

**ANNUAL REPORT OF  
CITY OF SEDALIA, MISSOURI  
YEAR ENDED MARCH 31, 2013**

*CITY OF SEDALIA, MISSOURI*

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Professional Corporation  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To The City Council  
City of Sedalia, Missouri

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### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Health Center Fund, which represent 54 percent, 63 percent, and 92 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those 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 solely on the report of the other auditors. 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 from material misstatement.

#### PARTNERS

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, based on our audit and the report of the 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of March 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 4 through 14 and 93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2013, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.



August 6, 2013

Gerding, Korte & Chitwood, P.C.  
Certified Public Accountants  
Boonville, Missouri

**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED MARCH 31, 2013  
(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, 2013. 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 \$207,774,845 (Net position). Of this amount, \$52,415,397 (unrestricted net position) 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 position increased by \$1,962,984 from \$205,811,861 to \$207,774,845.
- As of the close of the current fiscal year, the City of Sedalia's governmental funds reported combined ending fund balances of \$21,120,557. 39% is unassigned and available for use within the City's designation and policies. 27% 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 \$8,413,135 or 56% of the total general fund expenditures.
- The City's revenue bonds payable decreased \$1,315,000 due to scheduled payments.
- The City's certificates of participation debt increased \$5,955,000 due to scheduled payments of 1,365,000 and the issuance of new Certificates of participation in the amount of 7,320,000.
- The City's capital lease debt decreased \$884,667 due to scheduled payments.
- The City's note payable debt decreased \$708,727 due to scheduled payments.
- The City's other note payable debt for the Health Center debt increased \$ 2,036,202 due to scheduled payments of \$566,846 and issuance of Construction Note for the Health Center of \$ 2,603,048.

**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, 2013  
(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 Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the fiscal year. All changes in net position is 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 15-18 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, 2013  
(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 104-105 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 30-88.

**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 89 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 90-103 of this report.

**Governmental-Wide Financial Analysis**

As noted earlier, net position 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 \$207,774,845 as of March 31, 2013.

**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED MARCH 31, 2013  
(UNAUDITED)**

The largest portion of the City's net position (66%) 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 position at March 31, 2012 and 2013:

|                                    | Net Position               |                             |                       |                            |                             |                       |
|------------------------------------|----------------------------|-----------------------------|-----------------------|----------------------------|-----------------------------|-----------------------|
|                                    | 2013                       |                             |                       | 2012                       |                             |                       |
|                                    | Governmental<br>Activities | Business-Type<br>Activities | Total                 | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
| Current assets                     | \$ 16,426,339              | \$ 45,410,474               | \$ 61,836,813         | \$ 17,277,110              | \$ 45,476,378               | \$ 62,753,488         |
| Restricted assets                  | 6,644,012                  | 35,436,002                  | 42,080,014            | 952,198                    | 37,918,156                  | 38,870,354            |
| Capital assets                     | 78,144,064                 | 114,608,282                 | 192,752,346           | 77,727,344                 | 112,742,062                 | 190,469,406           |
| Other assets                       | -                          | 759,147                     | 759,147               | -                          | 777,467                     | 777,467               |
| Total Assets                       | <u>101,214,415</u>         | <u>196,213,905</u>          | <u>297,428,320</u>    | <u>95,956,652</u>          | <u>196,914,063</u>          | <u>292,870,715</u>    |
| Current liabilities                | 2,930,798                  | 13,302,955                  | 16,233,753            | 2,391,567                  | 16,339,063                  | 18,730,630            |
| Long-term liabilities              | 13,816,429                 | 59,603,293                  | 73,419,722            | 7,549,980                  | 60,778,244                  | 68,328,224            |
| Total Liabilities                  | <u>16,747,227</u>          | <u>72,906,248</u>           | <u>89,653,475</u>     | <u>9,941,547</u>           | <u>77,117,307</u>           | <u>87,058,854</u>     |
| Net Position                       |                            |                             |                       |                            |                             |                       |
| Net investment in capital assets   | 63,029,565                 | 74,451,655                  | 137,481,220           | 69,263,730                 | 72,287,060                  | 141,550,790           |
| Debt service                       | 939,754                    | 4,952,421                   | 5,892,175             | -                          | 5,006,513                   | 5,006,513             |
| Expendable for capital acquisition | 5,704,258                  | 326,749                     | 6,031,007             | -                          | 315,374                     | 315,374               |
| Nonexpendable permanent endowments | -                          | 101,614                     | 101,614               | -                          | 101,614                     | 101,614               |
| Expendable for other purposes      | 5,853,341                  | -                           | 5,853,341             | 6,160,641                  | -                           | 6,160,641             |
| Unrestricted                       | 8,940,179                  | 43,475,218                  | 52,415,397            | 10,590,734                 | 42,086,195                  | 52,676,929            |
| Total Net Position                 | <u>\$ 84,467,097</u>       | <u>\$ 123,307,657</u>       | <u>\$ 207,774,754</u> | <u>\$ 86,015,105</u>       | <u>\$ 119,796,756</u>       | <u>\$ 205,811,861</u> |

**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED MARCH 31, 2013  
(UNAUDITED)**

As of March 31, 2013, the City is able to report positive balances in all three categories of net position for the government as a whole.

**Analysis of the City's Operations** - Overall the City had an increase in net position of \$1,962,984.

Governmental Activities: Governmental activities decreased the net position by \$1,547,917 from \$86,015,105 to \$84,467,188. This is due primarily to a decrease in revenue.

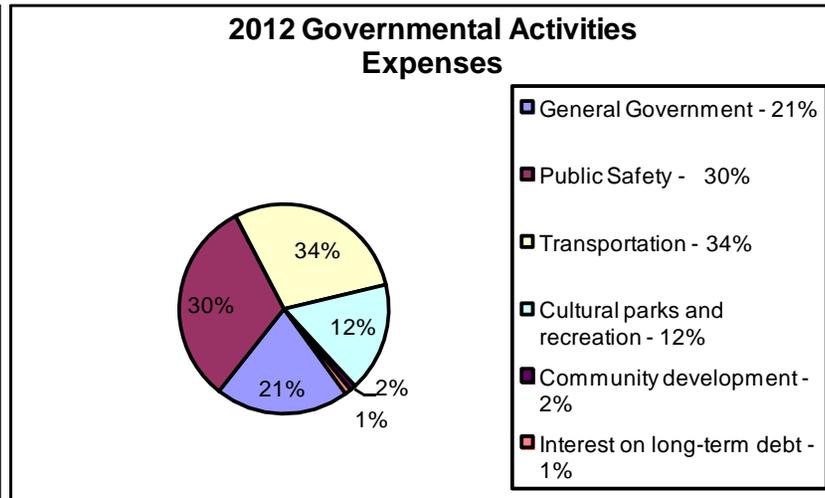
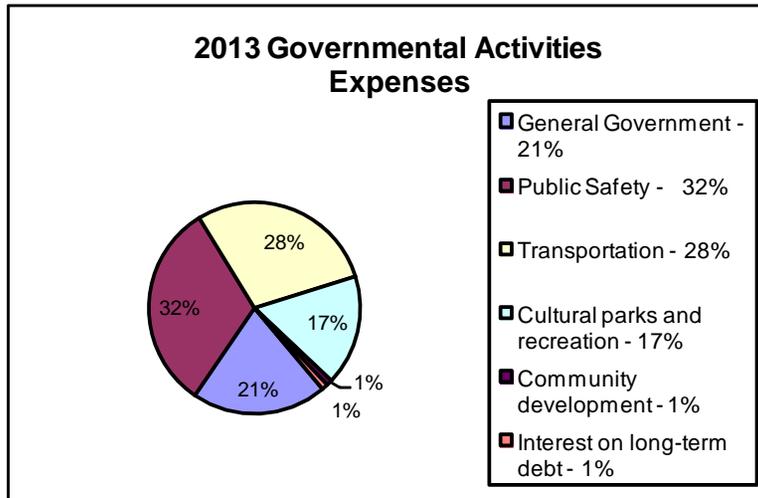
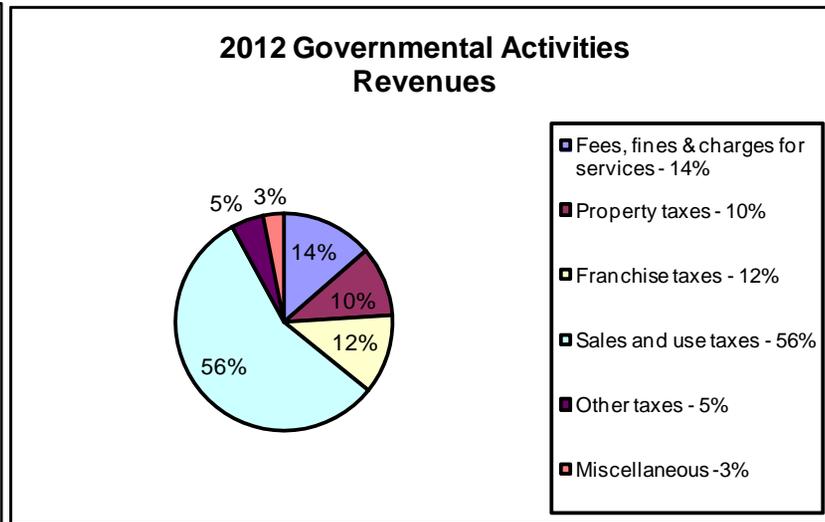
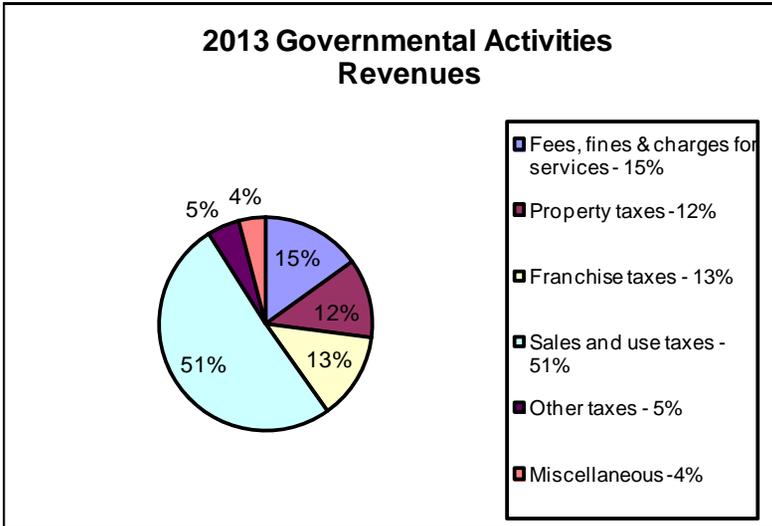
Business-type Activities: Net Position from business-type activities increased by \$3,510,901 from \$119,796,756 to \$123,307,657. This increase was primarily due to completion of capital projects and recognition of capital contributions; and the unrestricted net position increase from an excess of operating revenues over operating expenditures.

The following table provides a summary of the City's operations for year ended March 31, 2012 and 2013.

|                                      | Changes in Net Position    |                             |                       |                            |                             |                       |
|--------------------------------------|----------------------------|-----------------------------|-----------------------|----------------------------|-----------------------------|-----------------------|
|                                      | 2013                       |                             |                       | 2012                       |                             |                       |
|                                      | Governmental<br>Activities | Business-Type<br>Activities | Total                 | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
| <b>Revenues:</b>                     |                            |                             |                       |                            |                             |                       |
| <b>Program Revenues</b>              |                            |                             |                       |                            |                             |                       |
| Fees, fines and charges for services | \$ 2,747,485               | \$ 99,947,264               | \$ 102,694,749        | \$ 2,777,653               | \$ 98,959,681               | \$ 101,737,334        |
| Operating grants and contributions   | 199,377                    | 102,870                     | 302,247               | 154,737                    | 190,192                     | 344,929               |
| Capital grants and contributions     | 994,192                    | 865,450                     | 1,859,642             | -                          | 643,049                     | 643,049               |
| <b>General Revenues</b>              |                            |                             |                       |                            |                             |                       |
| Property taxes                       | 2,188,121                  | -                           | 2,188,121             | 2,130,080                  | -                           | 2,130,080             |
| Franchise taxes                      | 2,398,471                  | -                           | 2,398,471             | 2,416,409                  | -                           | 2,416,409             |
| Sales and use taxes                  | 9,280,664                  | 776,836                     | 10,057,500            | 11,501,445                 | 1,034,887                   | 12,536,332            |
| Motor vehicle and fuel taxes         | 764,415                    | -                           | 764,415               | 769,401                    | -                           | 769,401               |
| Other taxes                          | 127,263                    | -                           | 127,263               | 121,670                    | -                           | 121,670               |
| Investment earnings                  | 35,757                     | 103,830                     | 139,587               | 64,124                     | 143,916                     | 208,040               |
| Transfers                            | 464,155                    | (461,704)                   | 2,451                 | 490,140                    | (490,140)                   | -                     |
| Miscellaneous                        | 245,010                    | (13,321)                    | 231,689               | 153,812                    | (41,761)                    | 112,051               |
| <b>Total Revenues</b>                | <b>19,444,910</b>          | <b>101,321,225</b>          | <b>120,766,135</b>    | <b>20,579,471</b>          | <b>100,439,824</b>          | <b>121,019,295</b>    |
| <b>Expenses:</b>                     |                            |                             |                       |                            |                             |                       |
| General government                   | 4,336,641                  | -                           | 4,336,641             | 4,163,244                  | -                           | 4,163,244             |
| Public safety                        | 6,651,211                  | -                           | 6,651,211             | 6,408,748                  | -                           | 6,408,748             |
| Transportation                       | 6,072,436                  | -                           | 6,072,436             | 6,301,130                  | -                           | 6,301,130             |
| Cultural park, library & comm. centr | 3,542,229                  | -                           | 3,542,229             | 2,584,676                  | -                           | 2,584,676             |
| Community development                | 187,816                    | -                           | 187,816               | 319,831                    | -                           | 319,831               |
| Interest on long-term debt           | 202,494                    | -                           | 202,494               | 235,831                    | -                           | 235,831               |
| Health                               | -                          | 91,289,602                  | 91,289,602            | -                          | 90,640,246                  | 90,640,246            |
| Water                                | -                          | 3,277,786                   | 3,277,786             | -                          | 3,356,640                   | 3,356,640             |
| Wastewater                           | -                          | 3,242,936                   | 3,242,936             | -                          | 4,017,369                   | 4,017,369             |
| <b>Total Expenses</b>                | <b>20,992,827</b>          | <b>97,810,324</b>           | <b>118,803,151</b>    | <b>20,013,460</b>          | <b>98,014,255</b>           | <b>118,027,715</b>    |
| Change in Net Position               | (1,547,917)                | 3,510,901                   | 1,962,984             | 566,011                    | 2,425,569                   | 2,991,580             |
| Net Position-Beginning of Year       | 86,015,105                 | 119,796,756                 | 205,811,861           | 85,449,094                 | 117,371,187                 | 202,820,281           |
| <b>Net Position-End of Year</b>      | <b>\$ 84,467,188</b>       | <b>\$ 123,307,657</b>       | <b>\$ 207,774,845</b> | <b>\$ 86,015,105</b>       | <b>\$119,796,756</b>        | <b>\$ 205,811,861</b> |

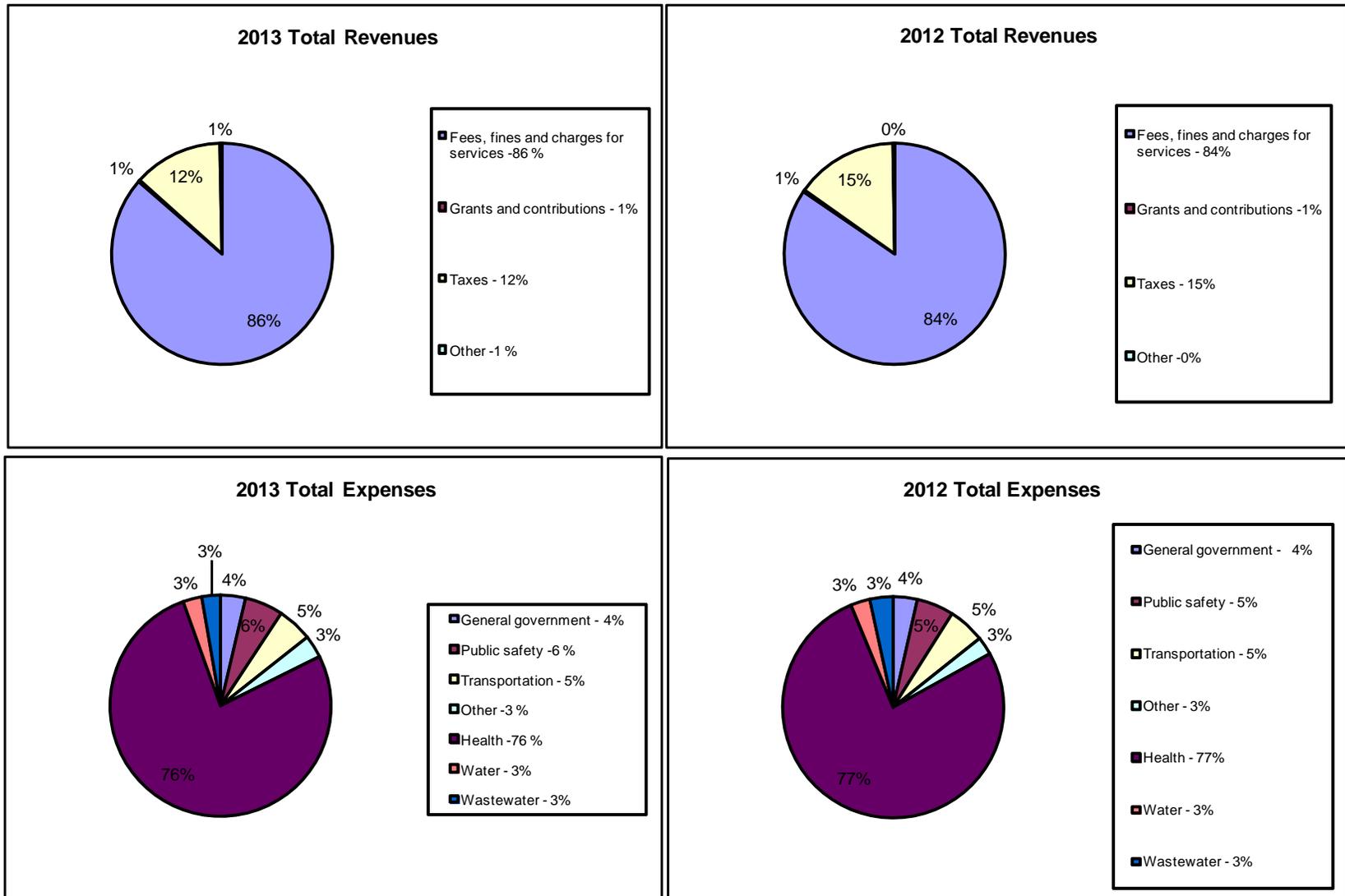
**CITY OF SEDALIA, MISSOURI  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR YEAR ENDED MARCH 31, 2013  
 (UNAUDITED)**

**Revenue & Expense Comparisons  
 March 31, 2013 & March 31, 2012**



**CITY OF SEDALIA, MISSOURI  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR YEAR ENDED MARCH 31, 2013  
 (UNAUDITED)**

**Total Revenues & Expenses  
 March 31, 2013 & March 31, 2012**



**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED MARCH 31, 2013  
(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 \$21,120,557. This is an increase of 28% from \$16,506,947.

In the general fund, the City budgeted for a decrease in the fund balance of \$1,644,988, which was primarily resulting from additional expenditures. Due to actual revenues being less than budgeted and actual expenses being less than budgeted, the actual fund balance decrease for fiscal year 2013 was \$1,723,102.

In the Capital Project #2 Fund, the City budgeted for an increase in the fund balance of \$358,990. The actual fund balance increase for fiscal year 2013 was \$6,450,719 due to the 2012 Certificates of Participation being issued.

