<u>\$ 66,355,555</u>	<u>\$ 74,819,169</u>

2011 Outstanding Debt at Year End
Revenue Bonds, Certificate of Participation Debt, Capital Lease and Note Payable

	Governmental Activities	Business-Type Activities	Total
Revenue Bonds	\$ -	\$ 15,025,000	\$ 15,025,000
Certificate of participation debt	8,162,500	35,817,500	43,980,000
Capital leases	-	2,160,153	2,160,153
Note payable	938,797	8,707,941	9,646,738
Total	<u>\$ 9,101,297</u>	<u>\$ 61,710,594</u>	<u>\$ 70,811,891</u>

During the fiscal year, the City's total debt increased by \$4,007,278. The increase was due to scheduled payments of \$4,705,282, pay off the Water Department Revenue Bonds in the amount of \$7,645,000 and additional borrowing of \$7,235,000 in Water Department Revenue Bonds, Health Center Construction note payable of \$5,132,664, and Health Center Capital Lease of \$465,277.

Additional information on the City of Sedalia's long term-debt can be found in footnote III-G on pages 58-72 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, 2012

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current Assets:			
Cash and cash equivalents	\$ 13,344,022	\$ 23,450,255	\$ 36,794,277
Short-term investments	-	6,004,309	6,004,309
Current portion of noncurrent cash and investments	-	409,757	409,757
Internal balances	84,664	(84,664)	-
Accrued interest receivable	11,032	3,354	14,386
Accounts receivable (net of allowance - \$5,726,000)	192,507	12,730,556	12,923,063
Taxes receivable - net of allowance for uncollectible - \$10,000	3,383,443	333,436	3,716,879
Due from other governmental agencies	30,603	-	30,603
Inventory	98,946	1,508,478	1,607,424
Prepaid expenses and other assets	131,893	1,120,897	1,252,790
Total Current Assets	<u>17,277,110</u>	<u>45,476,378</u>	<u>62,753,488</u>
Restricted assets:			
Cash and cash equivalents	-	30,750,946	30,750,946
Short-term investments	952,198	-	952,198
Noncurrent cash and investments	-	7,167,210	7,167,210
Total Restricted Assets	<u>952,198</u>	<u>37,918,156</u>	<u>38,870,354</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	30,392,957	75,186,978	105,579,935
Distribution system	-	12,756,044	12,756,044
Pumping and purification equipment	-	27,631,653	27,631,653
Transmission mains	-	11,565,862	11,565,862
Equipment	12,129,825	67,578,512	79,708,337
Infrastructure	152,331,017	-	152,331,017
Construction in progress	-	22,544,855	22,544,855
Accumulated depreciation	<u>(119,524,904)</u>	<u>(110,008,027)</u>	<u>(229,532,931)</u>
Total Capital Assets, net of accumulated depreciation	77,727,344	112,742,062	190,469,406
Other Assets	<u>-</u>	<u>777,467</u>	<u>777,467</u>
Total Noncurrent Assets	<u>77,727,344</u>	<u>113,519,529</u>	<u>191,246,873</u>
Total Assets	<u>\$ 95,956,652</u>	<u>\$ 196,914,063</u>	<u>\$ 292,870,715</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS (CONT'D)
MARCH 31, 2012

LIABILITIES	Governmental Activities	Business-type Activities	Total
Current Liabilities:			
Accounts payable	\$ 16,741	\$ 5,844,524	\$ 5,861,265
Accrued expenses	1,507,489	4,506,755	6,014,244
Accrued long-term debt interest	-	830,057	830,057
Estimated third-party payor settlements payable	-	376,930	376,930
Current maturities of long term debt	669,206	3,743,879	4,413,085
Court bonds payable	30,486	-	30,486
Deferred revenue	167,645	-	167,645
Payable from segregated funds:			
Accrued bond interest	-	34,327	34,327
Current maturities of long term debt	-	532,606	532,606
Customer's deposits	-	469,985	469,985
Total Current Liabilities	<u>2,391,567</u>	<u>16,339,063</u>	<u>18,730,630</u>
Noncurrent Liabilities:			
Certificates of participation	7,232,500	34,837,500	42,070,000
Energy loans payable	561,908	-	561,908
Capital lease payable	-	4,132,621	4,132,621
Bonded debt due after one year	-	23,053,213	23,053,213
Less unamortized bond premium and debt issuance costs	(244,428)	(1,245,090)	(1,489,518)
Total Noncurrent Liabilities	<u>7,549,980</u>	<u>60,778,244</u>	<u>68,328,224</u>
Total Liabilities	<u>9,941,547</u>	<u>77,117,307</u>	<u>87,058,854</u>
NET ASSETS			
Invested in capital assets, net of related debt	69,263,730	72,287,060	141,550,790
Restricted for:			
Expendable for debt service	-	5,006,513	5,006,513
Expendable for capital acquisitions	-	315,374	315,374
Expendable for other purposes	6,160,641	-	6,160,641
Nonexpendable permanent endowments	-	101,614	101,614
Unrestricted	<u>10,590,734</u>	<u>42,086,195</u>	<u>52,676,929</u>
Total Net Assets	<u>\$ 86,015,105</u>	<u>\$ 119,796,756</u>	<u>\$ 205,811,861</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2012

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	\$ 2,810,203	\$ 468,363	\$ 51,085	\$ -	\$ (2,290,755)	\$ -	\$ (2,290,755)
Sanitation	1,353,041	1,241,012	-	-	(112,029)	-	(112,029)
Total General Government	4,163,244	1,709,375	51,085	-	(2,402,784)	-	(2,402,784)
Public Safety:							
Police	3,732,069	212,036	24,470	-	(3,495,563)	-	(3,495,563)
Fire	2,382,990	-	-	-	(2,382,990)	-	(2,382,990)
Cemetery	293,689	90,029	-	-	(203,660)	-	(203,660)
Total Public Safety	6,408,748	302,065	24,470	-	(6,082,213)	-	(6,082,213)
Transportation:							
Airport	825,373	511,724	-	-	(313,649)	-	(313,649)
Streets	2,892,639	-	56,740	-	(2,835,899)	-	(2,835,899)
Infrastructure	2,583,118	-	-	-	(2,583,118)	-	(2,583,118)
Total Transportation	6,301,130	511,724	56,740	-	(5,732,666)	-	(5,732,666)
Cultural, Parks and Recreation:							
Library	513,153	13,798	10,799	-	(488,556)	-	(488,556)
Park	2,024,525	224,346	11,643	-	(1,788,536)	-	(1,788,536)
Community center	46,998	16,345	-	-	(30,653)	-	(30,653)
Total Cultural, Parks and Recreation	2,584,676	254,489	22,442	-	(2,307,745)	-	(2,307,745)
Community/Economic Development:							
Planning, building and economic	319,831	-	-	-	(319,831)	-	(319,831)
Total Community/Economic	319,831	-	-	-	(319,831)	-	(319,831)
Debt Service							
Interest and fees	235,831	-	-	-	(235,831)	-	(235,831)
Total Debt Service	235,831	-	-	-	(235,831)	-	(235,831)
Total Governmental Activities	20,013,460	2,777,653	154,737	-	(17,081,070)	-	(17,081,070)
Business-Type Activities:							
Health	90,640,246	91,336,806	190,192	556,103	-	1,442,855	1,442,855
Water	3,356,640	3,383,209	-	62,773	-	89,342	89,342
Wastewater	4,017,369	4,239,666	-	24,173	-	246,470	246,470
Total Business-Type Activities	98,014,255	98,959,681	190,192	643,049	-	1,778,667	1,778,667
Total	\$ 118,027,715	\$ 101,737,334	\$ 344,929	\$ 643,049	\$ (17,081,070)	\$ 1,778,667	\$ (15,302,403)

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (Cont'd)
YEAR ENDED MARCH 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating		Primary Government		Total
			Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	
General Revenues:							
Taxes:							
	Property taxes, levied for general purposes				2,130,080	-	2,130,080
	Franchise taxes				2,416,409	-	2,416,409
	Sales and use taxes				11,501,445	1,034,887	12,536,332
	Motor vehicle and fuel taxes				769,401	-	769,401
	Other taxes				121,670	-	121,670
	Unrestricted investment earnings				64,124	143,916	208,040
	Transfers				490,140	(490,140)	-
	Miscellaneous				153,812	(41,761)	112,051
	Total general revenues				<u>17,647,081</u>	<u>646,902</u>	<u>18,293,983</u>
	Change in net assets				566,011	2,425,569	2,991,580
	Net assets - beginning				<u>85,449,094</u>	<u>117,371,187</u>	<u>202,820,281</u>
	Net assets - ending				<u>\$ 86,015,105</u>	<u>\$ 119,796,756</u>	<u>\$ 205,811,861</u>

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2012**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash, including time deposits	\$ 8,968,177	\$ 4,375,845	\$ 13,344,022
Taxes receivable - net of allowance for uncollectible - \$10,000	2,537,695	845,748	3,383,443
Accrued interest receivable	7,004	4,028	11,032
Accounts receivable	101,157	91,350	192,507
Due from other governmental agencies	-	30,603	30,603
Due from Water	116,725	-	116,725
Inventory	84,664	14,282	98,946
Prepaid expenses	131,893	-	131,893
Investments	-	952,198	952,198
Total Assets	<u>\$ 11,947,315</u>	<u>\$ 6,314,054</u>	<u>\$ 18,261,369</u>
LIABILITIES			
Accounts payable	\$ 16,741	\$ -	\$ 16,741
Accrued expenses	1,386,137	121,352	1,507,489
Court bonds payable	30,486	-	30,486
Due to Sewer Fund	-	32,061	32,061
Deferred revenue	167,645	-	167,645
Total Liabilities	<u>1,601,009</u>	<u>153,413</u>	<u>1,754,422</u>
FUND EQUITY			
Nonspendable			
Inventory	84,664	-	84,664
Prepaid expenses	131,893	14,282	146,175
Assigned for special revenue purposes	-	2,734,827	2,734,827
Assigned for capital project purposes	-	3,411,532	3,411,532
Unassigned	10,129,749	-	10,129,749
Total Fund Equity	<u>10,346,306</u>	<u>6,160,641</u>	<u>16,506,947</u>
Total Liabilities and Fund Equity	<u>\$ 11,947,315</u>	<u>\$ 6,314,054</u>	<u>\$ 18,261,369</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
MARCH 31, 2012

Total fund balance - total governmental funds	\$ 16,506,947
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 \$119,524,904	77,727,344
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	(669,206)
Debt due in more than one year	(7,794,408)
Unamortized debt issuance costs are not financial resources and therefore are not reported in the funds, net of accumulated amortization of \$88,898	<u>244,428</u>
Net assets of governmental activities	<u>\$ 86,015,105</u>

