

**ANNUAL REPORT OF  
CITY OF SEDALIA, MISSOURI  
YEAR ENDED MARCH 31, 2014**

*CITY OF SEDALIA, MISSOURI*

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***CITY OF SEDALIA, MISSOURI***

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## INDEPENDENT AUDITORS' REPORT

To The City Council  
City of Sedalia, Missouri

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sedalia, Missouri (the "City") as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### PARTNERS

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Health Center Fund, which represent 54 percent, 63 percent, and 92 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Health Center Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of March 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As described in Note IV-M to the financial statements, in 2014, the City adopted new accounting guidelines, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension plan funding progress on pages 4 through 14 and 91 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and detailed budgetary statement for the general fund are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and detailed budgetary statement for the general fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above and the report of the other auditors, the combining and individual nonmajor fund financial statements and detailed budgetary statement for the general fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



July 30, 2014

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

**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION OF ANALYSIS  
FOR YEAR ENDED MARCH 31, 2014  
(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, 2014. 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 and deferred outflows of the City of Sedalia exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$210,887,450 (net position). Of this amount, \$54,153,827 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.

- The City's total net position increased by \$3,112,605 from \$207,774,845 to \$210,887,450.
- As of the close of the current fiscal year, the City of Sedalia's governmental funds reported combined ending fund balances of \$15,525,530. 52% is unassigned and available for use within the City's designation and policies. 30% is assigned to capital projects and special revenue purposes.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,104,786 or 53% of the total general fund expenditures.
- The City's revenue bonds payable decreased \$5,845,000 due to scheduled payments.
- The City's certificates of participation debt decreased \$1,690,000 due to scheduled payments.
- The City's capital lease debt decreased \$334,854 due to scheduled payments.
- The City's note payable debt decreased \$1,184,233 due to scheduled payments.
- The City's other note payable debt for the Health Center debt increased \$2,888,889 due to scheduled payments of \$361,111 and issuance of Supplement Note for the Health Center of \$3,250,000.

**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION OF ANALYSIS  
FOR YEAR ENDED MARCH 31, 2014  
(UNAUDITED)**

**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.

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

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

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position 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 15-18 of this report.

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

**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION OF ANALYSIS  
FOR YEAR ENDED MARCH 31, 2014  
(UNAUDITED)**

**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.

The City maintains 7 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and Capital Projects #2 Fund, which are considered to be major funds. Data from the other 5 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 19-23.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Health, Water and Wastewater funds since they are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 24-28 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 29-30 of this report. Combining statements can be found on pages 106-107 of this report.

**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION OF ANALYSIS  
FOR YEAR ENDED MARCH 31, 2014  
(UNAUDITED)**

**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 31-90.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 91 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 92-105 of this report.

Please refer to the separately issued financial statements for the individual component units (Bothwell Regional Health Center and Sedalia Water Department), which may be obtained at each entity's administrative offices.

**Governmental-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Sedalia, assets and deferred outflows exceeded liabilities and deferred inflows by \$210,887,450 as of March 31, 2014.

The largest portion of the City's net position (69%) reflects its investments in capital assets (e.g., land, building, equipment, improvements and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION OF ANALYSIS  
FOR YEAR ENDED MARCH 31, 2014  
(UNAUDITED)**

The following provides a summary of net position at March 31, 2013 and 2014:

	Net Position					
	2014			2013		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 15,705,898	\$ 48,240,910	\$ 63,946,808	\$ 16,426,339	\$ 45,410,474	\$ 61,836,813
Restricted assets	1,878,262	31,602,053	33,480,315	6,644,012	35,436,002	42,080,014
Capital assets	83,248,719	114,224,510	197,473,229	78,144,064	114,608,282	192,752,346
Other assets	-	747,485	747,485	-	759,147	759,147
Total Assets	<u>100,832,879</u>	<u>194,814,958</u>	<u>295,647,837</u>	<u>101,214,415</u>	<u>196,213,905</u>	<u>297,428,320</u>
Deferred outflows	<u>124,033</u>	<u>415,557</u>	<u>539,590</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current liabilities	2,879,365	13,395,840	16,275,205	2,930,798	13,302,955	16,233,753
Long-term liabilities	13,197,780	55,623,484	68,821,264	13,816,429	59,603,293	73,419,722
Total Liabilities	<u>16,077,145</u>	<u>69,019,324</u>	<u>85,096,469</u>	<u>16,747,227</u>	<u>72,906,248</u>	<u>89,653,475</u>
Deferred inflows	<u>114,888</u>	<u>88,640</u>	<u>203,528</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position						
Net investment in capital assets	69,115,316	76,738,405	145,853,721	63,029,565	74,451,655	137,481,220
Restricted:						
Debt service	942,734	3,278,410	4,221,144	939,754	4,952,421	5,892,175
Expendable for capital acquisition	2,827,704	332,752	3,160,456	5,704,258	326,749	6,031,007
Nonexpendable permanent endowments	-	101,614	101,614	-	101,614	101,614
Expendable for other purposes	3,396,688	-	3,396,688	5,853,341	-	5,853,341
Unrestricted	<u>8,482,437</u>	<u>45,671,390</u>	<u>54,153,827</u>	<u>8,940,179</u>	<u>43,475,218</u>	<u>52,415,397</u>
Total Net Position	<u>\$ 84,764,879</u>	<u>\$ 126,122,571</u>	<u>\$ 210,887,450</u>	<u>\$ 84,467,097</u>	<u>\$ 123,307,657</u>	<u>\$ 207,774,754</u>

As of March 31, 2014, 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 position of \$3,112,605.

**Governmental Activities:** Governmental activities increased the net position by \$297,691 from \$84,467,188 to \$84,764,879. This is due primarily to a increase in revenue.

**Business-Type Activities:** Net position from business-type activities increased by \$2,814,914 from \$123,307,657 to \$126,122,571. This increase was primarily due to net position increase from an excess of operating revenues over operating expenditures.

**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION OF ANALYSIS  
FOR YEAR ENDED MARCH 31, 2014  
(UNAUDITED)**

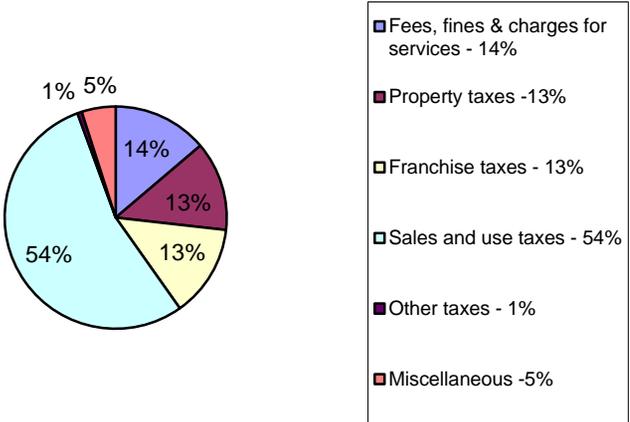
The following table provides a summary of the City's operations for year ended March 31, 2013 and 2014.