**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 position of the respective proprietary funds are Health - \$32,356,815, Water - \$2,856,568, and Wastewater - \$8,261,835. The Water and Wastewater funds had a net position increase in 2013 as follows: Water - \$308,780, Wastewater - 1,351,569. The Health fund had a net position increase in 2013 of \$1,850,552.

**General Fund Budgetary Highlights** - The City spent \$1,333,339 less than the actual budget for the General Fund. The majority of this amount (\$434,179) was due to the delay of capital expenditures and a reduction in public safety and transportation and general administrative expenditures (899,160).

**Capital Assets**

The City of Sedalia's investment in capital assets for its governmental and business-type activities as of March 31, 2013 amounts to \$192,752,346 (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, 2013  
(UNAUDITED)**

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

|   | 2013                       |                             |                       | 2012                       |                             |                       |
|---|----------------------------|-----------------------------|-----------------------|----------------------------|-----------------------------|-----------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                 | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
| <b>Property, plant and equipment</b>            |                            |                             |                       |                            |                             |                       |
| Land, land rights and land improvements         | \$ 2,398,449               | \$ 5,834,001                | \$ 8,232,450          | \$ 2,398,449               | \$ 5,742,576                | \$ 8,141,025          |
| Structures, improvements<br>and plant equipment | 19,077,894                 | 49,357,300                  | 68,435,194            | 18,310,884                 | 33,074,547                  | 51,385,431            |
| Distribution system                             | -                          | 13,675,431                  | 13,675,431            | -                          | 9,248,257                   | 9,248,257             |
| Pumping and purification equipment              | -                          | 16,945,043                  | 16,945,043            | -                          | 15,621,346                  | 15,621,346            |
| Transmission mains                              | -                          | 6,045,543                   | 6,045,543             | -                          | 6,192,224                   | 6,192,224             |
| General equipment                               | 3,151,878                  | 18,689,881                  | 21,841,759            | 3,025,904                  | 20,318,257                  | 23,344,161            |
| Construction in progress                        | -                          | 4,061,083                   | 4,061,083             | -                          | 22,544,855                  | 22,544,855            |
| Infrastructure                                  | 53,515,843                 | -                           | 53,515,843            | 53,992,107                 | -                           | 53,992,107            |
| Net Capital Assets                              | <u>\$ 78,144,064</u>       | <u>\$ 114,608,282</u>       | <u>\$ 192,752,346</u> | <u>\$ 77,727,344</u>       | <u>\$ 112,742,062</u>       | <u>\$ 190,469,406</u> |

Additional information on the City of Sedalia's capital assets can be found in Note III-E and III-F on pages 53-56 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 \$79,710,271. Of this amount, \$12,360,000 comprises revenue bonded debt backed by the revenues of the Health Center and Water Department; \$49,390,000 represents certificates of participation debt; \$4,128,780 represents capital lease obligations that are expected to be paid so long as the City appropriates funds for payment, and \$13,831,491 represents the amount due on notes payable.

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

|                                   | 2013                       |                             |                      | 2012                       |                             |                      |
|-----------------------------------|----------------------------|-----------------------------|----------------------|----------------------------|-----------------------------|----------------------|
|                                   | Governmental<br>Activities | Business-Type<br>Activities | Total                | Governmental<br>Activities | Business-Type<br>Activities | Total                |
| Revenue Bonds                     | \$ -                       | \$ 12,360,000               | \$ 12,360,000        | \$ -                       | \$ 13,675,000               | \$ 13,675,000        |
| Certificate of participation debt | 14,552,500                 | 34,837,500                  | 49,390,000           | 7,710,000                  | 35,725,000                  | 43,435,000           |
| Capital leases                    | -                          | 4,128,780                   | 4,128,780            | -                          | 5,013,447                   | 5,013,447            |
| Note payable                      | 561,908                    | 13,269,583                  | 13,831,491           | 753,614                    | 11,942,108                  | 12,695,722           |
| Total                             | <u>\$ 15,114,408</u>       | <u>\$ 64,595,863</u>        | <u>\$ 79,710,271</u> | <u>\$ 8,463,614</u>        | <u>\$ 66,355,555</u>        | <u>\$ 74,819,169</u> |

**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED MARCH 31, 2013  
(UNAUDITED)**

During the fiscal year, the City's total debt increased by \$4,891,102. The increase was due to scheduled payments of \$5,031,946 and additional borrowing of Health Center Construction note payable of \$2,603,048, and Capital Improvement fund issuing 2012 A&B Certificates of Participation in the amount of \$7,320,000.

Additional information on the City of Sedalia's long term-debt can be found in footnote III-G on pages 57-71 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 POSITION**  
**MARCH 31, 2013**

| <u>ASSETS</u>   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>          |
|---|------------------------------------|-------------------------------------|-----------------------|
| Current Assets:   |                                    |                                     |                       |
| Cash and cash equivalents   | \$ 13,254,748                      | \$ 20,589,817                       | \$ 33,844,565         |
| Short-term investments  | -                                  | 5,393,623                           | 5,393,623             |
| Current portion of noncurrent cash and investments                    | -                                  | 411,477                             | 411,477               |
| Internal balances   | 131,256                            | (131,256)                           | -                     |
| Accrued interest receivable   | 22,864                             | 4,506                               | 27,370                |
| Accounts receivable net of allowance for uncollectibles - \$5,136,000 | 191,779                            | 15,630,799                          | 15,822,578            |
| Taxes receivable - net of allowance<br>for uncollectible - \$10,000   | 2,539,316                          | 235,658                             | 2,774,974             |
| Estimated third-party payor settlements receivable                    | -                                  | 655,433                             | 655,433               |
| Due from other governmental agencies                                  | 60,549                             | -                                   | 60,549                |
| Inventory   | 70,725                             | 1,564,852                           | 1,635,577             |
| Prepaid expenses and other assets                                     | 155,102                            | 1,055,565                           | 1,210,667             |
| Total Current Assets  | <u>16,426,339</u>                  | <u>45,410,474</u>                   | <u>61,836,813</u>     |
| Restricted assets:  |                                    |                                     |                       |
| Cash and cash equivalents   | 6,644,012                          | 28,221,902                          | 34,865,914            |
| Short-term investments  | -                                  | -                                   | -                     |
| Noncurrent cash and investments                                       | -                                  | 7,214,100                           | 7,214,100             |
| Total Restricted Assets   | <u>6,644,012</u>                   | <u>35,436,002</u>                   | <u>42,080,014</u>     |
| Noncurrent Assets:  |                                    |                                     |                       |
| Capital Assets  |                                    |                                     |                       |
| Land, land rights and land improvements                               | 2,398,449                          | 5,492,968                           | 7,891,417             |
| Structures, improvements and plant equipment                          | 32,316,426                         | 94,839,842                          | 127,156,268           |
| Distribution system   | -                                  | 17,469,923                          | 17,469,923            |
| Pumping and purification equipment                                    | -                                  | 29,682,582                          | 29,682,582            |
| Transmission mains  | -                                  | 11,643,606                          | 11,643,606            |
| Equipment   | 12,917,374                         | 71,038,143                          | 83,955,517            |
| Infrastructure  | 154,208,832                        | -                                   | 154,208,832           |
| Construction in progress  | -                                  | 4,061,083                           | 4,061,083             |
| Accumulated depreciation  | (123,697,017)                      | (119,619,865)                       | (243,316,882)         |
| Total Capital Assets, net of accumulated depreciation                 | <u>78,144,064</u>                  | <u>114,608,282</u>                  | <u>192,752,346</u>    |
| Other Assets  | -                                  | 759,147                             | 759,147               |
| Total Noncurrent Assets   | <u>78,144,064</u>                  | <u>115,367,429</u>                  | <u>193,511,493</u>    |
| Total Assets  | <u>\$ 101,214,415</u>              | <u>\$ 196,213,905</u>               | <u>\$ 297,428,320</u> |

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION (CONT'D)**  
**MARCH 31, 2013**

| <b>LIABILITIES</b>                                    | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>          |
|---|------------------------------------|-------------------------------------|-----------------------|
| Current Liabilities:                                  |                                    |                                     |                       |
| Accounts payable                                      | \$ 98,549                          | \$ 3,161,386                        | \$ 3,259,935          |
| Accrued expenses                                      | 1,648,417                          | 5,019,405                           | 6,667,822             |
| Accrued long-term debt interest                       | -                                  | 810,755                             | 810,755               |
| Estimated third-party payor settlements payable       | -                                  | -                                   | -                     |
| Current maturities of long term debt                  | 981,004                            | 3,240,223                           | 4,221,227             |
| Court bonds payable                                   | 23,398                             | -                                   | 23,398                |
| Deferred revenue                                      | 179,430                            | -                                   | 179,430               |
| Payable from segregated funds:                        |                                    |                                     |                       |
| Accrued bond interest                                 | -                                  | 8,163                               | 8,163                 |
| Current maturities of long term debt                  | -                                  | 569,397                             | 569,397               |
| Customer's deposits                                   | -                                  | 493,626                             | 493,626               |
| Total Current Liabilities                             | <u>2,930,798</u>                   | <u>13,302,955</u>                   | <u>16,233,753</u>     |
| Noncurrent Liabilities:                               |                                    |                                     |                       |
| Certificates of participation                         | 13,770,000                         | 33,930,000                          | 47,700,000            |
| Energy loans payable                                  | 363,404                            | -                                   | 363,404               |
| Capital lease payable                                 | -                                  | 3,789,672                           | 3,789,672             |
| Bonded debt due after one year                        | -                                  | 23,028,161                          | 23,028,161            |
| Less unamortized bond premium and debt issuance costs | <u>(316,975)</u>                   | <u>(1,144,540)</u>                  | <u>(1,461,515)</u>    |
| Total Noncurrent Liabilities                          | <u>13,816,429</u>                  | <u>59,603,293</u>                   | <u>73,419,722</u>     |
| Total Liabilities                                     | <u>16,747,227</u>                  | <u>72,906,248</u>                   | <u>89,653,475</u>     |
| <b>NET POSITION</b>                                   |                                    |                                     |                       |
| Net investment in capital assets                      | 63,029,656                         | 74,451,655                          | 137,481,311           |
| Restricted for:                                       |                                    |                                     |                       |
| Expendable for debt service                           | 939,754                            | 4,952,421                           | 5,892,175             |
| Expendable for capital acquisitions                   | 5,704,258                          | 326,749                             | 6,031,007             |
| Expendable for other purposes                         | 5,853,341                          | -                                   | 5,853,341             |
| Nonexpendable permanent endowments                    | -                                  | 101,614                             | 101,614               |
| Unrestricted  | <u>8,940,179</u>                   | <u>43,475,218</u>                   | <u>52,415,397</u>     |
| Total Net Position                                    | <u>\$ 84,467,188</u>               | <u>\$ 123,307,657</u>               | <u>\$ 207,774,845</u> |

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**YEAR ENDED MARCH 31, 2013**

| Functions/Programs                   | Expenses       | Program Revenues     |                                    |                                | Net (Expense) Revenue and Changes in Net Position |                          |                 |
|--------------------------------------|----------------|----------------------|------------------------------------|--------------------------------|---|--------------------------|-----------------|
|                                      |                | Charges for Services | Operating Grants and Contributions | Capital Grants & Contributions | Governmental Activities                           | Business-type Activities | Total           |
| Governmental Activities:             |                |                      |                                    |                                |   |                          |                 |
| General Government:                  |                |                      |                                    |                                |   |                          |                 |
| General and administration           | \$ 3,037,471   | \$ 475,765           | \$ 93,135                          | \$ -                           | \$ (2,468,571)                                    | \$ -                     | \$ (2,468,571)  |
| Sanitation                           | 1,299,170      | 1,243,100            | -                                  | -                              | (56,070)  | -                        | (56,070)        |
| Total General Government             | 4,336,641      | 1,718,865            | 93,135                             | -                              | (2,524,641)                                       | -                        | (2,524,641)     |
| Public Safety:                       |                |                      |                                    |                                |   |                          |                 |
| Police                               | 3,795,891      | 211,549              | 91,187                             | -                              | (3,493,155)                                       | -                        | (3,493,155)     |
| Fire                                 | 2,556,543      | -                    | -                                  | -                              | (2,556,543)                                       | -                        | (2,556,543)     |
| Cemetery                             | 298,777        | 102,908              | -                                  | -                              | (195,869)   | -                        | (195,869)       |
| Total Public Safety                  | 6,651,211      | 314,457              | 91,187                             | -                              | (6,245,567)                                       | -                        | (6,245,567)     |
| Transportation:                      |                |                      |                                    |                                |   |                          |                 |
| Airport                              | 719,165        | 411,454              | -                                  | -                              | (307,711)   | -                        | (307,711)       |
| Streets                              | 2,999,192      | -                    | -                                  | 228,827                        | (2,770,365)                                       | -                        | (2,770,365)     |
| Infrastructure                       | 2,354,079      | -                    | -                                  | 765,365                        | (1,588,714)                                       | -                        | (1,588,714)     |
| Total Transportation                 | 6,072,436      | 411,454              | -                                  | 994,192                        | (4,666,790)                                       | -                        | (4,666,790)     |
| Cultural, Parks and Recreation:      |                |                      |                                    |                                |   |                          |                 |
| Library                              | 464,946        | 9,052                | 15,055                             | -                              | (440,839)   | -                        | (440,839)       |
| Park                                 | 3,043,101      | 276,394              | -                                  | -                              | (2,766,707)                                       | -                        | (2,766,707)     |
| Community center                     | 34,182         | 17,263               | -                                  | -                              | (16,919)  | -                        | (16,919)        |
| Total Cultural, Parks and Recreation | 3,542,229      | 302,709              | 15,055                             | -                              | (3,224,465)                                       | -                        | (3,224,465)     |
| Community/Economic Development:      |                |                      |                                    |                                |   |                          |                 |
| Planning, building and economic      | 187,816        | -                    | -                                  | -                              | (187,816)   | -                        | (187,816)       |
| Total Community/Economic             | 187,816        | -                    | -                                  | -                              | (187,816)   | -                        | (187,816)       |
| Debt Service                         |                |                      |                                    |                                |   |                          |                 |
| Interest and fees                    | 202,494        | -                    | -                                  | -                              | (202,494)   | -                        | (202,494)       |
| Total Debt Service                   | 202,494        | -                    | -                                  | -                              | (202,494)   | -                        | (202,494)       |
| Total Governmental Activities        | 20,992,827     | 2,747,485            | 199,377                            | 994,192                        | (17,051,773)                                      | -                        | (17,051,773)    |
| Business-Type Activities:            |                |                      |                                    |                                |   |                          |                 |
| Health                               | 91,289,602     | 92,212,593           | 102,870                            | 865,450                        | -   | 1,891,311                | 1,891,311       |
| Water                                | 3,277,786      | 3,472,589            | -                                  | -                              | -   | 194,803                  | 194,803         |
| Wastewater                           | 3,242,936      | 4,262,082            | -                                  | -                              | -   | 1,019,146                | 1,019,146       |
| Total Business-Type Activities       | 97,810,324     | 99,947,264           | 102,870                            | 865,450                        | -   | 3,105,260                | 3,105,260       |
| Total                                | \$ 118,803,151 | \$ 102,694,749       | \$ 302,247                         | \$ 1,859,642                   | \$ (17,051,773)                                   | \$ 3,105,260             | \$ (13,946,513) |

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (Cont'd)**  
**YEAR ENDED MARCH 31, 2013**

|   | <u>Net (Expense) Revenue and Changes in Net Position</u> |                       |                       |
|---|--|-----------------------|-----------------------|
|   | <u>Primary Government</u>                                |                       |                       |
|   | <u>Governmental</u>                                      | <u>Business-type</u>  | <u>Total</u>          |
| <u>Activities</u>                           | <u>Activities</u>  |                       |                       |
| General Revenues:                           |  |                       |                       |
| Taxes:                                      |  |                       |                       |
| Property taxes, levied for general purposes | 2,188,121  | -                     | 2,188,121             |
| Franchise taxes                             | 2,398,471  | -                     | 2,398,471             |
| Sales and use taxes                         | 9,280,664  | 776,836               | 10,057,500            |
| Motor vehicle and fuel taxes                | 764,415  | -                     | 764,415               |
| Other taxes                                 | 127,263  | -                     | 127,263               |
| Unrestricted investment earnings            | 35,757   | 103,830               | 139,587               |
| Transfers                                   | 464,155  | (461,704)             | 2,451                 |
| Miscellaneous                               | 245,010  | (13,321)              | 231,689               |
| Total general revenues                      | <u>15,503,856</u>  | <u>405,641</u>        | <u>15,909,497</u>     |
| Change in net position                      | (1,547,917)  | 3,510,901             | 1,962,984             |
| Net position - beginning                    | <u>86,015,105</u>  | <u>119,796,756</u>    | <u>205,811,861</u>    |
| Net position - ending                       | <u>\$ 84,467,188</u>                                     | <u>\$ 123,307,657</u> | <u>\$ 207,774,845</u> |

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2013**

| <b>ASSETS</b>   | <b>General<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|-------------------------|---|---|
| Cash, including time deposits                                       | \$ 8,009,581            | \$ 5,245,167                            | \$ 13,254,748                           |
| Taxes receivable - net of allowance<br>for uncollectible - \$10,000 | 1,938,632               | 600,684                                 | 2,539,316                               |
| Accrued interest receivable   | 12,235                  | 10,629                                  | 22,864                                  |
| Accounts receivable   | 100,429                 | 91,350                                  | 191,779                                 |
| Due from other governmental agencies                                | -                       | 60,549                                  | 60,549                                  |
| Due from Water  | 131,256                 | -                                       | 131,256                                 |
| Inventory   | 70,725                  | -                                       | 70,725                                  |
| Prepaid expenses  | 139,344                 | 15,758                                  | 155,102                                 |
| Restricted cash   | -                       | 6,644,012                               | 6,644,012                               |
| <b>Total Assets</b>   | <b>\$ 10,402,202</b>    | <b>\$ 12,668,149</b>                    | <b>\$ 23,070,351</b>                    |
| <b>LIABILITIES</b>  |                         |   |   |
| Accounts payable  | \$ 98,549               | \$ -                                    | \$ 98,549                               |
| Accrued expenses  | 1,477,621               | 170,796                                 | 1,648,417                               |
| Court bonds payable   | 23,398                  | -                                       | 23,398                                  |
| Due to Sewer Fund   | -                       | -                                       | -                                       |
| Deferred revenue  | 179,430                 | -                                       | 179,430                                 |
| <b>Total Liabilities</b>  | <b>1,778,998</b>        | <b>170,796</b>                          | <b>1,949,794</b>                        |
| <b>FUND EQUITY</b>  |                         |   |   |
| Nonspendable  |                         |   |   |
| Inventory   | 70,725                  | -                                       | 70,725                                  |
| Prepaid expenses  | 139,344                 | 15,758                                  | 155,102                                 |
| Restricted for debt service   |                         | 939,754                                 | 939,754                                 |
| Restricted for construction   |                         | 5,704,258                               | 5,704,258                               |
| Assigned for special revenue purposes                               | -                       | 2,629,950                               | 2,629,950                               |
| Assigned for capital project purposes                               | -                       | 3,207,633                               | 3,207,633                               |
| Unassigned  | 8,413,135               | -                                       | 8,413,135                               |
| <b>Total Fund Equity</b>  | <b>8,623,204</b>        | <b>12,497,353</b>                       | <b>21,120,557</b>                       |
| <b>Total Liabilities and Fund Equity</b>                            | <b>\$ 10,402,202</b>    | <b>\$ 12,668,149</b>                    | <b>\$ 23,070,351</b>                    |

See Notes to Financial Statements

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
MARCH 31, 2013**

|  |                      |
|--|----------------------|
| Total fund balance - total governmental funds  | \$ 21,120,557        |
| Amounts reported for governmental activities in the Statement of Net Position 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 \$123,697.017 | 78,144,064           |
| 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   | (981,004)            |
| Debt due in more than one year   | (14,133,404)         |
| Unamortized debt issuance costs are not financial resources and therefore are not reported in the funds, net of accumulated amortization.                                | <u>316,975</u>       |
| Net position of governmental activities  | <u>\$ 84,467,188</u> |