CITY OF SEDALIA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 11,398,084	\$ 4,771,520	\$ 16,169,604
Licenses and permits	468,363	-	468,363
Intergovernmental	855,874	68,264	924,138
Charges for services	1,859,110	238,144	2,097,254
Fines and penalties	212,036	-	212,036
Miscellaneous	159,998	73,317	233,315
Total Revenues	14,953,465	5,151,245	20,104,710
EXPENDITURES			
General and administrative	2,243,765	-	2,243,765
Sanitation	1,237,971	-	1,237,971
Public safety	6,092,533	-	6,092,533
Transportation	3,215,119	-	3,215,119
Cultural	28,943	-	28,943
Library	-	456,000	456,000
Park	-	1,576,024	1,576,024
Planning, building and economic development	-	319,831	319,831
Capital outlay	2,067,542	2,194,909	4,262,451
Debt service	-	850,790	850,790
Total Expenditures	14,885,873	5,397,554	20,283,427
Excess (Deficit) of Revenues over Expenditures	67,592	(246,309)	(178,717)
Other Financing Sources (Uses)			
Operating transfers in (out)	8,000	482,140	490,140
Total Other Financing Sources (Uses)	8,000	482,140	490,140
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	75,592	235,831	311,423
Fund Balance, beginning of year	10,270,714	5,924,810	16,195,524
Fund Balance, end of year	\$ 10,346,306	\$ 6,160,641	\$ 16,506,947

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2012

Net change in fund balances - total governmental funds \$ 311,423

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	3,857,314
Depreciation expense	<u>(4,202,306)</u>
	<u>(344,992)</u>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	<u>(15,379)</u>
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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 obligation principal payments	452,500
Note payable principal payments	185,183
Amortization expense	<u>(22,724)</u>
	<u>614,959</u>

Change in Net Assets of Governmental Activities	<u>\$ 566,011</u>
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CITY OF SEDALIA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 10,565,700	\$ 10,565,700	\$ 11,398,084	\$ 832,384
Licenses and permits	523,700	523,700	468,363	(55,337)
Intergovernmental	769,000	769,000	855,874	86,874
Charges for services	1,651,000	1,651,000	1,859,110	208,110
Fines and penalties	204,000	204,000	212,036	8,036
Miscellaneous	121,550	121,550	159,998	38,448
Total Revenues	<u>13,834,950</u>	<u>13,834,950</u>	<u>14,953,465</u>	<u>1,118,515</u>
EXPENDITURES				
General and administrative	2,294,869	2,330,139	2,243,765	86,374
Sanitation	1,284,448	1,284,448	1,237,971	46,477
Public safety	6,168,833	6,174,333	6,092,533	81,800
Transportation	3,128,073	3,383,783	3,215,119	168,664
Cultural	46,895	46,895	28,943	17,952
Capital outlay	2,575,200	2,575,200	2,067,542	507,658
Total Expenditures	<u>15,498,318</u>	<u>15,794,798</u>	<u>14,885,873</u>	<u>908,925</u>
Excess (Deficit) of Revenues over Expenditures	<u>(1,663,368)</u>	<u>(1,959,848)</u>	<u>67,592</u>	<u>2,027,440</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	13,000	13,000	8,000	(5,000)
Total Other Financing Sources (Uses)	<u>13,000</u>	<u>13,000</u>	<u>8,000</u>	<u>(5,000)</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	<u>(1,650,368)</u>	<u>(1,946,848)</u>	<u>75,592</u>	<u>\$ 2,022,440</u>
Fund Balance, beginning of year	<u>10,270,714</u>	<u>10,270,714</u>	<u>10,270,714</u>	
Fund Balance, end of year	<u>\$ 8,620,346</u>	<u>\$ 8,323,866</u>	<u>\$ 10,346,306</u>	

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2012

	Business Type Activities - Enterprise Funds			
	Health	Water	Wastewater	Total
ASSETS				
Operating Funds				
Cash and cash equivalents	\$ 17,432,973	\$ 701,226	\$ 5,316,056	\$ 23,450,255
Short-term investments	1,766,308	2,218,532	2,019,469	6,004,309
Current portion of noncurrent cash and investments	409,757	-	-	409,757
Taxes receivable	-	-	333,436	333,436
Accounts receivable:				
Consumers	11,416,578	533,883	1,783	11,952,244
Other	778,312	-	-	778,312
Due from other funds	-	(700,221)	615,557	(84,664)
Accrued interest	-	2,920	434	3,354
Inventories	1,278,949	229,529	-	1,508,478
Prepaid expenses and other assets	1,046,607	54,237	20,053	1,120,897
	<u>34,129,484</u>	<u>3,040,106</u>	<u>8,306,788</u>	<u>45,476,378</u>
SEGREGATED FUNDS				
Cash and cash equivalents	-	732,149	30,018,797	30,750,946
Noncurrent cash and investments	7,167,210	-	-	7,167,210
	<u>7,167,210</u>	<u>732,149</u>	<u>30,018,797</u>	<u>37,918,156</u>
Total Current Assets (Including Segregated Funds)	<u>41,296,694</u>	<u>3,772,255</u>	<u>38,325,585</u>	<u>83,394,534</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	63,882,864	11,304,114	-	75,186,978
Distribution system	-	12,756,044	-	12,756,044
Pumping and purification equipment	-	4,749,930	22,881,723	27,631,653
Transmission mains	-	964,302	10,601,560	11,565,862
Equipment	63,186,172	1,631,463	2,760,877	67,578,512
Construction in progress	16,108,017	4,739,663	1,697,175	22,544,855
Accumulated depreciation	(82,181,672)	(11,081,151)	(16,745,204)	(110,008,027)
Total Capital Assets, net of accumulated depreciation	63,986,273	25,240,605	23,515,184	112,742,062
Other assets	777,467	-	-	777,467
Total Noncurrent Assets	<u>64,763,740</u>	<u>25,240,605</u>	<u>23,515,184</u>	<u>113,519,529</u>
Total Assets	<u>106,060,434</u>	<u>29,012,860</u>	<u>61,840,769</u>	<u>196,914,063</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF NET ASSETS (CONT'D)
PROPRIETARY FUNDS
MARCH 31, 2012

	Business Type Activities - Enterprise Funds			
	Health	Water	Wastewater	Total
LIABILITIES				
Operating Funds:				
Accounts payable	\$ 2,428,312	\$ 389,403	\$ -	\$ 2,817,715
Construction accounts payable	3,026,809	-	-	3,026,809
Accrued interest	64,780	30,259	735,018	830,057
Accrued payroll and related benefits	4,319,753	63,959	123,043	4,506,755
Estimated third-party payor settlements payable	376,930	-	-	376,930
Current maturities of capital lease obligations	693,220	-	887,500	1,580,720
Current maturities of revenue bonds payable	2,163,159	-	-	2,163,159
	<u>13,072,963</u>	<u>483,621</u>	<u>1,745,561</u>	<u>15,302,145</u>
Segregated Funds:				
Accrued bond interest	-	34,327	-	34,327
Current portion of long-term debt due within one year	-	532,606	-	532,606
Consumer's deposits	-	469,985	-	469,985
	<u>-</u>	<u>1,036,918</u>	<u>-</u>	<u>1,036,918</u>
Total Current Liabilities (Including Segregated Funds)	<u>13,072,963</u>	<u>1,520,539</u>	<u>1,745,561</u>	<u>16,339,063</u>
Long-Term Debt:				
Bonded debt due after one year	16,163,213	6,890,000	-	23,053,213
Less unamortized call premium and debt issuance costs	(162,635)	(288,853)	(793,602)	(1,245,090)
Capital lease obligations	976,659	3,155,962	-	4,132,621
Certificates of participation	-	-	34,837,500	34,837,500
Total Noncurrent Liabilities	<u>16,977,237</u>	<u>9,757,109</u>	<u>34,043,898</u>	<u>60,778,244</u>
Total Liabilities	<u>30,050,200</u>	<u>11,277,648</u>	<u>35,789,459</u>	<u>77,117,307</u>
NET ASSETS				
Invested in capital assets, net of related debt	43,990,022	14,950,890	13,346,148	72,287,060
Restricted				
For debt service	1,647,072	219,589	3,139,852	5,006,513
Expendable for capital acquisitions	315,374	-	-	315,374
Nonexpendable permanent endowments	101,614	-	-	101,614
Unrestricted	<u>29,956,152</u>	<u>2,564,733</u>	<u>9,565,310</u>	<u>42,086,195</u>
Total Net Assets	<u>\$ 76,010,234</u>	<u>\$ 17,735,212</u>	<u>\$ 26,051,310</u>	<u>\$ 119,796,756</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2012

	Business Type Activities - Enterprise Funds			
	Health	Water	Wastewater	Total
Operating revenues:				
Charges for services	\$ 90,759,514	\$ 3,274,864	\$ 4,196,616	\$ 98,230,994
Miscellaneous	577,292	108,345	43,050	728,687
Total operating revenues	<u>91,336,806</u>	<u>3,383,209</u>	<u>4,239,666</u>	<u>98,959,681</u>
Operating expenses:				
Professional and purchased services	4,402,027	-	-	4,402,027
Personnel services	49,493,534	931,534	977,355	51,402,423
Transmission and distribution	-	1,347,800	1,837,600	3,185,400
Supplies	17,905,333	-	-	17,905,333
Other expenses	11,203,536	-	-	11,203,536
Interest expense	564,447	-	-	564,447
Depreciation and amortization	7,071,369	616,901	1,097,585	8,785,855
Total operating expenses	<u>90,640,246</u>	<u>2,896,235</u>	<u>3,912,540</u>	<u>97,449,021</u>
Net operating income	<u>696,560</u>	<u>486,974</u>	<u>327,126</u>	<u>1,510,660</u>
Nonoperating revenue (expense):				
Taxes	-	-	1,034,887	1,034,887
Investment income	115,623	16,230	12,063	143,916
Interest expense	-	(460,405)	(104,829)	(565,234)
Noncapital contributions	190,192	-	-	190,192
Gain(loss) on disposal of capital assets	(83,204)	41,443	-	(41,761)
Total nonoperating revenue (expense)	<u>222,611</u>	<u>(402,732)</u>	<u>942,121</u>	<u>762,000</u>
Net Income before contributions and transfers	919,171	84,242	1,269,247	2,272,660
Capital contributions and grants	556,103	62,773	24,173	643,049
Transfers	-	-	(490,140)	(490,140)
Total capital contributions and transfers	<u>556,103</u>	<u>62,773</u>	<u>(465,967)</u>	<u>152,909</u>
Net income	1,475,274	147,015	803,280	2,425,569
Net assets - beginning of year	<u>74,534,960</u>	<u>17,588,197</u>	<u>25,248,030</u>	<u>117,371,187</u>
Net assets - end of year	<u>\$ 76,010,234</u>	<u>\$ 17,735,212</u>	<u>\$ 26,051,310</u>	<u>\$ 119,796,756</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2012