	Changes in Net Position					
	2014			2013		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program Revenues						
Fees, fines and charges for services	\$ 2,582,958	\$ 107,945,491	\$ 110,528,449	\$ 2,747,485	\$ 99,947,264	\$ 102,694,749
Operating grants and contributions	153,404	-	153,404	199,377	102,870	302,247
Capital grants and contributions	1,765,354	1,262,774	3,028,128	994,192	865,450	1,859,642
General Revenues						
Property taxes	2,432,031	-	2,432,031	2,188,121	-	2,188,121
Franchise taxes	2,511,951	-	2,511,951	2,398,471	-	2,398,471
Sales and use taxes	10,151,948	875,041	11,026,989	9,280,664	776,836	10,057,500
Motor vehicle and fuel taxes	784,800	-	784,800	764,415	-	764,415
Other taxes	121,803	-	121,803	127,263	-	127,263
Investment earnings	39,995	87,984	127,979	35,757	103,830	139,587
Transfers	596,115	(275,000)	321,115	464,155	(461,704)	2,451
Miscellaneous	289,257	3,125	292,382	245,010	(13,321)	231,689
Total Revenues	<u>21,429,616</u>	<u>109,899,415</u>	<u>131,329,031</u>	<u>19,444,910</u>	<u>101,321,225</u>	<u>120,766,135</u>
Expenses:						
General government	4,274,040	-	4,274,040	4,336,641	-	4,336,641
Public safety	6,925,609	-	6,925,609	6,651,211	-	6,651,211
Transportation	6,547,206	-	6,547,206	6,072,436	-	6,072,436
Cultural park, library & comm. centr	2,872,891	-	2,872,891	3,542,229	-	3,542,229
Community development	166,659	-	166,659	187,816	-	187,816
Interest on long-term debt	162,640	-	162,640	202,494	-	202,494
Health	-	99,401,561	99,401,561	-	91,289,602	91,289,602
Water	-	3,315,011	3,315,011	-	3,277,786	3,277,786
Wastewater	-	3,529,214	3,529,214	-	3,242,936	3,242,936
Total Expenses	<u>20,949,045</u>	<u>106,245,786</u>	<u>127,194,831</u>	<u>20,992,827</u>	<u>97,810,324</u>	<u>118,803,151</u>
Change in Net Position	<u>480,571</u>	<u>3,653,629</u>	<u>4,134,200</u>	<u>(1,547,917)</u>	<u>3,510,901</u>	<u>1,962,984</u>
Net Position-April 1, 2013	84,467,188	123,307,657	207,774,845	86,015,105	119,796,756	205,811,861
Prior Period Adjustment	(182,880)	(838,715)	(1,021,595)	-	-	-
Net Position-April 1, 2013. Restated	<u>84,284,308</u>	<u>122,468,942</u>	<u>206,753,250</u>	<u>86,015,105</u>	<u>119,796,756</u>	<u>205,811,861</u>
Net Positon-March 31, 2014	<u>\$ 84,764,879</u>	<u>\$ 126,122,571</u>	<u>\$ 210,887,450</u>	<u>\$ 84,467,188</u>	<u>\$ 123,307,657</u>	<u>\$ 207,774,845</u>

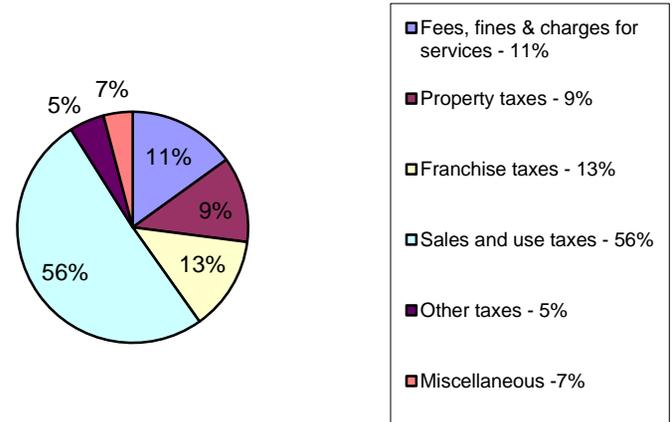
**CITY OF SEDALIA, MISSOURI  
 MANAGEMENT'S DISCUSSION OF ANALYSIS  
 FOR YEAR ENDED MARCH 31, 2014  
 (UNAUDITED)**

**Revenue & Expense Comparisons  
 March 31, 2014 & March 31, 2013**

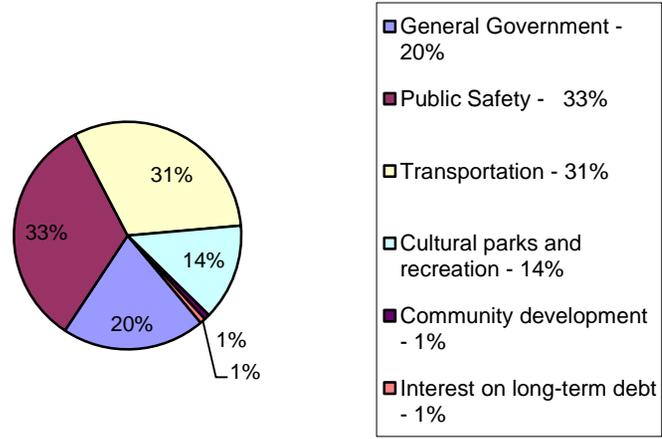
**2014 Governmental Activities  
 Revenues**



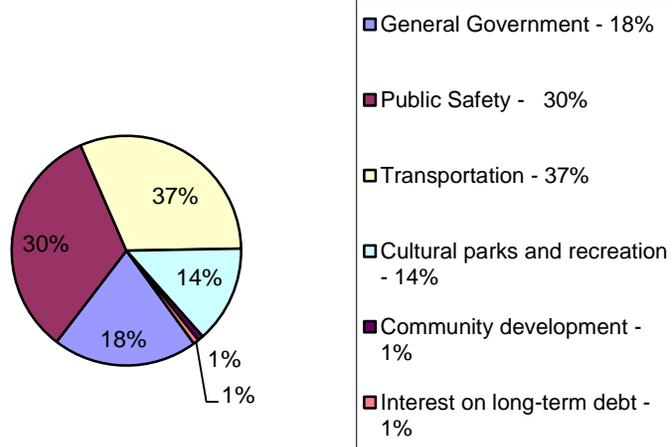
**2013 Governmental Activities  
 Revenues**



**2014 Governmental Activities  
 Expenses**

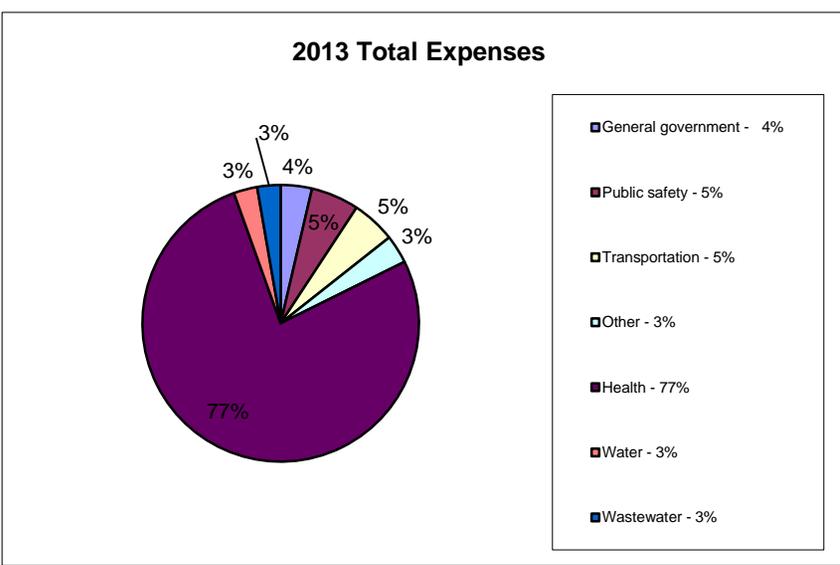
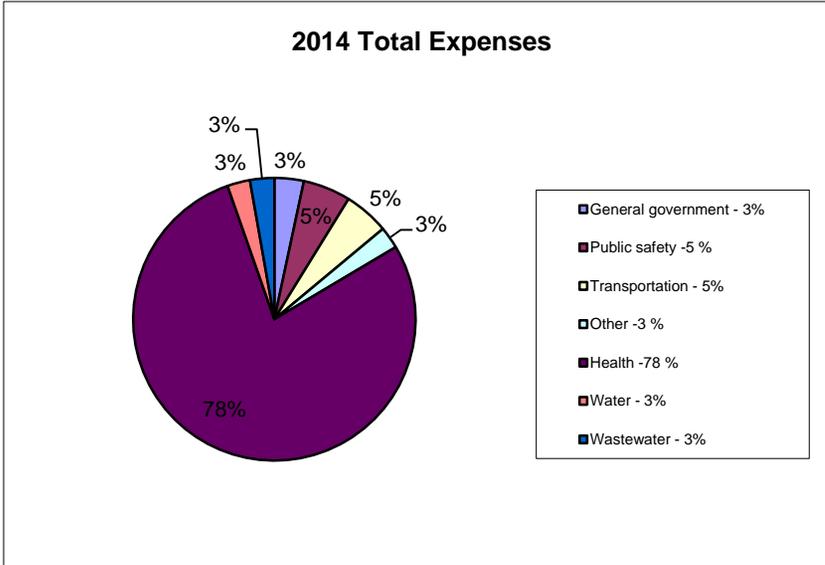
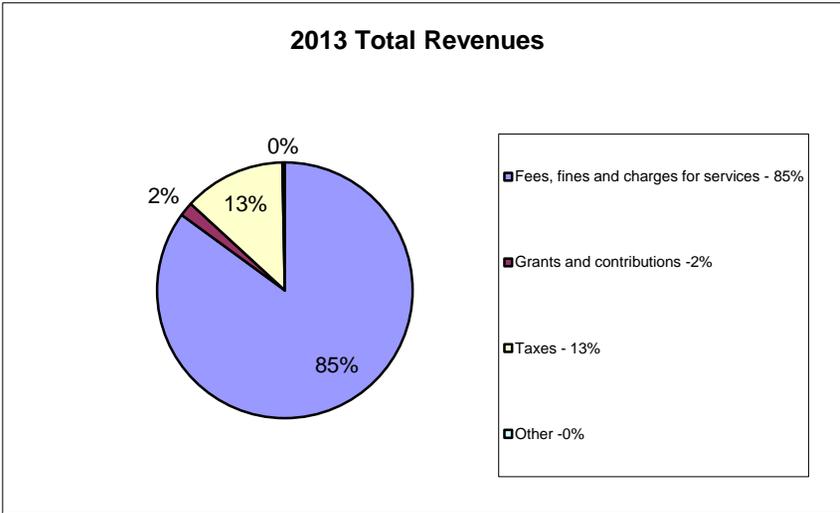
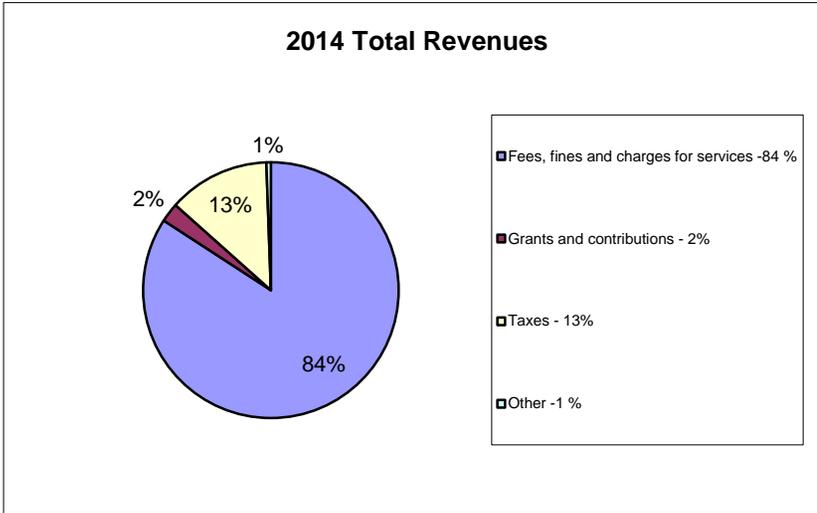


