

**ANNUAL REPORT OF  
CITY OF SEDALIA, MISSOURI  
YEAR ENDED MARCH 31, 2010**

*CITY OF SEDALIA, MISSOURI*

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***CITY OF SEDALIA, MISSOURI***

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Professional Corporation  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

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To The City Council  
City of Sedalia, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Health Center Fund, which represents 64 percent and 95 percent, respectively of the assets and revenues of the Enterprise Fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Health Center Fund, is based on the report of the other auditors.

### PARTNERS

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

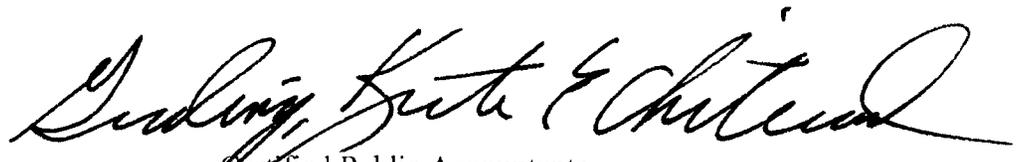
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of March 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 12, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 3 through 12 and page 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sedalia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Sedalia. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Certified Public Accountants

July 12, 2010

**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED MARCH 31, 2010  
(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, 2010. 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 \$195,631,311 (Net assets). Of this amount, \$47,712,419 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets increased by \$5,540,369 from \$190,090,942 to \$195,631,311.
- As of the close of the current fiscal year, the City of Sedalia's governmental funds reported combined ending fund balances of \$14,766,723. 100% is unreserved and available for use within the City's designation and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$8,797,562 or 67% of the total general fund expenditures.
- The City's revenue bonds payable decreased \$1,185,000 due to scheduled payments.
- The City's certificates of participation debt decreased \$470,000 due to scheduled payments.
- The City's capital lease debt decreased \$1,901,372 due to scheduled payments.
- The City's note payable debt decreased \$189,938 due to scheduled payments.
- The City's other Debt for the Health Center debt decreased \$1,267,354 due to scheduled payments.

**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, 2010  
(UNAUDITED)**

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

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

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

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

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

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

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

**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED MARCH 31, 2010  
(UNAUDITED)**

The City maintains 6 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, which is considered to be major fund. Data from the other 4 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 17-21.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Heath, Water and Wastewater funds since they are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 22-26 of this report.

**Fiduciary Funds** - This report also includes information for fiduciary funds which are funds held in trust for others. The basic fiduciary fund financial statements can be found on pages 27-28 of this report. Combining statements can be found on pages 101-102 of this report.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-85.

**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 86 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 87-100 of this report.

**Governmental-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Sedalia, assets exceeded liabilities by \$195,631,311 as of March 31, 2010.

**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED MARCH 31, 2010  
(UNAUDITED)**

The largest portion of the City's net assets (71%) reflects its investments in capital assets (e.g., land, building, equipment, improvements and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following provides a summary of net assets at March 31, 2010 and 2009:

	Net Assets					
	2010			2009		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Current assets	\$ 15,402,959	\$ 42,105,156	\$ 57,508,115	\$ 15,374,055	\$ 42,744,634	\$ 58,118,689
Restricted assets	1,093,888	9,234,815	10,328,703	1,107,637	8,595,176	9,702,813
Capital assets	78,200,031	95,665,276	173,865,307	78,392,044	90,197,441	168,589,485
Other assets		103,838	103,838	-	150,370	150,370
Total Assets	<u>\$ 94,696,878</u>	<u>\$ 147,109,085</u>	<u>\$ 241,805,963</u>	<u>\$ 94,873,736</u>	<u>\$ 141,687,621</u>	<u>\$ 236,561,357</u>
Current liabilities	2,326,949	14,339,566	16,666,515	2,061,014	12,787,598	14,848,612
Long-term liabilities	8,822,016	20,686,121	29,508,137	9,398,836	22,222,967	31,621,803
Total Liabilities	<u>11,148,965</u>	<u>35,025,687</u>	<u>46,174,652</u>	<u>11,459,850</u>	<u>35,010,565</u>	<u>46,470,415</u>
Net Assets						
Invested in capital assets, net of related debt	68,524,409	70,468,306	138,992,715	68,133,984	63,544,935	131,678,919
Debt service	-	2,578,360	2,578,360	-	2,752,431	2,752,431
Expendable for capital acquisition	-	277,042	277,042	-	317,210	317,210
Nonexpendable permanent endowments	-	101,614	101,614	-	101,614	101,614
Expendable for other purposes	5,969,161	-	5,969,161	6,333,286	-	6,333,286
Unrestricted	9,054,343	38,658,076	47,712,419	8,946,616	39,960,866	48,907,482
Total Net Assets	<u>\$ 83,547,913</u>	<u>\$ 112,083,398</u>	<u>\$ 195,631,311</u>	<u>\$ 83,413,886</u>	<u>\$ 106,677,056</u>	<u>\$ 190,090,942</u>

**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED MARCH 31, 2010  
(UNAUDITED)**

As of March 31, 2010, the City is able to report positive balances in all three categories of net assets for the government as a whole.

**Analysis of the City's Operations** - Overall the City had an increase in net assets of \$5,540,369.

Governmental Activities: Governmental activities increased the net assets by \$134,027 or .1% from \$83,413,886 to \$83,547,913. This is due primarily to an increase in revenue.

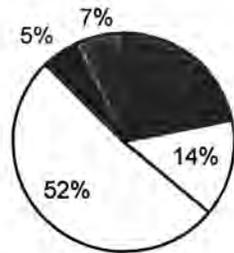
Business-type Activities: Net Assets from business-type activities increased by \$5,406,342 or 5% from \$106,677,056 to \$112,083,398. This increase was primarily due to completion of capital projects and recognition of capital contributions; and the unrestricted net assets increase from an excess of operating revenues over operating expenditures.

The following table provides a summary of the City's operations for year ended March 31, 2010 and 2009.

	Changes in Net Assets					
	2010			2009		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<b>Revenues:</b>						
<b>Program Revenues</b>						
Fees, fines and charges for services	\$ 2,200,808	\$ 99,317,688	\$ 101,518,496	\$ 2,200,206	\$ 95,369,800	\$ 97,570,006
Operating grants and contributions	151,423	(37,948)	113,475	153,237	-	153,237
Capital grants and contributions	812,640	1,040,764	1,853,404	1,311,510	281,554	1,593,064
<b>General Revenues</b>						
Property taxes	1,834,633	-	1,834,633	1,919,942	-	1,919,942
Franchise taxes	2,628,076	-	2,628,076	2,667,466	-	2,667,466
Sales and use taxes	9,511,157	802,291	10,313,448	10,177,537	875,842	11,053,379
Motor vehicle and fuel taxes	758,405	-	758,405	765,352	-	765,352
Other taxes	220,457	-	220,457	148,064	-	148,064
Investment earnings	164,128	643,067	807,195	299,443	1,112,149	1,411,592
Transfer from Agency Funding	7,264	-	7,264	10,120	-	10,120
Transfers	900,000	(900,000)	-	1,270,660	(1,270,660)	-
Miscellaneous	217,759	2,634	220,393	220,503	(7,395)	213,108
<b>Total Revenues</b>	<b>19,406,750</b>	<b>100,868,496</b>	<b>120,275,246</b>	<b>21,144,040</b>	<b>96,361,290</b>	<b>117,505,330</b>
<b>Expenses:</b>						
General government	3,567,757	-	3,567,757	3,505,117	-	3,505,117
Public safety	5,934,251	-	5,934,251	5,810,495	-	5,810,495
Transportation	6,731,350	-	6,731,350	7,836,589	-	7,836,589
Cultural park, library & comm center	2,421,828	-	2,421,828	2,375,109	-	2,375,109
Community development	404,811	-	404,811	344,283	-	344,283
Interest on long-term debt	212,726	-	212,726	244,869	-	244,869
Health	-	89,522,317	89,522,317	-	87,242,147	87,242,147
Water	-	3,075,980	3,075,980	-	3,183,799	3,183,799
Wastewater	-	2,863,857	2,863,857	-	2,513,067	2,513,067
<b>Total Expenses</b>	<b>19,272,723</b>	<b>95,462,154</b>	<b>114,734,877</b>	<b>20,116,462</b>	<b>92,939,013</b>	<b>113,055,475</b>
<b>Change in Net Assets</b>	<b>134,027</b>	<b>5,406,342</b>	<b>5,540,369</b>	<b>1,027,578</b>	<b>3,422,277</b>	<b>4,449,855</b>
Net Assets - April 1, 2009	83,413,886	106,677,056	190,090,942	82,386,308	103,254,779	185,641,087
<b>Net Assets - March 31, 2010</b>	<b>\$ 83,547,913</b>	<b>\$ 112,083,398</b>	<b>\$ 195,631,311</b>	<b>\$ 83,413,886</b>	<b>\$ 106,677,056</b>	<b>\$ 190,090,942</b>

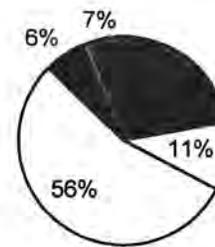
**CITY OF SEDALIA  
REVENUE & EXPENSE COMPARISONS  
MARCH 31, 2010 & MARCH 31, 2009**

**2010 Governmental Activities  
Revenues**



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

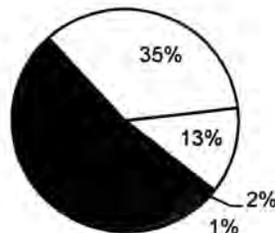
**2009 Governmental Activities  
Revenues**



- Fees, fines & charges for services - 11%
- Property taxes - 9%
- Franchise taxes - 11%
- Sales and use taxes - 56%
- Other taxes - 6%
- Miscellaneous - 7%

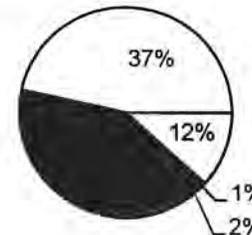
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**2010 Governmental Activities  
Expenses**



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

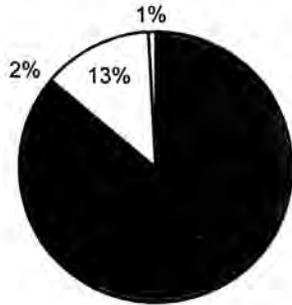
**2009 Governmental Activities  
Expenses**



- General Government - 18%
- Public Safety - 30%
- Transportation - 37%
- Cultural parks and recreation - 12%
- Community development - 1%
- Interest on long-term debt - 2%

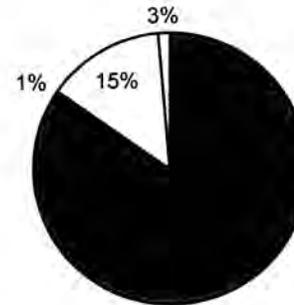
**CITY OF SEDALIA  
TOTAL REVENUES & EXPENSES  
MARCH 31, 2010 & MARCH 31, 2009**

**2010 Total Revenues**



- Fees, fines and charges for services - 84%
- Grants and contributions - 2%
- Taxes - 13%
- Other - 1%

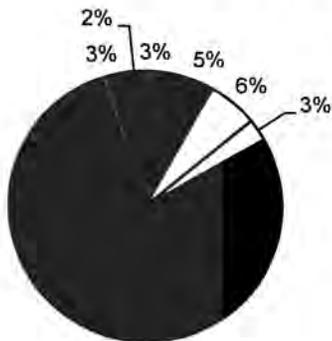
**2009 Total Revenues**



- Fees, fines and charges for services - 81%
- Grants and contributions - 1%
- Taxes - 15%
- Other - 3%

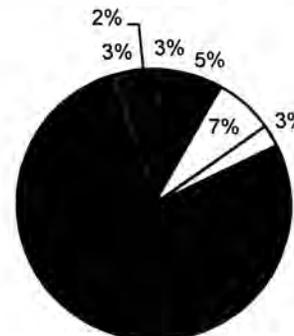
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**2010 Total Expenses**



- General government - 3%
- Public safety - 5%
- Transportation - 6%
- Other - 3%
- Health - 78%
- Water - 3%
- Wastewater - 2%

**2009 Total Expenses**



- General government - 3%
- Public safety - 5%
- Transportation - 7%
- Other - 3%
- Health - 77%
- Water - 3%
- Wastewater - 2%

**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED MARCH 31, 2010  
(UNAUDITED)**

**Financial Analysis of the Government's Funds**

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

At the end of the current fiscal year, the City of Sedalia's governmental funds reported combined ending unreserved fund balances of \$14,766,723. This is a decrease of 1.58% from \$15,003,116.

In the general fund, the City budgeted for a decrease in the fund balance of \$1,641,104 which was primarily resulting from additional expenditures. Due to actual revenues being more than budgeted and actual expenses being less than budgeted, the actual fund balance increase for fiscal year 2010 was \$127,732.

In the Capital Project #2 Fund, the City budgeted for a decrease in the fund balance of \$345,679, due to actual expenses being more than budgeted, which is offset by excess revenues. The actual fund balance decrease for fiscal year 2010 was \$196,477.

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

Unrestricted net assets of the respective proprietary funds are Health - \$29,154,466, Water - \$3,381,362, and Wastewater - \$6,122,248. The Health and Water funds had a net assets increase in 2010 as follows: Health - \$5,526,181, Water - \$199,235. The Wastewater fund had a net asset decrease in 2010 of \$319,074.

**General Fund Budgetary Highlights** - The City spent \$1,497,947 less than the actual budget for the General Fund. The majority of this amount (\$973,844) was due to the delay of capital expenditures and a reduction in public safety expenditures (\$231,952).