	<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	\$ 91,692,210	\$ 3,389,737	\$ 4,329,870	\$ 99,411,817
Payments to suppliers and contractors	(34,157,800)	(1,181,080)	(1,838,508)	(37,177,388)
Payments to and on behalf of employees	(49,954,725)	(924,019)	(975,450)	(51,854,194)
Other receipts and payments	736,645	-	-	736,645
Net cash provided (used) by operating activities	<u>8,316,330</u>	<u>1,284,638</u>	<u>1,515,912</u>	<u>11,116,880</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Taxes	-	-	1,013,292	1,013,292
Noncapital contributions	190,192	-	-	190,192
Interfund transfer	-	-	(490,140)	(490,140)
Net cash provided by noncapital financing activities	<u>190,192</u>	<u>-</u>	<u>523,152</u>	<u>713,344</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Net premium from issuance of refunding revenue bonds	-	93,825	-	93,825
Capital grants and contributions	556,103	62,773	24,173	643,049
Proceeds from sale of assets	-	41,443	-	41,443
Proceeds from issuance of long-term debt	5,132,664	7,235,000	-	12,367,664
Acquisition and construction of capital assets	(16,360,362)	(4,221,088)	(2,439,388)	(23,020,838)
Principal paid on capital lease obligations	(762,468)	(181,051)	-	(943,519)
Repayment of long-term debt	(2,838,497)	(7,645,000)	(92,500)	(10,575,997)
Interest paid on revenue bonds	(661,221)	(303,155)	-	(964,376)
Interest paid on capital debt	(108,037)	(127,592)	(19,622)	(255,251)
Net cash provided (used) by capital and related financing activities	<u>(15,041,818)</u>	<u>(5,044,845)</u>	<u>(2,527,337)</u>	<u>(22,614,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investment assets	8,392,011	2,898,311	2,019,351	13,309,673
Purchase of investment assets	(8,474,668)	(2,218,532)	(2,019,469)	(12,712,669)
Income from investments	117,846	22,200	12,631	152,677
Net cash provided by investing activities	<u>35,189</u>	<u>701,979</u>	<u>12,513</u>	<u>749,681</u>
Net increase (decrease) in cash and cash equivalents	(6,500,107)	(3,058,228)	(475,760)	(10,034,095)
Balances - beginning of year	<u>23,933,080</u>	<u>4,491,603</u>	<u>35,810,613</u>	<u>64,235,296</u>
Balances - end of year	<u>\$ 17,432,973</u>	<u>\$ 1,433,375</u>	<u>\$ 35,334,853</u>	<u>\$ 54,201,201</u>
Cash and cash equivalents	\$ 17,432,973	\$ 701,226	\$ 5,316,056	\$ 23,450,255
Segregated cash and cash equivalents	-	732,149	30,018,797	30,750,946
Total cash and cash equivalents, end of year	<u>\$ 17,432,973</u>	<u>\$ 1,433,375</u>	<u>\$ 35,334,853</u>	<u>\$ 54,201,201</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF CASH FLOWS (CONT'D)
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2012

	Business Type Activities - Enterprise Funds			
	Health	Water	Wastewater	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO				
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 696,560	\$ 486,974	\$ 327,126	\$ 1,510,660
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Cash flows reported in other categories:				
Interest expense considered financing activity	483,735	-	-	483,735
Depreciation and amortization expense	7,071,369	616,901	1,097,585	8,785,855
Provision for bad debts	9,105,531	-	-	9,105,531
Change in assets and liabilities:				
Receivables, net	(8,201,421)	6,528	90,204	(8,104,689)
Other receivables	159,353	-	-	159,353
Estimated third-party payor settlements	28,586	-	-	28,586
Inventory and other assets	144,393	(8,104)	-	136,289
Prepaid expenses	(597,268)	(18,709)	(908)	(616,885)
Accounts payable and accrued expenses	(113,317)	168,936	-	55,619
Accrued payroll, related taxes and benefits	(461,191)	32,112	1,905	(427,174)
Net cash provided (used) by operating activities	<u>\$ 8,316,330</u>	<u>\$ 1,284,638</u>	<u>\$ 1,515,912</u>	<u>\$ 11,116,880</u>
Noncash investing, capital, and financing activities:				
Capital lease obligations incurred for the purchase of new equipment	<u>\$ 465,277</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 465,277</u>
Construction accounts payable	<u>\$ 3,026,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,026,809</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
MARCH 31, 2012

ASSETS

Cash and cash equivalents	\$ 650,042
Investments	
U.S. Government securities	749,885
Corporate debt and equity	10,435,917
Other investments	31,279
Total investments	<u>11,217,081</u>
Total Assets	<u>11,867,123</u>

LIABILITIES

Refundable contributions	<u>2,100,586</u>
Total Liabilities	<u>2,100,586</u>

NET ASSETS

Held in trust for pension benefits and other purposes	<u><u>\$ 9,766,537</u></u>
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CITY OF SEDALIA, MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED MARCH 31, 2012

ADDITIONS

Contributions

Taxes	\$ 353,215
Employer/employee	320,421
Miscellaneous	12,068
Total contributions	685,704

Investment earnings

Investment income	374,442
Net increase (decrease) in fair value of investments	63,264
Net investment earnings	437,706

Total Additions	1,123,410
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DEDUCTIONS

Pension expense	1,027,339
Insurance	31,878
Administrative fees	80,187
Pension refunds	30
Miscellaneous	24,389
Total Deductions	1,163,823

Change in net assets	(40,413)
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Net assets, beginning of year	9,806,950
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Net assets, end of year	\$ 9,766,537
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CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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 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 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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2007.

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, 2012

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, 2012

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, 2012**

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, 2012

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, 2012

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, 2011 the allowance for uncollectible accounts was approximately \$5,726,000.

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 \$1,194,000 for the year ended May 31, 2011.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity – Fund Financial Statements:

Governmental fund equity is classified as fund balance. Beginning with FY 2012, the City implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The City's nonspendable funds are as detailed in Note III-M.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of resources because they are either:
 - Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
 - Imposed by law through constitutional provisions or enabling legislation.

Management has determined there are no amounts that should be considered restricted.

- **Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City's board of aldermen, which is the City's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the board of aldermen removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of year-end.
- **Assigned:** This classification includes spendable amounts that are reported in governmental funds *other than the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose in accordance with the provisions of GASB Statement 54. The intent of an assigned fund balance should be expressed by either the City's board of aldermen, or a subordinate high-level body, such as a finance committee, or an official, such as the executive director, that has the authority to assign amounts to be used for specific purposes. The City's management assigned funds during year as detailed in Note III-M.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Unassigned:** This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund including any governmental fund in a deficit position.

When fund balance resources are available for a specific purpose in multiple classifications, the City would use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. However, it reserves the right to selectively spend unassigned resources first and to defer to the use of the other classified funds.

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. During the fiscal year 2012 the City capitalized net interest of \$1,322,981.

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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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.

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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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, 2012, are shown below:

Demand deposits		\$ 16,629,547
Time deposit	7/25/2012	500,000
Time deposit	9/14/2012	1,000,000
Time deposit	10/1/2012	30,000
Time deposit	11/7/2012	1,000,000
Time deposit	11/15/2012	125,000
Time deposit	12/14/2012	1,000,000
Time deposit	1/10/2013	65,000
Time deposit	1/21/2013	80,000
Time deposit	6/10/2013	250,000
		<u>20,679,547</u>
Investments:		
U.S. Federal Obligations		<u>30,970,995</u>
		<u>30,970,995</u>
Total deposits and investments (excluding Health Center and Water Department)		51,650,542
Water Department deposits and investments		3,651,907
Health Center deposits and investments		<u>26,776,248</u>
Total deposits and investments		<u>\$ 82,078,697</u>
Reconciliation of Statement of Net Assets:		
Current:		
Cash and cash equivalents		\$ 36,794,277
Short-term investments		6,004,309
Current portion of noncurrent cash and investments		<u>409,757</u>
Total Current		<u>43,208,343</u>
Restricted:		
Cash and cash equivalents		\$ 30,750,946
Short-term investments		952,198
Noncurrent cash and investments		<u>7,167,210</u>
Total Noncurrent		<u>38,870,354</u>
Total		<u>\$ 82,078,697</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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 \$21,875,556 at March 31, 2012, 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, 2012, 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, 2012, 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, 2012 are shown below:

	Maturities	Carrying Value
Deposits:		
Demand deposits		\$ 1,433,375
		1,433,375
Investments:		
Time deposit	10/15/12	358,767
Time deposit	01/13/13	1,164,046
Time deposit	03/14/13	695,719
		2,218,532
Total deposits and investments		\$ 3,651,907

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012**

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

Reconciliation of Statement of Net Assets:

Current:

Cash and cash equivalents	\$ 701,226
Investments	2,218,532
Total Current	2,919,758

Segregated:

Cash and cash equivalents	732,149
Total Segregated	732,149

Total	\$ 3,651,907
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Custodial Credit Risk. Deposits in financial institutions, reported as components of cash and investments had a bank balance of \$3,819,732 at March 31, 2012, 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, 2012, 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, 2012, 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, 2012**

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, 2011 the Health Center had deposits as follows at custodial financial institutions:

Insured (FDIC)	\$ 18,862,252
Collateralized by securities held by the pledging financial institution	6,266,924
Total	\$ 25,129,176

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, 2011, the Health Center's investments at fair market value are as follows with maturity dates of less than one year:

Investment Type:	
Money Markets	\$ 1,647,072
U.S. Treasury Obligations	-
Total	\$ 1,647,072

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, 2012**

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, 2011, as follows:

Carrying Value:	
Deposits	\$ 25,129,176
Investments	1,647,072
	<u>\$ 26,776,248</u>

Included in the following balance sheet captions:

Cash and cash equivalents	\$ 17,432,973
Short-term investments	1,766,308
Internally designated for funded depreciation	5,512,907
Restricted by bond agreement for debt service	409,757
Restricted by bond agreement for debt reserve	1,237,315
Restricted by contributors for capital acquisitions	315,374
Principal of permanent endowment	101,614
	<u>\$ 26,776,248</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, 2012

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 39 percent and 21 percent, respectively, of the Health Center's net patient revenue for the year ended May 31, 2011. 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 2011 net patient service revenue increased approximately \$162,000 due to prior year retroactive adjustments in excess of amounts previously estimated.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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

A summary of patient service revenue and revenue adjustments for the year ended May 31, 2011, is as follows:

Total Patient Service Revenues	\$ 213,147,476
Contractual adjustments and provision for bad debt:	
Medicare	75,357,414
Medicaid	8,877,518
Other	29,047,499
Provision for bad debt	9,105,531
Total	<u>122,387,962</u>
Net Patient Service Revenue	<u>\$ 90,759,514</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, 2012, is as follows:

	Governmental Activities	Business- Type Activities	Total
Accounts receivable	\$ 192,507	\$ 18,456,556	\$ 18,649,063
Allowance for doubtful accounts	-	(5,726,000)	(5,726,000)
Net accounts receivable	<u>\$ 192,507</u>	<u>\$ 12,730,556</u>	<u>\$ 12,923,063</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, 2012, was as follows:

	Governmental Activities	Business- Type Activities	Total
Taxes receivable	\$ 3,393,443	\$ 333,436	\$ 3,726,879
Allowance for doubtful accounts	(10,000)	-	(10,000)
Net taxes receivable	<u>\$ 3,383,443</u>	<u>\$ 333,436</u>	<u>\$ 3,716,879</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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

E. Capital Assets - Governmental Activities

Capital asset activity for the year ended March 31, 2012, was as follows:

	Balance at March 31, 2010	Additions	Disposals	Balance at March 31, 2011
Capital assets not being depreciated:				
Land and land rights	\$ 2,398,449	\$ -	\$ -	\$ 2,398,449
Subtotal	<u>2,398,449</u>	<u>-</u>	<u>-</u>	<u>2,398,449</u>
Other capital assets being depreciated:				
Structures and improvements	21,019,182	454,297	-	21,473,479
Other improvements	8,134,974	784,504	-	8,919,478
General equipment	11,353,955	935,933	(160,063)	12,129,825
Infrastructure	150,648,437	1,682,580	-	152,331,017
Subtotal	<u>191,156,548</u>	<u>3,857,314</u>	<u>(160,063)</u>	<u>194,853,799</u>
Total capital assets at historical costs	<u>193,554,997</u>	<u>3,857,314</u>	<u>(160,063)</u>	<u>197,252,248</u>
Accumulated Depreciation				
Structures and improvements	(7,542,499)	(636,278)	-	(8,178,777)
Other improvements	(3,623,891)	(279,405)	-	(3,903,296)
General	(8,545,100)	(703,505)	144,684	(9,103,921)
Infrastructures	(95,755,792)	(2,583,118)	-	(98,338,910)
Subtotal	<u>(115,467,282)</u>	<u>(4,202,306)</u>	<u>144,684</u>	<u>(119,524,904)</u>
Net capital assets being depreciated	<u>75,689,266</u>	<u>(344,992)</u>	<u>(15,379)</u>	<u>75,328,895</u>
Governmental activities capital assets	<u>\$ 78,087,715</u>	<u>\$ (344,992)</u>	<u>\$ (15,379)</u>	<u>\$ 77,727,344</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, Health Center year end is May 31, 2011, was as follows:

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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

Health

	Balance at June 1, 2010	Additions	Disposals	Balance at May 31, 2011
Land	\$ 2,990,892	\$ -	\$ -	\$ 2,990,892
Land and land improvements	1,073,672	-	-	1,073,672
Buildings	62,676,910	73,922	58,360	62,809,192
Equipment	60,124,122	4,663,521	(1,601,471)	63,186,172
Construction in progress	2,494,328	14,512,048	(898,359)	16,108,017
Total at Historical Cost	<u>129,359,924</u>	<u>19,249,491</u>	<u>(2,441,470)</u>	<u>146,167,945</u>
Less Accumulated Depreciation				
Land improvements	(762,302)	(54,979)	-	(817,281)
Buildings	(34,719,101)	(2,228,694)	-	(36,947,795)
Equipment	(41,845,097)	(4,724,382)	2,152,883	(44,416,596)
Total Accumulated Depreciation	<u>(77,326,500)</u>	<u>(7,008,055)</u>	<u>2,152,883</u>	<u>(82,181,672)</u>
Capital Assets, Net	<u>\$ 52,033,424</u>	<u>\$ 12,241,436</u>	<u>\$ (288,587)</u>	<u>\$ 63,986,273</u>

Construction in progress as of May 31, 2011 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 \$26,000,000. The projects are expected to be completed during the fiscal year ending May 31, 2012 and are anticipated to be funded with \$18 million of funds on a note payable, \$3.5 million of capital contributions from the Foundation, and the remainder from cash reserves. Interest capitalized in relation to the projects was approximately \$277,000 for the year ended May 31, 2011.
- Costs incurred for the planning and construction of an emergency power source addition to the facility. The project has an estimated total cost of approximately \$2,120,000. The project is expected to be completed in four phases concluding during the fiscal year ending May 31, 2014 and is to be financed with cash reserves.
- Costs associated with various equipment and facility upgrades. The total costs of these projects are estimated to be approximately \$802,000. The various projects are anticipated to be financed with cash reserves and are expected to be completed at various dates through fiscal year 2012.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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

Water

	Balance at April 1, 2011	Additions	Disposals	Balance at March 31, 2012
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 176,240	\$ -	\$ -	\$ 176,240
Construction in progress	718,369	4,171,277	(149,983)	4,739,663
Total capital assets not being depreciated	<u>894,609</u>	<u>4,171,277</u>	<u>(149,983)</u>	<u>4,915,903</u>
Other capital assets being depreciated:				
Structures and improvements	11,252,869	51,245	-	11,304,114
Pumping and purification equipment	4,749,930	-	-	4,749,930
Transmission mains	964,302	-	-	964,302
Distribution mains and equipment	13,001,834	103,746	(349,536)	12,756,044
General equipment	1,610,454	44,803	(23,794)	1,631,463
Total capital assets being depreciated	<u>31,579,389</u>	<u>199,794</u>	<u>(373,330)</u>	<u>31,405,853</u>
Total capital assets at historical cost	<u>32,473,998</u>	<u>4,371,071</u>	<u>(523,313)</u>	<u>36,321,756</u>
Accumulated Depreciation				
Structures and improvements	(3,884,598)	(206,366)	-	(4,090,964)
Pumping and purification equipment	(1,364,352)	(104,133)	-	(1,468,485)
Transmission mains	(512,329)	(9,643)	-	(521,972)
Distribution mains and equipment	(3,677,770)	(179,553)	349,536	(3,507,787)
General equipment	(1,431,318)	(84,419)	23,794	(1,491,943)
Total accumulated depreciation	<u>(10,870,367)</u>	<u>(584,114)</u>	<u>373,330</u>	<u>(11,081,151)</u>
Other capital assets, net	<u>20,709,022</u>	<u>(384,320)</u>	<u>-</u>	<u>20,324,702</u>
Business-Type Activities Capital Assets	<u>\$ 21,603,631</u>	<u>\$ 3,786,957</u>	<u>\$ (149,983)</u>	<u>\$ 25,240,605</u>

Wastewater

	Balance at March 31, 2011	Additions	Disposals	Balance at March 31, 2012
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 2,319,053	\$ -	\$ -	\$ 2,319,053
Construction work in process	143,445	1,553,730	-	1,697,175
Subtotal	<u>2,462,498</u>	<u>1,553,730</u>	<u>-</u>	<u>4,016,228</u>
Capital assets being depreciated:				
Pumping and purification equipment	22,819,540	62,183	-	22,881,723
Transmission mains	10,002,076	599,484	-	10,601,560
General equipment	2,536,886	223,991	-	2,760,877
Subtotal	<u>35,358,502</u>	<u>885,658</u>	<u>-</u>	<u>36,244,160</u>
Total	<u>37,821,000</u>	<u>2,439,388</u>	<u>-</u>	<u>40,260,388</u>
Less accumulated depreciation and amortization:				
Pumping and purification equipment	(9,853,968)	(687,854)	-	(10,541,822)
Transmission mains	(4,598,839)	(252,827)	-	(4,851,666)
General equipment	(1,231,970)	(119,746)	-	(1,351,716)
Construction work in process	-	-	-	-
Subtotal	<u>(15,684,777)</u>	<u>(1,060,427)</u>	<u>-</u>	<u>(16,745,204)</u>
Net capital assets being depreciated	<u>19,673,725</u>	<u>1,378,961</u>	<u>-</u>	<u>19,498,956</u>
Business-Type Activities Capital Assets	<u>\$ 22,136,223</u>	<u>\$ 1,378,961</u>	<u>\$ -</u>	<u>\$ 23,515,184</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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	\$ 530,450
Sanitation	50,567
Total general government	<u>581,017</u>
Public safety:	
Police	167,838
Fire	110,611
Cemetery	10,346
Total public safety	<u>288,795</u>
Transportation:	
Airport	92,085
Streets	168,169
Total transportation	<u>260,254</u>
Cultural, parks and recreation:	
Library	22,566
Park	448,501
Community center	18,055
Total cultural, parks and recreation	<u>489,122</u>
Infrastructure	<u>2,583,118</u>
Total Infrastructure	<u>2,583,118</u>
Total depreciation expense - Governmental activity	<u>\$ 4,202,306</u>
Business-type activities:	
Health	\$ 7,008,055
Water	584,114
Sewer	1,060,427
Total depreciation expense - Business-type activity	<u>\$ 8,652,596</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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	\$ 7,380,000	\$ -	\$ 940,000	\$ 6,440,000	\$ 970,000
Water	7,645,000	7,235,000	7,645,000	7,235,000	345,000
Certificates of Participation:					
Series 2005 - Sewer	-	-	-	-	-
Series 2010A	6,337,500	-	92,500	6,245,000	887,500
Series 2010B	29,480,000	-	-	29,480,000	-
Other Debt:					
Health Center					
Note payable - Information System	1,271,054	-	1,085,246	185,808	185,808
Note payable - Imaging Equipment	1,775,257	-	508,403	1,266,854	527,175
Note payable - Construction	5,661,630	5,132,664	304,848	10,489,446	480,176
Capital Leases:					
Health Center	2,160,153	465,277	955,551	1,669,879	693,220
Water Department	3,524,619	-	181,051	3,343,568	187,606
Total Business-Type Activities	<u>\$ 65,235,213</u>	<u>\$ 12,832,941</u>	<u>\$ 11,712,599</u>	<u>\$ 66,355,555</u>	<u>\$ 4,276,485</u>
Governmental Activities:					
Certificates of Participation:					
Series 2007	6,905,000	-	360,000	6,545,000	385,000
Series 2010A	1,257,500	-	92,500	1,165,000	92,500
Series 2010B	-	-	-	-	-
Energy Loan	541,149	-	154,591	386,558	161,114
DNR Energy Loan	397,648	-	30,592	367,056	30,592
Total Governmental Activities	<u>\$ 9,101,297</u>	<u>\$ -</u>	<u>\$ 637,683</u>	<u>\$ 8,463,614</u>	<u>\$ 669,206</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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, 2012, 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.