**2013 Governmental Activities  
 Expenses**



**CITY OF SEDALIA, MISSOURI  
 MANAGEMENT'S DISCUSSION OF ANALYSIS  
 FOR YEAR ENDED MARCH 31, 2014  
 (UNAUDITED)**

**Total Revenues & Expenses  
 March 31, 2014 & March 31, 2013**



**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION OF ANALYSIS  
FOR YEAR ENDED MARCH 31, 2014  
(UNAUDITED)**

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

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

At the end of the current fiscal year, the City of Sedalia's governmental funds reported combined ending unreserved fund balances of \$15,525,530. This is a decrease of 36% from \$21,120,557.

In the general fund, the City budgeted for a decrease in the fund balance of \$687,023. Due to actual revenues being less than budgeted and actual expenses being less than budgeted, the actual fund balance increase for fiscal year 2014 was \$258,460.

In the Capital Project #2 Fund, the City budgeted for a decrease in the fund balance of \$7,974,178. The actual fund balance decrease for fiscal year 2014 was \$5,959,097 due to expenditures being less than budgeted.

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

Unrestricted net position of the respective proprietary funds are Health - \$35,301,364, Water - \$2,407,337, and Wastewater - \$7,962,689. The Water and Wastewater funds had a net position increase in 2014 as follows: Water - \$645,638, Wastewater - 1,691,223. The Health fund had a net position increase in 2014 of \$1,316,768.

**General Fund Budgetary Highlights** - The City spent \$770,635 less than the actual budget for the General Fund. The majority of this amount (\$322,184) was due to the delay of capital expenditures and a reduction in public safety and transportation and general administrative expenditures (\$448,451).

**Capital Assets**

The City of Sedalia's investment in capital assets for its governmental and business-type activities as of March 31, 2014 amounts to \$197,473,229 (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 OF ANALYSIS  
FOR YEAR ENDED MARCH 31, 2014  
(UNAUDITED)**

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

	2014			2013		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Property, plant and equipment</b>						
Land, land rights and land improvements	\$ 2,398,449	\$ 5,857,564	\$ 8,256,013	\$ 2,398,449	\$ 5,834,001	\$ 8,232,450
Structures, improvements and plant equipment	22,383,472	47,928,659	70,312,131	19,077,894	49,357,300	68,435,194
Distribution system	-	13,910,871	13,910,871	-	13,675,431	13,675,431
Pumping and purification equipment	-	17,854,496	17,854,496	-	16,945,043	16,945,043
Transmission mains	-	6,498,638	6,498,638	-	6,045,543	6,045,543
General equipment	3,908,027	16,614,022	20,522,049	3,151,878	18,689,881	21,841,759
Construction in progress	-	5,560,260	5,560,260	-	4,061,083	4,061,083
Infrastructure	54,558,771	-	54,558,771	53,515,843	-	53,515,843
Net Capital Assets	<u>\$ 83,248,719</u>	<u>\$ 114,224,510</u>	<u>\$ 197,473,229</u>	<u>\$ 78,144,064</u>	<u>\$ 114,608,282</u>	<u>\$ 192,752,346</u>

Additional information on the City of Sedalia's capital assets can be found in Note III-E and III-F on pages 55-58 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 \$73,346,568. Of this amount, \$6,515,000 comprises revenue bonded debt backed by the revenues of the Health Center and Water Department; \$47,700,000 represents certificates of participation debt; \$3,793,926 represents capital lease obligations that are expected to be paid so long as the City appropriates funds for payment, and \$14,974,239 represents the amount due on notes payable, and \$363,403 represents the amount due on loans payable.

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

	2014			2013		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenue Bonds	\$ -	\$ 6,515,000	\$ 6,515,000	\$ -	\$ 12,360,000	\$ 12,360,000
Certificate of participation debt	13,770,000	33,930,000	47,700,000	14,552,500	34,837,500	49,390,000
Capital leases	-	3,793,926	3,793,926	-	4,128,780	4,128,780
Note payable	-	14,974,239	14,974,239	-	13,269,583	13,269,583
Loan payable	363,403	-	363,403	561,908	-	561,908
Total	<u>\$ 14,133,403</u>	<u>\$ 59,213,165</u>	<u>\$ 73,346,568</u>	<u>\$ 15,114,408</u>	<u>\$ 64,595,863</u>	<u>\$ 79,710,271</u>

**CITY OF SEDALIA, MISSOURI  
MANAGEMENT'S DISCUSSION OF ANALYSIS  
FOR YEAR ENDED MARCH 31, 2014  
(UNAUDITED)**

During the fiscal year, the City's total debt decreased by \$6,363,703. The decrease was due to scheduled payments of \$9,613,703 and additional borrowing of Health Center Supplement note payable of \$3,250,000.

Additional information on the City of Sedalia's long term-debt can be found in footnote III-G on pages 59-71 of this report.