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED MARCH 31, 2013**

|  | <b>General<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|-------------------------|---|---|
| <b>REVENUES</b>  |                         |   |   |
| Taxes  | \$ 9,855,297            | \$ 4,139,222                            | \$ 13,994,519                           |
| Licenses and permits   | 475,765                 | -                                       | 475,765                                 |
| Intergovernmental  | 910,833                 | 281,786                                 | 1,192,619                               |
| Charges for services   | 1,774,725               | 285,446                                 | 2,060,171                               |
| Fines and penalties  | 211,549                 | -                                       | 211,549                                 |
| Miscellaneous  | 188,097                 | 92,670                                  | 280,767                                 |
| <b>Total Revenues</b>  | <b>13,416,266</b>       | <b>4,799,124</b>                        | <b>18,215,390</b>                       |
| <b>EXPENDITURES</b>  |                         |   |   |
| General and administrative   | 2,382,147               | -                                       | 2,382,147                               |
| Sanitation   | 1,242,174               | -                                       | 1,242,174                               |
| Public safety  | 6,389,087               | -                                       | 6,389,087                               |
| Transportation   | 3,382,801               | -                                       | 3,382,801                               |
| Cultural   | 34,128                  | -                                       | 34,128                                  |
| Library  | -                       | 436,496                                 | 436,496                                 |
| Park   | -                       | 2,413,934                               | 2,413,934                               |
| Planning, building and economic development  | -                       | 187,816                                 | 187,816                                 |
| Capital outlay   | 1,717,812               | 2,255,293                               | 3,973,105                               |
| Debt service   | -                       | 1,012,822                               | 1,012,822                               |
| <b>Total Expenditures</b>  | <b>15,148,149</b>       | <b>6,306,361</b>                        | <b>21,454,510</b>                       |
| <b>Excess (Deficit) of Revenues<br/>over Expenditures</b>                          | <b>(1,731,883)</b>      | <b>(1,507,237)</b>                      | <b>(3,239,120)</b>                      |
| <b>Other Financing Sources (Uses)</b>  |                         |   |   |
| Certificates of participation proceeds   | -                       | 7,388,575                               | 7,388,575                               |
| Operating transfers in (out)   | 8,781                   | 455,374                                 | 464,155                                 |
| <b>Total Other Financing Sources (Uses)</b>  | <b>8,781</b>            | <b>7,843,949</b>                        | <b>7,852,730</b>                        |
| <b>Excess (Deficit) of Revenues over Expenditures<br/>and Other Sources (Uses)</b> | <b>(1,723,102)</b>      | <b>6,336,712</b>                        | <b>4,613,610</b>                        |
| <b>Fund Balance, beginning of year</b>   | <b>10,346,306</b>       | <b>6,160,641</b>                        | <b>16,506,947</b>                       |
| <b>Fund Balance, end of year</b>   | <b>\$ 8,623,204</b>     | <b>\$ 12,497,353</b>                    | <b>\$ 21,120,557</b>                    |

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, 2013**

Net change in fund balances - total governmental funds \$ 4,613,610

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 | 3,936,214          |
| Capital contribution received       | 765,365            |
| Depreciation expense                | <u>(4,284,859)</u> |
|                                     | <u>416,720</u>     |

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

|  |                    |
|--|--------------------|
| Certificates of participation proceeds                                 | (7,320,000)        |
| Certificates of participation cost of issue and premium received (net) | 97,615             |
| Certificates of participation obligation principal payments            | 477,500            |
| Note payable principal payments  | 191,706            |
| Amortization expense   | <u>(25,068)</u>    |
|  | <u>(6,578,247)</u> |

Change in Net Position of Governmental Activities \$ (1,547,917)

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2013**

|  | <u>Budgeted Amounts</u> |                     | <u>Actual</u><br><u>Amounts</u> | <u>Variance with</u><br><u>Final Budget</u> |
|--|-------------------------|---------------------|---------------------------------|---|
|  | <u>Original</u>         | <u>Final</u>        |                                 |   |
| <b>REVENUES</b>  |                         |                     |                                 |   |
| Taxes  | \$ 11,373,600           | \$ 11,373,600       | \$ 9,855,297                    | \$ (1,518,303)                              |
| Licenses and permits   | 466,900                 | 466,900             | 475,765                         | 8,865                                       |
| Intergovernmental  | 769,000                 | 769,000             | 910,833                         | 141,833                                     |
| Charges for services   | 1,853,050               | 1,853,050           | 1,774,725                       | (78,325)                                    |
| Fines and penalties  | 206,000                 | 206,000             | 211,549                         | 5,549                                       |
| Miscellaneous  | 154,950                 | 154,950             | 188,097                         | 33,147                                      |
| <b>Total Revenues</b>  | <u>14,823,500</u>       | <u>14,823,500</u>   | <u>13,416,266</u>               | <u>(1,407,234)</u>                          |
| <b>EXPENDITURES</b>  |                         |                     |                                 |   |
| General and administrative   | 2,445,860               | 2,465,985           | 2,382,147                       | 83,838                                      |
| Sanitation   | 1,318,036               | 1,318,036           | 1,242,174                       | 75,862                                      |
| Public safety  | 6,636,442               | 6,636,442           | 6,389,087                       | 247,355                                     |
| Transportation   | 3,833,864               | 3,833,864           | 3,382,801                       | 451,063                                     |
| Cultural   | 40,370                  | 40,370              | 34,128                          | 6,242                                       |
| Capital outlay   | 1,947,009               | 2,151,991           | 1,717,812                       | 434,179                                     |
| Debt service   | 34,800                  | 34,800              | -                               | 34,800                                      |
| <b>Total Expenditures</b>  | <u>16,256,381</u>       | <u>16,481,488</u>   | <u>15,148,149</u>               | <u>1,333,339</u>                            |
| Excess (Deficit) of Revenues<br>over Expenditures                          | <u>(1,432,881)</u>      | <u>(1,657,988)</u>  | <u>(1,731,883)</u>              | <u>(73,895)</u>                             |
| <b>OTHER FINANCING SOURCES (USES)</b>                                      |                         |                     |                                 |   |
| Operating transfers in (out)   | 13,000                  | 13,000              | 8,781                           | (4,219)                                     |
| <b>Total Other Financing Sources (Uses)</b>                                | <u>13,000</u>           | <u>13,000</u>       | <u>8,781</u>                    | <u>(4,219)</u>                              |
| Excess (Deficit) of Revenues over<br>Expenditures and Other Sources (Uses) | <u>(1,419,881)</u>      | <u>(1,644,988)</u>  | <u>(1,723,102)</u>              | <u>\$ (78,114)</u>                          |
| Fund Balance, beginning of year  | <u>10,346,306</u>       | <u>10,346,306</u>   | <u>10,346,306</u>               |   |
| Fund Balance, end of year  | <u>\$ 8,926,425</u>     | <u>\$ 8,701,318</u> | <u>\$ 8,623,204</u>             |   |

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**MARCH 31, 2013**

|   | <b>Business Type Activities - Enterprise Funds</b> |                     |                     |                      |
|---|--|---------------------|---------------------|----------------------|
|   | <b>Health</b>                                      | <b>Water</b>        | <b>Wastewater</b>   | <b>Total</b>         |
| <b>ASSETS</b>   |  |                     |                     |                      |
| Operating Funds                                       |  |                     |                     |                      |
| Cash and cash equivalents                             | \$ 14,110,223                                      | \$ 352,262          | \$ 6,127,332        | \$ 20,589,817        |
| Short-term investments                                | 1,778,680  | 2,234,943           | 1,380,000           | 5,393,623            |
| Current portion of noncurrent cash and investments    | 411,477  | -                   | -                   | 411,477              |
| Taxes receivable                                      | -  | -                   | 235,658             | 235,658              |
| Accounts receivable:                                  |  |                     |                     |                      |
| Consumers   | 12,893,236   | 568,722             | 393                 | 13,462,351           |
| Other   | 2,168,448  | -                   | -                   | 2,168,448            |
| Estimated third-party payor settlements receivable    | 655,433  | -                   | -                   | 655,433              |
| Due from other funds                                  | -  | (732,020)           | 600,764             | (131,256)            |
| Accrued interest                                      | -  | 927                 | 3,579               | 4,506                |
| Inventories   | 1,332,666  | 232,186             | -                   | 1,564,852            |
| Prepaid expenses and other assets                     | 977,408  | 56,542              | 21,615              | 1,055,565            |
|   | <u>34,327,571</u>                                  | <u>2,713,562</u>    | <u>8,369,341</u>    | <u>45,410,474</u>    |
| <b>SEGREGATED FUNDS</b>                               |  |                     |                     |                      |
| Cash and cash equivalents                             | -  | 680,945             | 27,540,957          | 28,221,902           |
| Noncurrent cash and investments                       | 7,214,100  | -                   | -                   | 7,214,100            |
|   | <u>7,214,100</u>                                   | <u>680,945</u>      | <u>27,540,957</u>   | <u>35,436,002</u>    |
| Total Current Assets (Including Segregated Funds)     | <u>41,541,671</u>                                  | <u>3,394,507</u>    | <u>35,910,298</u>   | <u>80,846,476</u>    |
| Noncurrent Assets                                     |  |                     |                     |                      |
| Capital Assets  |  |                     |                     |                      |
| Land, land rights and land improvements               | 2,997,675  | 176,240             | 2,319,053           | 5,492,968            |
| Structures, improvements and plant equipment          | 83,198,163   | 11,641,679          | -                   | 94,839,842           |
| Distribution system                                   | -  | 17,469,923          | -                   | 17,469,923           |
| Pumping and purification equipment                    | -  | 4,749,930           | 24,932,652          | 29,682,582           |
| Transmission mains                                    | -  | 964,302             | 10,679,304          | 11,643,606           |
| Equipment   | 66,465,802   | 1,797,365           | 2,774,976           | 71,038,143           |
| Construction in progress                              | 601,947  | 496                 | 3,458,640           | 4,061,083            |
| Accumulated depreciation                              | <u>(90,162,780)</u>                                | <u>(11,730,047)</u> | <u>(17,727,038)</u> | <u>(119,619,865)</u> |
| Total Capital Assets, net of accumulated depreciation | 63,100,807   | 25,069,888          | 26,437,587          | 114,608,282          |
| Other assets  | 759,147  | -                   | -                   | 759,147              |
| Total Noncurrent Assets                               | <u>63,859,954</u>                                  | <u>25,069,888</u>   | <u>26,437,587</u>   | <u>115,367,429</u>   |
| Total Assets  | <u>105,401,625</u>                                 | <u>28,464,395</u>   | <u>62,347,885</u>   | <u>196,213,905</u>   |

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF NET POSITION (CONT'D)**  
**PROPRIETARY FUNDS**  
**MARCH 31, 2013**

|   | <b>Business Type Activities - Enterprise Funds</b> |                      |                      |                       |
|---|--|----------------------|----------------------|-----------------------|
|   | <b>Health</b>                                      | <b>Water</b>         | <b>Wastewater</b>    | <b>Total</b>          |
| <b>LIABILITIES</b>  |  |                      |                      |                       |
| <b>Operating Funds:</b>                                       |  |                      |                      |                       |
| Accounts payable  | \$ 2,638,945                                       | \$ 36,153            | \$ -                 | \$ 2,675,098          |
| Construction accounts payable                                 | 486,288  | -                    | -                    | 486,288               |
| Accrued interest  | 56,050   | 28,562               | 726,143              | 810,755               |
| Accrued payroll and related benefits                          | 4,813,164  | 68,433               | 137,808              | 5,019,405             |
| Estimated third-party pay or settlements payable              | -  | -                    | -                    | -                     |
| Current maturities of capital lease obligations               | 144,711  | -                    | 907,500              | 1,052,211             |
| Current maturities of revenue bonds payable                   | 2,188,012  | -                    | -                    | 2,188,012             |
|   | <u>10,327,170</u>                                  | <u>133,148</u>       | <u>1,771,451</u>     | <u>12,231,769</u>     |
| <b>Segregated Funds:</b>                                      |  |                      |                      |                       |
| Accrued bond interest   | -  | 8,163                | -                    | 8,163                 |
| Current portion of long-term debt due within one year         | -  | 569,397              | -                    | 569,397               |
| Consumer's deposits   | -  | 493,626              | -                    | 493,626               |
|   | <u>-</u>   | <u>1,071,186</u>     | <u>-</u>             | <u>1,071,186</u>      |
| <b>Total Current Liabilities (Including Segregated Funds)</b> | <u>10,327,170</u>                                  | <u>1,204,334</u>     | <u>1,771,451</u>     | <u>13,302,955</u>     |
| <b>Long-Term Debt:</b>  |  |                      |                      |                       |
| Bonded debt due after one year                                | 16,513,161   | 6,515,000            | -                    | 23,028,161            |
| Less unamortized call premium and debt issuance costs         | (127,599)  | (260,496)            | (756,445)            | (1,144,540)           |
| Capital lease obligations                                     | 828,107  | 2,961,565            | -                    | 3,789,672             |
| Certificates of participation                                 | -  | -                    | 33,930,000           | 33,930,000            |
| Total Noncurrent Liabilities                                  | <u>17,213,669</u>                                  | <u>9,216,069</u>     | <u>33,173,555</u>    | <u>59,603,293</u>     |
| Total Liabilities   | <u>27,540,839</u>                                  | <u>10,420,403</u>    | <u>34,945,006</u>    | <u>72,906,248</u>     |
| <b>NET POSITION</b>   |  |                      |                      |                       |
| Net investment in capital assets                              | 43,426,816   | 15,023,926           | 16,000,913           | 74,451,655            |
| Restricted  |  |                      |                      |                       |
| For debt service  | 1,648,792  | 163,498              | 3,140,131            | 4,952,421             |
| Expendable for capital acquisitions                           | 326,749  | -                    | -                    | 326,749               |
| Nonexpendable permanent endowments                            | 101,614  | -                    | -                    | 101,614               |
| Unrestricted  | <u>32,356,815</u>                                  | <u>2,856,568</u>     | <u>8,261,835</u>     | <u>43,475,218</u>     |
| Total Net Position  | <u>\$ 77,860,786</u>                               | <u>\$ 18,043,992</u> | <u>\$ 27,402,879</u> | <u>\$ 123,307,657</u> |

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED MARCH 31, 2013**

|   | <b>Business Type Activities - Enterprise Funds</b> |                      |                      |                       |
|---|--|----------------------|----------------------|-----------------------|
|   | <b>Health</b>                                      | <b>Water</b>         | <b>Wastewater</b>    | <b>Total</b>          |
| Operating revenues:                           |  |                      |                      |                       |
| Charges for services                          | \$ 91,571,692                                      | \$ 3,357,714         | \$ 4,244,240         | \$ 99,173,646         |
| Miscellaneous                                 | 640,901  | 114,875              | 17,842               | 773,618               |
| Total operating revenues                      | <u>92,212,593</u>                                  | <u>3,472,589</u>     | <u>4,262,082</u>     | <u>99,947,264</u>     |
| Operating expenses:                           |  |                      |                      |                       |
| Professional and purchased services           | 6,662,589  | -                    | -                    | 6,662,589             |
| Personnel services                            | 46,493,793   | 1,049,103            | 1,003,675            | 48,546,571            |
| Transmission and distribution                 | -  | 1,206,585            | 1,083,173            | 2,289,758             |
| Supplies                                      | 16,882,725   | -                    | -                    | 16,882,725            |
| Other expenses                                | 12,260,989   | -                    | -                    | 12,260,989            |
| Interest expense                              | 584,104  | -                    | -                    | 584,104               |
| Depreciation and amortization                 | 8,405,402  | 709,572              | 1,018,991            | 10,133,965            |
| Total operating expenses                      | <u>91,289,602</u>                                  | <u>2,965,260</u>     | <u>3,105,839</u>     | <u>97,360,701</u>     |
| Net operating income                          | <u>922,991</u>                                     | <u>507,329</u>       | <u>1,156,243</u>     | <u>2,586,563</u>      |
| Nonoperating revenue (expense):               |  |                      |                      |                       |
| Taxes   | -  | -                    | 776,836              | 776,836               |
| Investment income                             | 78,105   | 8,434                | 17,291               | 103,830               |
| Interest expense                              | -  | (312,526)            | (137,097)            | (449,623)             |
| Noncapital contributions                      | 102,870  | -                    | -                    | 102,870               |
| Gain(loss) on disposal of capital assets      | (20,283)   | 6,962                | -                    | (13,321)              |
| Total nonoperating revenue (expense)          | <u>160,692</u>                                     | <u>(297,130)</u>     | <u>657,030</u>       | <u>520,592</u>        |
| Net Income before contributions and transfers | 1,083,683  | 210,199              | 1,813,273            | 3,107,155             |
| Capital contributions and grants              | 766,869  | 98,581               | -                    | 865,450               |
| Transfers                                     | -  | -                    | (461,704)            | (461,704)             |
| Total capital contributions and transfers     | <u>766,869</u>                                     | <u>98,581</u>        | <u>(461,704)</u>     | <u>403,746</u>        |
| Net income                                    | 1,850,552  | 308,780              | 1,351,569            | 3,510,901             |
| Net position - beginning of year              | <u>76,010,234</u>                                  | <u>17,735,212</u>    | <u>26,051,310</u>    | <u>119,796,756</u>    |
| Net position - end of year                    | <u>\$ 77,860,786</u>                               | <u>\$ 18,043,992</u> | <u>\$ 27,402,879</u> | <u>\$ 123,307,657</u> |

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED MARCH 31, 2013**

|  | <b>Business Type Activities - Enterprise Funds</b> |                     |                      |                      |
|--|--|---------------------|----------------------|----------------------|
|  | <b>Health</b>                                      | <b>Water</b>        | <b>Wastewater</b>    | <b>Total</b>         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |  |                     |                      |                      |
| Receipts from and on behalf of customers/patients                    | \$ 87,565,049                                      | \$ 3,437,751        | \$ 4,263,472         | \$ 95,266,272        |
| Payments to suppliers and contractors                                | (35,580,313)                                       | (1,509,538)         | (1,084,735)          | (38,174,586)         |
| Payments to and on behalf of employees                               | (46,000,382)                                       | (1,044,629)         | (988,910)            | (48,033,921)         |
| Other receipts and payments  | 748,387  | -                   | -                    | 748,387              |
| Net cash provided (used) by operating activities                     | <u>6,732,741</u>                                   | <u>883,584</u>      | <u>2,189,827</u>     | <u>9,806,152</u>     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>               |  |                     |                      |                      |
| Taxes  | -  | -                   | 874,614              | 874,614              |
| Noncapital contributions   | 102,870  | -                   | -                    | 102,870              |
| Interfund transfer   | -  | -                   | (446,911)            | (446,911)            |
| Net cash provided by noncapital financing activities                 | <u>102,870</u>                                     | <u>-</u>            | <u>427,703</u>       | <u>530,573</u>       |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>      |  |                     |                      |                      |
| Net premium from issuance of refunding revenue bonds                 | -  | -                   | -                    | -                    |
| Capital grants and contributions                                     | 766,869  | 98,581              | -                    | 865,450              |
| Proceeds from sale of assets   | -  | 6,962               | -                    | 6,962                |
| Proceeds from issuance of long-term debt                             | 2,603,048  | -                   | -                    | 2,603,048            |
| Acquisition and construction of capital assets                       | (9,828,926)  | (510,498)           | (3,904,237)          | (14,243,661)         |
| Principal paid on capital lease obligations                          | (697,061)  | -                   | (887,500)            | (1,584,561)          |
| Repayment of long-term debt  | (2,245,573)  | (532,606)           | -                    | (2,778,179)          |
| Interest paid on revenue bonds                                       | (718,957)  | -                   | -                    | (718,957)            |
| Interest paid on capital debt  | (54,884)   | (340,387)           | (145,972)            | (541,243)            |
| Net cash provided (used) by capital and related financing activities | <u>(10,175,484)</u>                                | <u>(1,277,948)</u>  | <u>(4,937,709)</u>   | <u>(16,391,141)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                          |  |                     |                      |                      |
| Proceeds from sales and maturities of investment assets              | 8,538,038  | 2,218,532           | 2,019,469            | 12,776,039           |
| Purchase of investment assets  | (8,599,020)  | (2,234,943)         | (1,380,000)          | (12,213,963)         |
| Income from investments  | 78,105   | 10,427              | 14,146               | 102,678              |
| Net cash provided by investing activities                            | <u>17,123</u>                                      | <u>(5,984)</u>      | <u>653,615</u>       | <u>664,754</u>       |
| Net increase (decrease) in cash and cash equivalents                 | (3,322,750)  | (400,348)           | (1,666,564)          | (5,389,662)          |
| Balances - beginning of year   | <u>17,432,973</u>                                  | <u>1,433,375</u>    | <u>35,334,853</u>    | <u>54,201,201</u>    |
| Balances - end of year   | <u>\$ 14,110,223</u>                               | <u>\$ 1,033,027</u> | <u>\$ 33,668,289</u> | <u>\$ 48,811,539</u> |
| Cash and cash equivalents  | \$ 14,110,223                                      | \$ 352,262          | \$ 6,127,332         | \$ 20,589,817        |
| Segregated cash and cash equivalents                                 | -  | 680,945             | 27,540,957           | 28,221,902           |
| Total cash and cash equivalents, end of year                         | <u>\$ 14,110,223</u>                               | <u>\$ 1,033,207</u> | <u>\$ 33,668,289</u> | <u>\$ 48,811,719</u> |