**Capital Assets**

The City of Sedalia's investment in capital assets for its governmental and business-type activities as of March 31, 2010 amounts to \$173,865,307 (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, 2010  
(UNAUDITED)**

Capital Asset at Year-End  
Net of Accumulated Depreciation

	2010			2009		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Property, plant and equipment						
Land, land rights and land improvements	\$ 2,321,660	\$ 5,821,208	\$ 8,142,868	\$ 2,321,660	\$ 5,431,217	\$ 7,752,877
Structures, improvements and and plant equipment	17,939,613	37,765,432	55,705,045	17,666,296	31,946,354	49,612,650
Distribution system	-	9,195,139	9,195,139	-	8,798,246	8,798,246
Pumping and purification equipment	-	16,353,333	16,353,333	-	16,669,702	16,669,702
Transmission mains	-	5,932,259	5,932,259	-	5,019,390	5,019,390
General equipment	2,979,388	19,508,254	22,487,642	3,003,845	19,802,170	22,806,015
Construction in progress		1,089,651	1,089,651	-	2,530,362	2,530,362
Infrastructure	54,959,370	-	54,959,370	55,400,243	-	55,400,243
Net Capital Assets	\$ 78,200,031	\$ 95,665,276	\$ 173,865,307	\$ 78,392,044	\$ 90,197,441	\$ 168,589,485

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

**Debt Administration**

At the end of the current fiscal year, the City of Sedalia had a total bonded debt, certificate of participation debt note payable and capital lease payable of \$34,975,035. Of this amount, \$20,863,638 comprises revenue bonded debt backed by the revenues of the Health Center and Water Department; \$9,870,000 represents certificates of participation debt; \$3,120,775 represents capital lease obligations that are expected to be paid so long as the City appropriates funds for payment, and \$1,120,622 represents the amount due on notes payable.

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

	2010			2009		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Revenue Bonds	\$ -	\$ 20,863,638	\$ 20,863,638	\$ -	\$ 20,731,524	\$ 20,731,524
Certificate of Participation debt	8,555,000	1,315,000	9,870,000	8,947,500	1,392,500	10,340,000
Capital Leases	-	3,120,775	3,120,775	-	4,661,203	4,661,203
Note Payable	1,120,622	-	1,120,622	1,310,560	-	1,310,560
Total	\$ 9,675,622	\$ 25,299,413	\$ 34,975,035	\$ 10,258,060	\$ 26,785,227	\$ 37,043,287

**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED MARCH 31, 2010  
(UNAUDITED)**

During the fiscal year, the City's total debt decreased by \$2,068,252 or 5.6%. The decrease was due to scheduled payments of \$5,013,664 and additional borrowing of \$2,945,412. for the Hospital Health Center.

Additional information on the City of Sedalia's long term-debt can be found in footnote III-H on pages 56-68 of this report.

**Request for Information**

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

**CITY OF SEDALIA, MISSOURI**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**MARCH 31, 2010**

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 11,870,578	\$ 14,209,122	\$ 26,079,700
Short-term investments	-	7,810,197	7,810,197
Current portion of noncurrent cash and investments	-	426,694	426,694
Internal balances	-	-	-
Accrued interest receivable	72,194	39,574	111,768
Accounts receivable (net of allowance - \$4,980,000)	547,951	17,037,776	17,585,727
Taxes receivable - net of allowance for uncollectible - \$15,000	2,694,727	250,713	2,945,440
Estimated third-party payor settlements	-	-	-
Board designated assets	-	-	-
Inventory	66,624	1,552,085	1,618,709
Prepaid expenses and other assets	150,885	778,995	929,880
<b>Total Current Assets</b>	<u>15,402,959</u>	<u>42,105,156</u>	<u>57,508,115</u>
<b>Restricted assets:</b>			
Cash and cash equivalents	-	624,707	624,707
Short-term investments	1,093,888	900,000	1,993,888
Noncurrent cash and investments	-	7,710,108	7,710,108
<b>Total Restricted Assets</b>	<u>1,093,888</u>	<u>9,234,815</u>	<u>10,328,703</u>
<b>Noncurrent Assets:</b>			
<b>Capital Assets</b>			
Land, land rights and land improvements	2,321,660	5,428,107	7,749,767
Structures, unprovements and plant equipment	28,218,268	74,851,230	103,069,498
Distribution system	-	12,717,611	12,717,611
Pumping and purification equipment	-	26,820,096	26,820,096
Transmission mains	-	10,787,178	10,787,178
Equipment	10,966,322	60,294,933	71,261,255
Infrastructure	147,240,229	-	147,240,229
Construction in progress	-	1,089,651	1,089,651
Accumulated depreciation	(110,546,448)	(96,323,530)	(206,869,978)
<b>Total Capital Assets, net of accumulated depreciation</b>	<u>78,200,031</u>	<u>95,665,276</u>	<u>173,865,307</u>
Other Assets	-	103,838	103,838
<b>Total Noncurrent Assets</b>	<u>78,200,031</u>	<u>95,769,114</u>	<u>173,969,145</u>
<b>Total Assets</b>	<u>\$ 94,696,878</u>	<u>\$ 147,109,085</u>	<u>\$ 241,805,963</u>

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS (CONT'D)**  
**MARCH 31, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 87,503	\$ 5,075,505	\$ 5,163,008
Accrued expenses	1,339,528	4,705,757	6,045,285
Accrued bond interest	-	97,913	97,913
Estimated third-party payor settlements payable	-	222,214	222,214
Current maturities of long term debt	-	3,413,721	3,413,721
Court bonds payable	15,422	-	15,422
Deferred revenue	287,671	-	287,671
Payable from segregated funds			
Accrued bond interest	-	14,125	14,125
Current maturities of long term debt	596,825	-	596,825
Bonded debt due within one year	-	395,000	395,000
Customer's deposits	-	415,331	415,331
Total Current Liabilities	<u>2,326,949</u>	<u>14,339,566</u>	<u>16,666,515</u>
<b>Noncurrent Liabilities:</b>			
Certificates of participation	8,140,000	1,235,000	9,375,000
Energy loans payable	938,797	-	938,797
Capital lease payable	-	2,143,426	2,143,426
Bonded debt due after one year	-	18,009,823	18,009,823
Less unamortized bond premium and debt issuance costs	(256,781)	(702,128)	(958,909)
Total Noncurrent Liabilities	<u>8,822,016</u>	<u>20,686,121</u>	<u>29,508,137</u>
Total Liabilities	<u>11,148,965</u>	<u>35,025,687</u>	<u>46,174,652</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	68,524,409	70,468,306	138,992,715
Restricted for:			
Expendable for debt service	-	2,578,360	2,578,360
Expendable for capital acquisitions	-	277,042	277,042
Expendable for other purposes	5,969,161	-	5,969,161
Nonexpendable permanent endowments	-	101,614	101,614
Unrestricted	<u>9,054,343</u>	<u>38,658,076</u>	<u>47,712,419</u>
Total Net Assets	<u>\$ 83,547,913</u>	<u>\$ 112,083,398</u>	<u>\$ 195,631,311</u>

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**YEAR ENDED MARCH 31, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental Activities:							
General Government:							
General and administration	\$ 2,425,275	\$ 494,582	\$ 3,544	\$ -	\$ (1,927,149)	\$ -	\$ (1,927,149)
Sanitation	1,142,482	1,117,550	-	-	(24,932)	-	(24,932)
Total General Government	3,567,757	1,612,132	3,544	-	(1,952,081)	-	(1,952,081)
Public Safety:							
Police	3,363,242	155,101	127,927	-	(3,080,214)	-	(3,080,214)
Fire	2,286,421	-	-	-	(2,286,421)	-	(2,286,421)
Cemetery	284,588	64,145	-	-	(220,443)	-	(220,443)
Total Public Safety	5,934,251	219,246	127,927	-	(5,587,078)	-	(5,587,078)
Transportation:							
Airport	413,118	141,975	-	-	(271,143)	-	(271,143)
Streets	2,561,567	-	-	812,640	(1,748,927)	-	(1,748,927)
Infrastructure	3,756,665	-	-	-	(3,756,665)	-	(3,756,665)
Total Transportation	6,731,350	141,975	-	812,640	(5,776,735)	-	(5,776,735)
Cultural, Parks and Recreation:							
Library	443,500	14,996	19,952	-	(408,552)	-	(408,552)
Park	1,810,619	196,699	-	-	(1,613,920)	-	(1,613,920)
Community center	167,709	15,760	-	-	(151,949)	-	(151,949)
Total Cultural, Parks and Recreation	2,421,828	227,455	19,952	-	(2,174,421)	-	(2,174,421)
Community/Economic Development:							
Planning, building and economic development	404,811	-	-	-	(404,811)	-	(404,811)
Total Community/Economic Development	404,811	-	-	-	(404,811)	-	(404,811)
Debt Service							
Interest and fees	212,726	-	-	-	(212,726)	-	(212,726)
Total Debt Service	212,726	-	-	-	(212,726)	-	(212,726)
Total Governmental Activities	19,272,723	2,200,808	151,423	812,640	(16,107,852)	-	(16,107,852)
Business-Type Activities:							
Health	89,522,317	94,546,164	(37,948)	75,536	-	5,061,435	5,061,435
Water	3,075,980	3,119,300	-	88,758	-	132,078	132,078
Wastewater	2,863,857	1,652,224	-	876,470	-	(335,163)	(335,163)
Total Business-Type Activities	95,462,154	99,317,688	(37,948)	1,040,764	-	4,858,350	4,858,350
Total	\$ 114,734,877	\$ 101,518,496	\$ 113,475	\$ 1,853,404	\$ (16,107,852)	\$ 4,858,350	\$ (11,249,502)

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (Cont'd)**  
**YEAR ENDED MARCH 31, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating		Primary Government		
			Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
General Revenues:							
Taxes:							
	Property taxes, levied for general purposes				1,834,633	-	1,834,633
	Franchise taxes				2,628,076	-	2,628,076
	Sales and use taxes				9,511,157	802,291	10,313,448
	Motor vehicle and fuel taxes				758,405	-	758,405
	Other taxes				220,457	-	220,457
	Unrestricted investment earnings				164,128	643,067	807,195
	Transfer from Agency Fund				7,264	-	7,264
	Transfers				900,000	(900,000)	-
	Miscellaneous				217,759	2,634	220,393
	<b>Total general revenues</b>				<u>16,241,879</u>	<u>547,992</u>	<u>16,789,871</u>
	Change in net assets				134,027	5,406,342	5,540,369
	Net assets - beginning				<u>83,413,886</u>	<u>106,677,056</u>	<u>190,090,942</u>
	Net assets - ending				<u>\$ 83,547,913</u>	<u>\$ 112,083,398</u>	<u>\$ 195,631,311</u>

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2010**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash, including time deposits	\$ 7,890,942	\$ 3,979,636	\$ 11,870,578
Taxes receivable - net of allowance for uncollectible - \$15,000	2,053,995	640,732	2,694,727
Accrued interest receivable	53,822	18,372	72,194
Accounts receivable	220,801	327,150	547,951
Inventory	66,624	-	66,624
Prepaid expenses	136,473	14,412	150,885
Investments	-	1,093,888	1,093,888
Total Assets	\$ 10,422,657	\$ 6,074,190	\$ 16,496,847
<b>LIABILITIES</b>			
Accounts payable	\$ 87,503	\$ -	\$ 87,503
Accrued expenses	1,234,499	105,029	1,339,528
Court bonds payable	15,422	-	15,422
Deferred revenue	287,671	-	287,671
Total Liabilities	1,625,095	105,029	1,730,124
<b>FUND EQUITY</b>			
Fund balances:			
Reserved for:			
D.A.R.E. and LLE programs	-	-	-
Energy project	-	-	-
Fund balance- unreserved	8,797,562	5,969,161	14,766,723
Total Fund Equity	8,797,562	5,969,161	14,766,723
Total Liabilities and Fund Equity	\$ 10,422,657	\$ 6,074,190	\$ 16,496,847

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO STATEMENT OF NET ASSETS**  
**MARCH 31, 2010**

Total fund balance - total governmental funds	\$ 14,766,723
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$110,546,448	78,200,031
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	(596,825)
Debt due in more than one year	(9,078,797)
Unamortized debt issuance costs are not financial resources and therefore are not reported in the funds, net of accumulated amortization of \$68,213	<u>256,781</u>
Net assets of governmental activities	<u>\$ 83,547,913</u>

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED MARCH 31, 2010**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 10,086,699	\$ 4,107,624	\$ 14,194,323
Licenses and permits	494,582	-	494,582
Intergovernmental	886,332	836,136	1,722,468
Charges for services	1,339,430	211,695	1,551,125
Fines and penalties	155,101	-	155,101
Miscellaneous	313,344	98,973	412,317
Total Revenues	<u>13,275,488</u>	<u>5,254,428</u>	<u>18,529,916</u>
<b>EXPENDITURES</b>			
General and administrative	1,980,680	-	1,980,680
Sanitation	1,083,099	-	1,083,099
Public safety	5,648,246	-	5,648,246
Transportation	2,659,080	-	2,659,080
Cultural	149,130	-	149,130
Library	-	421,789	421,789
Park	-	1,416,823	1,416,823
Planning, building and economic development	-	404,811	404,811
Capital outlay	1,576,755	3,558,001	5,134,756
Debt service	17,485	757,674	775,159
Total Expenditures	<u>13,114,475</u>	<u>6,559,098</u>	<u>19,673,573</u>
Excess (Deficit) of Revenues over Expenditures	<u>161,013</u>	<u>(1,304,670)</u>	<u>(1,143,657)</u>
Other Financing Sources (Uses)			
Operating transfers in (out)	<u>(33,281)</u>	<u>940,545</u>	<u>907,264</u>
Total Other Financing Sources (Uses)	<u>(33,281)</u>	<u>940,545</u>	<u>907,264</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	127,732	(364,125)	(236,393)
Fund Balance, beginning of year	<u>8,669,830</u>	<u>6,333,286</u>	<u>15,003,116</u>
Fund Balance, end of year	<u>\$ 8,797,562</u>	<u>\$ 5,969,161</u>	<u>\$ 14,766,723</u>