\$ 6,545,000

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012**

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, 2012, are as follows:

Year Ending March 31	Governmental Activities	
	Principal	Interest
2013	\$ 385,000	\$ 276,110
2014	410,000	261,288
2015	430,000	245,297
2016	460,000	228,312
2017	490,000	209,913
2018-2022	2,940,000	713,400
2023	1,430,000	62,920
	<u>\$ 6,545,000</u>	<u>\$ 1,997,240</u>

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, 2012 (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%.

\$ 7,410,000

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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, 2012, are as follows:

Year Ending March 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
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	102,500	27,050	982,500	76,650
2018-2022	580,000	75,593	1,490,000	93,793
2023	92,500	1,897	92,500	1,897
	<u>\$ 1,165,000</u>	<u>\$ 238,841</u>	<u>\$ 6,245,000</u>	<u>\$ 725,066</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.

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, 2012. The initial term of this Lease shall expire on March 31, 2012 (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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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

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, 2012 are as follows:

Year Ending March 31	Principal Series 2010B	Interest Series 2010B	Debt Service Before Subsidy	BAB Interest Subsidy	Net Payments
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	-	2,021,667	2,021,667	(707,583)	1,314,084
2018-2022	3,965,000	9,714,977	13,679,977	(3,400,241)	10,279,736
2023-2027	7,165,000	7,950,702	15,115,702	(2,782,746)	12,332,956
2028-2032	9,230,000	5,059,165	14,289,165	(1,770,708)	12,518,457
2033-2036	9,120,000	1,370,940	10,490,940	(479,830)	10,011,110
	<u>\$ 29,480,000</u>	<u>\$ 34,204,121</u>	<u>\$ 63,684,121</u>	<u>\$ (11,971,442)</u>	<u>\$ 51,712,679</u>

Pledged Revenues

The Wastewater Fund has pledged future revenues, net of specified operating expenses, to repay certificates of participation that were issued for wastewater improvements. The certificates are payable solely from wastewater net revenues and are payable through 2036. Annual principal and interest payments in 2012 required 8% of net revenues. The total principal and interest remaining to be paid is \$58,682,745. Principal and interest paid for the current year and total wastewater net revenues for the current year were \$197,329 and \$2,495,834, respectively.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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

The Capital Projects #2 Fund has pledged future revenues, net of specified operating expenses, to repay certificates of participation that were issued for the purpose of city improvements. The certificates are payable from Capital Projects #2 net revenues and are payable through 2023. Annual principal and interest payments in 2012 required 102% of net revenues. The total principal and interest remaining to be paid is \$9,946,081. Principal and interest paid for the current year and total Capital Projects #2 net revenues for the current year were \$850,790 and \$832,509, respectively.

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 3.6% to 4.3%, depending upon the maturity date. Revenue bonds or portions thereof maturing in the year 2012 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, 2012, 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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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

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.

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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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

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, 2011:

Equipment	\$ 3,928,697
Less: accumulated depreciation	<u>(2,806,240)</u>
Total	<u>\$ 1,122,457</u>
 Depreciation expense	 <u>\$ 263,916</u>

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

Year Ending May 31,	Bonds and Notes Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2012	\$ 2,163,159	\$ 678,856	\$ 693,220	\$ 75,702
2013	2,044,900	610,303	144,711	49,707
2014	1,739,083	540,953	150,218	44,200
2015	1,594,732	483,310	156,080	38,338
2016	1,648,541	424,804	154,294	32,093
2017-2021	3,896,890	868,372	371,356	69,410
2022-2026	2,987,515	516,756	-	-
2027-2031	2,251,552	166,013	-	-
	<u>\$ 18,326,372</u>	<u>\$ 4,289,367</u>	<u>\$ 1,669,879</u>	<u>\$ 309,450</u>

3. Bonds Payable - Water Department

The following is a summary of changes in long-term debt transactions for the year ended March 31, 2012:

	Revenue	Capital	Total
	Bonds	Lease	
Balance, April 1, 2011	\$ 7,645,000	\$ 3,524,619	\$ 11,169,619
Bonds issued	7,235,000	-	7,235,000
Bonds retired	(7,645,000)	-	(7,645,000)
Capital lease principal payments	-	(181,051)	(181,051)
Balance, March 31, 2012	<u>\$ 7,235,000</u>	<u>\$ 3,343,568</u>	<u>\$ 10,578,568</u>

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012**

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

Revenue Bonds

Revenue bonded debt as of March 31, 2012 is as follows:

Water refunding revenue bonds 2.000% to 3.000%, series of 2012, due in \$345,000 to \$545,000 annual installments to March 15, 2029	\$ 7,235,000
Less amounts due in one year	345,000
Long-term portion of debt	<u>\$ 6,890,000</u>

Defeased Debt - 2012

On January 15, 2012, the Sedalia Water Department issued waterworks refunding revenue bonds (Series 2012) of \$7,235,000 (par value) with an interest rate of 2.000% to 3.000% to advance refund revenue bonds (Series 2005) with an interest rate of 2.150% to 4.300% and a par value of \$3,825,000 and revenue bonds (Series 2006) with an interest rate of 3.200% and 4.400% and a par value of \$3,820,000. The Series 2005 bonds mature on March 15, 2029, and were called on March 15, 2012. The Series 2006 bonds mature on March 15, 2027 and were called on March 1, 2012. The Series 2012 bonds were issued at par and, after paying issuance costs of \$162,085, and receiving a premium of \$251,024, the net proceeds were \$7,323,938. The net proceeds from the issuance of the Series 2012 bonds plus \$378,809 from the Department 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 bonds were called on March 1, 2012 and March 15, 2012. 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 \$1,468,094, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,416,780.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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

The annual debt service requirements to amortize the revenue bonds outstanding as of March 31, 2012 are as follows:

Year Ending March 31,	Principal	Interest	Total
2013	\$ 345,000	\$ 219,350	\$ 564,350
2014	375,000	185,700	560,700
2015	390,000	178,200	568,200
2016	370,000	170,400	540,400
2017	375,000	163,000	538,000
2018-2022	2,035,000	679,550	2,714,550
2023-2027	2,295,000	368,700	2,663,700
2028-2029	1,050,000	47,850	1,097,850
	<u>\$ 7,235,000</u>	<u>\$ 2,012,750</u>	<u>\$ 9,247,750</u>

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 Refunding Revenue Bonds Series 2012* - 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.

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012**

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 Net Assets</u>	<u>Liabilities Payable from Restricted Assets</u>
Debt Service	\$ 214,702	\$ 219,589	\$ 34,327
Customer Deposits	517,447	-	469,985
	<u>\$ 732,149</u>	<u>\$ 219,589</u>	<u>\$ 504,312</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, 2012

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>		
	Restricted Assets	Restricted Net Assets	Liabilities Payable from Restricted Assets
Principal and interest accounts	\$ 1,452,021	\$ 5,006,513	\$ -
Reserve account	3,139,847	-	-
Renewal and replacement	-	-	-
Customer Deposits	517,447	-	469,985
Donor-specified purposes	101,614	101,614	-
Construction funds	32,707,227	315,374	-
Debt service	-	-	34,327
	<u>\$ 37,918,156</u>	<u>\$ 5,423,501</u>	<u>\$ 504,312</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, 2012

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

Future payments as of March 31, 2012 are as follows assuming noncancellation:

Year Ending March 31,	Principal	Interest	Total
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	216,282	92,361	308,643
2018-2022	1,204,676	338,539	1,543,215
2023-2026	1,130,447	104,122	1,234,569
	<u>\$ 3,343,568</u>	<u>\$ 977,431</u>	<u>\$ 4,320,999</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at March 31, 2012:

Construction in progress	\$ 3,725,942
Less accumulated amortization	<u>-</u>
	<u>\$ 3,725,942</u>

Amortization of capital leases was \$0 for the fiscal year ending March 31, 2012. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

4. Loans

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, 2012, are as follows:

Year Ending March 31,	Governmental Funds		
	Principal	Interest	Total
2013	\$ 161,114	\$ 12,969	\$ 174,083
2014	167,913	6,170	174,083
2015	57,531	497	58,028
	<u>\$ 386,558</u>	<u>\$ 19,636</u>	<u>\$ 406,194</u>

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012**

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, 2012, are as follows:

Year Ending March 31,	Governmental Funds		
	Principal	Interest	Total
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	30,592	306	30,898
2018-2022	152,960	1,530	154,490
2023-2024	61,136	610	61,746
	\$ 367,056	\$ 3,670	\$ 370,726

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012**

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, 2012, based on the total assessed valuation as of December 31, 2011, of \$240,614,347 the constitutional general obligation debt limit was \$48,122,869.

H. Board Designated Funds - Health Center

Of the \$29,956,152 of unrestricted net assets reported in 2011, \$5,512,907 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, 2012. The future minimum lease payments for these leases, assuming noncancellation, is as follows:

<u>Year Ending</u> <u>March 31</u> 2013	\$ 121,205 121,205
Amount representing interest	<u>(5,606)</u>
Net	<u>\$ 115,599</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, 2012

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 2011 for minimum and contingent rentals was \$367,766. 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, <hr style="width: 20%; margin: 0 auto;"/> 2012	<u>\$ 48,613</u>
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J. Interfund Transfers

Interfund transfers during the year ended March 31, 2012, were as follows:

Disbursing Fund	Receiving Fund	Amount
Capital Projects (Non-Major)	General (Major)	\$ 8,000
Capital Projects (Non-Major)	Capital Projects #2 (Non-Major)	40,000
Perpetual Care Cemetery (Non-Major)	General (Major)	4,429
Wastewater (Major)	Capital Projects #2 (Non-Major)	400,000

The purpose of the \$8,000 transfer from Capital Projects was for administrative costs for Hero.

The purpose of the \$40,000 transfer from Capital Projects was for sales tax reimbursement.

The purpose of the \$4,429 transfer from Perpetual Care Cemetery was to transfer interest from investments to offset cemetery expenditures in the general fund.

The purpose of the \$400,000 transfer from Wastewater was for storm water repairs in the Katy Trail Subdivision.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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	\$ 644,020
Park	Council action	1,990,341
Special Business District	Council action	37,256
Midtown Special Allocation	Council action	77,492
Capital Project	Council action	378,496
Capital Project #2	Council action	3,033,036
		\$ 6,160,641

L. Accounts Payable

Payables in the governmental funds are composed of payables to vendors (14%) and accrued salaries and benefits (86%). Payables of Enterprise Funds are composed of payables to vendors (56%) and accrued salaries and benefits (44%).