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF CASH FLOWS (CONT'D)**  
**PROPRIETARY FUNDS**  
**YEAR ENDED MARCH 31, 2013**

|  | <b>Business Type Activities - Enterprise Funds</b> |                   |                     |                     |
|--|--|-------------------|---------------------|---------------------|
|  | <b>Health</b>                                      | <b>Water</b>      | <b>Wastewater</b>   | <b>Total</b>        |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO</b>  |  |                   |                     |                     |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>  |  |                   |                     |                     |
| Operating income (loss)  | \$ 922,991   | \$ 507,329        | \$ 1,156,243        | \$ 2,586,563        |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: |  |                   |                     |                     |
| Cash flows reported in other categories:   |  |                   |                     |                     |
| Interest expense considered financing activity   | 565,659  | -                 | -                   | 565,659             |
| Depreciation and amortization expense  | 8,405,402  | 709,572           | 1,018,991           | 10,133,965          |
| Provision for bad debts  | 6,229,528  | -                 | -                   | 6,229,528           |
| Change in assets and liabilities:  |  |                   |                     |                     |
| Receivables, net   | (7,706,186)  | (34,839)          | (18,792)            | (7,759,817)         |
| Other receivables  | (1,390,136)  | -                 | -                   | (1,390,136)         |
| Estimated third-party payor settlements  | (1,032,363)  | -                 | -                   | (1,032,363)         |
| Inventory and other assets   | (53,717)   | (2,657)           | -                   | (56,374)            |
| Prepaid expenses   | 87,519   | (2,305)           | (1,562)             | 83,652              |
| Accounts payable and accrued expenses  | 210,633  | (321,451)         | -                   | (110,818)           |
| Accrued payroll, related taxes and benefits  | 493,411  | 27,935            | 14,765              | 536,111             |
| Net cash provided (used) by operating activities   | <u>\$ 6,732,741</u>                                | <u>\$ 883,584</u> | <u>\$ 2,169,645</u> | <u>\$ 9,785,970</u> |
| Noncash investing, capital, and financing activities:  |  |                   |                     |                     |
| Capital lease obligations incurred for the purchase of new equipment                           | <u>\$ -</u>  | <u>\$ -</u>       | <u>\$ -</u>         | <u>\$ -</u>         |
| Construction accounts payable  | <u>\$ 486,288</u>                                  | <u>\$ -</u>       | <u>\$ -</u>         | <u>\$ 486,288</u>   |

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**MARCH 31, 2013**

|   |                             |
|---|-----------------------------|
| <b>ASSETS</b>   |                             |
| Cash and cash equivalents                             | \$ 654,293                  |
| Investments   |                             |
| U.S. Government securities                            | 779,056                     |
| Corporate debt and equity                             | 10,777,544                  |
| Other investments                                     | 24,834                      |
| Total investments                                     | <u>11,581,434</u>           |
| Total Assets  | <u>12,235,727</u>           |
| <br><b>LIABILITIES</b>                                |                             |
| Refundable contributions                              | <u>2,100,586</u>            |
| Total Liabilities                                     | <u>2,100,586</u>            |
| <br><b>NET POSITION</b>                               |                             |
| Held in trust for pension benefits and other purposes | <u><u>\$ 10,135,141</u></u> |

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED MARCH 31, 2013**

**ADDITIONS**

Contributions

|                     |            |
|---------------------|------------|
| Taxes               | \$ 358,710 |
| Employer/employee   | 397,975    |
| Miscellaneous       | 13,944     |
| Total contributions | 770,629    |

Investment earnings

|  |         |
|--|---------|
| Investment income                                    | 410,489 |
| Net increase (decrease) in fair value of investments | 451,099 |
| Net investment earnings                              | 861,588 |

|                 |           |
|-----------------|-----------|
| Total Additions | 1,632,217 |
|-----------------|-----------|

**DEDUCTIONS**

|                     |           |
|---------------------|-----------|
| Pension expense     | 1,080,843 |
| Insurance           | 31,942    |
| Administrative fees | 83,095    |
| Pension refunds     | 17,613    |
| Miscellaneous       | 50,120    |
| Total Deductions    | 1,263,613 |

|                        |         |
|------------------------|---------|
| Change in net position | 368,604 |
|------------------------|---------|

|                                 |           |
|---------------------------------|-----------|
| Net position, beginning of year | 9,766,537 |
|---------------------------------|-----------|

|                           |               |
|---------------------------|---------------|
| Net position, end of year | \$ 10,135,141 |
|---------------------------|---------------|

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**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, 2013**

**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 14<sup>th</sup> Street  
Sedalia, Missouri 65301

Sedalia Water Department  
111 West 4<sup>th</sup> 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 Position 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 position is reported in three parts – net investment in capital assets; restricted net position, and unrestricted net position. 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, 2013**

**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 transaction 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, 2013**

**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, Special Business District, and Midtown Special Allocation 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, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Major and Nonmajor Funds**

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

| <b><u>Fund</u></b>                  | <b><u>Brief Description</u></b>   |
|-------------------------------------|---|
| <b>Major:</b>                       |   |
| General                             | See above for description   |
| <b>Proprietary Fund:</b>            |   |
| Health Center, Water and Wastewater | Accounts for activities in providing health, water and wastewater services to the public. |
| <b>Nonmajor:</b>                    |   |
| <b>Special Revenue Funds:</b>       |   |
| 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, 2013**

**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 position (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 Position 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, 2013**

**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, 2012 the allowance for uncollectible accounts was approximately \$5,136,000.

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 \$2,055,000 for the year ended May 31, 2012.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Contributions: From time to time, the City and the Health Center receive contributions from individuals and private organizations. Revenue contributions (including contributions of 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 non-operating 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 are 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 Position, "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, 2013**

**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 Position.

**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, 2013**

**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, 2013**

**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, 2013**

**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, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Equity Classifications**

*Government-Wide Statements*

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

- a. Net investment in capital assets - 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 position -
  - (1) Expendable - Net position 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 position, as required by revenue bond indentures, prior to unrestricted net position.
  - (2) Nonexpendable - Net position 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 position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."
- d. Net position of the Health Center is classified in four components. *Net position invested in capital assets* consists 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 position* is non-capital net position 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 position* equals the principal portion of permanent endowments. *Unrestricted net position* is the remaining net position that does not meet the definition of *net investment in capital assets 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, 2013**

**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.

The City's restricted funds are as detailed in Note III-M.

- **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, 2013**

**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 2013 the City capitalized net interest of \$1,338,987.

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, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Expenditures/Expenses**

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

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

Governmental Funds - By Function

Proprietary Fund - By Operating and Nonoperating

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

**Interfund Transfers**

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

**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 amended the budget once during the fiscal year.

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.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**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, 2013, are shown below:

|  | Maturity<br>Date            | Carrying<br>Value           |
|--|-----------------------------|-----------------------------|
|  | <u>                    </u> | <u>                    </u> |
| Deposits:  |                             |                             |
| Demand deposits  |                             | \$ 14,072,080               |
| Time deposit   | 6/10/2013                   | 250,000                     |
| Time deposit   | 6/19/2013                   | 245,000                     |
| Time deposits  | 6/20/2013                   | 490,000                     |
| Time deposit   | 7/25/2013                   | 500,000                     |
| Time deposit   | 9/14/2013                   | 1,000,000                   |
| Time deposit   | 11/7/2013                   | 1,000,000                   |
| Time deposit   | 12/13/2013                  | 1,000,000                   |
| Time deposit   | 12/20/2013                  | 245,000                     |
| Time deposit   | 12/23/2013                  | 245,000                     |
| Time deposits  | 6/20/2014                   | 735,000                     |
| Time deposits  | 6/23/2014                   | 980,000                     |
|  |                             | <u>20,762,080</u>           |
| Investments:   |                             |                             |
| U.S. Federal Obligations   |                             | 34,184,969                  |
|  |                             | <u>34,184,969</u>           |
| Total deposits and investments<br>(excluding Health Center and Water Department) |                             | 54,947,049                  |
| Water Department deposits and investments  |                             | 3,268,150                   |
| Health Center deposits and investments   |                             | 23,514,480                  |
|  |                             | <u>23,514,480</u>           |
| Total deposits and investments   |                             | <u>\$ 81,729,679</u>        |
| Reconciliation of Statement of Net Assets:                                       |                             |                             |
| Current:   |                             |                             |
| Cash and cash equivalents  |                             | \$ 33,844,565               |
| Short-term investments   |                             | 5,393,623                   |
| Current portion of noncurrent cash and investments                               |                             | 411,477                     |
| Total Current  |                             | <u>39,649,665</u>           |
| Restricted:  |                             |                             |
| Cash and cash equivalents  |                             | \$ 34,865,914               |
| Noncurrent cash and investments  |                             | 7,214,100                   |
| Total Noncurrent   |                             | <u>42,080,014</u>           |
| Total  |                             | <u>\$ 81,729,679</u>        |

**CITY OF SEDALIA, MISSOURI  
NOTES TO COMBINED FINANCIAL STATEMENTS  
MARCH 31, 2013**

**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 \$21,754,919 at March 31, 2013, 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, 2013, 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, 2013, 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, 2013 are shown below:

|                                | Maturities | Carrying Value |
|--------------------------------|------------|----------------|
| Deposits:                      |            |                |
| Demand deposits                |            | \$ 1,033,207   |
|                                |            | 1,033,207      |
| Investments:                   |            |                |
| Time deposit                   | 09/15/13   | 360,424        |
| Time deposit                   | 01/13/14   | 1,174,559      |
| Time deposit                   | 05/22/14   | 699,960        |
|                                |            | 2,234,943      |
| Total deposits and investments |            | \$ 3,268,150   |

**CITY OF SEDALIA, MISSOURI  
NOTES TO COMBINED FINANCIAL STATEMENTS  
MARCH 31, 2013**

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

Reconciliation of Statement of Net Assets:

Current:

|                           |            |
|---------------------------|------------|
| Cash and cash equivalents | \$ 352,262 |
| Investments               | 2,234,943  |
| Total Current             | 2,587,205  |

Segregated:

|                           |         |
|---------------------------|---------|
| Cash and cash equivalents | 680,945 |
| Total Segregated          | 680,945 |

|       |              |
|-------|--------------|
| Total | \$ 3,268,150 |
|-------|--------------|

***Custodial Credit Risk.*** Deposits in financial institutions, reported as components of cash and investments had a bank balance of \$3,282,600 at March 31, 2013. Deposits at one financial institution were not secured at March 31, 2013.

***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, 2013, 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, 2013, 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, 2013**

**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, 2012 the Health Center had deposits as follows at custodial financial institutions:

|  |               |
|--|---------------|
| Insured (FDIC)   | \$ 581,949    |
| Collateralized by securities held by the pledging<br>financial institution | 21,283,739    |
| Total  | \$ 21,865,688 |

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, 2012, the Health Center's investments at fair market value are as follows with maturity dates of less than one year:

|                           |              |
|---------------------------|--------------|
| Investment Type:          |              |
| Money Markets             | \$ 1,648,792 |
| U.S. Treasury Obligations | -            |
| Total                     | \$ 1,648,792 |

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, 2013**

**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, 2012, as follows:

|                 |                      |
|-----------------|----------------------|
| Carrying Value: |                      |
| Deposits        | \$ 21,865,688        |
| Investments     | 1,648,792            |
|                 | <u>\$ 23,514,480</u> |

Included in the following balance sheet captions:

|   |                      |
|---|----------------------|
| Cash and cash equivalents                           | \$ 14,110,223        |
| Short-term investments                              | 1,778,680            |
| Internally designated for funded depreciation       | 5,548,422            |
| Restricted by bond agreement for debt service       | 411,477              |
| Restricted by bond agreement for debt reserve       | 1,237,315            |
| Restricted by contributors for capital acquisitions | 326,749              |
| Principal of permanent endowment                    | 101,614              |
|   | <u>\$ 23,514,480</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, 2013**

**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 of the Health Center's net patient revenue for the year ended May 31, 2012. 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 2012 net patient service revenue decreased approximately \$145,000 due to prior year retroactive adjustments in excess of amounts previously estimated.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

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

A summary of patient service revenue and revenue adjustments for the year ended May 31, 2012, is as follows:

|   |                      |
|---|----------------------|
| Total Patient Service Revenues                      | \$ 205,214,790       |
| Contractual adjustments and provision for bad debt: |                      |
| Medicare  | 75,728,464           |
| Medicaid  | 5,625,735            |
| Other   | 26,059,371           |
| Provision for bad debt                              | 6,229,528            |
| Total   | <u>113,643,098</u>   |
| Net Patient Service Revenue                         | <u>\$ 91,571,692</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, 2013, is as follows:

|                                 | Governmental<br>Activities | Business-<br>Type<br>Activities | Total                |
|---------------------------------|----------------------------|---------------------------------|----------------------|
| Accounts receivable             | \$ 191,779                 | \$ 20,766,799                   | \$ 20,958,578        |
| Allowance for doubtful accounts | -                          | (5,136,000)                     | (5,136,000)          |
| Net accounts receivable         | <u>\$ 191,779</u>          | <u>\$ 15,630,799</u>            | <u>\$ 15,822,578</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, 2013, was as follows:

|                                 | Governmental<br>Activities | Business-<br>Type<br>Activities | Total               |
|---------------------------------|----------------------------|---------------------------------|---------------------|
| Taxes receivable                | \$ 2,549,316               | \$ 235,658                      | \$ 2,784,974        |
| Allowance for doubtful accounts | (10,000)                   | -                               | (10,000)            |
| Net taxes receivable            | <u>\$ 2,539,316</u>        | <u>\$ 235,658</u>               | <u>\$ 2,774,974</u> |

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

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

**E. Capital Assets - Governmental Activities**

Capital asset activity for the year ended March 31, 2013, was as follows:

|  | Balance at<br>April 1,<br>2012 | Additions          | Disposals        | Balance at<br>March 31,<br>2013 |
|--|--------------------------------|--------------------|------------------|---------------------------------|
| 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              | 21,473,479                     | 1,659,804          | (38,682)         | 23,094,601                      |
| Other improvements                       | 8,919,478                      | 302,347            | -                | 9,221,825                       |
| General equipment                        | 12,129,825                     | 861,613            | (74,064)         | 12,917,374                      |
| Infrastructure                           | 152,331,017                    | 1,877,815          | -                | 154,208,832                     |
| Subtotal                                 | <u>194,853,799</u>             | <u>4,701,579</u>   | <u>(112,746)</u> | <u>199,442,632</u>              |
| Total capital assets at historical costs | <u>197,252,248</u>             | <u>4,701,579</u>   | <u>(112,746)</u> | <u>201,841,081</u>              |
| Accumulated Depreciation                 |                                |                    |                  |                                 |
| Structures and improvements              | (8,178,777)                    | (798,653)          | 38,682           | (8,938,748)                     |
| Other improvements                       | (3,903,296)                    | (396,488)          | -                | (4,299,784)                     |
| General                                  | (9,103,921)                    | (735,639)          | 74,064           | (9,765,496)                     |
| Infrastructures                          | (98,338,910)                   | (2,354,079)        | -                | (100,692,989)                   |
| Subtotal                                 | <u>(119,524,904)</u>           | <u>(4,284,859)</u> | <u>112,746</u>   | <u>(123,697,017)</u>            |
| Net capital assets being depreciated     | <u>75,328,895</u>              | <u>416,720</u>     | <u>-</u>         | <u>75,745,615</u>               |
| Governmental activities capital assets   | <u>\$ 77,727,344</u>           | <u>\$ 416,720</u>  | <u>\$ -</u>      | <u>\$ 78,144,064</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, 2012, was as follows:

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

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

**Health**

|                                | Balance at<br>June 1,<br>2011 | Additions           | Disposals          | Balance at<br>May 31,<br>2012 |
|--------------------------------|-------------------------------|---------------------|--------------------|-------------------------------|
| Land                           | \$ 2,990,892                  | \$ 6,783            | \$ -               | \$ 2,997,675                  |
| Land and land improvements     | 1,073,672                     | -                   | 150,129            | 1,223,801                     |
| Buildings                      | 62,809,192                    | -                   | 19,165,170         | 81,974,362                    |
| Equipment                      | 63,186,172                    | 1,336,583           | 1,943,047          | 66,465,802                    |
| Construction in progress       | 16,108,017                    | 6,145,590           | (21,651,660)       | 601,947                       |
| Total at Historical Cost       | <u>146,167,945</u>            | <u>7,488,956</u>    | <u>(393,314)</u>   | <u>153,263,587</u>            |
| Less Accumulated Depreciation  |                               |                     |                    |                               |
| Land improvements              | (817,281)                     | (65,487)            | -                  | (882,768)                     |
| Buildings                      | (36,947,795)                  | (3,007,790)         | -                  | (39,955,585)                  |
| Equipment                      | (44,416,596)                  | (5,279,764)         | 371,933            | (49,324,427)                  |
| Total Accumulated Depreciation | <u>(82,181,672)</u>           | <u>(8,353,041)</u>  | <u>371,933</u>     | <u>(90,162,780)</u>           |
| Capital Assets, Net            | <u>\$ 63,986,273</u>          | <u>\$ (864,085)</u> | <u>\$ (21,381)</u> | <u>\$ 63,100,807</u>          |

Construction in progress as of May 31, 2012 consists of the following projects:

- 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 \$600,000. The various projects are anticipated to be financed with cash reserves and are expected to be completed at various dates through fiscal year 2013.
- Costs incurred for construction of a medical office building, cancer center and other upgrades to the facility. These projects were substantially completed during fiscal year ending May 31, 2012 with a combined total cost of approximately \$26,000,000. The projects were funded with \$12.5 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 \$199,452 for the year ended May 31, 2012.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