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2010**

Net change in fund balances - total governmental funds \$ (236,393)

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	5,083,888
Depreciation expense	<u>(5,245,471)</u>
	<u>(161,583)</u>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. (30,430)

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

Certificates of participation obligation principal payments	392,500
Note payable principal payments	189,938
Amortization expense	<u>(20,005)</u>
	<u>562,433</u>

Change in Net Assets of Governmental Activities \$ 134,027

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 9,840,940	\$ 9,840,940	\$ 10,086,699	\$ 245,759
Licenses and permits	472,000	472,000	494,582	22,582
Intergovernmental	750,000	750,000	886,332	136,332
Charges for services	1,336,800	1,336,800	1,339,430	2,630
Fines and penalties	216,000	216,000	155,101	(60,899)
Miscellaneous	245,000	245,000	313,344	68,344
<b>Total Revenues</b>	<u>12,860,740</u>	<u>12,860,740</u>	<u>13,275,488</u>	<u>414,748</u>
<b>EXPENDITURES</b>				
General and administrative	2,038,756	2,038,756	1,980,680	58,076
Sanitation	1,168,245	1,168,245	1,083,099	85,146
Public safety	5,744,620	5,880,198	5,648,246	231,952
Transportation	2,780,695	2,780,695	2,659,080	121,615
Cultural	176,429	176,429	149,130	27,299
Capital outlay	2,550,599	2,550,599	1,576,755	973,844
Debt service	17,500	17,500	17,485	15
<b>Total Expenditures</b>	<u>14,476,844</u>	<u>14,612,422</u>	<u>13,114,475</u>	<u>1,497,947</u>
Excess (Deficit) of Revenues over Expenditures	<u>(1,616,104)</u>	<u>(1,751,682)</u>	<u>161,013</u>	<u>1,912,695</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(33,281)</u>	<u>(8,281)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(25,000)</u>	<u>(25,000)</u>	<u>(33,281)</u>	<u>(8,281)</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	<u>(1,641,104)</u>	<u>(1,776,682)</u>	<u>127,732</u>	<u>\$ 1,904,414</u>
Fund Balance, beginning of year	<u>8,669,830</u>	<u>8,669,830</u>	<u>8,669,830</u>	
Fund Balance, end of year	<u>\$ 7,028,726</u>	<u>\$ 6,893,148</u>	<u>\$ 8,797,562</u>	

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**MARCH 31, 2010**

	<u>Business Type Activities - Enterprise Funds</u>			
	<u>Health</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>ASSETS</b>				
Operating Funds				
Cash and cash equivalents	\$ 12,227,407	\$ 567,637	\$ 1,414,078	\$ 14,209,122
Short-term investments	1,710,545	1,949,652	4,150,000	7,810,197
Current portion of noncurrent cash and investments	426,694	-	-	426,694
Taxes receivable	-	-	250,713	250,713
Accounts receivable:				
Consumers	15,014,037	411,570	313,516	15,739,123
Other	1,298,653	-	-	1,298,653
Estimated third-party payor - settlements	-	-	-	-
Accrued interest	-	8,312	31,262	39,574
Inventories	1,336,275	215,810	-	1,552,085
Prepaid expenses and other assets	717,608	39,531	21,856	778,995
	<u>32,731,219</u>	<u>3,192,512</u>	<u>6,181,425</u>	<u>42,105,156</u>
<b>SEGREGATED FUNDS</b>				
Cash and cash equivalents	-	624,707	-	624,707
Short-term investments	-	900,000	-	900,000
Noncurrent cash and investments	7,710,108	-	-	7,710,108
	<u>7,710,108</u>	<u>1,524,707</u>	<u>-</u>	<u>9,234,815</u>
Total Current Assets (Including Segregated Funds)	<u>40,441,327</u>	<u>4,717,219</u>	<u>6,181,425</u>	<u>51,339,971</u>
<b>Noncurrent Assets</b>				
Capital Assets				
Land, land rights and land improvements	2,932,814	176,240	2,319,053	5,428,107
Structures, improvements and plant equipment	63,704,621	11,146,609	-	74,851,230
Distribution system	-	12,717,611	-	12,717,611
Pumping and purification equipment	-	4,749,930	22,070,166	26,820,096
Transmission mains	-	964,302	9,822,876	10,787,178
Equipment	56,719,068	1,600,533	1,975,332	60,294,933
Construction in progress	1,089,651	-	-	1,089,651
Accumulated depreciation	<u>(71,319,589)</u>	<u>(10,334,834)</u>	<u>(14,669,107)</u>	<u>(96,323,530)</u>
Total Capital Assets, net of accumulated depreciation	53,126,565	21,020,391	21,518,320	95,665,276
Other assets	103,838	-	-	103,838
Total Noncurrent Assets	<u>53,230,403</u>	<u>21,020,391</u>	<u>21,518,320</u>	<u>95,769,114</u>
Total Assets	<u>93,671,730</u>	<u>25,737,610</u>	<u>27,699,745</u>	<u>147,109,085</u>

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF NET ASSETS (CONT'D)**  
**PROPRIETARY FUNDS**  
**MARCH 31, 2010**

	<u>Business Type Activities - Enterprise Funds</u>			
	<u>Health</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>LIABILITIES</b>				
<b>Operating Funds:</b>				
Accounts payable	\$ 3,704,198	\$ 387,826	\$ -	\$ 4,092,024
Construction accounts payable	983,481	-	-	983,481
Accrued interest	80,168	-	17,745	97,913
Accrued payroll and related benefits	4,536,929	53,897	114,931	4,705,757
Estimated third-party payor settlements payable	222,214	-	-	222,214
Due to other funds	-	-	-	-
Current maturities of capital lease obligations	977,349	-	-	977,349
Current maturities of revenue bonds payable	2,436,372	-	-	2,436,372
	<u>12,940,711</u>	<u>441,723</u>	<u>132,676</u>	<u>13,515,110</u>
<b>Segregated Funds:</b>				
Accrued bond interest	-	14,125	-	14,125
Bonded debt due within one year	-	315,000	80,000	395,000
Consumer's deposits	-	415,331	-	415,331
	<u>-</u>	<u>744,456</u>	<u>80,000</u>	<u>824,456</u>
<b>Total Current Liabilities (Including Segregated Funds)</b>	<u>12,940,711</u>	<u>1,186,179</u>	<u>212,676</u>	<u>14,339,566</u>
<b>Long-Term Debt:</b>				
Bonded debt due after one year	10,364,823	7,645,000	-	18,009,823
Less unamortized call premium and debt issuance costs	-	(449,259)	-	(449,259)
Capital lease obligations	2,143,426	-	-	2,143,426
Certificates of participation	-	-	1,235,000	1,235,000
Less unamortized call premium and debt issuance costs	(179,370)	-	(73,499)	(252,869)
Deferred credits - customers' advances for construction	-	-	-	-
<b>Total Noncurrent Liabilities</b>	<u>12,328,879</u>	<u>7,195,741</u>	<u>1,161,501</u>	<u>20,686,121</u>
<b>Total Liabilities</b>	<u>25,269,590</u>	<u>8,381,920</u>	<u>1,374,177</u>	<u>35,025,687</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	37,204,595	13,060,391	20,203,320	70,468,306
<b>Restricted</b>				
For debt service	1,664,423	913,937	-	2,578,360
Expendable for capital acquisitions	277,042	-	-	277,042
Nonexpendable permanent endowments	101,614	-	-	101,614
Unrestricted	29,154,466	3,381,362	6,122,248	38,658,076
<b>Total Net Assets</b>	<u>\$ 68,402,140</u>	<u>\$ 17,355,690</u>	<u>\$ 26,325,568</u>	<u>\$ 112,083,398</u>

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED MARCH 31, 2010**

	<u>Business Type Activities - Enterprise Funds</u>			
	<u>Health</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 93,979,365	\$ 3,018,124	\$ 1,641,781	\$ 98,639,270
Miscellaneous	566,799	101,176	10,443	678,418
Total operating revenues	<u>94,546,164</u>	<u>3,119,300</u>	<u>1,652,224</u>	<u>99,317,688</u>
Operating expenses:				
Nursing services	21,104,907	-	-	21,104,907
Other professional services	34,551,841	-	-	34,551,841
General services	5,767,154	-	-	5,767,154
Personnel services	-	-	874,286	874,286
Pumping and purification	-	692,914	-	692,914
Transmission and distribution	-	258,190	963,244	1,221,434
Accounting and collection	-	246,890	-	246,890
Fiscal and administrative services	20,427,441	708,376	-	21,135,817
Maintenance and repair	-	227,845	-	227,845
Depreciation and amortization	6,941,472	612,754	972,679	8,526,905
Total operating expenses	<u>88,792,815</u>	<u>2,746,969</u>	<u>2,810,209</u>	<u>94,349,993</u>
Net operating income	<u>5,753,349</u>	<u>372,331</u>	<u>(1,157,985)</u>	<u>4,967,695</u>
Nonoperating revenue (expense):				
Taxes	-	-	802,291	802,291
Investment income	461,746	67,523	113,798	643,067
Interest expense	(729,502)	(329,011)	(53,648)	(1,112,161)
Noncapital contributions	(37,948)	-	-	(37,948)
Gain(loss) on disposal of capital assets	3,000	(366)	-	2,634
Total nonoperating revenue (expense)	<u>(302,704)</u>	<u>(261,854)</u>	<u>862,441</u>	<u>297,883</u>
Net Income before contributions and transfers	5,450,645	110,477	(295,544)	5,265,578
Capital contributions	75,536	88,758	876,470	1,040,764
Transfers	-	-	(900,000)	(900,000)
Total capital contributions and transfers	<u>75,536</u>	<u>88,758</u>	<u>(23,530)</u>	<u>140,764</u>
Net income	5,526,181	199,235	(319,074)	5,406,342
Net assets - beginning of year	<u>62,875,959</u>	<u>17,156,455</u>	<u>26,644,642</u>	<u>106,677,056</u>
Net assets - end of year	<u>\$ 68,402,140</u>	<u>\$ 17,355,690</u>	<u>\$ 26,325,568</u>	<u>\$ 112,083,398</u>

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED MARCH 31, 2010**

	<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	\$ 96,744,841	\$ 3,146,416	\$ 1,620,172	\$ 101,511,429
Payments to suppliers and contractors	(32,586,886)	(1,152,270)	(960,725)	(34,699,881)
Payments to and on behalf of employees	(48,413,791)	(973,194)	(874,674)	(50,261,659)
Other receipts and payments	3,426	-	-	3,426
Net cash provided (used) by operating activities	<u>15,747,590</u>	<u>1,020,952</u>	<u>(215,227)</u>	<u>16,553,315</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Taxes	-	-	819,721	819,721
Noncapital contributions	(37,948)	-	-	(37,948)
Interfund transfer	-	-	(900,000)	(900,000)
Net cash provided by noncapital financing activities	<u>(37,948)</u>	<u>-</u>	<u>(80,279)</u>	<u>(118,227)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from deferred credit	-	(4,103)	-	(4,103)
Change in interfund receivable/payable	-	-	(10,138)	(10,138)
Capital grants and contributions	75,536	88,758	876,470	1,040,764
Proceeds from sale of assets	-	(366)	-	(366)
Proceeds of long-term debt	2,584,468	-	-	2,584,468
Acquisition and construction of capital assets	(10,733,633)	(750,530)	(1,547,516)	(13,031,679)
Principal paid on capital lease obligations	(1,901,372)	-	(77,500)	(1,978,872)
Repayment of long-term debt	(2,152,354)	(300,000)	-	(2,452,354)
Interest paid on revenue bonds	(491,247)	(329,435)	-	(820,682)
Interest paid on capital debt	(216,455)	-	(54,474)	(270,929)
Net cash provided (used) by capital and related financing activities	<u>(12,835,057)</u>	<u>(1,295,676)</u>	<u>(813,158)</u>	<u>(14,943,891)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sales and maturities of investment assets	29,083,832	3,110,577	5,707,437	37,901,846
Purchase of investment assets	(29,848,781)	(2,849,652)	(4,150,000)	(36,848,433)
Income from investments	468,331	76,576	163,561	708,468
Net cash provided by investing activities	<u>(296,618)</u>	<u>337,501</u>	<u>1,720,998</u>	<u>1,761,881</u>
Net increase (decrease) in cash and cash equivalents	2,577,967	62,777	612,334	3,253,078
Balances - beginning of year	<u>9,649,440</u>	<u>1,129,567</u>	<u>801,744</u>	<u>11,580,751</u>
Balances - end of year	<u>\$ 12,227,407</u>	<u>\$ 1,192,344</u>	<u>\$ 1,414,078</u>	<u>\$ 14,833,829</u>
Cash and cash equivalents	\$ 12,227,407	\$ 567,637	\$ 1,414,078	\$ 14,209,122
Segregated cash and cash equivalents	-	624,707	-	624,707
Total cash and cash equivalents, end of year	<u>\$ 12,227,407</u>	<u>\$ 1,192,344</u>	<u>\$ 1,414,078</u>	<u>\$ 14,833,829</u>

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF CASH FLOWS (CONT'D)**  
**PROPRIETARY FUNDS**  
**YEAR ENDED MARCH 31, 2010**