**Request for Information**

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

**CITY OF SEDALIA, MISSOURI**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**MARCH 31, 2014**

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current Assets:			
Cash and cash equivalents	\$ 12,374,952	\$ 25,812,076	\$ 38,187,028
Short-term investments	-	5,408,234	5,408,234
Internal balances	122,936	(122,936)	-
Accrued interest receivable	9,934	4,499	14,433
Accounts receivable net of allowance for uncollectibles - \$3,449,000	86,530	13,999,600	14,086,130
Taxes receivable - net of allowance for uncollectible - \$10,000	2,794,797	253,298	3,048,095
Estimated third-party payor settlements receivable	-	42,000	42,000
Due from other governmental agencies	63,131	-	63,131
Inventory	102,877	1,648,321	1,751,198
Prepaid expenses and other assets	150,741	1,195,818	1,346,559
Total Current Assets	<u>15,705,898</u>	<u>48,240,910</u>	<u>63,946,808</u>
Restricted assets:			
Cash and cash equivalents	1,878,262	5,517,490	7,395,752
Noncurrent cash and investments	-	26,084,563	26,084,563
Total Restricted Assets	<u>1,878,262</u>	<u>31,602,053</u>	<u>33,480,315</u>
Noncurrent Assets:			
Capital Assets			
Land, land rights and land improvements	2,398,449	5,545,829	7,944,278
Structures, improvements and plant equipment	36,460,544	96,887,221	133,347,765
Distribution system	-	17,899,947	17,899,947
Pumping and purification equipment	-	31,499,237	31,499,237
Transmission mains	-	12,371,566	12,371,566
Equipment	13,828,916	74,185,692	88,014,608
Infrastructure	157,648,079	-	157,648,079
Construction in progress	-	5,560,260	5,560,260
Accumulated depreciation	(127,087,269)	(129,725,242)	(256,812,511)
Total Capital Assets, net of accumulated depreciation	<u>83,248,719</u>	<u>114,224,510</u>	<u>197,473,229</u>
Other Assets	-	747,485	747,485
Total Noncurrent Assets	<u>83,248,719</u>	<u>114,971,995</u>	<u>198,220,714</u>
Total Assets	<u>\$ 100,832,879</u>	<u>\$ 194,814,958</u>	<u>\$ 295,647,837</u>
<b>DEFERRED OUTFLOWS</b>			
Unamortized insurance cost and deferred loss on debt	\$ 124,033	\$ 415,577	\$ 539,610
Total Deferred Inflows	<u>\$ 124,033</u>	<u>\$ 415,577</u>	<u>\$ 539,610</u>

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION (CONT'D)**  
**MARCH 31, 2014**

<b>LIABILITIES</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current Liabilities:			
Accounts payable	\$ 4,783	\$ 3,410,301	\$ 3,415,084
Accrued expenses	1,815,448	5,097,374	6,912,822
Accrued long-term debt interest	-	746,895	746,895
Current maturities of long term debt	935,623	2,998,247	3,933,870
Court bonds payable	31,547	-	31,547
Protested taxes payable	91,964	-	91,964
Payable from segregated funds:			
Accrued bond interest	-	7,833	7,833
Current maturities of long term debt	-	591,434	591,434
Customer's deposits	-	543,756	543,756
Total Current Liabilities	<u>2,879,365</u>	<u>13,395,840</u>	<u>16,275,205</u>
Noncurrent Liabilities:			
Certificates of participation	12,922,500	32,997,500	45,920,000
Energy loans payable	275,280	-	275,280
Capital lease payable	-	3,442,274	3,442,274
Bonded debt due after one year	-	19,183,710	19,183,710
Total Noncurrent Liabilities	<u>13,197,780</u>	<u>55,623,484</u>	<u>68,821,264</u>
Total Liabilities	<u>\$ 16,077,145</u>	<u>\$ 69,019,324</u>	<u>\$ 85,096,469</u>
<b>DEFERRED INFLOWS</b>			
Unavailable revenue - property taxes and grants	\$ 114,888	\$ 88,640	\$ 203,528
Total Deferred Inflows	<u>\$ 114,888</u>	<u>\$ 88,640</u>	<u>\$ 203,528</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 69,115,316	\$ 76,738,405	\$ 145,853,721
Restricted for:			
Expendable for debt service	942,734	3,278,410	4,221,144
Expendable for capital acquisitions	2,827,704	332,752	3,160,456
Expendable for other purposes	3,396,688	-	3,396,688
Nonexpendable permanent endowments	-	101,614	101,614
Unrestricted	<u>8,482,437</u>	<u>45,671,390</u>	<u>54,153,827</u>
Total Net Position	<u>\$ 84,764,879</u>	<u>\$ 126,122,571</u>	<u>\$ 210,887,450</u>

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**YEAR ENDED MARCH 31, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		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	\$ 2,867,256	\$ 452,389	\$ 43,718	\$ -	\$ (2,371,149)	\$ -	\$ (2,371,149)
Sanitation	1,406,784	1,203,753	-	-	(203,031)	-	(203,031)
Total General Government	4,274,040	1,656,142	43,718	-	(2,574,180)	-	(2,574,180)
Public Safety:							
Police	3,982,665	177,425	75,873	-	(3,729,367)	-	(3,729,367)
Fire	2,651,898	-	-	-	(2,651,898)	-	(2,651,898)
Cemetery	291,046	114,343	-	-	(176,703)	-	(176,703)
Total Public Safety	6,925,609	291,768	75,873	-	(6,557,968)	-	(6,557,968)
Transportation:							
Airport	663,969	349,620	-	15,234	(299,115)	-	(299,115)
Streets	3,486,918	-	-	39,478	(3,447,440)	-	(3,447,440)
Infrastructure	2,396,319	-	-	1,074,950	(1,321,369)	-	(1,321,369)
Total Transportation	6,547,206	349,620	-	1,129,662	(5,067,924)	-	(5,067,924)
Cultural, Parks and Recreation:							
Library	686,317	10,292	32,154	-	(643,871)	-	(643,871)
Park	2,153,234	255,151	-	57,692	(1,840,391)	-	(1,840,391)
Community center	33,340	19,985	-	-	(13,355)	-	(13,355)
Total Cultural, Parks and Recreation	2,872,891	285,428	32,154	57,692	(2,497,617)	-	(2,497,617)
Community/Economic Development:							
Planning, building and economic	166,659	-	1,659	578,000	413,000	-	413,000
Total Community/Economic	166,659	-	1,659	578,000	413,000	-	413,000
Debt Service							
Interest and fees	162,640	-	-	-	(162,640)	-	(162,640)
Total Debt Service	162,640	-	-	-	(162,640)	-	(162,640)
<b>Total Governmental Activities</b>	<b>20,949,045</b>	<b>2,582,958</b>	<b>153,404</b>	<b>1,765,354</b>	<b>(16,447,329)</b>	<b>-</b>	<b>(16,447,329)</b>
Business-Type Activities:							
Health	99,401,561	99,835,940	-	811,458	-	1,245,837	1,245,837
Water	3,315,011	3,856,612	-	107,208	-	648,809	648,809
Wastewater	3,529,214	4,252,939	-	344,108	-	1,067,833	1,067,833
Total Business-Type Activities	106,245,786	107,945,491	-	1,262,774	-	2,962,479	2,962,479
<b>Total</b>	<b>\$ 127,194,831</b>	<b>\$ 110,528,449</b>	<b>\$ 153,404</b>	<b>\$ 3,028,128</b>	<b>\$ (16,447,329)</b>	<b>\$ 2,962,479</b>	<b>\$ (13,484,850)</b>

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (Cont'd)**  
**YEAR ENDED MARCH 31, 2014**

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
General Revenues:			
Taxes:			
Property taxes, levied for general purposes	2,432,031	-	2,432,031
Franchise taxes	2,511,951	-	2,511,951
Sales and use taxes	10,151,948	875,041	11,026,989
Motor vehicle and fuel taxes	784,800	-	784,800
Other taxes	121,803	-	121,803
Unrestricted investment earnings	39,995	87,984	127,979
Transfers	596,115	(275,000)	321,115
Miscellaneous	289,257	3,125	292,382
Total general revenues	<u>16,927,900</u>	<u>691,150</u>	<u>17,619,050</u>
Change in net position	480,571	3,653,629	4,134,200
Net position - beginning	<u>84,467,188</u>	<u>123,307,657</u>	<u>207,774,845</u>
Prior Period Adjustment (Note IV-M)	<u>(182,880)</u>	<u>(838,715)</u>	<u>(1,021,595)</u>
Net Position, Beginning of Year, Restated	<u>84,284,308</u>	<u>122,468,942</u>	<u>206,753,250</u>
Net position - ending	<u>\$ 84,764,879</u>	<u>\$ 126,122,571</u>	<u>\$ 210,887,450</u>