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

**Water**

|  | Balance at<br>April 1,<br>2012 | Additions           | Disposals             | Balance at<br>March 31,<br>2013 |
|--|--------------------------------|---------------------|-----------------------|---------------------------------|
| Business-type activities:                  |                                |                     |                       |                                 |
| Capital assets not being depreciated:      |                                |                     |                       |                                 |
| Land and land rights                       | \$ 176,240                     | \$ -                | \$ -                  | \$ 176,240                      |
| Construction in progress                   | 4,739,663                      | -                   | (4,739,167)           | 496                             |
| Total capital assets not being depreciated | <u>4,915,903</u>               | <u>-</u>            | <u>(4,739,167)</u>    | <u>176,736</u>                  |
| Other capital assets being depreciated:    |                                |                     |                       |                                 |
| Structures and improvements                | 11,304,114                     | 337,565             | -                     | 11,641,679                      |
| Pumping and purification equipment         | 4,749,930                      | -                   | -                     | 4,749,930                       |
| Transmission mains                         | 964,302                        | -                   | -                     | 964,302                         |
| Distribution mains and equipment           | 12,756,044                     | 4,724,116           | (10,237)              | 17,469,923                      |
| General equipment                          | 1,631,463                      | 187,984             | (22,082)              | 1,797,365                       |
| Total capital assets being depreciated     | <u>31,405,853</u>              | <u>5,249,665</u>    | <u>(32,319)</u>       | <u>36,623,199</u>               |
| Total capital assets at historical cost    | <u>36,321,756</u>              | <u>5,249,665</u>    | <u>(4,771,486)</u>    | <u>36,799,935</u>               |
| Accumulated Depreciation                   |                                |                     |                       |                                 |
| Structures and improvements                | (4,090,964)                    | (212,192)           | -                     | (4,303,156)                     |
| Pumping and purification equipment         | (1,468,485)                    | (104,133)           | -                     | (1,572,618)                     |
| Transmission mains                         | (521,972)                      | -                   | -                     | (521,972)                       |
| Distribution mains and equipment           | (3,507,787)                    | (296,942)           | 10,237                | (3,794,492)                     |
| General equipment                          | (1,491,943)                    | (67,948)            | 22,082                | (1,537,809)                     |
| Total accumulated depreciation             | <u>(11,081,151)</u>            | <u>(681,215)</u>    | <u>32,319</u>         | <u>(11,730,047)</u>             |
| Other capital assets, net                  | <u>20,324,702</u>              | <u>4,568,450</u>    | <u>-</u>              | <u>24,893,152</u>               |
| Business-Type Activities Capital Assets    | <u>\$ 25,240,605</u>           | <u>\$ 4,568,450</u> | <u>\$ (4,739,167)</u> | <u>\$ 25,069,888</u>            |

**Wastewater**

|   | Balance at<br>April 1,<br>2012 | Additions           | Disposals   | Balance at<br>March 31,<br>2013 |
|---|--------------------------------|---------------------|-------------|---------------------------------|
| Business-type activities:                       |                                |                     |             |                                 |
| Capital assets not being depreciated:           |                                |                     |             |                                 |
| Land and land rights                            | \$ 2,319,053                   | \$ -                | \$ -        | \$ 2,319,053                    |
| Construction work in process                    | 1,697,175                      | 1,761,465           | -           | 3,458,640                       |
| Subtotal  | <u>4,016,228</u>               | <u>1,761,465</u>    | <u>-</u>    | <u>5,777,693</u>                |
| Capital assets being depreciated:               |                                |                     |             |                                 |
| Pumping and purification equipment              | 22,881,723                     | 2,050,929           | -           | 24,932,652                      |
| Transmission mains                              | 10,601,560                     | 77,744              | -           | 10,679,304                      |
| General equipment                               | 2,760,877                      | 14,099              | -           | 2,774,976                       |
| Subtotal  | <u>36,244,160</u>              | <u>2,142,772</u>    | <u>-</u>    | <u>38,386,932</u>               |
| Total   | <u>40,260,388</u>              | <u>3,904,237</u>    | <u>-</u>    | <u>44,164,625</u>               |
| Less accumulated depreciation and amortization: |                                |                     |             |                                 |
| Pumping and purification equipment              | (10,541,822)                   | (623,099)           | -           | (11,164,921)                    |
| Transmission mains                              | (4,851,666)                    | (224,425)           | -           | (5,076,091)                     |
| General equipment                               | (1,351,716)                    | (134,310)           | -           | (1,486,026)                     |
| Construction work in process                    | -                              | -                   | -           | -                               |
| Subtotal  | <u>(16,745,204)</u>            | <u>(981,834)</u>    | <u>-</u>    | <u>(17,727,038)</u>             |
| Net capital assets being depreciated            | <u>19,498,956</u>              | <u>1,160,938</u>    | <u>-</u>    | <u>20,659,894</u>               |
| Business-Type Activities Capital Assets         | <u>\$ 23,515,184</u>           | <u>\$ 2,922,403</u> | <u>\$ -</u> | <u>\$ 26,437,587</u>            |

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**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                          | \$ 655,324                  |
| Sanitation  | 56,996                      |
| Total general government                            | <u>712,320</u>              |
| Public safety:                                      |                             |
| Police  | 157,416                     |
| Fire  | 89,252                      |
| Cemetery  | 15,456                      |
| Total public safety                                 | <u>262,124</u>              |
| Transportation:                                     |                             |
| Airport   | 106,638                     |
| Streets   | 192,027                     |
| Total transportation                                | <u>298,665</u>              |
| Cultural, parks and recreation:                     |                             |
| Library   | 28,450                      |
| Park  | 629,167                     |
| Community center                                    | 54                          |
| Total cultural, parks and recreation                | <u>657,671</u>              |
| Infrastructure                                      | <u>2,354,079</u>            |
| Total Infrastructure                                | <u>2,354,079</u>            |
| Total depreciation expense - Governmental activity  | <u><u>\$ 4,284,859</u></u>  |
| Business-type activities:                           |                             |
| Health  | \$ 8,353,041                |
| Water   | 681,215                     |
| Sewer   | 981,834                     |
| Total depreciation expense - Business-type activity | <u><u>\$ 10,016,090</u></u> |

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**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<br>of Year | Additions           | Retirements         | End<br>of Year       | Amount Due<br>Within 1 Year |
|---------------------------------------|----------------------|---------------------|---------------------|----------------------|-----------------------------|
| <b>Business-Type Activities:</b>      |                      |                     |                     |                      |                             |
| <b>Revenue Bonds:</b>                 |                      |                     |                     |                      |                             |
| Health Center                         | \$ 6,440,000         | \$ -                | \$ 970,000          | \$ 5,470,000         | \$ 1,010,000                |
| Water                                 | 7,235,000            | -                   | 345,000             | 6,890,000            | 375,000                     |
| <b>Certificates of Participation:</b> |                      |                     |                     |                      |                             |
| Series 2010A                          | 6,245,000            | -                   | 887,500             | 5,357,500            | 907,500                     |
| Series 2010B                          | 29,480,000           | -                   | -                   | 29,480,000           | -                           |
| <b>Other Debt:</b>                    |                      |                     |                     |                      |                             |
| Health Center                         |                      |                     |                     |                      |                             |
| Note payable - Information System     | 185,808              | -                   | 185,808             | -                    | -                           |
| Note payable - Imaging Equipment      | 1,266,854            | -                   | 522,919             | 743,935              | 546,839                     |
| Note payable - Construction           | 10,489,446           | 2,603,048           | 566,846             | 12,525,648           | 631,173                     |
| <b>Capital Leases:</b>                |                      |                     |                     |                      |                             |
| Health Center                         | 1,669,879            | -                   | 697,061             | 972,818              | 144,711                     |
| Water Department                      | 3,343,568            | -                   | 187,606             | 3,155,962            | 194,397                     |
| <b>Total Business-Type Activities</b> | <b>\$ 66,355,555</b> | <b>\$ 2,603,048</b> | <b>\$ 4,362,740</b> | <b>\$ 64,595,863</b> | <b>\$ 3,809,620</b>         |
| <b>Governmental Activities:</b>       |                      |                     |                     |                      |                             |
| <b>Certificates of Participation:</b> |                      |                     |                     |                      |                             |
| Series 2007                           | 6,545,000            | -                   | 385,000             | 6,160,000            | 410,000                     |
| Series 2010A                          | 1,165,000            | -                   | 92,500              | 1,072,500            | 97,500                      |
| Series 2012A                          | -                    | 6,235,000           | -                   | 6,235,000            | -                           |
| Series 2012B                          | -                    | 1,085,000           | -                   | 1,085,000            | 275,000                     |
| Energy Loan                           | 386,558              | -                   | 161,114             | 225,444              | 167,912                     |
| DNR Energy Loan                       | 367,056              | -                   | 30,592              | 336,464              | 30,592                      |
| <b>Total Governmental Activities</b>  | <b>\$ 8,463,614</b>  | <b>\$ 7,320,000</b> | <b>\$ 669,206</b>   | <b>\$ 15,114,408</b> | <b>\$ 981,004</b>           |

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**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, 2013, 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.

\$ 6,160,000

**CITY OF SEDALIA, MISSOURI  
NOTES TO COMBINED FINANCIAL STATEMENTS  
MARCH 31, 2013**

**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, 2013, are as follows:

| Year Ending<br>March 31 | Governmental Activities |                     |
|-------------------------|-------------------------|---------------------|
|                         | Principal               | Interest            |
| 2014                    | \$ 410,000              | \$ 261,288          |
| 2015                    | 430,000                 | 245,297             |
| 2016                    | 460,000                 | 228,312             |
| 2017                    | 490,000                 | 209,913             |
| 2018                    | 520,000                 | 189,822             |
| 2019-2023               | 3,850,000               | 586,498             |
|                         | <u>\$ 6,160,000</u>     | <u>\$ 1,721,130</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, 2013 (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%.

\$ 6,430,000

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**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, 2013, are as follows:

| Year Ending<br>March 31 | Governmental Activities |                   | Business-Type Activities |                   |
|-------------------------|-------------------------|-------------------|--------------------------|-------------------|
|                         | Principal               | Interest          | Principal                | Interest          |
| 2014                    | \$ 97,500               | \$ 34,588         | \$ 907,500               | \$ 147,688        |
| 2015                    | 97,500                  | 32,637            | 932,500                  | 129,287           |
| 2016                    | 102,500                 | 30,125            | 952,500                  | 105,675           |
| 2017                    | 102,500                 | 27,050            | 982,500                  | 76,650            |
| 2018                    | 107,500                 | 23,363            | 1,017,500                | 41,562            |
| 2019-2023               | 565,000                 | 54,126            | 565,000                  | 54,127            |
|                         | <u>\$ 1,072,500</u>     | <u>\$ 201,889</u> | <u>\$ 5,357,500</u>      | <u>\$ 554,989</u> |

**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, 2013. The initial term of this Lease shall expire on March 31, 2013 (the "Initial Term"), subject to the Lessee's option to extend the term of this Lease for successive one-year terms commencing April 1, of each year, and a final renewal term ending March 31, 2036. Each option shall be exercised by the appropriation by the City Council of the Lessee, in accordance with applicable law, of sufficient moneys (after taking into account any moneys legally available for such purpose) specifically designated for the payment of Base Rentals and adequate moneys to pay the reasonably estimated Supplemental Rent for the next succeeding Renewal Term. Such appropriation shall automatically extend the term of this Lease for the succeeding Renewal Term without any further action required by any officers or officials of the Lessee. The terms of the lease set the interest rate at 4.800% to 7.300%.

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

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

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

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

The annual debt service requirements to maturity for the Series 2010B certificates of participation outstanding at March 31, 2013 are as follows:

| Year Ending<br>March 31 | Principal<br>Series<br>2010B | Interest<br>Series<br>2010B | Debt Service<br>Before<br>Subsidy | BAB<br>Interest<br>Subsidy | Net<br>Payments      |
|-------------------------|------------------------------|-----------------------------|-----------------------------------|----------------------------|----------------------|
| 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                    | -                            | 2,021,668                   | 2,021,668                         | (707,584)                  | 1,314,084            |
| 2019-2023               | 5,125,000                    | 9,469,134                   | 14,594,134                        | (3,314,196)                | 11,279,938           |
| 2024-2028               | 7,685,000                    | 7,444,227                   | 15,129,227                        | (2,605,479)                | 12,523,748           |
| 2029-2033               | 9,670,000                    | 4,378,195                   | 14,048,195                        | (1,532,369)                | 12,515,826           |
| 2034-2036               | 7,000,000                    | 782,560                     | 7,782,560                         | (273,897)                  | 7,508,663            |
|                         | <u>\$ 29,480,000</u>         | <u>\$ 32,182,454</u>        | <u>\$ 61,662,454</u>              | <u>\$ (11,263,859)</u>     | <u>\$ 50,398,595</u> |

**Series 2012A**

On December 1, 2012, the City entered into a lease/purchase agreement to fund various improvements. The initial term of the lease will commence on December 1, 2012 and end on March 31, 2013. The initial term of this Lease shall expire on March 31, 2013 (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, 2032. 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 2.000% to 3.100%.

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.

\$6,235,000 2010B series due in annual installments of \$175,000 beginning May 1, 2017, to \$485,000 through May 1, 2032, interest at 2.000% to 3.100%. \$ 6,235,000

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

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

The annual debt service requirements to maturity for the 2012A certificates of participation outstanding at March 31, 2013, are as follows:

| Year Ending<br>March 31 | Governmental Activities |                     |                    |
|-------------------------|-------------------------|---------------------|--------------------|
|                         | Principal               | Interest            | Total              |
| 2014                    | \$ -                    | \$ 207,852          | \$ 207,852         |
| 2015                    | -                       | 173,210             | 173,210            |
| 2016                    | -                       | 173,210             | 173,210            |
| 2017                    | 175,000                 | 173,210             | 348,210            |
| 2018                    | 340,000                 | 169,710             | 509,710            |
| 2019-2023               | 1,790,000               | 736,156             | 2,526,156          |
| 2024-2028               | 2,060,000               | 471,775             | 2,531,775          |
| 2029-2032               | 1,870,000               | 143,990             | 2,013,990          |
|                         | <u>\$ 6,235,000</u>     | <u>\$ 2,249,113</u> | <u>\$8,484,113</u> |

**Series 2012B**

On December 1, 2012, the City entered into a lease/purchase agreement to fund various improvements. The initial term of the lease will commence on December 1, 2012 and end on March 31, 2013. The initial term of this Lease shall expire on March 31, 2013 (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, 2017. 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 2.000%.

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.

\$1,085,000 2012B series due in annual installments of \$275,000 beginning June 1, 2014, to \$160,000 through May 1, 2017, interest at 2.000%.

\$ 1,085,000

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

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

The annual debt service requirements to maturity for the 2012B certificates of participation outstanding at March 31, 2013, are as follows:

| Year Ending<br>March 31 | Governmental Activities |           |              |
|-------------------------|-------------------------|-----------|--------------|
|                         | Principal               | Interest  | Total        |
| 2014                    | \$ 275,000              | \$ 26,040 | \$ 301,040   |
| 2015                    | 320,000                 | 16,200    | 336,200      |
| 2016                    | 330,000                 | 9,800     | 339,800      |
| 2017                    | 160,000                 | 3,200     | 163,200      |
|                         | \$ 1,085,000            | \$ 55,240 | \$ 1,140,240 |

The Capital Projects #2 Fund has pledge 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 2032. The total principal and interest remaining to be paid is \$18,779,872. Principal and interest paid for the current year and total Capital Projects #2 net revenues for the current year were \$1,012,822 and \$(426,182), respectively.

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 from wastewater net revenues and are payable through 2036. Annual principal and interest payments in 2013 required 35% of net revenues. The total principal and interest remaining to be paid is \$56,311,084. Principal and interest paid for the current year and total wastewater fund net revenues for the current year were \$1,024,597 and \$2,969,361, 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.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

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

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.

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 beared interest at 4.64% and was payable in monthly payments of \$93,443 through August 1, 2011.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

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

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

Note Payable – Imaging Equipment

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

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

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

**Capital Lease Obligations - Health Center**

The Health Center leases various equipment under capital leases with monthly payments ranging from \$8,032 to \$8,170, at varying rates of imputed interest from 1.39 percent to 7.7 percent collateralized by leased equipment. Capital assets include the following amounts for leases which have been capitalized at May 31, 2012:

|                                |  |                    |
|--------------------------------|--|--------------------|
| Equipment                      |  | \$ 3,928,697       |
| Less: accumulated depreciation |  | <u>(2,975,758)</u> |
| Total                          |  | <u>\$ 952,939</u>  |
| <br>                           |  |                    |
| Depreciation expense           |  | <u>\$ 169,518</u>  |

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

| Year Ending<br>May 31, | Bonds and Notes Payable |                     | Capital Lease Obligations |                   |
|------------------------|-------------------------|---------------------|---------------------------|-------------------|
|                        | Principal               | Interest            | Principal                 | Interest          |
| 2013                   | \$ 2,188,012            | \$ 695,754          | \$ 144,711                | \$ 49,707         |
| 2014                   | 1,882,195               | 623,756             | 150,218                   | 44,200            |
| 2015                   | 1,737,844               | 563,466             | 156,080                   | 38,338            |
| 2016                   | 1,791,653               | 502,312             | 154,294                   | 32,093            |
| 2017                   | 1,850,793               | 437,847             | 71,876                    | 26,164            |
| 2018-2022              | 3,478,039               | 1,670,027           | 295,639                   | 43,247            |
| 2023-2027              | 3,764,577               | 1,192,659           | -                         | -                 |
| 2028-2032              | 2,046,470               | 467,555             | -                         | -                 |
|                        | <u>\$ 18,739,583</u>    | <u>\$ 6,153,376</u> | <u>\$ 972,818</u>         | <u>\$ 233,749</u> |

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

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

**3. Bonds Payable - Water Department**

The following is a summary of changes in long-term debt transactions for the year ended March 31, 2013:

|                                  | Revenue<br>Bonds    | Capital<br>Lease    | Total                |
|----------------------------------|---------------------|---------------------|----------------------|
| Balance, April 1, 2012           | \$ 7,235,000        | \$ 3,343,568        | \$ 10,578,568        |
| Bonds issued                     | -                   | -                   | -                    |
| Bonds retired                    | (345,000)           | -                   | (345,000)            |
| Capital lease principal payments | -                   | (187,606)           | (187,606)            |
| Balance, March 31, 2013          | <u>\$ 6,890,000</u> | <u>\$ 3,155,962</u> | <u>\$ 10,045,962</u> |
| Current portion                  | <u>\$ 375,000</u>   | <u>\$ 194,397</u>   | <u>\$ 569,397</u>    |

***Revenue Bonds***

Revenue bonded debt as of March 31, 2013 is as follows:

|   |                     |
|---|---------------------|
| Water refunding revenue bonds 2.000% to 3.000%,<br>series of 2012, due in \$345,000 to \$545,000<br>annual installments to March 15, 2029 | \$ 6,890,000        |
| Less amounts due in one year  | <u>375,000</u>      |
| Long-term portion of debt   | <u>\$ 6,515,000</u> |

The annual debt service requirements to amortize the revenue bonds outstanding as of March 31, 2013 are as follows:

| Year Ending<br>March 31, | Principal           | Interest            | Total               |
|--------------------------|---------------------|---------------------|---------------------|
| 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                     | 390,000             | 155,500             | 545,500             |
| 2019-2023                | 2,070,000           | 624,400             | 2,694,400           |
| 2024-2028                | 2,375,000           | 299,850             | 2,674,850           |
| 2029                     | 545,000             | 16,350              | 561,350             |
|                          | <u>\$ 6,890,000</u> | <u>\$ 1,793,400</u> | <u>\$ 8,683,400</u> |

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

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

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.

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

| Account           | Restricted<br>Assets | Restricted<br>Retained<br>Earnings | Liabilities<br>Payable from<br>Restricted<br>Assets |
|-------------------|----------------------|------------------------------------|---|
| Debt Service      | \$ 163,498           | \$ 163,498                         | \$ 8,163  |
| Customer Deposits | 517,447              | -                                  | 493,626   |
|                   | \$ 680,945           | \$ 163,498                         | \$ 501,789  |

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<br>(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<br>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, 2013**

**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<br>Assets    | Restricted<br>Net<br>Assets | Liabilities<br>Payable from<br>Restricted<br>Assets |
| Principal and interest accounts | \$ 575,863              | \$ 575,863                  | \$ 577,560  |
| Reserve account                 | 4,376,548               | 4,376,548                   | -   |
| Renewal and replacement         | -                       | -                           | -   |
| Customer Deposits               | 517,447                 | -                           | 493,626   |
| Donor-specified purposes        | 101,614                 | 101,614                     | -   |
| Construction funds              | 29,864,530              | 326,759                     | -   |
| Debt service                    | -                       | -                           | -   |
|                                 | <u>\$ 35,436,002</u>    | <u>\$ 5,380,784</u>         | <u>\$ 1,071,186</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, 2013**

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

Future payments as of March 31, 2013 are as follows assuming noncancellation:

| Year Ending<br>March 31, | Principal           | Interest          | Total               |
|--------------------------|---------------------|-------------------|---------------------|
| 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                     | 224,111             | 84,532            | 308,643             |
| 2019-2023                | 1,248,286           | 294,929           | 1,543,215           |
| 2024-2026                | 862,726             | 63,200            | 925,926             |
|                          | <u>\$ 3,155,962</u> | <u>\$ 856,394</u> | <u>\$ 4,012,356</u> |

Property, plant and equipment includes the following amounts for leases which have been capitalized at March 31, 2013:

|                               |                     |
|-------------------------------|---------------------|
| 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, 2013. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

**Pledged Revenues**

The Department pledged future revenues, net of specified operating expenses, to repay revenue bonds and capital lease obligations that were issued for the purpose of water improvements. The bonds and leases are payable from water net revenues and are payable through 2029. Annual principal and interest payments in 2013 required 71% of net revenues. The total principal and interest remaining to be paid on the bonds and leases is \$12,695,756. Principal and interest paid for the current year was \$872,994 and total net revenues for the current year were \$1,232,297.