	<u>Business Type Activities - Enterprise Funds</u>			
	<u>Health</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 5,023,847	\$ 372,331	\$ (1,157,985)	\$ 4,238,193
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Cash flows reported in other categories:				
Interest expense considered financing activity	701,286	-	-	701,286
Depreciation and amortization expense	6,941,472	612,754	972,679	8,526,905
Provision for bad debts	10,249,127	-	-	10,249,127
Change in assets and liabilities:				
Receivables, net	(8,079,402)	27,116	(32,052)	(8,084,338)
Other receivables	(563,373)	-	-	(563,373)
Estimated third-party payor settlements	595,751	-	-	595,751
Inventory and other assets	102,201	(10,368)	-	91,833
Prepaid expenses	106,131	(2,093)	2,519	106,557
Accounts payable and accrued expenses	385,821	20,969	-	406,790
Accrued payroll, related taxes and benefits	284,729	243	(388)	284,584
Net cash provided by operating activities	<u>\$ 15,747,590</u>	<u>\$ 1,020,952</u>	<u>\$ (215,227)</u>	<u>\$ 16,553,315</u>
 Noncash investing, capital, and financing activities:				
Capital lease obligations incurred for the purchase of new equipment	<u>\$ 360,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360,944</u>
Construction accounts payable	<u>\$ 983,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 983,481</u>

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**MARCH 31, 2010**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 673,971
Investments	
U.S. Government securities	995,470
Corporate debt and equity	9,549,084
Other investments	59,803
Total investments	<u>10,604,357</u>
Total Assets	<u>11,278,328</u>
<b>LIABILITIES</b>	
Refundable contributions	<u>1,898,445</u>
Total Liabilities	<u>1,898,445</u>
<b>NET ASSETS</b>	
Held in trust for pension benefits and other purposes	<u><u>\$ 9,379,883</u></u>

See notes to the financial statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**YEAR ENDED MARCH 31, 2010**

ADDITIONS

Contributions

Taxes	\$ 323,924
Employer/employee	341,821
Miscellaneous	11,342
Total contributions	677,087

Investment earnings

Investment income	557,719
Net increase (decrease) in fair value of investments	1,998,619
Net investment earnings	2,556,338

Total Additions	3,233,425
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DEDUCTIONS

Pension expense	1,071,809
Insurance	56,124
Administrative fees	64,328
Pension refunds	11,256
Miscellaneous	29,701

Total Deductions	1,233,218
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Change in net assets	2,000,207
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Net assets, beginning of year	7,379,676
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Net assets, end of year	\$ 9,379,883
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See notes to the financial statements

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General Statement**

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

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

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

**B. Financial Reporting Entity**

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

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

Blended Component Units

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

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

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

Bothwell Regional Health Center  
601 East 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, 2010.

**C. Basis of Presentation**

*Government-wide Financial Statements:*

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

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

The City distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the City's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc). The City does not allocate indirect costs.

*Fund Financial Statements:*

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

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

The funds of the financial reporting entity are described below:

**Governmental Funds**

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

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

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

**Proprietary Fund**

*Enterprise Funds*

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

**Fiduciary Funds (Not included in government-wide statements)**

*Trust Funds*

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

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

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

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

**CITY OF SEDALIA, MISSOURI  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 MARCH 31, 2010**

**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

**D. Measurement Focus and Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

**Measurement Focus**

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

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

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

**Basis of Accounting**

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

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

**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, the allowance for uncollectible accounts was approximately \$5,325,000.

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

Charity Care: The Health Center provides care to patients who meet criteria under its charity policy without charge or at amounts less than its established rates. Because the Health Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charges excluded from revenue under the Health Center's Charity Care policy were approximately \$1,123,000 for the year ended May 31, 2009.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

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

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

**E. Assets, Liabilities and Equity**

**Cash and Investments**

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

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

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

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

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

**Interfund Receivables and Payables**

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

**Receivables**

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

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

**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, 2010**

**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, 2010**

**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, 2010**

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

**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.

**Equity Classifications**

*Government-wide Statements*

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

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

*Fund Statements*

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

**Estimates**

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

**Estimated Employee Health Care and Workmen's Compensation Costs**

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

**Costs of Borrowing**

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

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

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

**Income Taxes**

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

**F. Revenues, Expenditures, and Expenses**

**Operating Revenues and Expenses**

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

**Expenditures/Expenses**

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

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

Governmental Funds - By Function

Proprietary Fund - By Operating and Nonoperating

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

**Interfund Transfers**

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

**Reclassification**

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

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Deposits and Investment Laws and Regulations**

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

**B. Budget Basis of Accounting**

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

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

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

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

**A. Deposits and Investments**

The City of Sedalia is governed by the deposit and investment limitations of state law. The deposits and investments held at March 31, 2010, are shown below:

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

	Maturity Date	Carrying Value
Deposits:		
Demand deposits		\$ 6,359,656
		6,359,656
Investments:		
Time deposit	4/7/2010	1,000,000
Time deposit	4/22/2010	1,000,000
Time deposit	5/6/2010	2,000,000
Time deposit	6/10/2010	250,000
Time deposit	7/16/2010	70,000
Time deposit	7/25/2010	1,000,000
Time deposit	9/10/2010	1,000,000
Time deposit	10/1/2010	30,000
Time deposit	10/2/2010	1,600,000
Time deposit	11/5/2010	1,000,000
Time deposit	11/15/2010	125,000
Time deposit	12/14/2010	1,000,000
Time deposit	1/21/2011	1,000,000
U.S. Federal Obligations		1,093,888
		12,168,888
Total deposits and investments (excluding Health Center and Water Department)		18,528,544
Water Department deposits and investments		4,041,996
Health Center deposits and investments		22,074,754
		\$ 44,645,294
Reconciliation of Statement of Net Assets:		
Current:		
Cash and cash equivalents		\$ 26,079,700
Short-term investments		7,810,197
Current portion of noncurrent cash and investments		426,694
Total Current		34,316,591
Restricted:		
Cash and cash equivalents		\$ 624,707
Short-term investments		1,993,888
Noncurrent cash and investments		7,710,108
Total Noncurrent		10,328,703
Total		\$ 44,645,294

**CITY OF SEDALIA, MISSOURI  
NOTES TO COMBINED FINANCIAL STATEMENTS  
MARCH 31, 2010**

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

***Custodial Credit Risk.*** Deposits in financial institutions, reported as components of cash and investments had a bank balance of \$18,726,562 at March 31, 2010, 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, 2010, 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, 2010, 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, 2010 are shown below:

	Maturities	Carrying Value
Deposits:		
Demand deposits		\$ 1,192,344
		1,192,344
Investments:		
Time deposit	04/30/10	697,806
Time deposit	12/15/10	350,000
Time deposit	01/06/11	1,128,021
Time deposit	03/14/11	673,825
		2,849,652
Total deposits and investments		\$ 4,041,996

**CITY OF SEDALIA, MISSOURI  
NOTES TO COMBINED FINANCIAL STATEMENTS  
MARCH 31, 2010**

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

Reconciliation of Statement of Net Assets:

Current:

Cash and cash equivalents	\$ 567,637
Investments	1,949,652
Total Current	2,517,289

Segregated:

Cash and cash equivalents	\$ 624,707
Investments	900,000
Total Segregated	1,524,707

Total	\$ 4,041,996
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***Custodial Credit Risk.*** Deposits in financial institutions, reported as components of cash and investments had a bank balance of \$4,115,718 at March 31, 2010, which was fully insured by depository insurance or secured with collateral held by the Department's agent in its name.

***Investment interest rate risk.*** The Department has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at March 31, 2010, 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, 2010, 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, 2010**

**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.

Bank balances are summarized as follows at May 31, 2009:

Insured (FDIC)	\$ 13,225,596
Collateralized by securities held by the pledging financial institution	7,083,121
Total	\$ 20,308,717

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, 2009, the Health Center's investments at fair market value are as follows with maturity dates of less than one year:

Investment Type:	
Money Markets	\$ 420,778
U.S. Treasury Obligations	1,345,259
Total	\$ 1,766,037

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, 2010**

**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, 2009, as follows:

Carrying Value:	
Deposits	\$ 20,308,717
Investments	1,766,037
	<u>\$ 22,074,754</u>

Included in the following balance sheet captions:

Cash and cash equivalents	12227407
Short-term investments	1,710,545
Internally designated for funded depreciation	6,093,723
Restricted by bond agreement for debt service	420,778
Restricted by bond agreement for debt reserve	1,243,645
Restricted by contributors for capital acquisitions	277,042
Principal of permanent endowment	101,614
	<u>\$ 22,074,754</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, 2010**

**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 37 percent of the Health Center's net patient revenue for the year ended May 31, 2009. 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.

A summary of patient service revenue and revenue adjustments for the years ended May 31, 2009, are as follows:

Total Patient Revenues	\$ 207,974,736
Contractual adjustments and provisions for bad debt:	
Medicare	69,756,628
Medicaid	5,316,937
Other	28,672,679
Provision for bad debt	10,249,127
Total	<u>113,995,371</u>
Net Patient Revenue	<u>\$ 93,979,365</u>

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

**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, 2010, is as follows:

	Governmental Activities	Business- Type Activities	Total
Accounts receivable	\$ 547,951	\$ 22,362,776	\$ 22,910,727
Allowance for doubtful accounts	-	(5,325,000)	(5,325,000)
Net accounts receivable	<u>\$ 547,951</u>	<u>\$ 17,037,776</u>	<u>\$ 17,585,727</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, 2010, was as follows:

	Governmental Activities	Business- Type Activities	Total
Taxes receivable	\$ 2,709,727	\$ 250,713	\$ 2,960,440
Allowance for doubtful accounts	(15,000)	-	(15,000)
Net taxes receivable	<u>\$ 2,694,727</u>	<u>\$ 250,713</u>	<u>\$ 2,945,440</u>

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

**F. Capital Assets - Governmental Activities**

Capital asset activity for the year ended March 31, 2010, was as follows:

	Balance at March 31, 2009	Additions	Disposals	Balance at March 31, 2010
Capital assets not being depreciated:				
Land and land rights	\$ 2,321,660	\$ -	\$ -	\$ 2,321,660
Subtotal	<u>2,321,660</u>	<u>-</u>	<u>-</u>	<u>2,321,660</u>
Other capital assets being depreciated:				
Structures and improvements	19,949,642	292,574	-	20,242,216
Other improvements	7,154,908	821,144	-	7,976,052
General equipment	10,605,241	654,378	(293,297)	10,966,322
Infrastructure	143,924,437	3,315,792	-	147,240,229
Subtotal	<u>181,634,228</u>	<u>5,083,888</u>	<u>(293,297)</u>	<u>186,424,819</u>
Total capital assets at historical costs	<u>183,955,888</u>	<u>5,083,888</u>	<u>(293,297)</u>	<u>188,746,479</u>
Accumulated Depreciation				
Structures and improvements	(6,344,960)	(582,524)	-	(6,927,484)
Other improvements	(3,093,294)	(257,877)	-	(3,351,171)
General	(7,601,396)	(648,405)	262,867	(7,986,934)
Infrastructures	(88,524,194)	(3,756,665)	-	(92,280,859)
Subtotal	<u>(105,563,844)</u>	<u>(5,245,471)</u>	<u>262,867</u>	<u>(110,546,448)</u>
Net capital assets being depreciated	<u>76,070,384</u>	<u>(161,583)</u>	<u>(30,430)</u>	<u>75,878,371</u>
Governmental activities capital assets	<u>\$ 78,392,044</u>	<u>\$ (161,583)</u>	<u>\$ (30,430)</u>	<u>\$ 78,200,031</u>

**G. Capital Assets - Business-Type Activities**

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

**Health**

	Balance at June 1, 2008	Additions	Disposals	Balance at May 31, 2009
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 1,719,072	\$ 9,446,032	\$ (10,075,453)	\$ 1,089,651
Land	2,518,698	276,116	138,000	2,932,814
Subtotal	<u>4,237,770</u>	<u>9,722,148</u>	<u>(9,937,453)</u>	<u>4,022,465</u>
Other capital assets being depreciated:				
Land and land improvements	1,017,687	27,993	27,992	1,073,672
Building and building improvements	55,329,947	92,197	7,208,805	62,630,949
Equipment	52,613,720	1,992,360	2,112,988	56,719,068
Subtotal	<u>108,961,354</u>	<u>2,112,550</u>	<u>9,349,785</u>	<u>120,423,689</u>
Total	<u>113,199,124</u>	<u>11,834,698</u>	<u>(587,668)</u>	<u>124,446,154</u>
Accumulated Depreciation				
Land improvements	(600,461)	(80,110)	-	(680,571)
Building and building improvements	(30,076,987)	(2,248,415)	-	(32,325,402)
Equipment	(34,110,498)	(4,527,801)	(324,683)	(38,313,616)
Subtotal	<u>(64,787,946)</u>	<u>(6,856,326)</u>	<u>(324,683)</u>	<u>(71,319,589)</u>
Net capital assets being depreciated	<u>(60,550,176)</u>	<u>2,865,822</u>	<u>(9,612,770)</u>	<u>(67,297,124)</u>
Governmental activities capital assets	<u>\$ 48,411,178</u>	<u>\$ 4,978,372</u>	<u>\$ (262,985)</u>	<u>\$ 53,126,565</u>

**Water**

	Balance at April 1, 2009	Additions	Disposals	Balance at March 31, 2010
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 176,240	\$ -	\$ -	\$ 176,240
Construction in progress	811,290	702,930	(1,514,220)	-
Subtotal	<u>987,530</u>	<u>702,930</u>	<u>(1,514,220)</u>	<u>176,240</u>
Other capital assets being depreciated:				
Structures and improvements	10,185,373	961,236	-	11,146,609
Pumping and purification equipment	4,739,730	10,200	-	4,749,930
Transmission mains	964,302	-	-	964,302
Distribution mains and equipment	12,148,172	587,165	(17,726)	12,717,611
General equipment	1,597,457	3,219	(143)	1,600,533
Subtotal	<u>29,635,034</u>	<u>1,561,820</u>	<u>(17,869)</u>	<u>31,178,985</u>
Total	<u>30,622,564</u>	<u>2,264,750</u>	<u>(1,532,089)</u>	<u>31,355,225</u>