M. Fund Balance

Classifications of fund balances at March 31, 2012 are as follows:

	General Fund	Other Governmental Funds	Total
Fund Balances:			
Nonspendable			
Inventory	\$ 84,664	\$ -	\$ 84,664
Prepaid expenses	131,893	14,282	146,175
Restricted	-	-	-
Committed	-	-	-
Assigned for DARE program	-	2,734,827	2,734,827
Assigned for capital project purposes	-	3,411,532	3,411,532
Unassigned	10,129,749	-	10,129,749
	\$ 10,346,306	\$ 6,160,641	\$ 16,506,947

The City has not adopted a policy that sets forth a minimum fund balance amount.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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, 2012.

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 13.8% (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, 2012

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	\$	885,535
Interest on net pension obligation		2,067
Adjustment to annual required contribution		<u>(1,478)</u>
Annual pension cost		886,124
Actual contributions		<u>755,361</u>
Increase (decrease) in NPO		130,763
NPO beginning of year		<u>27,560</u>
NPO end of year	\$	<u><u>158,323</u></u>

The annual required contribution (ARC) was determined as part of the February 28, 2009 and February 28, 2010 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions 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 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2009 was 30 years for the General division. The amortization period as of February 28, 2010 was 30 years for the General division and 30 years for the Police division.

City
Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 450,136	100.0%	\$ —
2010	562,446	95.1%	27,560
2011	886,124	85.2%	158,323

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

IV. OTHER INFORMATION (continued)

Water Department
Three-Year Trend Information

Year Ended <u>June 30</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 146,217	100.0%	\$ 0
2010	139,931	98.8%	1,679
2011	163,068	95.4%	9,214

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 (\$45,623 for the 2011 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, 2011. 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, 2012**

IV. OTHER INFORMATION (continued)

At April 1, 2011, the unfunded pension benefit obligation was \$2,109,757 determined as follows:

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and current active employees	\$ 8,545,811
Net assets available for benefits, at market value	6,436,054
Unfunded Pension Benefit Obligation	<u>\$ 2,109,757</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 April 1, 2011, is the individual entry age 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 thirty years amounted to \$332,072 for the 2011 plan year which includes \$163,060 for normal costs and \$158,895 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 \$.0450 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, 2011, were \$362,947 of which \$242,947 was made by both the City and employees and \$120,000 was provided from the property tax levy.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

IV. OTHER INFORMATION (continued)

Trend Information

Valuation Date	(1) Valuation Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Under- Funded AAL (2) - (1)	(5) Annual Covered Payroll	Underfunded AAL as a Percent of Covered Payroll (4)/(5)
4/1/2002	\$ 4,475,454	\$ 4,968,644	90%	\$ 493,190	\$ 1,402,368	35.2%
4/1/2003	4,100,687	5,871,481	70%	1,770,794	1,451,601	122.0%
4/1/2004	4,851,479	6,069,910	80%	1,218,431	1,459,897	83.5%
4/1/2005	5,145,526	6,388,856	81%	1,243,330	1,451,968	85.6%
4/1/2006	5,576,704	6,548,435	85%	971,731	1,510,556	64.3%
4/1/2007	5,851,469	6,698,403	87%	846,934	1,618,493	52.3%
4/1/2008	6,088,585	6,970,345	87%	881,760	1,664,582	53.0%
4/1/2009	5,018,241	7,632,087	66%	2,613,846	1,649,103	158.5%
4/1/2010	6,065,751	8,084,357	75%	2,018,606	1,816,095	111.2%
4/1/2011	6,436,054	8,545,811	75%	2,109,757	1,870,578	112.8%

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, 2012

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.

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, 2012

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	7,472,968	8,209,737
Actuarial value of assets, market value	3,298,346	3,298,346
Unfunded Pension Benefit Obligation	\$ 4,174,622	\$ 4,911,391
Projected Benefit Obligation Ratio	0.44	0.40

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, 2012

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, 2011:

Annual required contribution	\$	2,476,953
Interest on net pension obligation		60,927
Adjustment to annual required contribution		44,792
Annual Pension Cost		2,582,672
Contributions made		3,028,149
Decrease in net prepaid pension obligation		(445,477)
Net Pension Obligation Beginning of Year		(316,111)
Net Pension Obligation (Prepayment) End of Year	\$	(761,588)

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

IV. OTHER INFORMATION (continued)

The annual required contribution for the current year was determined as part of the June 1, 2011 actuarial valuation rolled forward to May 31, 2012, 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>
5/31/2009	\$ 2,369,087	103%	\$ 65,639
5/31/2010	2,637,460	114%	(316,111)
5/31/2011	2,582,672	117%	(761,588)

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 contribution for the year ended May 31, 2011, was \$603,615. Employee voluntary contributions were \$1,807,807 for the year ended May 31, 2011.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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 \$5,400,665 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 \$5,224,200. Claims incurred but not reported are accrued as a liability. The recorded payable at May 31, 2011 was approximately \$908,000. 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 \$934,588 aggregate per policy period. Claims incurred but not reported are accrued as a liability. The recorded payable at May 31, 2011 was approximately \$195,000. 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	46%
Medicaid	13%
Commercial insurance	20%
Self pay	21%
	<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, 2011 amounted to \$39,485. Proceeds for the year ended May 31, 2011 were received and are being held by Bothwell Regional Health Center Foundation. 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, 2012

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. The Foundation's fiscal year ends as of calendar year end December 31.

During the year ending May 31, 2010, the Foundation completed a capital campaign to assist with the raising of funds to complete the MOB and Cancer Center projects. The total amount pledged is \$3.1 million. As of May 31, 2011 \$500,000 had been contributed to the Health Center in relation to the pledged contributions. The Foundation is expected to make additional contributions to the Health Center in future years as pledges are received.

The Foundation contributed funds to the Health Center in the amount of \$538,055, restricted for construction and equipment, during the year ending May 31, 2011.

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, 2012

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.

4. Litigation

In the normal course of business, the Health Center is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Health Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each claim. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

IV. OTHER INFORMATION (continued)

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 \$1,690,315 at March 31, 2012, to satisfy the claims of general creditors in the future.

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, 2012, 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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

IV. OTHER INFORMATION (continued)

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 \$119,237 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, 2012

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, 2011 on which the fiscal 2011 levy was based, were as follows:

Real estate	\$ 186,406,055
Personal property	<u>61,472,341</u>
	<u>\$ 247,878,396</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2012

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, 2012, are as follows:

<u>Fund</u>	<u>Levy</u>
General Fund	\$.4295
Public Library	.2121
Public Parks	.1494
Firemen's Pension	.0459
Police Pension	<u>.0840</u>
Total City-Wide Levy	.9209
Special Business District	<u>.6281</u>
Total	<u>\$ 1.5490</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 July 27, 2012, 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, 2012

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 Accrued 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
2/28/2009	\$ 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%
2/28/2011	7,985,357	11,855,072	3,869,715	67%	5,492,395	70%

Schedule of Funding Progress
Water Department

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued 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
2/28/2009	\$ 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%
2/28/2011	1,807,555	3,234,033	1,426,478	56%	778,329	183%

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, 2011 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 Accrued 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
6/1/2009	\$ 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%
6/1/2011	38,730,185	45,157,607	6,427,422	86%	23,490,995	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, 2011 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, 2012**

	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	\$ 667,801	\$ 1,547,731	\$ 37,256	\$ 77,492	\$ 347,893	\$ 1,697,672	\$ 4,375,845
Taxes receivable, net of allowance	-	500,149	-	-	-	345,599	845,748
Receivables, net of allowance	-	-	-	-	-	91,350	91,350
Due from other governmental agencies	-	-	-	-	30,603	-	30,603
Inventory	-	14,282	-	-	-	-	14,282
Accrued interest receivable	238	650	-	-	-	3,140	4,028
Due from other funds	-	-	-	-	-	-	-
Restricted assets	-	-	-	-	-	-	-
Investments	-	-	-	-	-	952,198	952,198
Total Assets	668,039	2,062,812	37,256	77,492	378,496	3,089,959	6,314,054
LIABILITIES AND FUND EQUITY							
LIABILITIES							
Due to Sewer Fund	-	-	-	-	-	32,061	32,061
Accrued expenses	24,019	72,471	-	-	-	24,862	121,352
Total Liabilities	24,019	72,471	-	-	-	56,923	153,413
FUND EQUITY							
Nonspendable							
Prepaid expenses	-	14,282	-	-	-	-	14,282
Assigned for special revenue purposes	644,020	1,976,059	37,256	77,492	-	-	2,734,827
Assigned for capital project purposes	-	-	-	-	378,496	3,033,036	3,411,532
Total Fund Equity	644,020	1,990,341	37,256	77,492	378,496	3,033,036	6,160,641
Total Liabilities and Fund Equity	\$ 668,039	\$ 2,062,812	\$ 37,256	\$ 77,492	\$ 378,496	\$ 3,089,959	\$ 6,314,054

CITY OF SEDALIA, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2012

	<u>Special Revenue Funds</u>	
	<u>Library</u>	<u>Park</u>
REVENUES		
Taxes	\$ 476,008	\$ 2,291,632
Intergovernmental	10,799	-
Charges for services	13,798	224,346
Miscellaneous	13,749	4,670
Total Revenues	<u>514,354</u>	<u>2,520,648</u>
EXPENDITURES		
Library	456,000	-
Park	-	1,576,024
Planning, building and economic development	-	-
Capital outlay	34,587	937,280
Debt service	-	-
Total Expenditures	<u>490,587</u>	<u>2,513,304</u>
Excess (Deficit) of Revenues over Expenditures	<u>23,767</u>	<u>7,344</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in (out)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	23,767	7,344
Fund Balance, beginning of year	<u>620,253</u>	<u>1,982,997</u>
Fund Balance, end of year	<u>\$ 644,020</u>	<u>\$ 1,990,341</u>

Special Revenue Funds		Capital Project Funds		Totals (Memorandum Only)
Special Business District	Midtown Special Allocation	Capital Project	Capital Project #2	
\$ 37,217	\$ 32,888	\$ -	\$ 1,933,775	\$ 4,771,520
725	-	56,740	-	68,264
-	-	-	-	238,144
1,527	76	24,281	29,014	73,317
<u>39,469</u>	<u>32,964</u>	<u>81,021</u>	<u>1,962,789</u>	<u>5,151,245</u>
-	-	-	-	456,000
-	-	-	-	1,576,024
38,642	-	140,888	140,301	319,831
5,983	-	227,080	989,979	2,194,909
-	-	-	850,790	850,790
<u>44,625</u>	<u>-</u>	<u>367,968</u>	<u>1,981,070</u>	<u>5,397,554</u>
<u>(5,156)</u>	<u>32,964</u>	<u>(286,947)</u>	<u>(18,281)</u>	<u>(246,309)</u>
-	-	42,140	440,000	482,140
-	-	42,140	440,000	482,140
(5,156)	32,964	(244,807)	421,719	235,831
<u>42,412</u>	<u>44,528</u>	<u>623,303</u>	<u>2,611,317</u>	<u>5,924,810</u>
<u>\$ 37,256</u>	<u>\$ 77,492</u>	<u>\$ 378,496</u>	<u>\$ 3,033,036</u>	<u>\$ 6,160,641</u>