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2014**

<b>ASSETS</b>	<b>General Fund</b>	<b>Capital Project #2 Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash, including time deposits	\$ 8,236,086	\$ 1,323,535	\$ 2,815,331	\$ 12,374,952
Taxes receivable - net of allowance for uncollectible - \$10,000	2,055,123	359,778	379,896	2,794,797
Accrued interest receivable	5,410	1,417	3,107	9,934
Accounts receivable	86,515	-	15	86,530
Due from other governmental agencies	-	-	63,131	63,131
Due from other funds	122,936	-	19,168	142,104
Inventory	102,877	-	-	102,877
Prepaid expenses	135,282	-	15,459	150,741
Restricted cash	-	1,878,262	-	1,878,262
<b>Total Assets</b>	<b>\$ 10,744,229</b>	<b>\$ 3,562,992</b>	<b>\$ 3,296,107</b>	<b>\$ 17,603,328</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 4,783	\$ -	\$ -	\$ 4,783
Accrued expenses	1,600,215	38,334	176,899	1,815,448
Court bonds payable	31,547	-	-	31,547
Due to other funds	19,168	-	-	19,168
Protested taxes payable	91,964	-	-	91,964
<b>Total Liabilities</b>	<b>1,747,677</b>	<b>38,334</b>	<b>176,899</b>	<b>1,962,910</b>
<b>DEFERRED INFLOWS</b>				
Unavailable revenue - property taxes and grants	114,888	-	-	114,888
<b>Total Deferred Inflows</b>	<b>114,888</b>	<b>-</b>	<b>-</b>	<b>114,888</b>
<b>FUND EQUITY</b>				
Nonspendable				
Inventory	102,877	-	-	102,877
Prepaid expenses	135,282	-	15,459	150,741
Restricted for cemetery	192,260	-	-	192,260
Restricted for debt service	-	942,734	-	942,734
Restricted for construction	-	935,528	-	935,528
Assigned for specific purposes	346,459	-	-	346,459
Assigned for special revenue purposes	-	-	2,857,969	2,857,969
Assigned for capital project purposes	-	1,646,396	245,780	1,892,176
Unassigned	8,104,786	-	-	8,104,786
<b>Total Fund Equity</b>	<b>8,881,664</b>	<b>3,524,658</b>	<b>3,119,208</b>	<b>15,525,530</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 10,629,341</b>	<b>\$ 3,562,992</b>	<b>\$ 3,296,107</b>	<b>\$ 17,488,440</b>

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
MARCH 31, 2014**

Total fund balance - total governmental funds	\$ 15,525,530
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$127,087,269	83,248,719
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	(935,623)
Debt due in more than one year	(13,197,780)
Unamortized debt issuance costs are not financial resources and therefore are not reported in the funds, net of accumulated amortization.	<u>124,033</u>
Net position of governmental activities	<u><u>\$ 84,764,879</u></u>

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED MARCH 31, 2014**

	<u>General Fund</u>	<u>Capital Project #2 Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 10,655,370	\$ 1,776,876	\$ 2,785,487	\$ 15,217,733
Licenses and permits	452,389	-	-	452,389
Intergovernmental	904,391	-	146,217	1,050,608
Charges for services	1,687,701	-	265,443	1,953,144
Fines and penalties	177,425	-	-	177,425
Miscellaneous	879,103	13,666	100,604	993,373
<b>Total Revenues</b>	<u>14,756,379</u>	<u>1,790,542</u>	<u>3,297,751</u>	<u>19,844,672</u>
<b>EXPENDITURES</b>				
General and administrative	2,454,003	-	-	2,454,003
Sanitation	1,334,046	-	-	1,334,046
Public safety	6,684,928	-	-	6,684,928
Transportation	3,110,324	-	-	3,110,324
Cultural	33,340	-	-	33,340
Library	-	-	597,927	597,927
Park	-	-	1,630,969	1,630,969
Planning, building and economic development	-	63,324	103,335	166,659
Capital outlay	1,485,393	6,557,345	811,910	8,854,648
Debt service	-	1,168,970	-	1,168,970
<b>Total Expenditures</b>	<u>15,102,034</u>	<u>7,789,639</u>	<u>3,144,141</u>	<u>26,035,814</u>
Excess (Deficit) of Revenues over Expenditures	<u>(345,655)</u>	<u>(5,999,097)</u>	<u>153,610</u>	<u>(6,191,142)</u>
Other Financing Sources (Uses)				
Operating transfers in (out)	604,115	40,000	(48,000)	596,115
<b>Total Other Financing Sources (Uses)</b>	<u>604,115</u>	<u>40,000</u>	<u>(48,000)</u>	<u>596,115</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	258,460	(5,959,097)	105,610	(5,595,027)
Fund Balance, beginning of year	8,623,204	9,483,755	3,013,598	21,120,557
Fund Balance, end of year	<u>\$ 8,881,664</u>	<u>\$ 3,524,658</u>	<u>\$ 3,119,208</u>	<u>\$ 15,525,530</u>

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2014**

Net change in fund balances - total governmental funds \$ (5,595,027)

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	7,532,580
Disposition of assets	(86,121)
Capital contribution received	1,652,950
Depreciation expense	<u>(3,994,754)</u>
	<u>5,104,655</u>

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. 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	782,500
Note payable principal payments	198,505
Amortization expense	<u>(10,062)</u>
	<u>970,943</u>

Change in Net Position of Governmental Activities \$ 480,571

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 10,445,594	\$ 10,445,594	\$ 10,655,370	\$ 209,776
Licenses and permits	543,762	543,762	452,389	(91,373)
Intergovernmental	806,500	806,500	904,391	97,891
Charges for services	1,824,400	1,824,400	1,687,701	(136,699)
Fines and penalties	206,000	206,000	177,425	(28,575)
Miscellaneous	766,000	766,000	879,103	113,103
<b>Total Revenues</b>	<u>14,592,256</u>	<u>14,592,256</u>	<u>14,756,379</u>	<u>164,123</u>
<b>EXPENDITURES</b>				
General and administrative	2,537,762	2,613,408	2,454,003	159,405
Sanitation	1,344,555	1,344,555	1,334,046	10,509
Public safety	6,796,395	6,852,195	6,684,928	167,267
Transportation	3,185,524	3,219,584	3,110,324	109,260
Cultural	35,350	35,350	33,340	2,010
Capital outlay	1,807,577	1,807,577	1,485,393	322,184
<b>Total Expenditures</b>	<u>15,707,163</u>	<u>15,872,669</u>	<u>15,102,034</u>	<u>770,635</u>
Excess (Deficit) of Revenues over Expenditures	<u>(1,114,907)</u>	<u>(1,280,413)</u>	<u>(345,655)</u>	<u>934,758</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	593,390	593,390	604,115	10,725
<b>Total Other Financing Sources (Uses)</b>	<u>593,390</u>	<u>593,390</u>	<u>604,115</u>	<u>10,725</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	<u>(521,517)</u>	<u>(687,023)</u>	<u>258,460</u>	<u>\$ 945,483</u>
Fund Balance, beginning of year	<u>8,623,204</u>	<u>8,623,204</u>	<u>8,623,204</u>	
Fund Balance, end of year	<u>\$ 8,101,687</u>	<u>\$ 7,936,181</u>	<u>\$ 8,881,664</u>	

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**MARCH 31, 2014**

	<b>Business Type Activities - Enterprise Funds</b>			
	<b>Health</b>	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
<b>ASSETS</b>				
Operating Funds				
Cash and cash equivalents	\$ 19,442,215	\$ 232,702	\$ 6,137,159	\$ 25,812,076
Short-term investments	1,786,565	2,241,669	1,380,000	5,408,234
Taxes receivable	-	-	253,298	253,298
Accounts receivable:				
Consumers	12,542,909	592,340	238	13,135,487
Other	864,113	-	-	864,113
Estimated third-party payor settlements receivable	42,000	-	-	42,000
Due from other funds	-	(721,674)	598,738	(122,936)
Accrued interest	-	483	4,016	4,499
Inventories	1,436,410	211,911	-	1,648,321
Prepaid expenses and other assets	1,104,286	70,614	20,918	1,195,818
	<u>37,218,498</u>	<u>2,628,045</u>	<u>8,394,367</u>	<u>48,240,910</u>
<b>SEGREGATED FUNDS</b>				
Cash and cash equivalents	-	725,068	4,792,422	5,517,490
Noncurrent cash and investments	6,005,993	-	20,078,570	26,084,563
	<u>6,005,993</u>	<u>725,068</u>	<u>24,870,992</u>	<u>31,602,053</u>
Total Current Assets (Including Segregated Funds)	<u>43,224,491</u>	<u>3,353,113</u>	<u>33,265,359</u>	<u>79,842,963</u>
<b>Noncurrent Assets</b>				
Capital Assets				
Land, land rights and land improvements	3,050,536	176,240	2,319,053	5,545,829
Structures, improvements and plant equipment	85,099,128	11,788,093	-	96,887,221
Distribution system	-	17,899,947	-	17,899,947
Pumping and purification equipment	-	4,761,553	26,737,684	31,499,237
Transmission mains	-	964,302	11,407,264	12,371,566
Equipment	68,850,385	2,011,523	3,323,784	74,185,692
Construction in progress	434,152	16,927	5,109,181	5,560,260
Accumulated depreciation	(98,351,786)	(12,348,566)	(19,024,890)	(129,725,242)
Total Capital Assets, net of accumulated depreciation	59,082,415	25,270,019	29,872,076	114,224,510
Other assets	747,485	-	-	747,485
Total Noncurrent Assets	<u>59,829,900</u>	<u>25,270,019</u>	<u>29,872,076</u>	<u>114,971,995</u>
Total Assets	<u>103,054,391</u>	<u>28,623,132</u>	<u>63,137,435</u>	<u>194,814,958</u>
<b>DEFERRED OUTFLOWS</b>				
Unamortized insurance premium on bonds	-	-	415,577	415,577