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

	Balance at April 1, 2009	Additions	Disposals	Balance at March 31, 2010
Accumulated Depreciation				
Structures and improvements	(3,491,979)	(194,745)	-	(3,686,724)
Pumping and purification equipment	(1,175,372)	(94,490)	-	(1,269,862)
Transmission mains	(493,043)	(9,643)	-	(502,686)
Distribution mains and equipment	(3,349,926)	(190,272)	17,726	(3,522,472)
General equipment	(1,263,423)	(89,810)	143	(1,353,090)
Subtotal	<u>(9,773,743)</u>	<u>(578,960)</u>	<u>17,869</u>	<u>(10,334,834)</u>
Net capital assets being depreciated	<u>19,861,291</u>	<u>982,860</u>	<u>-</u>	<u>20,844,151</u>
Governmental activities capital assets	<u>\$ 20,848,821</u>	<u>\$ 1,685,790</u>	<u>\$ (1,514,220)</u>	<u>\$ 21,020,391</u>

**Sewer**

	Balance at April 1, 2009	Additions	Disposals	Balance at March 31, 2010
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 2,319,053	\$ -	\$ -	\$ 2,319,053
Subtotal	<u>2,319,053</u>	<u>-</u>	<u>-</u>	<u>2,319,053</u>
Capital assets being depreciated:				
Pumping and purification equipment	21,669,533	400,633	-	22,070,166
Transmission	8,667,080	1,155,796	-	9,822,876
Equipment	1,984,245	(8,913)	-	1,975,332
Subtotal	<u>32,320,858</u>	<u>1,547,516</u>	<u>-</u>	<u>33,868,374</u>
Total	<u>34,639,911</u>	<u>1,547,516</u>	<u>-</u>	<u>36,187,427</u>
Less accumulated depreciation and amortization:				
Pumping and purification equipment	(8,564,189)	(632,712)	-	(9,196,901)
Transmission mains	(4,118,949)	(233,284)	-	(4,352,233)
Equipment	(1,019,331)	(100,642)	-	(1,119,973)
Subtotal	<u>(13,702,469)</u>	<u>(966,638)</u>	<u>-</u>	<u>(14,669,107)</u>
Net capital assets being depreciated	<u>18,618,389</u>	<u>580,878</u>	<u>-</u>	<u>19,199,267</u>
Business-Type Activities Capital Assets	<u>\$ 20,937,442</u>	<u>\$ 580,878</u>	<u>\$ -</u>	<u>\$ 21,518,320</u>

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

**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	\$ 444,595
Sanitation	<u>59,383</u>
Total general government	<u>503,978</u>
Public safety:	
Police	158,908
Fire	108,129
Cemetery	<u>18,968</u>
Total public safety	<u>286,005</u>
Transportation:	
Airport	95,104
Streets	<u>169,633</u>
Total transportation	<u>264,737</u>
Cultural, parks and recreation:	
Library	21,711
Park	393,796
Community center	<u>18,579</u>
Total cultural, parks and recreation	<u>434,086</u>
Infrastructure	<u>3,756,665</u>
Total infrastructure	<u>3,756,665</u>
Total depreciation expense - Governmental activity	<u>\$ 5,245,471</u>
Business-type activities:	
Health	\$ 6,856,326
Water	578,960
Sewer	<u>966,638</u>
Total depreciation expense - Business-type activity	<u>\$ 8,401,924</u>

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

**H. Long-Term Debt**

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

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>End of Year</u>	<u>Amount Due Within 1 Year</u>
Business-Type Activities:					
Revenue Bonds:					
Health Center	\$ 9,175,000	\$ -	\$ 885,000	\$ 8,290,000	\$ 910,000
Water	8,260,000	-	300,000	7,960,000	315,000
Certificates of Participation:					
Series 2005 - Sewer	1,392,500	-	77,500	1,315,000	80,000
Other Debt:					
Health Center	3,296,524	2,584,468	1,267,354	4,613,638	1,526,372
Capital Leases:					
Health Center	4,661,203	360,944	1,901,372	3,120,775	977,349
Total Business-Type Activities	<u>\$ 26,785,227</u>	<u>\$ 2,945,412</u>	<u>\$ 4,431,226</u>	<u>\$ 25,299,413</u>	<u>\$ 3,808,721</u>
Governmental Activities:					
Certificates of Participation:					
Series 2005	1,392,500	-	77,500	1,315,000	80,000
Series 2007	7,555,000	-	315,000	7,240,000	335,000
Loan	19,920	-	17,019	2,901	2,901
Energy Loan	831,808	-	142,327	689,481	148,332
DNR Energy Loan	458,832	-	30,592	428,240	30,592
Total Governmental Activities	<u>\$ 10,258,060</u>	<u>\$ -</u>	<u>\$ 582,438</u>	<u>\$ 9,675,622</u>	<u>\$ 596,825</u>

**CITY OF SEDALIA, MISSOURI  
NOTES TO COMBINED FINANCIAL STATEMENTS  
MARCH 31, 2010**

**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, 2010, are comprised of the following individual issues:

\$3,175,000 2005 series due in annual installments of \$65,000 beginning June 1, 2005, to \$230,000 through June 1, 2022, interest at 2.40% to 4.45%. The Series 2005 certificates with stated payment dates of June 1, 2011, and thereafter are subject to prepayment on June 1, 2010, and thereafter in whole at any time, or in part on any payment date. \$ 2,630,000

\$8,140,000 2007 refunding series due in annual installments of \$290,000 beginning March 15, 2010, 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. 7,240,000

\$ 9,870,000

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

Year Ending March 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 415,000	\$ 354,595	\$ 80,000	\$ 51,895
2012	442,500	339,081	82,500	49,112
2013	470,000	322,227	85,000	46,115
2014	500,000	304,143	90,000	42,855
2015	522,500	284,638	92,500	39,342
2016-2020	3,135,000	1,076,102	525,000	135,678
2021-2023	3,070,000	297,743	360,000	23,624
	<u>\$ 8,555,000</u>	<u>\$ 2,978,529</u>	<u>\$ 1,315,000</u>	<u>\$ 388,621</u>

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

*Defeased Debt*

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.

As a result of the advance refunding, the City reduced its total debt service requirements by \$533,027, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$419,423.

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.

**2. Bonds Payable - Bothwell Regional Health Center**

Revenue bonds as of May 31, 2009, are as follows:

Hospital Refunding Revenue Bonds

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

Hospital Refunding Revenue Bonds bear interest at rates varying from 2.9% to 4.3%, depending upon the maturity date. Revenue bonds or portions thereof maturing in the year 2010 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, 2009, or on any interest payment date thereafter at redemption prices of 100%.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

The Hospital Revenue Bonds are secured by substantially all property, plant and equipment 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 – 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.

An escrow account was established for the proceeds with disbursements being made to the Health Center upon presentation of supporting documents for acquisition of equipment, licensing and installation cost.

The debt bearing interest at 4.64% is payable in monthly payments through August 1, 2011.

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

Note Payable – Imaging Equipment

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

An escrow account was established for the proceeds with disbursements being made to the Health Center upon presentation of supporting documents for acquisition of equipment, licensing and installation cost.

The debt bearing interest at 3.6% is payable in monthly payments through November 3, 2013.

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

**Capital Lease Obligations - Health Center**

The Health Center leases various equipment under capital leases, at varying rates of imputed interest from 3.1 percent to 8 percent collateralized by leased equipment. Capital assets include the following amounts for leases which have been capitalized at May 31, 2009:

Equipment	\$ 7,466,582
Less: accumulated depreciation	<u>(3,790,966)</u>
Total	<u>\$ 3,675,616</u>
 Depreciation expense	 <u>\$ 1,260,802</u>

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

Year Ending March 31	Bonds and Notes Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2010	\$ 2,436,372	\$ 481,870	\$ 977,349	\$ 140,223
2011	2,533,648	385,474	762,040	107,782
2012	1,682,983	298,283	694,489	96,149
2013	1,555,839	243,622	148,229	47,143
2014	4,694,796	480,356	57,073	40,967
2015-2019	-	-	361,506	128,694
2020-2024	-	-	120,089	8,608
	<u>\$ 12,903,638</u>	<u>\$ 1,889,605</u>	<u>\$ 3,120,775</u>	<u>\$ 569,566</u>

**3. Bonds Payable - Water Department**

Balance, April 1, 2009	\$ 8,260,000
Bonds issued	—
Bonds retired	<u>(300,000)</u>
Balance, March 31, 2010	<u>\$ 7,960,000</u>

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

Long-term debt as of March 31, 2010, is as follows:

Water revenue bonds 2.150% to 4.300%, series of 2005, due in \$95,000 to \$600,000 annual installments to March 15, 2029 (callable)	\$ 3,960,000
Water revenue bonds 3.20% to 4.40%, series of 2006, due in \$40,000 to \$150,000 annual installments to September 15, 2027 (callable)	4,000,000
	7,960,000
Less amounts due within one year	315,000
Long-term portion of debt	\$ 7,645,000

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

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

*Defeased Debt - 2005*

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

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

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

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

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

Term Bonds Maturing March 15, 2026

Redemption Dates <u>March 15</u>	Principal <u>Amount</u>
2025	\$ 205,000
2026	220,000

Term Bonds Maturing March 15, 2029

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

*Defeased Debt - 2006*

On December 19, 2005, the Sedalia Water Department issued waterworks refunding revenue bonds (Series 2006) of \$4,625,000 (par value) with an interest rate of 3.200% to 4.400% to advance refund revenue bonds (Series 1997) with an interest rate of 3.800% to 5.350% and a par value of \$4,405,000. A redemption premium of \$85,800 was also paid. The Series 1997 bonds mature on September 15, 2027, and are callable on February 1, 2006. The Series 2010 bonds were issued at par plus accrued interest of \$1,034 and, after paying issuance costs of \$156,341, the net proceeds were \$4,468,659. The net proceeds from the issuance of the Series 2006 bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds were called on February 1, 2006. The advance refunding met the requirements of an in-substance debt defeasance and the revenue bonds were removed from the Department's financial statements.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

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

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

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

*Mandatory Redemption.* The Bonds maturing in the years 2010 through 2024 and in 2027 shall be subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements set forth below at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date. The payments specified in the Bond Ordinance which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the City shall redeem on each March 15 and September 15, the following principal amounts of Bonds:

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

The annual debt service requirements to amortize the revenue bonds outstanding as of March 31, 2010, are as follows:

March 31,	Principal	Interest	Total
2011	\$ 315,000	\$ 319,769	\$ 634,769
2012	315,000	309,218	624,218
2013	330,000	298,230	628,230
2014	340,000	286,415	626,415
2015	360,000	270,935	630,935
2016-2020	1,870,000	1,163,042	3,033,042
2021-2025	2,240,000	751,794	2,991,794
2026-2029	2,190,000	233,630	2,423,630
	<u>\$ 7,960,000</u>	<u>\$ 3,633,033</u>	<u>\$ 11,593,033</u>

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

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

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

4. *Debt Service Reserve Account for Waterworks Revenue Bonds* - This account was established to collect funds to be expended and used solely to prevent any default in the payment of interest on or principal of the bonds on any maturity date or interest payment date if the monies in the Debt Service Account are insufficient to pay interest or principal as they become due.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

5. *Waterworks System Depreciation and Replacement Account* - This account was funded at the time of issuance of the bonds with available monies in the amount of \$250,000. These funds are to be used if no other funds are available solely for the purpose of making replacements and repairs in and to the waterworks system (the system) as may be necessary to keep the system in good repair and working order to assure the continued effective and efficient operating of the system.

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

<u>Account</u>	<u>Restricted Assets</u>	<u>Restricted Retained Earnings</u>	<u>Payable from Restricted Assets</u>
Waterworks Project	\$ 6	\$ 6	\$ -
Depreciation and Replacement	250,000	250,000	-
Debt Service	161,018	29,162	14,125
Debt Service Reserve	650,000	634,769	-
Customer Deposits	463,683	-	415,331
	<u>\$ 1,524,707</u>	<u>\$ 913,937</u>	<u>\$ 429,456</u>

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

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

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:

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

<u>Account</u>	<u>Enterprise Funds</u>		
	<u>Restricted Assets</u>	<u>Restricted Net Assets</u>	<u>Liabilities Payable from Restricted Assets</u>
Principal and interest accounts	\$ 161,018	\$ 2,578,360	\$ -
Reserve account	1,887,729	-	-
Renewal and replacement	6,343,723	-	-
Customer Deposits	463,683	-	415,331
Donor-specified purposes	101,614	101,614	-
Construction funds	277,048	277,042	-
Debt service	-	-	409,125
	<u>\$ 9,234,815</u>	<u>\$ 2,957,016</u>	<u>\$ 824,456</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.