CITY OF SEDALIA, MISSOURI
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 454,671	\$ 454,671	\$ 449,298	\$ (5,373)
Payment in-lieu-of	250	250	319	69
Financial institution	-	-	682	682
Railroad and utilities	18,000	18,000	25,709	7,709
Total Taxes	<u>472,921</u>	<u>472,921</u>	<u>476,008</u>	<u>3,087</u>
Intergovernmental				
State and federal grants	10,094	10,094	10,799	705
Total Intergovernmental	<u>10,094</u>	<u>10,094</u>	<u>10,799</u>	<u>705</u>
Charges for Services				
Library fees	15,500	15,500	13,798	(1,702)
Total Charges for Services	<u>15,500</u>	<u>15,500</u>	<u>13,798</u>	<u>(1,702)</u>
Miscellaneous				
Interest	1,650	1,650	1,513	(137)
Miscellaneous	-	-	12,236	12,236
Total Miscellaneous	<u>1,650</u>	<u>1,650</u>	<u>13,749</u>	<u>12,099</u>
TOTAL REVENUES	<u>500,165</u>	<u>500,165</u>	<u>514,354</u>	<u>14,189</u>
EXPENDITURES				
Personnel services	283,395	283,395	286,972	(3,577)
Other charges and services	63,870	63,870	69,391	(5,521)
Operating supplies	106,850	106,850	99,637	7,213
Capital outlay	46,050	46,050	34,587	11,463
TOTAL EXPENDITURES	<u>500,165</u>	<u>500,165</u>	<u>490,587</u>	<u>9,578</u>
Excess (Deficit) of Revenues over Expenditures	-	-	23,767	<u>\$ 23,767</u>
Fund Balance, beginning of year	<u>620,253</u>	<u>620,253</u>	<u>620,253</u>	
Fund Balance, end of year	<u>\$ 620,253</u>	<u>\$ 620,253</u>	<u>\$ 644,020</u>	

CITY OF SEDALIA, MISSOURI
PARK FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 371,000	\$ 371,000	\$ 387,765	\$ 16,765
Payment in-lieu-of	-	-	225	225
Railroad and utility	13,000	13,000	18,279	5,279
General sales	1,640,000	1,640,000	1,885,363	245,363
Total Taxes	<u>2,024,000</u>	<u>2,024,000</u>	<u>2,291,632</u>	<u>267,632</u>
Charges for Services				
Park and recreation fees	223,000	223,000	224,346	1,346
Total Charges for Services	<u>223,000</u>	<u>223,000</u>	<u>224,346</u>	<u>1,346</u>
Miscellaneous				
Interest	10,000	10,000	3,263	(6,737)
Miscellaneous	5,000	5,000	1,407	(3,593)
Total Miscellaneous	<u>15,000</u>	<u>15,000</u>	<u>4,670</u>	<u>(10,330)</u>
TOTAL REVENUES	<u>2,262,000</u>	<u>2,262,000</u>	<u>2,520,648</u>	<u>258,648</u>
EXPENDITURES				
Personnel services	872,267	899,223	863,693	35,530
Other charges and services	421,500	463,500	459,112	4,388
Operating supplies	256,000	264,900	253,219	11,681
Capital outlay	702,000	902,000	937,280	(35,280)
TOTAL EXPENDITURES	<u>2,251,767</u>	<u>2,529,623</u>	<u>2,513,304</u>	<u>16,319</u>
Excess (Deficit) of Revenues over Expenditures	10,233	(267,623)	7,344	<u>\$ 242,329</u>
Fund Balance, beginning of year	<u>1,982,997</u>	<u>1,982,997</u>	<u>1,982,997</u>	
Fund Balance, end of year	<u>\$ 1,993,230</u>	<u>\$ 1,715,374</u>	<u>\$ 1,990,341</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 37,840	\$ 37,840	\$ 37,217	\$ (623)
Financial institution	1,000	1,000	-	(1,000)
Total Taxes	<u>38,840</u>	<u>38,840</u>	<u>37,217</u>	<u>(1,623)</u>
Intergovernmental				
State and federal grants	2,999	2,999	725	(2,274)
Total Intergovernmental	<u>2,999</u>	<u>2,999</u>	<u>725</u>	<u>(2,274)</u>
Miscellaneous				
Interest	120	120	42	(78)
Miscellaneous	-	-	1,485	1,485
Total Miscellaneous	<u>120</u>	<u>120</u>	<u>1,527</u>	<u>1,407</u>
TOTAL REVENUES	<u>41,959</u>	<u>41,959</u>	<u>39,469</u>	<u>(2,490)</u>
EXPENDITURES				
Other charges and services	40,280	40,280	37,121	3,159
Operating supplies	1,500	1,500	1,521	(21)
Capital outlay	10,500	10,500	5,983	4,517
TOTAL EXPENDITURES	<u>52,280</u>	<u>52,280</u>	<u>44,625</u>	<u>7,655</u>
Excess (Deficit) of Revenues over Expenditures	(10,321)	(10,321)	(5,156)	<u>\$ 5,165</u>
Fund Balance, beginning of year	<u>42,412</u>	<u>42,412</u>	<u>42,412</u>	
Fund Balance, end of year	<u>\$ 32,091</u>	<u>\$ 32,091</u>	<u>\$ 37,256</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 36,000	\$ 36,000	\$ 32,888	\$ (3,112)
Sales	-	-	-	-
Total Taxes	<u>36,000</u>	<u>36,000</u>	<u>32,888</u>	<u>(3,112)</u>
Miscellaneous				
Interest income	30	30	76	46
Total Miscellaneous	<u>30</u>	<u>30</u>	<u>76</u>	<u>46</u>
Total Revenues	<u>36,030</u>	<u>36,030</u>	<u>32,964</u>	<u>46</u>
EXPENDITURES				
Other charges and services	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues over Expenditures	<u>36,030</u>	<u>36,030</u>	<u>32,964</u>	<u>46</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	<u>36,030</u>	<u>36,030</u>	<u>32,964</u>	<u>\$ 46</u>
Fund Balance, beginning of year	<u>44,528</u>	<u>44,528</u>	<u>44,528</u>	
Fund Balance, end of year	<u>\$ 80,558</u>	<u>\$ 80,558</u>	<u>\$ 77,492</u>	