**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.

**CITY OF SEDALIA, MISSOURI  
NOTES TO COMBINED FINANCIAL STATEMENTS  
MARCH 31, 2013**

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

The annual debt service requirements to amortize the principal on the loan outstanding at March 31, 2013, are as follows:

| Year Ending<br>March 31, | Governmental Funds |                 |                   |
|--------------------------|--------------------|-----------------|-------------------|
|                          | Principal          | Interest        | Total             |
| 2014                     | \$ 167,912         | \$ 6,171        | \$ 174,083        |
| 2015                     | 57,531             | 497             | 58,028            |
|                          | <u>\$ 225,443</u>  | <u>\$ 6,668</u> | <u>\$ 232,111</u> |

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, 2013, are as follows:

| Year Ending<br>March 31, | Governmental Funds |                 |                   |
|--------------------------|--------------------|-----------------|-------------------|
|                          | Principal          | Interest        | Total             |
| 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                     | 30,592             | 306             | 30,898            |
| 2019-2023                | 152,960            | 1,530           | 154,490           |
| 2024                     | 30,544             | 305             | 30,849            |
|                          | <u>\$ 336,464</u>  | <u>\$ 3,365</u> | <u>\$ 339,829</u> |

**CITY OF SEDALIA, MISSOURI  
NOTES TO COMBINED FINANCIAL STATEMENTS  
MARCH 31, 2013**

**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, 2013, based on the total assessed valuation as of December 31, 2012, of \$253,261,795 the constitutional general obligation debt limit was \$48,122,869.

**H. Board Designated Funds - Health Center**

Of the \$32,356,815 of unrestricted net assets reported in 2012, \$5,548,422 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 \$17,205 for the year ended March 31, 2013. The future minimum lease payments for these leases, assuming noncancellation, is as follows:

| March 31                     |               |
|------------------------------|---------------|
| 2014                         | \$ 43,678.50  |
| 2015                         | 43,678.50     |
| 2016                         | 43,678.50     |
| 2017                         | 43,678.50     |
| 2018                         | 153,789.70    |
| 2019                         | -             |
|                              | 328,503.70    |
| Amount representing interest | (32,928.70)   |
| Net                          | \$ 295,575.00 |

**CITY OF SEDALIA, MISSOURI  
NOTES TO COMBINED FINANCIAL STATEMENTS  
MARCH 31, 2013**

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

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

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.

Total rental expense in 2012 for minimum and contingent rentals was \$291,963.

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

|                                       |                  |
|---------------------------------------|------------------|
| Year Ending<br><u>May 31,</u><br>2013 | <u>\$ 11,400</u> |
|---------------------------------------|------------------|

**J. Interfund Transfers**

Interfund transfers during the year ended March 31, 2013, were as follows:

| Disbursing<br>Fund             | Receiving<br>Fund              | Amount   |
|--------------------------------|--------------------------------|----------|
| General (Major)                | Midtown (Non-Major)            | \$ 1,670 |
| Park (Non-Major)               | Midtown (Non-Major)            | 418      |
| Capital Projects 2 (Non-Major) | Midtown (Non-Major)            | 278      |
| Sewer (major)                  | Midtown (Non-Major)            | 278      |
| Capital Projects (Non-Major)   | Capital Projects 2 (Non-Major) | 40,000   |
| Capital Projects (Non-Major)   | General (Major)                | 8,000    |
| Cemetery (Non-Major)           | General (Major)                | 2,451    |
| Sewer (Major)                  | Capital Projects 2 (Non-Major) | 461,426  |

The purpose of the \$1,670 transfer from General, \$418 transfer from the Park, \$278 transfer from the Capital Projects 2, and \$278 transfer from the Sewer to the Midtown Fund was to transfer sales tax.

The purpose of the \$40,000 transfer from Capital Projects Fund to the Capital Projects 2 Fund was for sales tax reimbursement.

The purpose of the \$8,000 transfer from Capital Projects Fund to the General Fund was for administrative costs for HERO.

The purpose of the \$2,451 transfer from Cemetery Fund to the General Fund was to transfer interest from investments to offset cemetery expenditures in the general fund.

The purpose of the \$461,426 transfer from Sewer Fund to the Capital Projects 2 Fund was for storm drainage and various other capital improvements.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

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

**K. Restricted Net Position**

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

| Activity                   | Restricted<br>By      | Amount        |
|----------------------------|-----------------------|---------------|
| Library                    | Council action        | \$ 729,162    |
| Park                       | Council action        | 1,777,690     |
| Special Business District  | Council action        | 26,411        |
| Midtown Special Allocation | Council action        | 112,445       |
| Capital Project            | Council action        | 367,890       |
| Capital Project #2         | Council action        | 2,839,743     |
| Capital Project #2         | Debt covenant         | 939,754       |
| Capital Project #2         | Construction covenant | 5,704,258     |
|                            |                       | \$ 12,497,353 |

**L. Accounts Payable**

Payables in the governmental funds are composed of payables to vendors (6%) and accrued salaries and benefits (94%). Payables of Enterprise Funds are composed of payables to vendors (59%) and accrued salaries and benefits (61%).

**M. Fund Balance**

Classifications of fund balances at March 31, 2013 are as follows:

|                                       | General<br>Fund | Other<br>Governmental<br>Funds | Total         |
|---------------------------------------|-----------------|--------------------------------|---------------|
| Fund Balances:                        |                 |                                |               |
| Nonspendable                          |                 |                                |               |
| Inventory                             | \$ 70,725       | \$ -                           | \$ 70,725     |
| Prepaid expenses                      | 139,344         | 15,758                         | 155,102       |
| Restricted for debt service           | -               | 939,754                        | 939,754       |
| Restricted for construction           | -               | 5,704,258                      | 5,704,258     |
| Committed                             | -               | -                              | -             |
| Assigned for special revenue purposes | -               | 2,629,950                      | 2,629,950     |
| Assigned for capital project purposes | -               | 3,207,633                      | 3,207,633     |
| Unassigned                            | 8,413,135       | -                              | 8,413,135     |
|                                       | \$ 8,623,204    | \$ 12,497,353                  | \$ 21,120,557 |

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, 2013**

**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, 2013.

**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 30<sup>th</sup> statutorily required contribution rates are 14.8% (General) and 14.1% (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, 2013**

**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               | \$ 965,382               |
| Interest on net pension obligation         | 11,478                   |
| Adjustment to annual required contribution | <u>(8,735)</u>           |
| Annual pension cost                        | 968,125                  |
| Actual contributions                       | <u>881,394</u>           |
| Increase (decrease) in NPO                 | 86,731                   |
| NPO beginning of year                      | <u>158,323</u>           |
| NPO end of year                            | <u><u>\$ 245,054</u></u> |

The annual required contribution (ARC) was determined as part of the February 28, 2010 and February 28, 2011 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 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table 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, 2010 was 30 years for the General division and 30 years for the Police division. The amortization period as of February 28, 2011 was 30 years for the General division and 30 years for the Police division.

City  
Three-Year Trend Information

| Fiscal<br>Year<br>Ending | Annual<br>Pension<br>Cost (APC) | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation |
|--------------------------|---------------------------------|-------------------------------------|------------------------------|
| 2010                     | \$ 562,446                      | 95.1%                               | \$ 27,560                    |
| 2011                     | 886,124                         | 85.2%                               | 158,323                      |
| 2012                     | 968,125                         | 91.0%                               | 245,054                      |

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**IV. OTHER INFORMATION (continued)**

Water Department  
Three-Year Trend Information

| Year<br>Ended<br><u>June 30</u> | Annual<br>Pension<br>Cost (APC) | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation |
|---------------------------------|---------------------------------|-------------------------------------|------------------------------|
| 2010                            | \$ 139,931                      | 98.8%                               | \$ 1,679                     |
| 2011                            | 163,068                         | 95.4%                               | 9,214                        |
| 2012                            | 166,998                         | 96.4%                               | 15,213                       |

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 (\$46,992 for the 2012 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, 2012. 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, 2013**

**IV. OTHER INFORMATION (continued)**

At April 1, 2012, the unfunded pension benefit obligation was \$2,304,969 determined as follows:

|   |              |
|---|--------------|
| Pension benefit obligation:   |              |
| Retirees and beneficiaries currently receiving benefits<br>and current active employees | \$ 8,773,088 |
| Net assets available for benefits, at market value                                      | 6,468,119    |
| Unfunded Pension Benefit Obligation   | \$ 2,304,969 |

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, 2012, 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 \$341,197 for the 2012 plan year which includes \$157,178 for normal costs and \$173,597 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, 2012, were \$341,197 of which \$217,197 was made by both the City and employees and \$124,000 was provided from the property tax levy.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**IV. OTHER INFORMATION (continued)**

Trend Information

| Valuation<br>Date | (1)<br>Valuation<br>Value of<br>Assets | (2)<br>Actuarial<br>Accrued<br>Liability<br>(AAL) | (3)<br>Percent<br>Funded<br>(1)/(2) | (4)<br>Under-<br>Funded<br>AAL<br>(2) - (1) | (5)<br>Annual<br>Covered<br>Payroll | Underfunded<br>AAL as<br>a Percent<br>of Covered<br>Payroll<br>(4)/(5) |
|-------------------|--|---|-------------------------------------|---|-------------------------------------|--|
| 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%   |
| 4/1/2012          | 6,468,119                              | 8,773,088   | 74%                                 | 2,304,969                                   | 1,879,720                           | 122.6%   |

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, 2013**

**IV. OTHER INFORMATION (continued)**

An actuarial valuation of the Policemen’s Retirement Fund of the City of Sedalia, Missouri was performed as of August 1, 2012. The benefits were frozen as of April 1, 2010 and all active participants become 100% vested in their accrued benefits as of that date.

Funding Status and Progress

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of August 1, 2012. 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) no salary increase and 3) no post-retirement benefit increases.

At August 1, 2012, the unfunded pension benefit obligation was determined as follows:

|   |              |
|---|--------------|
| Pension benefit obligation:             |              |
| Active participants                     | \$ 2,296,807 |
| Retired and terminated participants     | 5,503,407    |
| Total Pension Benefit Obligation        | 7,800,214    |
| Actuarial value of assets, market value | 3,157,848    |
| Unfunded Pension Benefit Obligation     | \$ 4,642,366 |
| Projected Benefit Obligation Ratio      | 0.45         |

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 August 1, 2012, is the market value cost method. The actuary provides a range of contribution recommendations depending on how rapidly the past service liability is funded.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**IV. OTHER INFORMATION (continued)**

Trend Information

| Valuation Date | (1)<br>Net Assets Available for Benefits | (2)<br>Pension Benefit Obligation (PBO) | (3)<br>Percent Funded (1)/(2) | (4)<br>Under-Funded PBO (2) - (1) | (5)<br>Annual Covered Payroll | (6)   | (7)  |
|----------------|--|---|-------------------------------|-----------------------------------|-------------------------------|---|--|
|                |  |   |                               |                                   |                               | Underfunded PBO as a Percent of Covered Payroll (4)/(5) | Employer Contributions as a Percent of Covered Payroll |
| 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       | 4,103,473                                | 6,166,659                               | 66.5%                         | 2,063,186                         | 1,365,300                     | 151.1%  | 10.5%**  |
| 8/1/2006       | 4,240,547                                | 7,073,332                               | 60.0%                         | 2,832,785                         | 1,367,302                     | 207.2%  | 15.2%  |
| 8/1/2007       | 4,521,203                                | 6,742,592                               | 67.1%                         | 2,221,389                         | 1,356,675                     | 163.7%  | 16.1%  |
| 8/1/2008       | 4,163,737                                | 7,702,179                               | 54.1%                         | 3,538,442                         | 1,474,531                     | 240.0%  | 15.0%  |
| 8/1/2009       | 3,168,121                                | 8,114,072                               | 39.0%                         | 4,945,951                         | 1,479,620                     | 334.3%  | 15.0%  |
| 8/1/2011       | 3,448,056                                | 7,720,777                               | 44.7%                         | 4,272,721                         | n/a                           | n/a   | n/a  |
| 8/1/2012       | 3,157,848                                | 7,800,214                               | 40.5%                         | 4,642,366                         | n/a                           | n/a   | n/a  |

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

\*\* insufficient information

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.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**IV. OTHER INFORMATION (continued)**

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, 2012:

|   |              |
|---|--------------|
| Annual required contribution                    | \$ 2,171,491 |
| Interest on net pension obligation              | 60,056       |
| Adjustment to annual required contribution      | 256,303      |
| Annual Pension Cost                             | 2,487,850    |
| Contributions made                              | 2,476,962    |
| Decrease in net prepaid pension obligation      | 10,888       |
| Net Pension Obligation Beginning of Year        | (761,588)    |
| Net Pension Obligation (Prepayment) End of Year | \$ (750,700) |

The annual required contribution for the current year was determined as part of the June 1, 2012 actuarial valuation rolled forward to May 31, 2013, using the projected unit credit actuarial cost method. The actuarial assumptions included a 6.5% investment rate of return and projected salary increases ranging from 4% to 9% per year.

Three-Year Trend Information

| Fiscal<br>Year<br>Ending | Annual<br>Pension<br>Cost (APC) | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation |
|--------------------------|---------------------------------|-------------------------------------|------------------------------|
| 5/31/2010                | \$ 2,637,460                    | 115%                                | \$ (316,111)                 |
| 5/31/2011                | 2,582,672                       | 117%                                | (761,588)                    |
| 5/31/2012                | 2,487,850                       | 100%                                | (750,700)                    |

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.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**IV. OTHER INFORMATION (continued)**

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 20% 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 4% of compensation.

Annual Pension Cost: The Health Center's contribution for the year ended May 31, 2012, was \$515,281. Employee voluntary contributions were \$1,535,274 for the year ended May 31, 2012.

**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 \$5,300,920 or 90% of the first month's covered units times the number of months of coverage times the monthly aggregate stop-loss rates, which computes to be \$4,770,828. Claims incurred but not reported are accrued as a liability. The recorded payable at May 31, 2012 was approximately \$711,000. 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 \$400,000 per occurrence and \$981,206 aggregate per policy period. Claims incurred but not reported are accrued as a liability. The recorded payable at May 31, 2012 was approximately \$206,000. 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             | 16%  |
| Commercial insurance | 23%  |
| Self pay             | 15%  |
|                      | 100% |

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**IV. OTHER INFORMATION (continued)**

**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, 2012, amounted to \$14,335. Proceeds to be used for capital additions for the year ended May 31, 2012 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. In addition, for the year ending May 31, 2012, the Health Center received additional unrestricted funds, directly from the Trust, in the amount of \$72,735.

**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 was \$3.1 million. As of May 31, 2012 \$756,759 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 \$38,055, 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.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**IV. OTHER INFORMATION (continued)**

**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.

2. Healthcare Legislation & Regulation

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

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

3. Medical Malpractice Insurance

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**IV. OTHER INFORMATION (continued)**

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.

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 \$1,958,973 at March 31, 2013, 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, 2013, 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, 2013**

**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 \$178,070 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, 2013**

**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, 2012 on which the fiscal 2012 levy was based, were as follows:

|                   |                       |
|-------------------|-----------------------|
| Real estate       | \$ 189,944,753        |
| Personal property | <u>63,317,042</u>     |
|                   | <u>\$ 253,261,795</u> |

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2013**

**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, 2013, are as follows:

| <u>Fund</u>               | <u>Levy</u>      |
|---------------------------|------------------|
| General Fund              | \$ .4334         |
| Public Library            | .2137            |
| Public Parks              | .1508            |
| Firemen's Pension         | .0463            |
| Police Pension            | <u>.0848</u>     |
| Total City-Wide Levy      | .9290            |
| Special Business District | <u>.6524</u>     |
| Total                     | <u>\$ 1.5814</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 August 6, 2013, 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, 2013**

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)<br>Actuarial Value of Assets | (b)<br>Entry Age Actuarial Accrued Liability | (b-a)<br>Unfunded Accrued Liability (UAL) | (a/b)<br>Funded Ratio | (c)<br>Annual Covered Payroll | [(b-a)/c]<br>UAL as a Percentage of Covered Payroll |
|--------------------------|----------------------------------|--|---|-----------------------|-------------------------------|---|
| 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%   |
| 2/28/2012                | 8,605,727                        | 12,484,059                                   | 3,878,332                                 | 69%                   | 5,886,063                     | 66%   |

Schedule of Funding Progress

Water Department

| Actuarial Valuation Date | (a)<br>Actuarial Value of Assets | (b)<br>Entry Age Actuarial Accrued Liability | (b-a)<br>Unfunded Accrued Liability (UAL) | (a/b)<br>Funded Ratio | (c)<br>Annual Covered Payroll | [(b-a)/c]<br>UAL as a Percentage of Covered Payroll |
|--------------------------|----------------------------------|--|---|-----------------------|-------------------------------|---|
| 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%  |
| 2/29/2012                | 1,824,772                        | 3,291,995                                    | 1,467,223                                 | 55%                   | 828,477                       | 177%  |

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)<br>Actuarial Value of Assets | (b)<br>Entry Age Actuarial Accrued Liability | (b-a)<br>Unfunded Accrued Liability (UAL) | (a/b)<br>Funded Ratio | (c)<br>Annual Covered Payroll | [(b-a)/c]<br>UAL as a Percentage of Covered Payroll |
|--------------------------|----------------------------------|--|---|-----------------------|-------------------------------|---|
| 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%   |
| 6/1/2012                 | 40,515,740                       | 45,671,745                                   | 5,156,005                                 | 89%                   | 21,200,268                    | 24%   |