**4. Loans**

Airport Hanger Loan:

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

The annual debt service requirements to amortize the principal on the loan outstanding at March 31, 2010, are as follows:

<u>Year Ending March 31,</u>	<u>Governmental Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,901	\$ 14	\$ 2,915
	<u>\$ 2,901</u>	<u>\$ 14</u>	<u>\$ 2,915</u>

**CITY OF SEDALIA, MISSOURI.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

Energy Performance Loan:

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

The annual debt service requirements to amortize the principal on the loan outstanding at March 31, 2010, are as follows:

Year Ending March 31,	Governmental Funds		
	Principal	Interest	Total
2011	\$ 148,332	\$ 25,751	\$ 174,083
2012	154,592	19,492	174,084
2013	161,114	12,969	174,083
2014	167,912	6,171	174,083
2015	57,531	497	58,028
	\$ 689,481	\$ 64,880	\$ 754,361

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.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

The annual debt service requirements to amortize the principal on the loan outstanding at March 31, 2010, are as follows:

Year Ending March 31,	Governmental Funds		
	Principal	Interest	Total
2011	\$ 30,592	\$ 306	\$ 30,898
2012	30,592	306	30,898
2013	30,592	306	30,898
2014	30,592	306	30,898
2015	30,592	306	30,898
2016-2020	152,960	1,530	154,490
2021-2024	122,320	1,222	123,542
	\$ 428,240	\$ 4,282	\$ 432,522

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, 2010, based on the total assessed valuation as of December 31, 2008, of \$227,449,059 the constitutional general obligation debt limit was \$45,489,812.

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

Of the \$29,154,466 of unrestricted net assets reported in 2009, \$6,093,723 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.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

**J. Leases**

Operating leases

The City leases equipment under cancellable operating leases. Total costs for such leases were \$44,597 for the year ended March 31, 2010. The future minimum lease payments for these leases, assuming noncancellation, is as follows:

Year Ending March 31		
2011	\$	44,596
2012		44,597
2013		121,206
		210,399
Amount representing interest		(22,147)
Net	\$	188,252

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 and is based on a declining scale of \$375 to \$300 based on patient encounters on an annual basis.

Total rental expense in 2009 for minimum and contingent rentals was \$224,843.

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

Year Ending May 31,		
2010	\$	267,214
2011		77,680
2012		46,613
Total	\$	391,507

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

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

**K. Interfund Transfers**

Interfund transfers during the year ended March 31, 2010, were as follows:

Disbursing Fund	Receiving Fund	Amount
Perpetual Care Cemetery (Agency)	General (Major)	\$ 7,264
General (Major)	Capital Projects #2 (Non-Major)	34,545
General (Major)	Capital Projects (Non-Major)	6,000
Capital Projects #2 (Non-Major)	Capital Projects (Non-Major)	600,000
Wastewater (Major)	Capital Projects (Non-Major)	900,000

The purpose of the \$7,264 transfer from Perpetual Care Cemetery was to transfer interest from investments to offset cemetery expenditures in the general fund.

The purpose of the \$34,545 transfer from General was for Goodie's sales tax reimbursement.

The purpose of the \$6,000 transfer from General was for the Hero Grant.

The purpose of the \$600,000 transfer from Capital Projects #2 was for streetscape.

The purpose of the \$900,000 transfer from Wastewater was for streetscape.

**L. Restricted Net Assets**

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

Activity	Governmental Activities		Amount
	Restricted		
	By		
Library	Council action	\$	581,932
Park	Council action		1,793,804
Special Business District	Council action		45,743
Midtown Special Allocation	Council action		18,728
Capital Project	Council action		739,586
Capital Project #2	Council action		2,789,368
		\$	<u>5,969,161</u>

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

**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.

**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 401a 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

The City of Sedalia's full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 11.8% (general) 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, 2010**

**IV. OTHER INFORMATION (continued)**

Annual Pension Cost

For 2009, the political subdivision's annual pension cost of \$450,136 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2007, and/or February 29, 2008, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2009, included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table for males projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2009, was 15 years.

City  
Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/07	\$ 481,096	100%	—
6/30/08	447,797	100%	—
6/30/09	450,136	100%	—

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

**IV. OTHER INFORMATION (continued)**

Water Department  
Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/07	\$ 155,116	100%	—
6/30/08	152,114	100%	—
6/30/09	146,217	100%	—

2. Firemen's Pension Trust Fund

Plan Description

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

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

Funding Status and Progress

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

**IV. OTHER INFORMATION (continued)**

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

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

Contributions Required and Contributions Made

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

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

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

**IV. OTHER INFORMATION (continued)**

Trend Information

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

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

3. Police Pension Trust Fund

Plan Description

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

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

**IV. OTHER INFORMATION (continued)**

Funding Status and Progress

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

At August 1, 2009, the unfunded pension benefit obligation was \$4,945,951, determined as follows:

Pension benefit obligation:	
Active participants	\$ 3,077,659
Retired and terminated participants	5,036,413
Total Pension Benefit Obligation	8,114,072
Net assets available for benefits, at market value	3,168,121
Unfunded Pension Benefit Obligation	\$ 4,945,951

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, 2009, is the entry age actuarial cost method. The actuary provides a range of contribution recommendations depending on how rapidly the past service liability is funded. The actuarially determined minimum contribution recommendation, including amortization of past service liability over forty years amounted to \$598,344 for the 2009 plan year which includes \$171,848 for normal costs and \$417,496 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 \$15 per month to the plan. Contributions to the Fund are made by the City from a \$.0908 per \$100 assessed valuation property tax levy established by City ordinance.

Total contributions to the pension plan for the plan year ended August 1, 2009, totaled \$221,321 of which \$7,943 or .4% of covered payroll was made by employees and \$213,378 or 9.9% of covered payroll was provided from the property tax levy.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

**IV. OTHER INFORMATION (continued)**

Trend Information

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

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

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, 2010**

**IV. OTHER INFORMATION (continued)**

Annual Pension Cost and Net Pension Obligation: The Health Center's annual pension cost and net pension obligations were as follows at May 31, 2009:

Annual required contribution	\$ 2,371,149
Interest on net pension obligation	70,636
Adjustment to annual required contribution	<u>(72,698)</u>
Annual Pension Cost	2,369,087
Contributions made	<u>2,447,575</u>
Increase (Decrease) in net prepaid pension obligation	(78,488)
Net Pension Obligation (Prepayment)	
at beginning of period	<u>144,127</u>
Net Pension Obligation at End of Period	<u><u>\$ 65,639</u></u>

The annual required contribution for the current year was determined as part of the June 1, 2007 actuarial valuation rolled forward to June 1, 2008, using the projected unit credit actuarial cost method. The actuarial assumptions included an 8% investment rate of return and projected salary increases ranging from 4% to 9% per year.

Trend Information

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
5/31/07	\$ 2,153,556	116%	\$ 136,051
5/31/08	2,293,372	100%	144,127
5/31/09	2,369,087	103%	65,639

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

**IV. OTHER INFORMATION (continued)**

Defined Contribution Plan

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

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

Annual Pension Cost: The Health Center's contribution for the year ended May 31, 2009, was \$434,281. Employee voluntary contributions were \$1,629,093 for the year ended May 31, 2009.

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

The Health Center offers its employees a contributory self-insurance health care plan. An excess coverage insurance policy covers the portion of specific claims in excess of \$100,000 and the greater of aggregate claims in excess of \$4,546,770 or 90% of the first month's covered units times the number of months of coverage times the monthly aggregate stop-loss rates, which computes to be \$4,640,968. Claims incurred but not reported are accrued as a liability. The recorded payable at May 31, 2009, was approximately \$844,000. This amount is included in accrued expenses in the accompanying financial statements.

The Health Center is self-insured for workers' compensation. An excess coverage insurance policy, limited to \$1,000,000 per occurrence and \$5,000,000 aggregate per policy period covers indemnity claims in excess of \$300,000 per occurrence and \$1,906,737 aggregate per policy period. Claims incurred but not reported are accrued as a liability. The recorded payable at May 31, 2008, was approximately \$144,000. This amount is included in accrued expenses in the accompanying financial statements.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2010**

**IV. OTHER INFORMATION (continued)**

**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	37%
Medicaid	14%
Commercial insurance	21%
Self pay	<u>28%</u>
	<u>100%</u>

**E. Funds Held in Trust by Others**

The Health Center is the sole beneficiary of a trust established by John H. Bothwell in 1926 which is administered by an independent board of trustees. Proceeds from the Trust, which are restricted to building and equipment additions, for the year ended May 31, 2009, amounted to \$39,025. The assets and liabilities of the Trust are not included in the financial statements of the Health Center.

**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 contributed funds in the amount of \$36,511, restricted for equipment, during the fiscal year 2009.

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, 2010**

**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, 2010**

**IV. OTHER INFORMATION (continued)**

4. Litigation

The Health Center is from time to time involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Health Center's future financial position or results from operations.

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 \$1,417,435 at March 31, 2010, 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, 2010, 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, 2010**

**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 \$126,651 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, 2010**

**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 2010. 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, 2009, on which the fiscal 2009 levy was based, were as follows:

Real estate	\$ 167,359,360
Personal property	<u>60,089,699</u>
	<u>\$ 227,449,059</u>

**CITY OF SEDALIA, MISSOURI  
NOTES TO COMBINED FINANCIAL STATEMENTS  
MARCH 31, 2010**

**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, 2010, are as follows:

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

**J. Risk Management**

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

**K. Litigation**

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

**L. Contingent Liabilities**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SEDALIA, MISSOURI**  
**PENSION PLAN FUNDING PROGRESS**  
**YEAR ENDED MARCH 31, 2010**

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

UNAUDITED REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress  
City

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2007	\$ 9,169,009	\$ 9,705,878	\$ 536,869	94%	\$ 3,414,897	16%
2/29/2008	10,492,711	11,197,752	705,041	94%	3,938,851	18%
2/28/2009	8,571,275	11,206,466	2,635,191	76%	3,941,094	67%

Schedule of Funding Progress  
Water Department

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2007	\$ 1,478,749	\$ 2,467,499	\$ 988,750	60%	\$ 774,007	128%
2/29/2008	1,823,139	2,785,963	962,824	65%	848,099	114%
2/28/2009	1,515,192	2,820,822	1,305,630	54%	805,131	162%

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

Schedule of Funding Progress  
Bothwell Regional Health Center

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
6/1/2007	\$ 32,550,663	\$ 37,222,325	\$ 4,671,662	87%	\$29,457,212	16%
6/1/2008	34,903,115	39,387,243	4,484,128	89%	30,361,887	15%
6/1/2009	34,029,786	41,075,057	7,045,271	83%	27,268,707	26%

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, 2009, were 11 to 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, 2010

	Special Revenue Funds				Capital Project Funds		Totals (Memorandum Only)
	Library	Park	Special Business District	Midtown Special Allocation	Capital Project	Capital Project # 2	
<b>ASSETS</b>							
Cash including time deposits	\$ 603,032	\$ 1,445,346	\$ 45,743	\$ 18,728	\$ 503,786	\$ 1,363,001	\$ 3,979,636
Taxes receivable, net of allowance	-	376,082	-	-	-	264,650	640,732
Receivables, net of allowance	-	-	-	-	235,800	91,350	327,150
Prepaid expenses	-	14,412	-	-	-	-	14,412
Accrued interest receivable	115	10,929	-	-	-	7,328	18,372
Due from other funds	-	-	-	-	-	-	-
Restricted assets							
Investments	-	-	-	-	-	1,093,888	1,093,888
<b>Total Assets</b>	<u>603,147</u>	<u>1,846,769</u>	<u>45,743</u>	<u>18,728</u>	<u>739,586</u>	<u>2,820,217</u>	<u>6,074,190</u>
<b>LIABILITIES AND FUND EQUITY</b>							
<b>LIABILITIES</b>							
Accrued expenses	21,215	52,965	-	-	-	30,849	105,029
<b>Total Liabilities</b>	<u>21,215</u>	<u>52,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,849</u>	<u>105,029</u>
<b>FUND EQUITY</b>							
Fund Balance	581,932	1,793,804	45,743	18,728	739,586	2,789,368	5,969,161
<b>Total Fund Equity</b>	<u>581,932</u>	<u>1,793,804</u>	<u>45,743</u>	<u>18,728</u>	<u>739,586</u>	<u>2,789,368</u>	<u>5,969,161</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 603,147</u>	<u>\$ 1,846,769</u>	<u>\$ 45,743</u>	<u>\$ 18,728</u>	<u>\$ 739,586</u>	<u>\$ 2,820,217</u>	<u>\$ 6,074,190</u>

**CITY OF SEDALIA, MISSOURI  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED MARCH 31, 2010**

	<b>Special Revenue Funds</b>	
	<b>Library</b>	<b>Park</b>
<b>REVENUES</b>		
Taxes	\$ 446,656	\$ 1,907,858
Intergovernmental	19,952	-
Charges for services	14,996	196,699
Miscellaneous	5,220	65,679
Total Revenues	486,824	2,170,236
<b>EXPENDITURES</b>		
Library	421,789	-
Park	-	1,416,823
Planning, building and economic development	-	-
Capital outlay	56,271	1,020,202
Debt service	-	-
Total Expenditures	478,060	2,437,025
Excess (Deficit) of Revenues over Expenditures	8,764	(266,789)
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers in (out)	-	-
Total Other Financing Sources (Uses)	-	-
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	8,764	(266,789)
Fund Balance, beginning of year	573,168	2,060,593
Fund Balance, end of year	\$ 581,932	\$ 1,793,804

<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		<u>Totals (Memorandum Only)</u>
<u>Special Business District</u>	<u>Midtown Special Allocation</u>	<u>Capital Project</u>	<u>Capital Project #2</u>	
\$ 34,495	\$ 18,715	\$ -	\$ 1,699,900	\$ 4,107,624
3,544	-	812,640	-	836,136
-	-	-	-	211,695
198	13	1,746	26,117	98,973
<u>38,237</u>	<u>18,728</u>	<u>814,386</u>	<u>1,726,017</u>	<u>5,254,428</u>
-	-	-	-	421,789
-	-	-	-	1,416,823
45,096	-	123,913	235,802	404,811
20,000	-	2,097,965	363,563	3,558,001
-	-	-	757,674	757,674
<u>65,096</u>	<u>-</u>	<u>2,221,878</u>	<u>1,357,039</u>	<u>6,559,098</u>
<u>(26,859)</u>	<u>18,728</u>	<u>(1,407,492)</u>	<u>368,978</u>	<u>(1,304,670)</u>
-	-	1,506,000	(565,455)	940,545
-	-	1,506,000	(565,455)	940,545
(26,859)	18,728	98,508	(196,477)	(364,125)
<u>72,602</u>	<u>-</u>	<u>641,078</u>	<u>2,985,845</u>	<u>6,333,286</u>
<u>\$ 45,743</u>	<u>\$ 18,728</u>	<u>\$ 739,586</u>	<u>\$ 2,789,368</u>	<u>\$ 5,969,161</u>