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF NET POSITION (CONT'D)**  
**PROPRIETARY FUNDS**  
**MARCH 31, 2014**

	<b>Business Type Activities - Enterprise Funds</b>			
	<b>Health</b>	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
<b>LIABILITIES</b>				
<b>Operating Funds:</b>				
Accounts payable	\$ 3,049,671	\$ 71,245	\$ -	\$ 3,120,916
Construction accounts payable	289,385	-	-	289,385
Accrued interest	-	26,802	720,093	746,895
Accrued payroll and related benefits	4,897,190	73,022	127,162	5,097,374
Current maturities of capital lease obligations	150,218	-	932,500	1,082,718
Current maturities of revenue bonds payable	1,915,529	-	-	1,915,529
	<u>10,301,993</u>	<u>171,069</u>	<u>1,779,755</u>	<u>12,252,817</u>
<b>Segregated Funds:</b>				
Accrued bond interest	-	7,833	-	7,833
Current portion of long-term debt due within one year	-	591,434	-	591,434
Consumer's deposits	-	543,756	-	543,756
	<u>-</u>	<u>1,143,023</u>	<u>-</u>	<u>1,143,023</u>
<b>Total Current Liabilities (Including Segregated Funds)</b>	<u>10,301,993</u>	<u>1,314,092</u>	<u>1,779,755</u>	<u>13,395,840</u>
<b>Long-Term Debt:</b>				
Bonded debt due after one year	13,058,710	6,125,000	-	19,183,710
Capital lease obligations	682,143	2,760,131	-	3,442,274
Certificates of participation	-	-	32,997,500	32,997,500
<b>Total Noncurrent Liabilities</b>	<u>13,740,853</u>	<u>8,885,131</u>	<u>32,997,500</u>	<u>55,623,484</u>
<b>Total Liabilities</b>	<u>24,042,846</u>	<u>10,199,223</u>	<u>34,777,255</u>	<u>69,019,324</u>
<b>DEFERRED INFLOWS</b>				
Unamortized premium on bonds	-	88,640	-	88,640
<b>Total Deferred Inflows</b>	<u>-</u>	<u>88,640</u>	<u>-</u>	<u>88,640</u>
<b>NET POSITION</b>				
Net investment in capital assets	43,275,815	15,793,454	17,669,136	76,738,405
Restricted				
For debt service	-	134,478	3,143,932	3,278,410
Expendable for capital acquisitions	332,752	-	-	332,752
Nonexpendable permanent endowments	101,614	-	-	101,614
Unrestricted	<u>35,301,364</u>	<u>2,407,337</u>	<u>7,962,689</u>	<u>45,671,390</u>
<b>Total Net Position</b>	<u>\$ 79,011,545</u>	<u>\$ 18,335,269</u>	<u>\$ 28,775,757</u>	<u>\$ 126,122,571</u>

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED MARCH 31, 2014**

	<b>Business Type Activities - Enterprise Funds</b>			
	<b>Health</b>	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
Operating revenues:				
Charges for services	\$ 96,671,399	\$ 3,726,800	\$ 4,237,430	\$ 104,635,629
Miscellaneous	3,164,541	129,812	15,509	3,309,862
Total operating revenues	<u>99,835,940</u>	<u>3,856,612</u>	<u>4,252,939</u>	<u>107,945,491</u>
Operating expenses:				
Professional and purchased services	8,495,446	-	-	8,495,446
Personnel services	49,145,474	1,116,070	970,503	51,232,047
Transmission and distribution	-	1,354,672	1,096,706	2,451,378
Supplies	19,842,515	-	-	19,842,515
Other expenses	12,798,332	-	-	12,798,332
Interest expense	742,430	-	-	742,430
Depreciation and amortization	8,377,364	658,899	1,320,375	10,356,638
Total operating expenses	<u>99,401,561</u>	<u>3,129,641</u>	<u>3,387,584</u>	<u>105,918,786</u>
Net operating income	<u>434,379</u>	<u>726,971</u>	<u>865,355</u>	<u>2,026,705</u>
Nonoperating revenue (expense):				
Taxes	-	-	875,041	875,041
Investment income	63,779	856	23,349	87,984
Interest expense	-	(185,370)	(141,630)	(327,000)
Noncapital contributions	3,252	-	-	3,252
Gain(loss) on disposal of capital assets	3,900	(4,027)	-	(127)
Total nonoperating revenue (expense)	<u>70,931</u>	<u>(188,541)</u>	<u>756,760</u>	<u>639,150</u>
Net Income before contributions and transfers	505,310	538,430	1,622,115	2,665,855
Capital contributions and grants	811,458	107,208	344,108	1,262,774
Transfers	-	-	(275,000)	(275,000)
Total capital contributions and transfers	<u>811,458</u>	<u>107,208</u>	<u>69,108</u>	<u>987,774</u>
Net income	1,316,768	645,638	1,691,223	3,653,629
Net position - beginning of year	<u>77,860,786</u>	<u>18,043,992</u>	<u>27,402,879</u>	<u>123,307,657</u>
Prior Period Adjustment (Note IV-M)	(166,009)	(354,361)	(318,345)	(838,715)
Net Position, Beginning of Year Restated	<u>77,694,777</u>	<u>17,689,631</u>	<u>27,084,534</u>	<u>122,468,942</u>
Net position - end of year	<u>\$ 79,011,545</u>	<u>\$ 18,335,269</u>	<u>\$ 28,775,757</u>	<u>\$ 126,122,571</u>

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED MARCH 31, 2014**

	<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	\$ 98,110,408	\$ 3,832,994	\$ 4,253,094	\$ 106,196,496
Payments to suppliers and contractors	(40,999,345)	(1,273,593)	(1,096,009)	(43,368,947)
Payments to and on behalf of employees	(49,061,448)	(1,111,481)	(981,149)	(51,154,078)
Other receipts and payments	3,993,627	-	-	3,993,627
Net cash provided (used) by operating activities	<u>12,043,242</u>	<u>1,447,920</u>	<u>2,175,936</u>	<u>15,667,098</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Taxes	-	-	857,401	857,401
Noncapital contributions	3,252	-	-	3,252
Interfund transfer	-	-	(272,974)	(272,974)
Net cash provided by noncapital financing activities	<u>3,252</u>	<u>-</u>	<u>584,427</u>	<u>587,679</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital grants and contributions	811,458	107,208	344,108	1,262,774
Proceeds from sale of assets	-	(4,027)	-	(4,027)
Proceeds from issuance of long-term debt	3,250,000	-	-	3,250,000
Acquisition and construction of capital assets	(4,524,145)	(864,255)	(4,732,341)	(10,120,741)
Principal paid on capital lease obligations	(144,711)	-	(907,500)	(1,052,211)
Repayment of long-term debt	(7,009,123)	(569,397)	-	(7,578,520)
Interest paid on revenue bonds	(726,160)	-	-	(726,160)
Interest paid on capital debt	(49,707)	(187,460)	(147,680)	(384,847)
Net cash provided (used) by capital and related financing activities	<u>(8,392,388)</u>	<u>(1,517,931)</u>	<u>(5,443,413)</u>	<u>(15,353,732)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sales and maturities of investment assets	13,108,057	2,234,943	1,380,000	16,723,000
Purchase of investment assets	(11,493,950)	(2,241,669)	(21,458,570)	(35,194,189)
Income from investments	63,779	1,300	22,912	87,991
Net cash provided by investing activities	<u>1,677,886</u>	<u>(5,426)</u>	<u>(20,055,658)</u>	<u>(18,383,198)</u>
Net increase (decrease) in cash and cash equivalents	5,331,992	(75,437)	(22,738,708)	(17,482,153)
Balances - beginning of year	<u>14,110,223</u>	<u>1,033,207</u>	<u>33,668,289</u>	<u>48,811,539</u>
Balances - end of year	<u>\$ 19,442,215</u>	<u>\$ 957,770</u>	<u>\$ 10,929,581</u>	<u>\$ 31,329,566</u>
Cash and cash equivalents	\$ 19,442,215	\$ 232,702	\$ 6,137,159	\$ 25,812,076
Segregated cash and cash equivalents	-	725,068	4,792,422	5,517,490
Total cash and cash equivalents, end of year	<u>\$ 19,442,215</u>	<u>\$ 957,770</u>	<u>\$ 10,929,581</u>	<u>\$ 31,329,566</u>