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, 2012 were 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, 2013**

|                                       | <u>Special Revenue Funds</u> |                     |                                      |                                       | <u>Capital Project Funds</u> |                                | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|---------------------------------------|------------------------------|---------------------|--------------------------------------|---------------------------------------|------------------------------|--------------------------------|---|
|                                       | <u>Library</u>               | <u>Park</u>         | <u>Special<br/>Business District</u> | <u>Midtown<br/>Special Allocation</u> | <u>Capital<br/>Project</u>   | <u>Capital<br/>Project # 2</u> |   |
| <b>ASSETS</b>                         |                              |                     |                                      |                                       |                              |                                |   |
| Cash including time deposits          | \$ 751,375                   | \$ 1,477,099        | \$ 26,411                            | \$ 112,445                            | \$ 307,341                   | \$ 2,570,496                   | \$ 5,245,167                            |
| Taxes receivable, net of allowance    | -                            | 353,482             | -                                    | -                                     | -                            | 247,202                        | 600,684                                 |
| Receivables, net of allowance         | -                            | -                   | -                                    | -                                     | -                            | 91,350                         | 91,350                                  |
| Due from other governmental agencies  | -                            | -                   | -                                    | -                                     | 60,549                       | -                              | 60,549                                  |
| Inventory                             | -                            | -                   | -                                    | -                                     | -                            | -                              | -                                       |
| Accrued interest receivable           | 991                          | 2,314               | -                                    | -                                     | -                            | 7,324                          | 10,629                                  |
| Due from other funds                  | -                            | -                   | -                                    | -                                     | -                            | -                              | -                                       |
| Prepaid expenses                      | -                            | 15,758              | -                                    | -                                     | -                            | -                              | 15,758                                  |
| Restricted assets                     | -                            | -                   | -                                    | -                                     | -                            | -                              | -                                       |
| Investments                           | -                            | -                   | -                                    | -                                     | -                            | 6,644,012                      | 6,644,012                               |
| Total Assets                          | <u>752,366</u>               | <u>1,848,653</u>    | <u>26,411</u>                        | <u>112,445</u>                        | <u>367,890</u>               | <u>9,560,384</u>               | <u>12,668,149</u>                       |
| <b>LIABILITIES AND FUND EQUITY</b>    |                              |                     |                                      |                                       |                              |                                |   |
| <b>LIABILITIES</b>                    |                              |                     |                                      |                                       |                              |                                |   |
| Due to Sewer Fund                     | -                            | -                   | -                                    | -                                     | -                            | -                              | -                                       |
| Accrued expenses                      | 23,204                       | 70,963              | -                                    | -                                     | -                            | 76,629                         | 170,796                                 |
| Total Liabilities                     | <u>23,204</u>                | <u>70,963</u>       | <u>-</u>                             | <u>-</u>                              | <u>-</u>                     | <u>76,629</u>                  | <u>170,796</u>                          |
| <b>FUND EQUITY</b>                    |                              |                     |                                      |                                       |                              |                                |   |
| Nonspendable                          |                              |                     |                                      |                                       |                              |                                |   |
| Prepaid expenses                      | -                            | 15,758              | -                                    | -                                     | -                            | -                              | 15,758                                  |
| Restricted for debt service           |                              |                     |                                      |                                       |                              | 939,754                        | 939,754                                 |
| Restricted for construction           |                              |                     |                                      |                                       |                              | 5,704,258                      | 5,704,258                               |
| Assigned for special revenue purposes | 729,162                      | 1,761,932           | 26,411                               | 112,445                               | -                            | -                              | 2,629,950                               |
| Assigned for capital project purposes | -                            | -                   | -                                    | -                                     | 367,890                      | 2,839,743                      | 3,207,633                               |
| Total Fund Equity                     | <u>729,162</u>               | <u>1,777,690</u>    | <u>26,411</u>                        | <u>112,445</u>                        | <u>367,890</u>               | <u>9,483,755</u>               | <u>12,497,353</u>                       |
| Total Liabilities and Fund Equity     | <u>\$ 752,366</u>            | <u>\$ 1,848,653</u> | <u>\$ 26,411</u>                     | <u>\$ 112,445</u>                     | <u>\$ 367,890</u>            | <u>\$ 9,560,384</u>            | <u>\$ 12,668,149</u>                    |

**CITY OF SEDALIA, MISSOURI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED MARCH 31, 2013**

|  | <u>Special Revenue Funds</u> |                     |
|--|------------------------------|---------------------|
|  | <u>Library</u>               | <u>Park</u>         |
| <b>REVENUES</b>  |                              |                     |
| Taxes  | \$ 484,221                   | \$ 1,910,850        |
| Intergovernmental  | 15,055                       | -                   |
| Charges for services   | 9,052                        | 276,394             |
| Miscellaneous  | 13,310                       | 14,457              |
| Total Revenues   | <u>521,638</u>               | <u>2,201,701</u>    |
| <b>EXPENDITURES</b>  |                              |                     |
| Library  | 436,496                      | -                   |
| Park   | -                            | 2,413,934           |
| Planning, building and economic development                                | -                            | -                   |
| Capital outlay   | -                            | -                   |
| Debt service   | -                            | -                   |
| Total Expenditures   | <u>436,496</u>               | <u>2,413,934</u>    |
| Excess (Deficit) of Revenues over Expenditures                             | <u>85,142</u>                | <u>(212,233)</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                                      |                              |                     |
| Certificates of participation proceeds                                     | -                            | -                   |
| Operating transfers in (out)   | -                            | (418)               |
| Total Other Financing Sources (Uses)                                       | <u>-</u>                     | <u>(418)</u>        |
| Excess (Deficit) of Revenues over<br>Expenditures and Other Sources (Uses) | 85,142                       | (212,651)           |
| Fund Balance, beginning of year  | <u>644,020</u>               | <u>1,990,341</u>    |
| Fund Balance, end of year  | <u>\$ 729,162</u>            | <u>\$ 1,777,690</u> |

| <b>Special Revenue Funds</b>         |                                       | <b>Capital Project Funds</b> |                               | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--------------------------------------|---------------------------------------|------------------------------|-------------------------------|---|
| <b>Special<br/>Business District</b> | <b>Midtown<br/>Special Allocation</b> | <b>Capital<br/>Project</b>   | <b>Capital<br/>Project #2</b> |   |
| \$ 40,621                            | \$ 32,189                             | \$ -                         | \$ 1,671,341                  | \$ 4,139,222                            |
| 4,209                                | -                                     | 262,522                      | -                             | 281,786                                 |
| -                                    | -                                     | -                            | -                             | 285,446                                 |
| 785                                  | 120                                   | 53,253                       | 10,745                        | 92,670                                  |
| <u>45,615</u>                        | <u>32,309</u>                         | <u>315,775</u>               | <u>1,682,086</u>              | <u>4,799,124</u>                        |
| -                                    | -                                     | -                            | -                             | 436,496                                 |
| -                                    | -                                     | -                            | -                             | 2,413,934                               |
| 43,519                               | -                                     | 44,874                       | 99,423                        | 187,816                                 |
| 12,941                               | -                                     | 233,507                      | 2,008,845                     | 2,255,293                               |
| -                                    | -                                     | -                            | 1,012,822                     | 1,012,822                               |
| <u>56,460</u>                        | <u>-</u>                              | <u>278,381</u>               | <u>3,121,090</u>              | <u>6,306,361</u>                        |
| <u>(10,845)</u>                      | <u>32,309</u>                         | <u>37,394</u>                | <u>(1,439,004)</u>            | <u>(1,507,237)</u>                      |
| -                                    | -                                     | -                            | 7,388,575                     | 7,388,575                               |
| -                                    | 2,644                                 | (48,000)                     | 501,148                       | 455,374                                 |
| <u>-</u>                             | <u>2,644</u>                          | <u>(48,000)</u>              | <u>7,889,723</u>              | <u>7,843,949</u>                        |
| (10,845)                             | 34,953                                | (10,606)                     | 6,450,719                     | 6,336,712                               |
| <u>37,256</u>                        | <u>77,492</u>                         | <u>378,496</u>               | <u>3,033,036</u>              | <u>6,160,641</u>                        |
| <u>\$ 26,411</u>                     | <u>\$ 112,445</u>                     | <u>\$ 367,890</u>            | <u>\$ 9,483,755</u>           | <u>\$ 12,497,353</u>                    |

**CITY OF SEDALIA, MISSOURI**  
**LIBRARY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED MARCH 31, 2013**

|   | <u>Budgeted Amounts</u> |                   | <u>Actual</u><br><u>Amounts</u> | <u>Variance With</u><br><u>Final Budget</u> |
|---|-------------------------|-------------------|---------------------------------|---|
|   | <u>Original</u>         | <u>Final</u>      |                                 |   |
| <b>REVENUES</b>                                   |                         |                   |                                 |   |
| Taxes   |                         |                   |                                 |   |
| Property  | \$ 471,597              | \$ 471,597        | \$ 448,139                      | \$ (23,458)                                 |
| Payment in-lieu-of                                | 250                     | 250               | 336                             | 86  |
| Financial institution                             | -                       | -                 | 2,377                           | 2,377                                       |
| Railroad and utilities                            | 18,000                  | 18,000            | 33,369                          | 15,369                                      |
| Total Taxes                                       | <u>489,847</u>          | <u>489,847</u>    | <u>484,221</u>                  | <u>(5,626)</u>                              |
| Intergovernmental                                 |                         |                   |                                 |   |
| State and federal grants                          | 10,055                  | 10,055            | 15,055                          | 5,000                                       |
| Total Intergovernmental                           | <u>10,055</u>           | <u>10,055</u>     | <u>15,055</u>                   | <u>5,000</u>                                |
| Charges for Services                              |                         |                   |                                 |   |
| Library fees                                      | 15,000                  | 15,000            | 9,052                           | (5,948)                                     |
| Total Charges for Services                        | <u>15,000</u>           | <u>15,000</u>     | <u>9,052</u>                    | <u>(5,948)</u>                              |
| Miscellaneous                                     |                         |                   |                                 |   |
| Interest  | 1,500                   | 1,500             | 2,330                           | 830   |
| Miscellaneous                                     | -                       | -                 | 10,980                          | 10,980                                      |
| Total Miscellaneous                               | <u>1,500</u>            | <u>1,500</u>      | <u>13,310</u>                   | <u>11,810</u>                               |
| <b>TOTAL REVENUES</b>                             | <u>516,402</u>          | <u>516,402</u>    | <u>521,638</u>                  | <u>5,236</u>                                |
| <b>EXPENDITURES</b>                               |                         |                   |                                 |   |
| Personnel services                                | 300,419                 | 300,419           | 284,716                         | 15,703                                      |
| Other charges and services                        | 66,450                  | 66,450            | 63,554                          | 2,896                                       |
| Operating supplies                                | 104,850                 | 104,850           | 86,454                          | 18,396                                      |
| Capital outlay                                    | 44,683                  | 44,683            | 1,772                           | 42,911                                      |
| <b>TOTAL EXPENDITURES</b>                         | <u>516,402</u>          | <u>516,402</u>    | <u>436,496</u>                  | <u>79,906</u>                               |
| Excess (Deficit) of Revenues<br>over Expenditures | -                       | -                 | 85,142                          | <u>\$ 85,142</u>                            |
| Fund Balance, beginning of year                   | <u>644,020</u>          | <u>644,020</u>    | <u>644,020</u>                  |   |
| Fund Balance, end of year                         | <u>\$ 644,020</u>       | <u>\$ 644,020</u> | <u>\$ 729,162</u>               |   |

**CITY OF SEDALIA, MISSOURI**  
**PARK FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED MARCH 31, 2013**

|  | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance With<br/>Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>REVENUES</b>  |                         |                     |                           |                                       |
| Taxes  |                         |                     |                           |                                       |
| Property   | \$ 384,000              | \$ 384,000          | \$ 388,672                | \$ 4,672                              |
| Payment in-lieu-of   | -                       | -                   | 237                       | 237                                   |
| Railroad and utility   | 13,000                  | 13,000              | 23,725                    | 10,725                                |
| General sales  | 1,720,000               | 1,720,000           | 1,498,216                 | (221,784)                             |
| Total Taxes  | <u>2,117,000</u>        | <u>2,117,000</u>    | <u>1,910,850</u>          | <u>(206,150)</u>                      |
| Charges for Services   |                         |                     |                           |                                       |
| Park and recreation fees   | 233,000                 | 233,000             | 276,394                   | 43,394                                |
| Total Charges for Services   | <u>233,000</u>          | <u>233,000</u>      | <u>276,394</u>            | <u>43,394</u>                         |
| Miscellaneous  |                         |                     |                           |                                       |
| Interest   | 5,000                   | 5,000               | 576                       | (4,424)                               |
| Miscellaneous  | 5,000                   | 5,000               | 13,881                    | 8,881                                 |
| Total Miscellaneous  | <u>10,000</u>           | <u>10,000</u>       | <u>14,457</u>             | <u>4,457</u>                          |
| <b>TOTAL REVENUES</b>  | <u>2,360,000</u>        | <u>2,360,000</u>    | <u>2,201,701</u>          | <u>(158,299)</u>                      |
| <b>EXPENDITURES</b>  |                         |                     |                           |                                       |
| Personnel services   | 943,019                 | 979,699             | 934,643                   | 45,056                                |
| Other charges and services   | 436,300                 | 461,338             | 452,778                   | 8,560                                 |
| Operating supplies   | 290,700                 | 303,815             | 311,915                   | (8,100)                               |
| Capital outlay   | 702,000                 | 702,000             | 714,598                   | (12,598)                              |
| <b>TOTAL EXPENDITURES</b>  | <u>2,372,019</u>        | <u>2,446,852</u>    | <u>2,413,934</u>          | <u>32,918</u>                         |
| Excess (Deficit) of Revenues<br>over Expenditures                                  | <u>(12,019)</u>         | <u>(86,852)</u>     | <u>(212,233)</u>          | <u>(191,217)</u>                      |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                         |                     |                           |                                       |
| Operating transfers in (out)   | -                       | -                   | (418)                     | (418)                                 |
| Total Other Financing Sources (Uses)   | <u>-</u>                | <u>-</u>            | <u>(418)</u>              | <u>(418)</u>                          |
| Excess (Deficit) of Revenues Over (Under)<br>Expenditures and Other Sources (Uses) | <u>(12,019)</u>         | <u>(86,852)</u>     | <u>(212,651)</u>          | <u>\$ (191,635)</u>                   |
| Fund Balance, beginning of year  | <u>1,990,341</u>        | <u>1,990,341</u>    | <u>1,990,341</u>          |                                       |
| Fund Balance, end of year  | <u>\$ 1,978,322</u>     | <u>\$ 1,903,489</u> | <u>\$ 1,777,690</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, 2013**

|   | <u>Budgeted Amounts</u> |                  | <u>Actual<br/>Amounts</u> | <u>Variance With<br/>Final Budget</u> |
|---|-------------------------|------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>     |                           |                                       |
| REVENUES  |                         |                  |                           |                                       |
| Taxes   |                         |                  |                           |                                       |
| Property  | \$ 37,840               | \$ 37,840        | \$ 38,170                 | \$ 330                                |
| Financial institution                             | 1,000                   | 1,000            | 2,451                     | 1,451                                 |
| Total Taxes                                       | <u>38,840</u>           | <u>38,840</u>    | <u>40,621</u>             | <u>1,781</u>                          |
| Intergovernmental                                 |                         |                  |                           |                                       |
| State and federal grants                          | 2,999                   | 2,999            | 4,209                     | 1,210                                 |
| Total Intergovernmental                           | <u>2,999</u>            | <u>2,999</u>     | <u>4,209</u>              | <u>1,210</u>                          |
| Miscellaneous                                     |                         |                  |                           |                                       |
| Interest  | 120                     | 120              | 35                        | (85)                                  |
| Miscellaneous                                     |                         |                  | 750                       | 750                                   |
| Total Miscellaneous                               | <u>120</u>              | <u>120</u>       | <u>785</u>                | <u>665</u>                            |
| TOTAL REVENUES                                    | <u>41,959</u>           | <u>41,959</u>    | <u>45,615</u>             | <u>3,656</u>                          |
| EXPENDITURES                                      |                         |                  |                           |                                       |
| Other charges and services                        | 37,880                  | 42,088           | 41,750                    | 338                                   |
| Operating supplies                                | 1,500                   | 1,635            | 1,769                     | (134)                                 |
| Capital outlay                                    | 10,500                  | 12,941           | 12,941                    | -                                     |
| TOTAL EXPENDITURES                                | <u>49,880</u>           | <u>56,664</u>    | <u>56,460</u>             | <u>204</u>                            |
| Excess (Deficit) of Revenues<br>over Expenditures | (7,921)                 | (14,705)         | (10,845)                  | <u>\$ 3,860</u>                       |
| Fund Balance, beginning of year                   | <u>37,256</u>           | <u>37,256</u>    | <u>37,256</u>             |                                       |
| Fund Balance, end of year                         | <u>\$ 29,335</u>        | <u>\$ 22,551</u> | <u>\$ 26,411</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, 2013**

|  | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance With<br/>Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| <b>REVENUES</b>  |                         |                   |                           |                                       |
| Taxes  |                         |                   |                           |                                       |
| Property   | \$ 26,000               | \$ 26,000         | \$ 31,076                 | \$ 5,076                              |
| Sales  | 10,000                  | 10,000            | 1,113                     | (8,887)                               |
| Total Taxes  | <u>36,000</u>           | <u>36,000</u>     | <u>32,189</u>             | <u>(3,811)</u>                        |
| Miscellaneous  |                         |                   |                           |                                       |
| Interest income  | 30                      | 30                | 120                       | 90                                    |
| Total Miscellaneous  | <u>30</u>               | <u>30</u>         | <u>120</u>                | <u>90</u>                             |
| Total Revenues   | <u>36,030</u>           | <u>36,030</u>     | <u>32,309</u>             | <u>(8,797)</u>                        |
| <b>EXPENDITURES</b>  |                         |                   |                           |                                       |
| Other charges and services   | -                       | -                 | -                         | -                                     |
| Capital outlay   | -                       | -                 | -                         | -                                     |
| Total Expenditures   | <u>-</u>                | <u>-</u>          | <u>-</u>                  | <u>-</u>                              |
| Excess (Deficit) of Revenues<br>over Expenditures                                  | <u>36,030</u>           | <u>36,030</u>     | <u>32,309</u>             | <u>(8,797)</u>                        |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                         |                   |                           |                                       |
| Operating transfers in (out)   | -                       | -                 | 2,644                     | 2,644                                 |
| Total Other Financing Sources (Uses)   | <u>-</u>                | <u>-</u>          | <u>2,644</u>              | <u>2,644</u>                          |
| Excess (Deficit) of Revenues Over (Under)<br>Expenditures and Other Sources (Uses) | 36,030                  | 36,030            | 34,953                    | <u>\$ (6,153)</u>                     |
| Fund Balance, beginning of year  | <u>77,492</u>           | <u>77,492</u>     | <u>77,492</u>             |                                       |
| Fund Balance, end of year  | <u>\$ 113,522</u>       | <u>\$ 113,522</u> | <u>\$ 112,445</u>         |                                       |