CITY OF SEDALIA, MISSOURI
CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
State and federal grants	\$ 531,000	\$ 531,000	\$ 56,740	\$ (474,260)
Total Intergovernmental	<u>531,000</u>	<u>531,000</u>	<u>56,740</u>	<u>(474,260)</u>
Miscellaneous				
Interest income	1,000	1,000	509	(491)
Miscellaneous	88,000	88,000	23,772	(64,228)
Total Miscellaneous	<u>89,000</u>	<u>89,000</u>	<u>24,281</u>	<u>(64,719)</u>
Total Revenues	<u>620,000</u>	<u>620,000</u>	<u>81,021</u>	<u>(538,979)</u>
EXPENDITURES				
Other charges and services	385,000	385,000	140,888	244,112
Capital outlay	284,000	284,000	227,080	56,920
Total Expenditures	<u>669,000</u>	<u>669,000</u>	<u>367,968</u>	<u>301,032</u>
Excess (Deficit) of Revenues over Expenditures	<u>(49,000)</u>	<u>(49,000)</u>	<u>(286,947)</u>	<u>(237,947)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(48,000)	(48,000)	42,140	90,140
Total Other Financing Sources (Uses)	<u>(48,000)</u>	<u>(48,000)</u>	<u>42,140</u>	<u>90,140</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	(97,000)	(97,000)	(244,807)	<u>\$ (147,807)</u>
Fund Balance, beginning of year	<u>623,303</u>	<u>623,303</u>	<u>623,303</u>	
Fund Balance, end of year	<u>\$ 526,303</u>	<u>\$ 526,303</u>	<u>\$ 378,496</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Taxes				
Sales	\$ 1,793,400	\$ 1,793,400	\$ 1,888,775	\$ 95,375
Franchise	45,000	45,000	45,000	-
Total Taxes	<u>1,838,400</u>	<u>1,838,400</u>	<u>1,933,775</u>	<u>95,375</u>
Miscellaneous				
Rental income	4,000	4,000	4,000	-
Interest income	11,500	11,500	25,014	13,514
Total Miscellaneous	<u>15,500</u>	<u>15,500</u>	<u>29,014</u>	<u>13,514</u>
Total Revenues	<u>1,853,900</u>	<u>1,853,900</u>	<u>1,962,789</u>	<u>108,889</u>
EXPENDITURES				
Other charges and services	252,600	252,600	140,301	112,299
Capital outlay	1,060,000	1,225,887	989,979	235,908
Debt service	783,390	783,390	850,790	(67,400)
Total Expenditures	<u>2,095,990</u>	<u>2,261,877</u>	<u>1,981,070</u>	<u>280,807</u>
Excess (Deficit) of Revenues over Expenditures	<u>(242,090)</u>	<u>(407,977)</u>	<u>(18,281)</u>	<u>389,696</u>
OTHER FINANCING SOURCES (USES)				
Certificates of participation proceeds	-	-	-	-
Operating transfers in (out)	440,000	440,000	440,000	-
Total Other Financing Sources (Uses)	<u>440,000</u>	<u>440,000</u>	<u>440,000</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	197,910	32,023	421,719	<u>\$ 389,696</u>
Fund Balance, beginning of year	<u>2,611,317</u>	<u>2,611,317</u>	<u>2,611,317</u>	
Fund Balance, end of year	<u>\$ 2,809,227</u>	<u>\$ 2,643,340</u>	<u>\$ 3,033,036</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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes				
Property	\$ 1,071,600	\$ 1,071,600	\$ 1,092,738	\$ 21,138
Interest and penalties	25,000	25,000	32,452	7,452
Payment-in-lieu-of taxes	600	600	647	47
Railroad and utilities	43,500	43,500	52,543	9,043
Financial institution	2,000	2,000	2,279	279
General sales	6,964,000	6,964,000	7,727,307	763,307
Franchise	2,339,000	2,339,000	2,371,409	32,409
Cigarette	120,000	120,000	118,709	(1,291)
Total Taxes	<u>10,565,700</u>	<u>10,565,700</u>	<u>11,398,084</u>	<u>832,384</u>
Licenses and Permits				
Occupational	306,000	306,000	346,127	40,127
Building	206,800	206,800	114,159	(92,641)
Street cuts	5,500	5,500	4,550	(950)
Other licenses	5,400	5,400	3,527	(1,873)
Total Licenses and Permits	<u>523,700</u>	<u>523,700</u>	<u>468,363</u>	<u>(55,337)</u>
Intergovernmental				
State gasoline tax	560,000	560,000	553,255	(6,745)
Motor vehicle sales tax	209,000	209,000	216,146	7,146
State and federal grants	-	-	86,473	86,473
Total Intergovernmental	<u>769,000</u>	<u>769,000</u>	<u>855,874</u>	<u>86,874</u>
Charges for Services				
Sanitation fees	1,260,000	1,260,000	1,241,012	(18,988)
Community center fees	14,000	14,000	16,345	2,345
Cemetery fees and lot sales	70,000	70,000	90,029	20,029
Airport fees	307,000	307,000	511,724	204,724
Total Charges for Services	<u>1,651,000</u>	<u>1,651,000</u>	<u>1,859,110</u>	<u>208,110</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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES (cont'd)				
Fines and Forfeitures	204,000	204,000	212,036	8,036
Total Fines and Forfeitures	<u>204,000</u>	<u>204,000</u>	<u>212,036</u>	<u>8,036</u>
Miscellaneous				
Interest income	30,500	30,500	33,707	3,207
Rental income	46,050	46,050	57,075	11,025
Miscellaneous	45,000	45,000	69,216	24,216
Total Miscellaneous	<u>121,550</u>	<u>121,550</u>	<u>159,998</u>	<u>38,448</u>
TOTAL REVENUES	<u>13,834,950</u>	<u>13,834,950</u>	<u>14,953,465</u>	<u>1,118,515</u>
EXPENDITURES				
General and Administrative				
Administrative				
Personnel services	582,853	582,853	640,941	(58,088)
Other charges and services	334,420	334,420	249,963	84,457
Operating supplies	19,700	19,700	12,817	6,883
Total Administrative	<u>936,973</u>	<u>936,973</u>	<u>903,721</u>	<u>33,252</u>
Finance				
Personnel services	301,045	313,945	316,509	(2,564)
Other charges and services	109,375	121,225	103,591	17,634
Operating supplies	2,300	2,300	2,362	(62)
Total Finance	<u>412,720</u>	<u>437,470</u>	<u>422,462</u>	<u>15,008</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (cont'd)				
Records				
Personnel services	123,853	123,853	125,417	(1,564)
Other charges and services	34,660	38,180	37,146	1,034
Repairs and maintenance	1,200	1,200	665	535
Total Records	<u>159,713</u>	<u>163,233</u>	<u>163,228</u>	<u>5</u>
Code Enforcement				
Personnel services	383,358	390,358	390,722	(364)
Other charges and services	43,995	43,995	39,901	4,094
Repairs and maintenance	9,600	9,600	9,642	(42)
Total Code Enforcement	<u>436,953</u>	<u>443,953</u>	<u>440,265</u>	<u>3,688</u>
Building Maintenance				
Personnel services	247,010	247,010	251,573	(4,563)
Other charges and services	42,200	42,200	49,934	(7,734)
Operating supplies	10,800	10,800	8,584	2,216
Repairs and maintenance	48,500	48,500	3,998	44,502
Total Building Maintenance	<u>348,510</u>	<u>348,510</u>	<u>314,089</u>	<u>34,421</u>
Total General and Administrative	<u>2,294,869</u>	<u>2,330,139</u>	<u>2,243,765</u>	<u>86,374</u>
Sanitation				
Personnel services	813,294	813,294	770,112	43,182
Other charges and services	62,904	62,904	45,336	17,568
Operating supplies	408,250	408,250	422,523	(14,273)
Total Sanitation	<u>1,284,448</u>	<u>1,284,448</u>	<u>1,237,971</u>	<u>46,477</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (cont'd)				
Public Safety				
Police				
Personnel services	3,041,200	3,041,200	3,037,574	3,626
Other charges and services	354,336	354,336	312,548	41,788
Operating supplies	191,800	191,800	193,033	(1,233)
Total Police	<u>3,587,336</u>	<u>3,587,336</u>	<u>3,543,155</u>	<u>44,181</u>
Fire				
Personnel services	2,140,337	2,140,337	2,134,029	6,308
Other charges and services	117,940	117,940	100,495	17,445
Operating supplies	38,400	38,400	31,511	6,889
Total Fire	<u>2,296,677</u>	<u>2,296,677</u>	<u>2,266,035</u>	<u>30,642</u>
Cemetery				
Personnel services	253,370	258,870	255,387	3,483
Other charges and services	20,650	20,650	17,295	3,355
Operating supplies	10,800	10,800	10,661	139
Total Cemetery	<u>284,820</u>	<u>290,320</u>	<u>283,343</u>	<u>6,977</u>
Total Public Safety	<u>6,168,833</u>	<u>6,174,333</u>	<u>6,092,533</u>	<u>81,800</u>
Transportation				
Streets and Alleys				
Personnel services	1,366,963	1,366,963	1,295,198	71,765
Other charges and services	665,400	665,400	647,710	17,690
Operating supplies	533,900	581,010	581,563	(553)
Total Streets and Alleys	<u>2,566,263</u>	<u>2,613,373</u>	<u>2,524,471</u>	<u>88,902</u>
Airport				
Personnel services	152,870	158,470	161,097	(2,627)
Other charges and services	49,135	49,135	48,978	157
Operating supplies	359,805	562,805	480,573	82,232
Total Airport	<u>561,810</u>	<u>770,410</u>	<u>690,648</u>	<u>79,762</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Total Transportation	3,128,073	3,383,783	3,215,119	168,664
Cultural Parks and Recreation Community Center				
Personnel services	-	-	13	(13)
Other charges and services	42,095	42,095	27,094	15,001
Operating supplies	4,800	4,800	1,836	2,964
Total Community Center	<u>46,895</u>	<u>46,895</u>	<u>28,943</u>	<u>17,952</u>
Capital Expenditures				
Capital outlay	<u>2,575,200</u>	<u>2,575,200</u>	<u>2,067,542</u>	<u>507,658</u>
Total Capital Expenditures	<u>2,575,200</u>	<u>2,575,200</u>	<u>2,067,542</u>	<u>507,658</u>
Debt Service				
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>15,498,318</u>	<u>15,794,798</u>	<u>14,885,873</u>	<u>908,925</u>
Excess (Deficit) of Revenues over Expenditures	(1,663,368)	(1,959,848)	67,592	2,027,440
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>13,000</u>	<u>13,000</u>	<u>8,000</u>	<u>(5,000)</u>
Total Other Financing Sources (Uses)	<u>13,000</u>	<u>13,000</u>	<u>8,000</u>	<u>(5,000)</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	(1,650,368)	(1,946,848)	75,592	<u>\$ 2,022,440</u>
Fund Balance, beginning of year	<u>10,270,714</u>	<u>10,270,714</u>	<u>10,270,714</u>	
Fund Balance, end of year	<u>\$ 8,620,346</u>	<u>\$ 8,323,866</u>	<u>\$ 10,346,306</u>	

COMBINING FINANCIAL STATEMENTS

Fiduciary Funds

CITY OF SEDALIA, MISSOURI
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED MARCH 31, 2012

	Private Purpose Trust	Pension Trust		Agency Fund	Total
	Cemetery	Firemen's Pension	Police Pension	Deferred Compensation	
ASSETS					
Cash and cash equivalents	\$ 310,390	\$ 220,159	\$ 119,493	\$ -	\$ 650,042
Investments					
U.S. Government securities	-	749,885	-	-	749,885
Corporate debt and equity	-	5,468,656	3,276,946	1,690,315	10,435,917
Other investments	-	29,624	1,655	-	31,279
Total investments	-	6,248,165	3,278,601	1,690,315	11,217,081
Total Assets	310,390	6,468,324	3,398,094	1,690,315	11,867,123
LIABILITIES					
Refundable contributions	-	1,824,913	275,673	-	2,100,586
Total Liabilities	-	1,824,913	275,673	-	2,100,586
NET ASSETS					
Held in trust for pension benefits and other purposes	\$ 310,390	\$ 4,643,411	\$ 3,122,421	\$ 1,690,315	\$ 9,766,537

CITY OF SEDALIA, MISSOURI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED MARCH 31, 2012

	Private Purpose Trust	Firemen's Pension Trust	Police Pension Trust	Agency Fund Deferred Compensation	Total
ADDITIONS					
Contributions					
Taxes	\$ -	\$ 124,799	\$ 228,416	\$ -	\$ 353,215
Employer/employee	-	140,296	-	180,125	320,421
Miscellaneous	8,775	-	3,293	-	12,068
Total contributions	8,775	265,095	231,709	180,125	685,704
Investment earnings					
Investment income	4,599	207,162	56,112	106,569	374,442
Net increase (decrease) in fair value of investments	-	51,623	11,641	-	63,264
Net investment earnings	4,599	258,785	67,753	106,569	437,706
Total Additions	13,374	523,880	299,462	286,694	1,123,410
DEDUCTIONS					
Pension expense	-	504,122	486,824	36,393	1,027,339
Insurance	-	31,878	-	-	31,878
Administrative fees	-	44,022	24,979	11,186	80,187
Pension refunds	-	-	30	-	30
Miscellaneous	4,429	12,776	7,184	-	24,389
Total Deductions	4,429	592,798	519,017	47,579	1,163,823
Change in net assets	8,945	(68,918)	(219,555)	239,115	(40,413)
Net assets, beginning of year	301,445	4,712,329	3,341,976	1,451,200	9,806,950
Net assets, end of year	\$ 310,390	\$ 4,643,411	\$ 3,122,421	\$ 1,690,315	\$ 9,766,537

COMPLIANCE AND INTERNAL CONTROL



GERDING, KORTE & CHITWOOD

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**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, 2012, which collectively comprise the City’s basic financial statements and have issued our report thereon dated July 27, 2012. 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

Management of the City of Sedalia, Missouri, is responsible for establishing and maintaining effective 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 July 27, 2012.

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.

A handwritten signature in blue ink, appearing to read "Audrey G. Whitehead", is enclosed in a thin black rectangular border.

July 27, 2012

Certified Public Accountants

CITY OF SEDALIA, MISSOURI
AUDIT COMMUNICATIONS LETTER
MARCH 31, 2012



Professional Corporation

Certified Public Accountants



GERDING, KORTE & CHITWOOD

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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"), for the year ended March 31, 2012, and have issued our report thereon dated July 27, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated May 15, 2012. Professional standards require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note I to the financial statements. As described in Note I to the financial statements, the City implemented GASB 54 in 2012. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of allowance for doubtful accounts is based on an analysis of the collectibility of accounts. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of depreciation expense is based on experience of management's estimate of useful lives of assets. We evaluated the key factors and assumptions used to develop the estimate of depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 27, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City Council and the City's management and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in blue ink, appearing to read "Audrey, G. & Co.", enclosed in a thin black rectangular border.

July 27, 2012

Certified Public Accountants