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF CASH FLOWS (CONT'D)**  
**PROPRIETARY FUNDS**  
**YEAR ENDED MARCH 31, 2014**

	<b>Business Type Activities - Enterprise Funds</b>			
	<b>Health</b>	<b>Water</b>	<b>Wastewater</b>	<b>Total</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO</b>				
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 434,379	\$ 726,971	\$ 865,355	\$ 2,026,705
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Cash flows reported in other categories:				
Interest expense considered financing activity	719,817	-	-	719,817
Depreciation and amortization expense	8,377,364	658,899	1,320,375	10,356,638
Provision for bad debts	8,801,637	-	-	8,801,637
Change in assets and liabilities:				
Receivables, net	(8,451,310)	(23,618)	155	(8,474,773)
Other receivables	1,304,335	-	-	1,304,335
Estimated third-party payor settlements	613,433	-	-	613,433
Inventory and other assets	(103,744)	20,275	-	(83,469)
Prepaid expenses	(147,421)	(14,072)	697	(160,796)
Accounts payable and accrued expenses	410,726	74,876	-	485,602
Accrued payroll, related taxes and benefits	84,026	4,589	(10,646)	77,969
Net cash provided (used) by operating activities	<u>\$ 12,043,242</u>	<u>\$ 1,447,920</u>	<u>\$ 2,175,936</u>	<u>\$ 15,667,098</u>
Noncash investing, capital, and financing activities:				
Capital lease obligations incurred for the purchase of new equipment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Construction accounts payable	<u>\$ 289,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,385</u>

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**MARCH 31, 2014**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 436,964
Investments	
U.S. Government securities	592,029
Corporate debt and equity	11,745,246
Other investments	20,555
Total investments	<u>12,357,830</u>
Total Assets	<u>12,794,794</u>
 <b>LIABILITIES</b>	
Refundable contributions	<u>2,100,586</u>
Total Liabilities	<u>2,100,586</u>
 <b>NET POSITION</b>	
Held in trust for pension benefits and other purposes	<u><u>\$ 10,694,208</u></u>

**CITY OF SEDALIA, MISSOURI**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED MARCH 31, 2014**

**ADDITIONS**

Contributions

Taxes	\$ 378,114
Employer/employee	449,286
Miscellaneous	3,864
Total contributions	831,264

Investment earnings

Investment income	529,920
Net increase (decrease) in fair value of investments	927,857
Net investment earnings	1,457,777

Total Additions	2,289,041
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**DEDUCTIONS**

Pension expense	1,266,120
Insurance	32,632
Administrative fees	87,438
Pension refunds	299
Miscellaneous	22,370
Transfer to General Fund	321,115
Total Deductions	1,729,974

Change in net position	559,067
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Net position, beginning of year	10,135,141
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Net position, end of year	\$ 10,694,208
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**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

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

**B. Financial Reporting Entity**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are combined with data of the primary government.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

Blended Component Units

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

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

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

Bothwell Regional Health Center  
601 East 14<sup>th</sup> Street  
Sedalia, Missouri 65301

Sedalia Water Department  
111 West 4<sup>th</sup> Street  
Sedalia, Missouri 65301

During 2003, the City adopted GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments*, as amended. The City adopted the retroactive infrastructure provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* for the fiscal year ending March 31, 2007.

**C. Basis of Presentation**

*Government-Wide Financial Statements:*

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

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

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

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

*Fund Financial Statements:*

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

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

The funds of the financial reporting entity are described below:

**Governmental Funds**

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

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

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

**Proprietary Fund**

*Enterprise Funds*

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

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

*Trust Funds*

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

Cemetery Fund - Accounts for funds held in trust. Investment earnings are used for cemetery maintenance. This fund was transferred to the General Fund in fiscal year 2014.

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, 2014**

**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
Capital Projects Fund #2	Accounts for the revenues and expenditures of the capital projects fund #2.
Proprietary Fund:	
Health Center, Water and Wastewater	Accounts for activities in providing health, water and wastewater services to the public.
<b>Nonmajor:</b>	
Special Revenue Funds:	
Library	Accounts for revenues and expenditures of the library.
Park	Accounts for revenues and expenditures of the park.
Special Business District	Accounts for revenues and expenditures of the special business district.
Midtown Special Allocation	Accounts for revenues and expenditures of the midtown special allocation district.
Capital Project Fund	Accounts for the revenues and expenditures of the capital projects fund #1.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

**Measurement Focus**

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

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

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

**Basis of Accounting**

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

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**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 and the Department use 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 and the Department have 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, 2013 the allowance for uncollectible accounts was approximately \$3,449,000.

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 certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Health Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charges excluded from revenue under the Health Center's Charity Care policy were approximately \$2,623,000 for the year ended May 31, 2013.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

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

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

Electronic Health Record Incentive Payments: As discussed in Note IV-G, the Health Center received funds under the Electronic Health Records (EHR) Incentive Program during fiscal year 2013. The Health Center recognized revenue at the completion of the EHR reporting period and all meaningful use objectives and any other specific grant requirements that are applicable were met.

**Assets, Liabilities and Equity**

**Cash and Investments**

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

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

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**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 Health Center are included in current assets.

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

**Interfund Receivables and Payables**

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

**Receivables**

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

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**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 position 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, 2014**

**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 Position. 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, 2014**

**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, 2014**

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

**Equity Classifications**

*Government-Wide Statements*

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

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

*Fund Statements*

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

*Fund Equity – Fund Financial Statements:*

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

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

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

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

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

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

**Estimates**

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

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

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

**Costs of Borrowing**

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. During the fiscal year 2013 the City capitalized net interest of \$1,135,093.

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

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**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.

**Recent Accounting Pronouncements**

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. Statement No. 14 and No. 34 were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also clarifies the reporting of equity interest in legally separate organizations. This statement is effective for the City's fiscal year ending March 31, 2014, and did not have a significant impact on the financial statements.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' committee on Accounting Procedure issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements in this statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This statement is effective for the City's fiscal year ending March 31, 2014, and did not have a significant impact on the financial statements.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement addresses the reporting financial statement elements, which are distinct from assets and liabilities. The statement provides guidance for deferred outflows of resources and deferred inflows of resources. This statement is effective for the City's fiscal year ending March 31, 2014, and did not have a significant impact on the financial statements.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for fiscal periods beginning after December 15, 2012, with early adoption permitted.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

**B. Budget Basis of Accounting**

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

The City amended the budget once during the fiscal year.