**CITY OF SEDALIA, MISSOURI  
CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2013**

|  | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance With<br/>Final Budget</u> |
|--|-------------------------|-------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| <b>REVENUES</b>  |                         |                   |                           |                                       |
| <b>Intergovernmental</b>   |                         |                   |                           |                                       |
| State and federal grants   | \$ 392,987              | \$ 392,987        | \$ 262,522                | \$ (130,465)                          |
| Total Intergovernmental  | <u>392,987</u>          | <u>392,987</u>    | <u>262,522</u>            | <u>(130,465)</u>                      |
| <b>Miscellaneous</b>   |                         |                   |                           |                                       |
| Interest income  | 200                     | 200               | 387                       | 187                                   |
| Miscellaneous  | 88,000                  | 88,000            | 52,866                    | (35,134)                              |
| Total Miscellaneous  | <u>88,200</u>           | <u>88,200</u>     | <u>53,253</u>             | <u>(34,947)</u>                       |
| Total Revenues   | <u>481,187</u>          | <u>481,187</u>    | <u>315,775</u>            | <u>(165,412)</u>                      |
| <b>EXPENDITURES</b>  |                         |                   |                           |                                       |
| Other charges and services   | 27,664                  | 27,664            | 44,874                    | (17,210)                              |
| Capital outlay   | 456,367                 | 456,367           | 233,507                   | 222,860                               |
| Total Expenditures   | <u>484,031</u>          | <u>484,031</u>    | <u>278,381</u>            | <u>205,650</u>                        |
| Excess (Deficit) of Revenues<br>over Expenditures                                  | <u>(2,844)</u>          | <u>(2,844)</u>    | <u>37,394</u>             | <u>40,238</u>                         |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                         |                   |                           |                                       |
| Operating transfers in (out)   | (8,000)                 | (8,000)           | (48,000)                  | (40,000)                              |
| Total Other Financing Sources (Uses)   | <u>(8,000)</u>          | <u>(8,000)</u>    | <u>(48,000)</u>           | <u>(40,000)</u>                       |
| Excess (Deficit) of Revenues Over (Under)<br>Expenditures and Other Sources (Uses) | (10,844)                | (10,844)          | (10,606)                  | <u>\$ 238</u>                         |
| Fund Balance, beginning of year  | <u>378,496</u>          | <u>378,496</u>    | <u>378,496</u>            |                                       |
| Fund Balance, end of year  | <u>\$ 367,652</u>       | <u>\$ 367,652</u> | <u>\$ 367,890</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, 2013**

|  | <u>Budgeted Amounts</u> |                     | <u>Actual</u><br><u>Amounts</u> | <u>Variance With</u><br><u>Final Budget</u> |
|--|-------------------------|---------------------|---------------------------------|---|
|  | <u>Original</u>         | <u>Final</u>        |                                 |   |
| <b>REVENUES</b>  |                         |                     |                                 |   |
| Taxes  |                         |                     |                                 |   |
| Sales  | \$ 1,763,400            | \$ 1,763,400        | \$ 1,626,341                    | \$ (137,059)                                |
| Franchise  | 45,000                  | 45,000              | 45,000                          | -   |
| Total Taxes  | <u>1,808,400</u>        | <u>1,808,400</u>    | <u>1,671,341</u>                | <u>(137,059)</u>                            |
| Miscellaneous  |                         |                     |                                 |   |
| Rental income  | 4,000                   | 4,000               | 4,000                           | -   |
| Interest income  | 11,500                  | 11,500              | 6,745                           | (4,755)                                     |
| Total Miscellaneous  | <u>15,500</u>           | <u>15,500</u>       | <u>10,745</u>                   | <u>(4,755)</u>                              |
| Total Revenues   | <u>1,823,900</u>        | <u>1,823,900</u>    | <u>1,682,086</u>                | <u>(141,814)</u>                            |
| <b>EXPENDITURES</b>  |                         |                     |                                 |   |
| Other charges and services   | 182,600                 | 182,600             | 99,423                          | 83,177                                      |
| Capital outlay   | 727,750                 | 1,979,845           | 2,008,845                       | (29,000)                                    |
| Debt service   | 794,560                 | 963,007             | 1,012,822                       | (49,815)                                    |
| Total Expenditures   | <u>1,704,910</u>        | <u>3,125,452</u>    | <u>3,121,090</u>                | <u>4,362</u>                                |
| Excess (Deficit) of Revenues<br>over Expenditures                                  | <u>118,990</u>          | <u>(1,301,552)</u>  | <u>(1,439,004)</u>              | <u>(137,452)</u>                            |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                         |                     |                                 |   |
| Certificates of participation proceeds   | -                       | -                   | 7,388,575                       | 7,388,575                                   |
| Operating transfers in (out)   | 240,000                 | 240,000             | 501,148                         | 261,148                                     |
| Total Other Financing Sources (Uses)   | <u>240,000</u>          | <u>240,000</u>      | <u>7,889,723</u>                | <u>7,649,723</u>                            |
| Excess (Deficit) of Revenues Over (Under)<br>Expenditures and Other Sources (Uses) | 358,990                 | (1,061,552)         | 6,450,719                       | <u>\$ 7,512,271</u>                         |
| Fund Balance, beginning of year  | <u>3,033,036</u>        | <u>3,033,036</u>    | <u>3,033,036</u>                |   |
| Fund Balance, end of year  | <u>\$ 3,392,026</u>     | <u>\$ 1,971,484</u> | <u>\$ 9,483,755</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, 2013**

|                                   | <b>Budgeted Amounts</b> |                   | <b>Actual<br/>Amounts</b> | <b>Variance with<br/>Final Budget</b> |
|-----------------------------------|-------------------------|-------------------|---------------------------|---------------------------------------|
|                                   | <b>Original</b>         | <b>Final</b>      |                           |                                       |
| <b>REVENUES</b>                   |                         |                   |                           |                                       |
| <b>Taxes</b>                      |                         |                   |                           |                                       |
| Property                          | \$ 1,099,600            | \$ 1,099,600      | \$ 1,125,541              | \$ 25,941                             |
| Interest and penalties            | 25,000                  | 25,000            | 29,977                    | 4,977                                 |
| Payment-in-lieu-of taxes          | 600                     | 600               | 682                       | 82                                    |
| Railroad and utilities            | 43,500                  | 43,500            | 68,197                    | 24,697                                |
| Financial institution             | 2,000                   | 2,000             | 7,995                     | 5,995                                 |
| General sales                     | 7,571,900               | 7,571,900         | 6,154,994                 | (1,416,906)                           |
| Franchise                         | 2,511,000               | 2,511,000         | 2,353,471                 | (157,529)                             |
| Cigarette                         | 120,000                 | 120,000           | 114,440                   | (5,560)                               |
| <b>Total Taxes</b>                | <b>11,373,600</b>       | <b>11,373,600</b> | <b>9,855,297</b>          | <b>(1,518,303)</b>                    |
| <b>Licenses and Permits</b>       |                         |                   |                           |                                       |
| Occupational                      | 332,000                 | 332,000           | 314,101                   | (17,899)                              |
| Building                          | 125,000                 | 125,000           | 147,348                   | 22,348                                |
| Street cuts                       | 4,500                   | 4,500             | 2,900                     | (1,600)                               |
| Other licenses                    | 5,400                   | 5,400             | 11,416                    | 6,016                                 |
| <b>Total Licenses and Permits</b> | <b>466,900</b>          | <b>466,900</b>    | <b>475,765</b>            | <b>8,865</b>                          |
| <b>Intergovernmental</b>          |                         |                   |                           |                                       |
| State gasoline tax                | 560,000                 | 560,000           | 541,854                   | (18,146)                              |
| Motor vehicle sales tax           | 209,000                 | 209,000           | 222,561                   | 13,561                                |
| State and federal grants          | -                       | -                 | 146,418                   | 146,418                               |
| <b>Total Intergovernmental</b>    | <b>769,000</b>          | <b>769,000</b>    | <b>910,833</b>            | <b>141,833</b>                        |
| <b>Charges for Services</b>       |                         |                   |                           |                                       |
| Sanitation fees                   | 1,260,000               | 1,260,000         | 1,243,100                 | (16,900)                              |
| Community center fees             | 16,050                  | 16,050            | 17,263                    | 1,213                                 |
| Cemetery fees and lot sales       | 70,000                  | 70,000            | 102,908                   | 32,908                                |
| Airport fees                      | 507,000                 | 507,000           | 411,454                   | (95,546)                              |
| <b>Total Charges for Services</b> | <b>1,853,050</b>        | <b>1,853,050</b>  | <b>1,774,725</b>          | <b>(78,325)</b>                       |

**CITY OF SEDALIA, MISSOURI  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONT'D)  
YEAR ENDED MARCH 31, 2013**

|                             | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|-----------------------------|-------------------------|-------------------|---------------------------|---------------------------------------|
|                             | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| REVENUES (cont'd)           |                         |                   |                           |                                       |
| Fines and Forfeitures       | 206,000                 | 206,000           | 211,549                   | 5,549                                 |
| Total Fines and Forfeitures | <u>206,000</u>          | <u>206,000</u>    | <u>211,549</u>            | <u>5,549</u>                          |
| Miscellaneous               |                         |                   |                           |                                       |
| Interest income             | 33,500                  | 33,500            | 25,564                    | (7,936)                               |
| Rental income               | 54,450                  | 54,450            | 48,064                    | (6,386)                               |
| Miscellaneous               | 67,000                  | 67,000            | 114,469                   | 47,469                                |
| Total Miscellaneous         | <u>154,950</u>          | <u>154,950</u>    | <u>188,097</u>            | <u>33,147</u>                         |
| <b>TOTAL REVENUES</b>       | <u>14,823,500</u>       | <u>14,823,500</u> | <u>13,416,266</u>         | <u>(1,407,234)</u>                    |
| EXPENDITURES                |                         |                   |                           |                                       |
| General and Administrative  |                         |                   |                           |                                       |
| Administrative              |                         |                   |                           |                                       |
| Personnel services          | 621,708                 | 621,708           | 693,726                   | (72,018)                              |
| Other charges and services  | 351,727                 | 351,727           | 272,345                   | 79,382                                |
| Operating supplies          | 22,300                  | 22,300            | 12,505                    | 9,795                                 |
| Total Administrative        | <u>995,735</u>          | <u>995,735</u>    | <u>978,576</u>            | <u>17,159</u>                         |
| Finance                     |                         |                   |                           |                                       |
| Personnel services          | 363,369                 | 363,369           | 328,707                   | 34,662                                |
| Other charges and services  | 106,965                 | 106,965           | 109,374                   | (2,409)                               |
| Operating supplies          | 2,300                   | 2,300             | 1,956                     | 344                                   |
| Total Finance               | <u>472,634</u>          | <u>472,634</u>    | <u>440,037</u>            | <u>32,597</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, 2013**

|                                  | <u>Budgeted Amounts</u> |                  | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|----------------------------------|-------------------------|------------------|---------------------------|---------------------------------------|
|                                  | <u>Original</u>         | <u>Final</u>     |                           |                                       |
| EXPENDITURES (cont'd)            |                         |                  |                           |                                       |
| Records                          |                         |                  |                           |                                       |
| Personnel services               | 128,426                 | 128,426          | 130,460                   | (2,034)                               |
| Other charges and services       | 37,210                  | 37,210           | 19,554                    | 17,656                                |
| Repairs and maintenance          | 1,000                   | 1,000            | 651                       | 349                                   |
| Total Records                    | <u>166,636</u>          | <u>166,636</u>   | <u>150,665</u>            | <u>15,971</u>                         |
| Code Enforcement                 |                         |                  |                           |                                       |
| Personnel services               | 396,116                 | 411,241          | 409,452                   | 1,789                                 |
| Other charges and services       | 50,805                  | 50,805           | 43,760                    | 7,045                                 |
| Repairs and maintenance          | 13,300                  | 13,300           | 8,691                     | 4,609                                 |
| Total Code Enforcement           | <u>460,221</u>          | <u>475,346</u>   | <u>461,903</u>            | <u>13,443</u>                         |
| Building Maintenance             |                         |                  |                           |                                       |
| Personnel services               | 255,644                 | 255,644          | 260,104                   | (4,460)                               |
| Other charges and services       | 46,190                  | 51,190           | 54,199                    | (3,009)                               |
| Operating supplies               | 9,800                   | 9,800            | 7,274                     | 2,526                                 |
| Repairs and maintenance          | 39,000                  | 39,000           | 29,389                    | 9,611                                 |
| Total Building Maintenance       | <u>350,634</u>          | <u>355,634</u>   | <u>350,966</u>            | <u>4,668</u>                          |
| Total General and Administrative | <u>2,445,860</u>        | <u>2,465,985</u> | <u>2,382,147</u>          | <u>83,838</u>                         |
| Sanitation                       |                         |                  |                           |                                       |
| Personnel services               | 835,622                 | 835,622          | 782,325                   | 53,297                                |
| Other charges and services       | 59,460                  | 59,460           | 48,340                    | 11,120                                |
| Operating supplies               | 422,954                 | 422,954          | 411,509                   | 11,445                                |
| Total Sanitation                 | <u>1,318,036</u>        | <u>1,318,036</u> | <u>1,242,174</u>          | <u>75,862</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, 2013**

|                            | <u>Budgeted Amounts</u> |                  | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|----------------------------|-------------------------|------------------|---------------------------|---------------------------------------|
|                            | <u>Original</u>         | <u>Final</u>     |                           |                                       |
| EXPENDITURES (cont'd)      |                         |                  |                           |                                       |
| Public Safety              |                         |                  |                           |                                       |
| Police                     |                         |                  |                           |                                       |
| Personnel services         | 3,356,656               | 3,356,656        | 3,174,734                 | 181,922                               |
| Other charges and services | 336,523                 | 336,523          | 275,162                   | 61,361                                |
| Operating supplies         | 184,000                 | 184,000          | 188,579                   | (4,579)                               |
| Total Police               | <u>3,877,179</u>        | <u>3,877,179</u> | <u>3,638,475</u>          | <u>238,704</u>                        |
| Fire                       |                         |                  |                           |                                       |
| Personnel services         | 2,311,815               | 2,311,815        | 2,336,526                 | (24,711)                              |
| Other charges and services | 113,340                 | 113,340          | 91,335                    | 22,005                                |
| Operating supplies         | 43,300                  | 43,300           | 39,430                    | 3,870                                 |
| Total Fire                 | <u>2,468,455</u>        | <u>2,468,455</u> | <u>2,467,291</u>          | <u>1,164</u>                          |
| Cemetery                   |                         |                  |                           |                                       |
| Personnel services         | 261,688                 | 261,688          | 254,300                   | 7,388                                 |
| Other charges and services | 17,520                  | 17,520           | 15,903                    | 1,617                                 |
| Operating supplies         | 11,600                  | 11,600           | 13,118                    | (1,518)                               |
| Total Cemetery             | <u>290,808</u>          | <u>290,808</u>   | <u>283,321</u>            | <u>7,487</u>                          |
| Total Public Safety        | <u>6,636,442</u>        | <u>6,636,442</u> | <u>6,389,087</u>          | <u>247,355</u>                        |
| Transportation             |                         |                  |                           |                                       |
| Streets and Alleys         |                         |                  |                           |                                       |
| Personnel services         | 1,391,919               | 1,391,919        | 1,317,060                 | 74,859                                |
| Other charges and services | 655,550                 | 655,550          | 702,214                   | (46,664)                              |
| Operating supplies         | 949,600                 | 949,600          | 751,000                   | 198,600                               |
| Total Streets and Alleys   | <u>2,997,069</u>        | <u>2,997,069</u> | <u>2,770,274</u>          | <u>226,795</u>                        |
| Airport                    |                         |                  |                           |                                       |
| Personnel services         | 162,160                 | 162,160          | 176,088                   | (13,928)                              |
| Other charges and services | 49,535                  | 49,535           | 41,526                    | 8,009                                 |
| Operating supplies         | 625,100                 | 625,100          | 394,913                   | 230,187                               |
| Total Airport              | <u>836,795</u>          | <u>836,795</u>   | <u>612,527</u>            | <u>224,268</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, 2013**

|  | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| Total Transportation   | 3,833,864               | 3,833,864           | 3,382,801                 | 451,063                               |
| Cultural Parks and Recreation<br>Community Center                                  |                         |                     |                           |                                       |
| Other charges and services   | 37,570                  | 37,570              | 32,140                    | 5,430                                 |
| Operating supplies   | 2,800                   | 2,800               | 1,988                     | 812                                   |
| Total Community Center   | 40,370                  | 40,370              | 34,128                    | 6,242                                 |
| Capital Expenditures   |                         |                     |                           |                                       |
| Capital outlay   | 1,947,009               | 2,151,991           | 1,717,812                 | 434,179                               |
| Total Capital Expenditures   | 1,947,009               | 2,151,991           | 1,717,812                 | 434,179                               |
| Debt Service   |                         |                     |                           |                                       |
| Total Debt Service   | 34,800                  | 34,800              | -                         | 34,800                                |
| <b>TOTAL EXPENDITURES</b>  | <u>16,256,381</u>       | <u>16,481,488</u>   | <u>15,148,149</u>         | <u>1,333,339</u>                      |
| Excess (Deficit) of Revenues<br>over Expenditures                                  | (1,432,881)             | (1,657,988)         | (1,731,883)               | (73,895)                              |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                         |                     |                           |                                       |
| Operating transfers in (out)   | 13,000                  | 13,000              | 8,781                     | (4,219)                               |
| Total Other Financing Sources (Uses)   | 13,000                  | 13,000              | 8,781                     | (4,219)                               |
| Excess (Deficit) of Revenues Over (Under)<br>Expenditures and Other Sources (Uses) | (1,419,881)             | (1,644,988)         | (1,723,102)               | <u>\$ (78,114)</u>                    |
| Fund Balance, beginning of year  | 10,346,306              | 10,346,306          | 10,346,306                |                                       |
| Fund Balance, end of year  | <u>\$ 8,926,425</u>     | <u>\$ 8,701,318</u> | <u>\$ 8,623,204</u>       |                                       |

**COMBINING FINANCIAL STATEMENTS**

**Fiduciary Funds**

**CITY OF SEDALIA, MISSOURI**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED MARCH 31, 2013**

|  | <b>Private<br/>Purpose<br/>Trust</b> | <b>Pension Trust</b>         |                           | <b>Agency<br/>Fund</b>           | <b>Total</b>  |
|--|--------------------------------------|------------------------------|---------------------------|----------------------------------|---------------|
|  | <b>Cemetery</b>                      | <b>Firemen's<br/>Pension</b> | <b>Police<br/>Pension</b> | <b>Deferred<br/>Compensation</b> |               |
|  |                                      |                              |                           |                                  |               |
| <b>ASSETS</b>  |                                      |                              |                           |                                  |               |
| Cash and cash equivalents                                | \$ 321,115                           | \$ 156,903                   | \$ 176,275                | \$ -                             | \$ 654,293    |
| Investments  |                                      |                              |                           |                                  |               |
| U.S. Government securities                               | -                                    | 779,056                      | -                         | -                                | 779,056       |
| Corporate debt and equity                                | -                                    | 5,700,537                    | 3,118,029                 | 1,958,978                        | 10,777,544    |
| Other investments  | -                                    | 23,440                       | 1,394                     | -                                | 24,834        |
| Total investments  | -                                    | 6,503,033                    | 3,119,423                 | 1,958,978                        | 11,581,434    |
| Total Assets   | 321,115                              | 6,659,936                    | 3,295,698                 | 1,958,978                        | 12,235,727    |
| <b>LIABILITIES</b>                                       |                                      |                              |                           |                                  |               |
| Refundable contributions                                 | -                                    | 1,824,913                    | 275,673                   | -                                | 2,100,586     |
| Total Liabilities  | -                                    | 1,824,913                    | 275,673                   | -                                | 2,100,586     |
| <b>NET POSITION</b>                                      |                                      |                              |                           |                                  |               |
| Held in trust for pension benefits<br>and other purposes | \$ 321,115                           | \$ 4,835,023                 | \$ 3,020,025              | \$ 1,958,978                     | \$ 10,135,141 |

**CITY OF SEDALIA, MISSOURI**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED MARCH 31, 2013**

|  | <b>Private<br/>Purpose<br/>Trust</b> | <b>Firemen's<br/>Pension<br/>Trust</b> | <b>Police<br/>Pension<br/>Trust</b> | <b>Agency<br/>Fund<br/>Deferred<br/>Compensation</b> | <b>Total</b>  |
|--|--------------------------------------|--|-------------------------------------|--|---------------|
| <b>ADDITIONS</b>                                     |                                      |  |                                     |  |               |
| <b>Contributions</b>                                 |                                      |  |                                     |  |               |
| Taxes  | \$ -                                 | \$ 126,683                             | \$ 232,027                          | \$ -   | \$ 358,710    |
| Employer/employee                                    | -                                    | 252,006                                | -                                   | 145,969  | 397,975       |
| Miscellaneous  | 10,725                               | 108                                    | 3,111                               | -  | 13,944        |
| Total contributions                                  | 10,725                               | 378,797                                | 235,138                             | 145,969  | 770,629       |
| <b>Investment earnings</b>                           |                                      |  |                                     |  |               |
| Investment income                                    | 2,451                                | 193,316                                | 55,199                              | 159,523  | 410,489       |
| Net increase (decrease) in fair value of investments | -                                    | 314,092                                | 137,007                             | -  | 451,099       |
| Net investment earnings                              | 2,451                                | 507,408                                | 192,206                             | 159,523  | 861,588       |
| Total Additions                                      | 13,176                               | 886,205                                | 427,344                             | 305,492  | 1,632,217     |
| <b>DEDUCTIONS</b>                                    |                                      |  |                                     |  |               |
| Pension expense                                      | -                                    | 560,290                                | 497,295                             | 23,258   | 1,080,843     |
| Insurance  | -                                    | 31,942                                 | -                                   | -  | 31,942        |
| Administrative fees                                  | -                                    | 44,993                                 | 24,531                              | 13,571   | 83,095        |
| Pension refunds                                      | -                                    | 17,613                                 | -                                   | -  | 17,613        |
| Miscellaneous  | 2,451                                | 39,755                                 | 7,914                               | -  | 50,120        |
| Total Deductions                                     | 2,451                                | 694,593                                | 529,740                             | 36,829   | 1,263,613     |
| Change in net position                               | 10,725                               | 191,612                                | (102,396)                           | 268,663  | 368,604       |
| Net position, beginning of year                      | 310,390                              | 4,643,411                              | 3,122,421                           | 1,690,315  | 9,766,537     |
| Net position, end of year                            | \$ 321,115                           | \$ 4,835,023                           | \$ 3,020,025                        | \$ 1,958,978   | \$ 10,135,141 |

## **COMPLIANCE AND INTERNAL CONTROL**



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

PARTNERS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 6, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### 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*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink, appearing to read "Gerding, Korte & Chitwood", is enclosed in a thin black rectangular border.

August 6, 2013

Gerding, Korte & Chitwood, P.C.  
Certified Public Accountants  
Boonville, Missouri