**CITY OF SEDALIA, MISSOURI  
LIBRARY FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 424,835	\$ 424,835	\$ 427,204	\$ 2,369
Payment in-lieu-of	265	265	302	37
Railroad and utilities	<u>17,750</u>	<u>17,750</u>	<u>19,150</u>	<u>1,400</u>
Total Taxes	<u>442,850</u>	<u>442,850</u>	<u>446,656</u>	<u>3,806</u>
Intergovernmental				
State and federal grants	<u>16,090</u>	<u>16,090</u>	<u>19,952</u>	<u>3,862</u>
Total Intergovernmental	<u>16,090</u>	<u>16,090</u>	<u>19,952</u>	<u>3,862</u>
Charges for Services				
Library fees	<u>14,500</u>	<u>14,500</u>	<u>14,996</u>	<u>496</u>
Total Charges for Services	<u>14,500</u>	<u>14,500</u>	<u>14,996</u>	<u>496</u>
Miscellaneous				
Interest	18,850	18,850	4,386	(14,464)
Miscellaneous	<u>800</u>	<u>800</u>	<u>834</u>	<u>34</u>
Total Miscellaneous	<u>19,650</u>	<u>19,650</u>	<u>5,220</u>	<u>(14,430)</u>
TOTAL REVENUES	<u>493,090</u>	<u>493,090</u>	<u>486,824</u>	<u>(6,266)</u>
EXPENDITURES				
Personnel services	267,464	267,464	275,084	(7,620)
Other charges and services	59,765	59,765	56,630	3,135
Operating supplies	102,750	102,750	90,075	12,675
Capital outlay	<u>63,076</u>	<u>63,076</u>	<u>56,271</u>	<u>6,805</u>
TOTAL EXPENDITURES	<u>493,055</u>	<u>493,055</u>	<u>478,060</u>	<u>14,995</u>
Excess (Deficit) of Revenues over Expenditures	35	35	8,764	<u>\$ 8,729</u>
Fund Balance, beginning of year	<u>573,168</u>	<u>573,168</u>	<u>573,168</u>	
Fund Balance, end of year	<u>\$ 573,203</u>	<u>\$ 573,203</u>	<u>\$ 581,932</u>	

**CITY OF SEDALIA, MISSOURI  
PARK FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes				
Property	\$ 351,000	\$ 351,000	\$ 358,745	\$ 7,745
Payment in-lieu-of	-	-	214	214
Railroad and utility	12,000	12,000	13,615	1,615
General sales	<u>1,573,000</u>	<u>1,573,000</u>	<u>1,535,284</u>	<u>(37,716)</u>
Total Taxes	<u>1,936,000</u>	<u>1,936,000</u>	<u>1,907,858</u>	<u>(28,142)</u>
Charges for Services				
Park and recreation fees	<u>186,074</u>	<u>186,074</u>	<u>196,699</u>	<u>10,625</u>
Total Charges for Services	<u>186,074</u>	<u>186,074</u>	<u>196,699</u>	<u>10,625</u>
Miscellaneous				
Interest	23,000	23,000	21,156	(1,844)
Miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>44,523</u>	<u>42,523</u>
Total Miscellaneous	<u>25,000</u>	<u>25,000</u>	<u>65,679</u>	<u>40,679</u>
<b>TOTAL REVENUES</b>	<u>2,147,074</u>	<u>2,147,074</u>	<u>2,170,236</u>	<u>23,162</u>
<b>EXPENDITURES</b>				
Personnel services	808,612	808,612	775,456	33,156
Other charges and services	402,962	402,962	401,429	1,533
Operating supplies	248,500	248,500	239,938	8,562
Capital outlay	<u>687,000</u>	<u>981,812</u>	<u>1,020,202</u>	<u>(38,390)</u>
<b>TOTAL EXPENDITURES</b>	<u>2,147,074</u>	<u>2,441,886</u>	<u>2,437,025</u>	<u>4,861</u>
Excess (Deficit) of Revenues over Expenditures	-	(294,812)	(266,789)	<u>\$ 18,301</u>
Fund Balance, beginning of year	<u>2,060,593</u>	<u>2,060,593</u>	<u>2,060,593</u>	
Fund Balance, end of year	<u>\$ 2,060,593</u>	<u>\$ 1,765,781</u>	<u>\$ 1,793,804</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 32,500	\$ 32,500	\$ 33,558	\$ 1,058
Financial institution	1,500	1,500	937	(563)
Total Taxes	<u>34,000</u>	<u>34,000</u>	<u>34,495</u>	<u>495</u>
Intergovernmental				
State and federal grants	-	-	3,544	3,544
Total Intergovernmental	<u>-</u>	<u>-</u>	<u>3,544</u>	<u>3,544</u>
Miscellaneous				
Interest	300	300	198	(102)
Total Miscellaneous	<u>300</u>	<u>300</u>	<u>198</u>	<u>(102)</u>
TOTAL REVENUES	<u>34,300</u>	<u>34,300</u>	<u>38,237</u>	<u>3,937</u>
EXPENDITURES				
Other charges and services	39,860	39,860	43,646	(3,786)
Operating supplies	1,500	1,500	1,450	50
Capital outlay	30,000	30,000	20,000	10,000
TOTAL EXPENDITURES	<u>71,360</u>	<u>71,360</u>	<u>65,096</u>	<u>6,264</u>
Excess (Deficit) of Revenues over Expenditures	<u>(37,060)</u>	<u>(37,060)</u>	<u>(26,859)</u>	<u>\$ 10,201</u>
Fund Balance, beginning of year	<u>72,602</u>	<u>72,602</u>	<u>72,602</u>	
Fund Balance, end of year	<u>\$ 35,542</u>	<u>\$ 35,542</u>	<u>\$ 45,743</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes				
Property	\$ 17,000	\$ 17,000	\$ 18,715	\$ 1,715
Sales	<u>15,881</u>	<u>15,881</u>	<u>-</u>	<u>(15,881)</u>
Total Taxes	<u>32,881</u>	<u>32,881</u>	<u>18,715</u>	<u>(14,166)</u>
Miscellaneous				
Interest income	100	100	13	(87)
Total Miscellaneous	<u>100</u>	<u>100</u>	<u>13</u>	<u>(87)</u>
Total Revenues	<u>32,981</u>	<u>32,981</u>	<u>18,728</u>	<u>(15,968)</u>
<b>EXPENDITURES</b>				
Other charges and services	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	<u>32,981</u>	<u>32,981</u>	<u>18,728</u>	<u>(15,968)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	32,981	32,981	18,728	<u>\$ (15,968)</u>
Fund Balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	
Fund Balance, end of year	<u>\$ 32,981</u>	<u>\$ 32,981</u>	<u>\$ 18,728</u>	

**CITY OF SEDALIA, MISSOURI  
CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
<b>REVENUES</b>				
<b>Intergovernmental</b>				
State and federal grants	\$ 1,620,852	\$ 1,620,852	\$ 812,640	\$ (808,212)
Total Intergovernmental	<u>1,620,852</u>	<u>1,620,852</u>	<u>812,640</u>	<u>(808,212)</u>
<b>Miscellaneous</b>				
Interest income	-	-	1,746	1,746
Total Miscellaneous	<u>-</u>	<u>-</u>	<u>1,746</u>	<u>1,746</u>
Total Revenues	<u>1,620,852</u>	<u>1,620,852</u>	<u>814,386</u>	<u>(806,466)</u>
<b>EXPENDITURES</b>				
Other charges and services	60,439	60,439	123,913	(63,474)
Capital outlay	<u>3,673,437</u>	<u>3,673,437</u>	<u>2,097,965</u>	<u>1,575,472</u>
Total Expenditures	<u>3,733,876</u>	<u>3,733,876</u>	<u>2,221,878</u>	<u>1,511,998</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	<u>(2,113,024)</u>	<u>(2,113,024)</u>	<u>(1,407,492)</u>	<u>705,532</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	<u>1,494,000</u>	<u>1,494,000</u>	<u>1,506,000</u>	<u>12,000</u>
Total Other Financing Sources (Uses)	<u>1,494,000</u>	<u>1,494,000</u>	<u>1,506,000</u>	<u>12,000</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	(619,024)	(619,024)	98,508	<u>\$ 717,532</u>
Fund Balance, beginning of year	<u>641,078</u>	<u>641,078</u>	<u>641,078</u>	
Fund Balance, end of year	<u>\$ 22,054</u>	<u>\$ 22,054</u>	<u>\$ 739,586</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes				
Sales	\$ 1,700,900	\$ 1,700,900	\$ 1,654,900	\$ (46,000)
Franchise	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>
Total Taxes	<u>1,745,900</u>	<u>1,745,900</u>	<u>1,699,900</u>	<u>(46,000)</u>
Miscellaneous				
Rental income	4,000	4,000	4,000	-
Interest income	<u>15,000</u>	<u>15,000</u>	<u>22,117</u>	<u>7,117</u>
Total Miscellaneous	<u>19,000</u>	<u>19,000</u>	<u>26,117</u>	<u>7,117</u>
Total Revenues	<u>1,764,900</u>	<u>1,764,900</u>	<u>1,726,017</u>	<u>(38,883)</u>
<b>EXPENDITURES</b>				
Other charges and services	354,091	354,091	235,802	118,289
Capital outlay	431,000	431,000	363,563	67,437
Debt service	<u>765,488</u>	<u>765,488</u>	<u>757,674</u>	<u>7,814</u>
Total Expenditures	<u>1,550,579</u>	<u>1,550,579</u>	<u>1,357,039</u>	<u>193,540</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	<u>214,321</u>	<u>214,321</u>	<u>368,978</u>	<u>154,657</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Certificates of participation proceeds				-
Operating transfers in (out)	<u>(560,000)</u>	<u>(560,000)</u>	<u>(565,455)</u>	<u>(5,455)</u>
Total Other Financing Sources (Uses)	<u>(560,000)</u>	<u>(560,000)</u>	<u>(565,455)</u>	<u>(5,455)</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	<u>(345,679)</u>	<u>(345,679)</u>	<u>(196,477)</u>	<u>\$ 149,202</u>
Fund Balance, beginning of year	<u>2,985,845</u>	<u>2,985,845</u>	<u>2,985,845</u>	
Fund Balance, end of year	<u>\$ 2,640,166</u>	<u>\$ 2,640,166</u>	<u>\$ 2,789,368</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
<b>Taxes</b>				
Property	\$ 1,030,000	\$ 1,030,000	\$ 996,411	\$ (33,589)
Interest and penalties	22,000	22,000	22,001	1
Payment-in-lieu-of taxes	-	-	618	618
Railroad and utilities	35,000	35,000	39,138	4,138
Financial institution	5,500	5,500	2,117	(3,383)
General sales	6,758,440	6,758,440	6,320,973	(437,467)
Franchise	1,865,000	1,865,000	2,583,076	718,076
Cigarette	<u>125,000</u>	<u>125,000</u>	<u>122,365</u>	<u>(2,635)</u>
Total Taxes	<u>9,840,940</u>	<u>9,840,940</u>	<u>10,086,699</u>	<u>245,759</u>
<b>Licenses and Permits</b>				
Occupational	318,000	318,000	344,551	26,551
Building	142,000	142,000	135,389	(6,611)
Street cuts	5,000	5,000	5,679	679
Other licenses	<u>7,000</u>	<u>7,000</u>	<u>8,963</u>	<u>1,963</u>
Total Licenses and Permits	<u>472,000</u>	<u>472,000</u>	<u>494,582</u>	<u>22,582</u>
<b>Intergovernmental</b>				
State gasoline tax	545,000	545,000	561,077	16,077
Motor vehicle sales tax	205,000	205,000	197,328	(7,672)
State and federal grants	<u>-</u>	<u>-</u>	<u>127,927</u>	<u>127,927</u>
Total Intergovernmental	<u>750,000</u>	<u>750,000</u>	<u>886,332</u>	<u>136,332</u>
<b>Charges for Services</b>				
Sanitation fees	1,095,000	1,095,000	1,117,550	22,550
Community center fees	14,000	14,000	15,760	1,760
Cemetery fees and lot sales	61,800	61,800	64,145	2,345
Airport fees	<u>166,000</u>	<u>166,000</u>	<u>141,975</u>	<u>(24,025)</u>
Total Charges for Services	<u>1,336,800</u>	<u>1,336,800</u>	<u>1,339,430</u>	<u>2,630</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES (cont'd)</b>				
Fines and Forfeitures	216,000	216,000	155,101	(60,899)
Total Fines and Forfeitures	<u>216,000</u>	<u>216,000</u>	<u>155,101</u>	<u>(60,899)</u>
<b>Miscellaneous</b>				
Interest income	160,000	160,000	114,512	(45,488)
Rental income	35,000	35,000	45,455	10,455
Mayor's Santa Campaign	-	-	19	19
Miscellaneous	50,000	50,000	153,358	103,358
Total Miscellaneous	<u>245,000</u>	<u>245,000</u>	<u>313,344</u>	<u>68,344</u>
<b>TOTAL REVENUES</b>	<u>12,860,740</u>	<u>12,860,740</u>	<u>13,275,488</u>	<u>414,748</u>
<b>EXPENDITURES</b>				
<b>General and Administrative</b>				
<b>Administrative</b>				
Personnel services	488,493	488,493	531,003	(42,510)
Other charges and services	293,910	293,910	266,713	27,197
Operating supplies	19,900	19,900	24,495	(4,595)
Total Administrative	<u>802,303</u>	<u>802,303</u>	<u>822,211</u>	<u>(19,908)</u>
<b>Finance</b>				
Personnel services	317,914	317,914	299,888	18,026
Other charges and services	110,725	110,725	98,074	12,651
Operating supplies	3,000	3,000	2,236	764
Total Finance	<u>431,639</u>	<u>431,639</u>	<u>400,198</u>	<u>31,441</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (cont'd)</b>				
<b>Records</b>				
Personnel services	114,793	114,793	115,847	(1,054)
Other charges and services	33,460	33,460	27,869	5,591
Repairs and maintenance	<u>1,200</u>	<u>1,200</u>	<u>585</u>	<u>615</u>
Total Records	<u>149,453</u>	<u>149,453</u>	<u>144,301</u>	<u>5,152</u>
<b>Code Enforcement</b>				
Personnel services	317,776	317,776	320,344	(2,568)
Other charges and services	37,326	37,326	29,531	7,795
Repairs and maintenance	<u>9,600</u>	<u>9,600</u>	<u>6,287</u>	<u>3,313</u>
Total Code Enforcement	<u>364,702</u>	<u>364,702</u>	<u>356,162</u>	<u>8,540</u>
<b>Building Maintenance</b>				
Personnel services	188,098	188,098	187,645	453
Other charges and services	43,261	43,261	39,060	4,201
Operating supplies	10,800	10,800	8,259	2,541
Repairs and maintenance	<u>48,500</u>	<u>48,500</u>	<u>22,844</u>	<u>25,656</u>
Total Building Maintenance	<u>290,659</u>	<u>290,659</u>	<u>257,808</u>	<u>32,851</u>
Total General and Administrative	<u>2,038,756</u>	<u>2,038,756</u>	<u>1,980,680</u>	<u>58,076</u>
<b>Sanitation</b>				
Personnel services	721,765	721,765	655,945	65,820
Other charges and services	48,730	48,730	40,820	7,910
Operating supplies	<u>397,750</u>	<u>397,750</u>	<u>386,334</u>	<u>11,416</u>
Total Sanitation	<u>1,168,245</u>	<u>1,168,245</u>	<u>1,083,099</u>	<u>85,146</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (cont'd)</b>				
<b>Public Safety</b>				
<b>Police</b>				
Personnel services	2,666,305	2,666,305	2,651,812	14,493
Other charges and services	387,822	387,822	315,241	72,581
Operating supplies	<u>187,105</u>	<u>322,683</u>	<u>237,281</u>	<u>85,402</u>
Total Police	<u>3,241,232</u>	<u>3,376,810</u>	<u>3,204,334</u>	<u>172,476</u>
<b>Fire</b>				
Personnel services	2,089,733	2,089,733	2,051,846	37,887
Other charges and services	111,920	111,920	98,626	13,294
Operating supplies	<u>33,900</u>	<u>33,900</u>	<u>27,820</u>	<u>6,080</u>
Total Fire	<u>2,235,553</u>	<u>2,235,553</u>	<u>2,178,292</u>	<u>57,261</u>
<b>Cemetery</b>				
Personnel services	241,895	241,895	240,812	1,083
Other charges and services	16,040	16,040	17,915	(1,875)
Operating supplies	<u>9,900</u>	<u>9,900</u>	<u>6,893</u>	<u>3,007</u>
Total Cemetery	<u>267,835</u>	<u>267,835</u>	<u>265,620</u>	<u>2,215</u>
Total Public Safety	<u>5,744,620</u>	<u>5,880,198</u>	<u>5,648,246</u>	<u>231,952</u>
<b>Transportation</b>				
<b>Streets and Alleys</b>				
Personnel services	1,399,624	1,399,624	1,316,810	82,814
Other charges and services	617,580	617,580	568,449	49,131
Operating supplies	<u>418,100</u>	<u>418,100</u>	<u>455,807</u>	<u>(37,707)</u>
Total Streets and Alleys	<u>2,435,304</u>	<u>2,435,304</u>	<u>2,341,066</u>	<u>94,238</u>
<b>Airport</b>				
Personnel services	145,701	145,701	146,991	(1,290)
Other charges and services	41,520	41,520	38,144	3,376
Operating supplies	<u>158,170</u>	<u>158,170</u>	<u>132,879</u>	<u>25,291</u>
Total Airport	<u>345,391</u>	<u>345,391</u>	<u>318,014</u>	<u>27,377</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Total Transportation	<u>2,780,695</u>	<u>2,780,695</u>	<u>2,659,080</u>	<u>121,615</u>
Cultural Parks and Recreation Community Center				
Personnel services	130,159	130,159	111,176	18,983
Other charges and services	42,020	42,020	34,002	8,018
Operating supplies	<u>4,250</u>	<u>4,250</u>	<u>3,952</u>	<u>298</u>
Total Community Center	<u>176,429</u>	<u>176,429</u>	<u>149,130</u>	<u>27,299</u>
Capital Expenditures				
Capital outlay	<u>2,550,599</u>	<u>2,550,599</u>	<u>1,576,755</u>	<u>973,844</u>
Total Capital Expenditures	<u>2,550,599</u>	<u>2,550,599</u>	<u>1,576,755</u>	<u>973,844</u>
Debt Service				
Total Debt Service	<u>17,500</u>	<u>17,500</u>	<u>17,485</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>14,476,844</u>	<u>14,612,422</u>	<u>13,114,475</u>	<u>1,497,932</u>
Excess (Deficit) of Revenues over Expenditures	(1,616,104)	(1,751,682)	161,013	1,912,680
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(33,281)</u>	<u>(8,281)</u>
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(33,281)</u>	<u>(8,281)</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	(1,641,104)	(1,776,682)	127,732	<u>\$ 1,904,399</u>
Fund Balance, beginning of year	<u>8,669,830</u>	<u>8,669,830</u>	<u>8,669,830</u>	
Fund Balance, end of year	<u>\$ 7,028,726</u>	<u>\$ 6,893,148</u>	<u>\$ 8,797,562</u>	

## OTHER SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

Fiduciary Funds

**CITY OF SEDALIA, MISSOURI**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**YEAR ENDED MARCH 31, 2010**

	Private Purpose Trust	Pension Trust		Agency Fund	Total
	Cemetery	Firemen's Pension	Police Pension	Deferred Compensation	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 295,445	\$ 158,675	\$ 219,851	\$ -	\$ 673,971
Investments					
U. S. Government securities	-	995,470	-	-	995,470
Corporate debt and equity	-	4,851,990	3,279,659	1,417,435	9,549,084
Other investments	-	59,803	-	-	59,803
Total investments	-	5,907,263	3,279,659	1,417,435	10,604,357
Total Assets	295,445	6,065,938	3,499,510	1,417,435	11,278,328
<b>LIABILITIES</b>					
Refundable contributions	-	1,631,072	267,373	-	1,898,445
Total Liabilities	-	1,631,072	267,373	-	1,898,445
<b>NET ASSETS</b>					
Held in trust for pension benefits and other purposes	\$ 295,445	\$ 4,434,866	\$ 3,232,137	\$ 1,417,435	\$ 9,379,883

**CITY OF SEDALIA, MISSOURI**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**YEAR ENDED MARCH 31, 2010**

	<b>Private Purpose Trust</b>	<b>Firemen's Pension Trust</b>	<b>Police Pension Trust</b>	<b>Agency Fund Deferred Compensation</b>	<b>Total</b>
<b>ADDITIONS</b>					
Contributions					
Taxes	\$ -	\$ 114,450	\$ 209,474	\$ -	\$ 323,924
Employer/employee	-	133,138	-	208,683	341,821
Miscellaneous	6,555	1,643	3,144	-	11,342
Total contributions	<u>6,555</u>	<u>249,231</u>	<u>212,618</u>	<u>208,683</u>	<u>677,087</u>
Investment earnings					
Investment income	7,264	217,300	72,418	260,737	557,719
Net increase (decrease) in fair value of investments	-	995,960	1,002,659	-	1,998,619
Net investment earnings	<u>7,264</u>	<u>1,213,260</u>	<u>1,075,077</u>	<u>260,737</u>	<u>2,556,338</u>
Total Additions	<u>13,819</u>	<u>1,462,491</u>	<u>1,287,695</u>	<u>469,420</u>	<u>3,233,425</u>
<b>DEDUCTIONS</b>					
Pension expense	-	427,107	452,870	191,832	1,071,809
Insurance	-	31,405	24,719	-	56,124
Administrative fees	-	40,339	23,989	-	64,328
Pension refunds	-	-	2,819	8,437	11,256
Miscellaneous	7,270	7,946	14,485	-	29,701
Total Deductions	<u>7,270</u>	<u>506,797</u>	<u>518,882</u>	<u>200,269</u>	<u>1,233,218</u>
Change in net assets	6,549	955,694	768,813	269,151	2,000,207
Net assets, beginning of year	<u>288,896</u>	<u>3,479,172</u>	<u>2,463,324</u>	<u>1,148,284</u>	<u>7,379,676</u>
Net assets, end of year	<u>\$ 295,445</u>	<u>\$ 4,434,866</u>	<u>\$ 3,232,137</u>	<u>\$ 1,417,435</u>	<u>\$ 9,379,883</u>

## **COMPLIANCE AND INTERNAL CONTROL**



GERDING, KORTE & CHITWOOD

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Certified Public Accountants

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

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

PARTNERS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sedalia, Missouri (the 'City'), as of and for the year ended March 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 12, 2010. 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.

Internal Control Over Financial Reporting

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

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

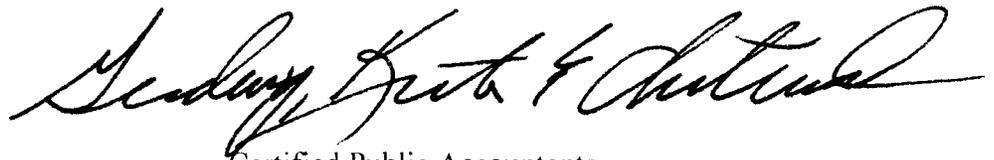
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

#### Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated July 12, 2010.

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



Certified Public Accountants

July 12, 2010



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

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

### Compliance

We have audited the compliance of the City of Sedalia, Missouri with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

#### PARTNERS

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

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

In our opinion, the City of Sedalia, Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2010.

Internal Control Over Compliance

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

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

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

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



Certified Public Accountants

July 12, 2010

**CITY OF SEDALIA, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED MARCH 31, 2010**

<u>Grantor Agency</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<b>U.S. Department of Justice</b>				
Direct Funding	Edward Byrne Justice Assistance Grant	16.738	2009-DJ-BX-0597	\$ 13,940
	Edward Byrne Justice Assistance Grant	16.738	2009-SB-B9-1421	111,427
	Edward Byrne Justice Assistance Grant	16.738	2007-DJ-BX-0817	2,560
<b>U.S. Department of Transportation</b>				
Passed through Missouri Highway and Transportation Department	Airport Improvement Program	20.106	AIRE-09-020A-1	43,680
	Airport Improvement Program	20.106	AIRE - 045-20A	2,576
	Airport Improvement Program	20.106	AIRE-08-020A1	26,834
	MODOT STP - Pedestrian Trail	20.205	STP-5707(502)	92,296
	MODOT STP - Downtown Revitalization	20.205	STP-5700(507)	428,904
	MODOT - Safe Routes to School	20.205	SRTS-N1-H105(503)	35,044
	MODOT - Walking School Bus	20.205	SRTS-N1-H285(505)	12,140
	MODOT - Hazardous Moving Violation	20.600	09-PT-02-120	9,834
	MODOT - Grant Rail Program	20.320		3,544
	MODOT - Click It or Ticket	20.600	LKK058-NHTSA	997
	MODOT - Click It or Ticket	20.613	LKK063-NHTSA	476
<b>Institute of Museum &amp; Library Services</b>				
Passed through Missouri State Library	Library Services & Technology Act	45.310	2009-LFL8-ELSC8CN8-5856	200
	Library Services & Technology Act	45.310	2009-LFL8-ELSC8CN8-5858	800
<b>U.S. Department of Housing &amp; Urban Development</b>				
Passed through the Missouri Department of Economic Development	CDBG	14.228	2004-PF-15	88,980
	CDBG	14.228	2007-DT-01	36,000
Passed through Missouri Housing Development & Commission	Home Repair Opportunity (HERO)	14.239	M-08-SG-29-0100	48,122
<b>U.S. General Services Administration</b>				
Passed through State Agency for Surplus Property	Surplus Property	39.003		100
<b>U.S. Department of Human Services</b>				
Passed through Missouri Department of Social Services	Emergency Shelter Grant	93.671	ERO1641039	<u>28,542</u>
TOTAL EXPENDITURES				<u>\$ 986,996</u>

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**MARCH 31, 2010**

1. Summary of Significant Accounting Policies

A. Purpose of Schedule of Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

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

2. Subrecipients

The City provided no federal awards to subrecipients during the year ended March 31, 2010.



**CITY OF SEDALIA, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND  
SUMMARY OF AUDITORS' RESULTS - FEDERAL REQUIREMENTS (CONT'D)  
MARCH 31, 2010**

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

Auditee qualified as low-risk auditee?             Yes     No

Section II: Financial Statement Findings

None

Section III: Federal Award Findings and Questioned Costs

None