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

**A. Deposits and Investments**

The City of Sedalia is governed by the deposit and investment limitations of state law. The deposits and investments held at March 31, 2014, are shown below:

	Maturity Date	Carrying Value
Deposits:		
Demand deposits		\$ 19,396,865
Time deposits	5/22/2014	5,000,001
Time deposit	5/25/2014	10,000
Time deposits	6/20/2014	735,000
Time deposits	6/23/2014	980,000
Time deposit	7/25/2014	500,000
Time deposit	7/30/2014	245,000
Time deposit	9/12/2014	1,000,000
Time deposit	10/28/2014	245,000
Time deposit	11/4/2014	155,000
Time deposits	11/6/2014	9,758,999
Time deposits	11/7/2014	1,241,000
Time deposit	11/15/2014	125,000
Time deposit	12/10/2014	250,000
Time deposit	12/12/2014	1,000,000
Time deposit	12/15/2014	145,000
Time deposit	12/29/2014	245,000
Time deposit	6/26/2015	245,000
Time deposit	6/29/2015	245,000
Time deposit	7/6/2015	245,000
Time deposit	10/28/2015	245,000
Time deposit	11/4/2015	245,000
Time deposit	11/6/2015	150,000
Time deposits	11/12/2015	1,824,500
Time deposit	10/28/2016	245,000
Time deposit	10/31/2016	150,000
Time deposit	11/8/2016	245,000
Time deposit	12/27/2016	245,000
Time deposit	12/30/2016	245,000
Time deposit	10/30/2017	245,000
Time deposit	10/31/2017	245,000
Time deposit	12/6/2017	150,000
Time deposit	8/6/2018	150,000
Time deposits	10/30/2018	490,000
Total Deposits		46,641,365

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

	Maturity Date	Carrying Value
Water Department deposits and investments		\$ 3,199,439
Health Center deposits and investments		27,234,773
		\$ 77,075,577
Reconciliation of Statement of Net Assets:		
Current:		
Cash and cash equivalents		\$ 38,187,028
Short-term investments		5,408,234
Total Current		43,595,262
Restricted:		
Cash and cash equivalents		\$ 7,395,752
Noncurrent cash and investments		26,084,563
Total Noncurrent		33,480,315
Total		\$ 77,075,577

***Custodial Credit Risk.*** Deposits in financial institutions, reported as components of cash and investments had a bank balance of \$20,571,590 at March 31, 2014, 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, 2014, 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, 2014, the City had no concentration of credit risk.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

**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, 2014 are shown below:

	Maturities	Carrying Value
Deposits:		
Demand deposits		\$ 957,770
Time deposit	05/22/14	703,467
Time deposit	08/15/14	361,293
Time deposit	01/13/15	1,176,909
Total Deposits		\$ 3,199,439
Reconciliation of Statement of Net Position:		
Current:		
Cash and cash equivalents		\$ 232,702
Investments		2,241,669
Total Current		2,474,371
Segregated:		
Cash and cash equivalents		725,068
Total Segregated		725,068
Total		\$ 3,199,439

***Custodial credit risk.*** Deposits in financial institutions, reported as components of cash and investments had a bank balance of \$3,205,539 at March 31, 2014. All deposits were adequately secured at March 31, 2014.

***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, 2014, 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.

**CITY OF SEDALIA, MISSOURI  
NOTES TO COMBINED FINANCIAL STATEMENTS  
MARCH 31, 2014**

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

*Concentration of investment credit risk.* The Department places no limit on the amount it may invest in any one issuer. At March 31, 2014, 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.

Custodial Credit Risk

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

At May 31, 2013 the Health Center had deposits as follows at custodial financial institutions:

Insured (FDIC)	\$ 602,100
Collateralized by securities held by the pledging financial institution	26,582,443
Uninsured and uncollateralized	50,230
Total	\$ 27,234,773

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, 2013, the Health Center's investments at fair market value are as follows with maturity dates of less than one year:

Investment Type:	
Money Markets	\$ -
Total	\$ -

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

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.

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, 2013, as follows:

Carrying Value:	
Deposits	\$ 27,234,773
Investments	-
	\$ 27,234,773

Included in the following balance sheet captions:

Cash and cash equivalents	\$ 19,442,215
Short-term investments	1,786,565
Internally designated for funded depreciation	5,571,627
Restricted by contributors for capital acquisitions	332,752
Principal of permanent endowment	101,614
	\$ 27,234,773

**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**  
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**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.

The Health Center receives reimbursement from the Medicaid program in relation to the percentage of Medicaid and indigent population they serve. Beginning with the state fiscal year ended June 30, 2011, funding received in excess of costs to provide these services may be refunded.

- *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.
- *Uninsured.* The Health Center provides healthcare services to patients who have not purchased commercial healthcare insurance coverage and do not qualify as beneficiaries of the Medicare or Medicaid programs. Based upon financial information obtained, some of these patients qualify for discounts from charges under the Health Center's charity care policy.

Revenue from the Medicare and Medicaid programs accounted for approximately 38 percent and 13 percent, respectively, of the Health Center's net patient revenue for the year ended May 31, 2013, and 40 percent and 14 percent, respectively, of the Health Center's net patient revenue for the year ended March 31, 2012. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The May 31, 2013 net patient service revenue decreased approximately \$132,000 due to prior year retroactive adjustments in excess of amounts previously estimated.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
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**III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

A summary of patient service revenue and revenue adjustments for the year ended May 31, 2013, is as follows:

Total Patient Service Revenues	\$ 230,765,001
Contractual adjustments and provision for bad debt:	
Medicare	86,473,433
Medicaid	6,190,618
Other	32,627,914
Provision for bad debt	8,801,637
Total	<u>134,093,602</u>
Net Patient Service Revenue	<u><u>\$ 96,671,399</u></u>

Patient accounts receivable reported as current assets by the Health Center at May 31, 2013 consist of these amounts:

Receivable from Patients and Their Insurance Carriers	\$ 11,201,900
Receivables from Medicare	3,983,686
Receivables from Medicaid	806,323
Total patient receivables	<u>15,991,909</u>
Less: Allowance for doubtful accounts	<u>(3,449,000)</u>
Patient Receivables, Net	<u><u>\$ 12,542,909</u></u>

**C. Accounts Receivable**

Accounts receivable of the business-type activities consist of patient and utilities receivable. Accounts receivable of the governmental activities consist of miscellaneous receivables. Receivables detail at March 31, 2014, is as follows:

	Governmental Activities	Business- Type Activities	Total
Accounts receivable	\$ 86,530	\$ 17,448,600	\$ 17,535,130
Allowance for doubtful accounts	-	(3,449,000)	(3,449,000)
Net accounts receivable	<u><u>\$ 86,530</u></u>	<u><u>\$ 13,999,600</u></u>	<u><u>\$ 14,086,130</u></u>

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

**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, 2014, was as follows:

	Governmental Activities	Business- Type Activities	Total
Taxes receivable	\$ 2,804,797	\$ 253,298	\$ 3,058,095
Allowance for doubtful accounts	(10,000)	-	(10,000)
Net taxes receivable	<u>\$ 2,794,797</u>	<u>\$ 253,298</u>	<u>\$ 3,048,095</u>

**E. Capital Assets - Governmental Activities**

Capital asset activity for the year ended March 31, 2014, was as follows:

	Balance at April 1, 2013	Additions	Disposals	Balance at March 31, 2014
Capital assets not being depreciated:				
Land and land rights	\$ 2,398,449	\$ -	\$ -	\$ 2,398,449
Subtotal	<u>2,398,449</u>	<u>-</u>	<u>-</u>	<u>2,398,449</u>
Other capital assets being depreciated:				
Structures and improvements	23,094,601	3,781,986	(154,814)	26,721,773
Other improvements	9,221,825	516,946	-	9,738,771
General equipment	12,917,374	1,447,351	(535,809)	13,828,916
Infrastructure	154,208,832	3,439,247	-	157,648,079
Subtotal	<u>199,442,632</u>	<u>9,185,530</u>	<u>(690,623)</u>	<u>207,937,539</u>
Total capital assets at historical costs	<u>201,841,081</u>	<u>9,185,530</u>	<u>(690,623)</u>	<u>210,335,988</u>
Accumulated Depreciation				
Structures and improvements	(8,938,748)	(662,597)	126,106	(9,475,239)
Other improvements	(4,299,784)	(302,049)	-	(4,601,833)
General	(9,765,496)	(633,789)	478,396	(9,920,889)
Infrastructures	<u>(100,692,989)</u>	<u>(2,396,319)</u>	<u>-</u>	<u>(103,089,308)</u>
Subtotal	<u>(123,697,017)</u>	<u>(3,994,754)</u>	<u>604,502</u>	<u>(127,087,269)</u>
Net capital assets being depreciated	<u>75,745,615</u>	<u>5,190,776</u>	<u>(86,121)</u>	<u>80,850,270</u>
Governmental activities capital assets	<u>\$ 78,144,064</u>	<u>\$ 5,190,776</u>	<u>\$ (86,121)</u>	<u>\$ 83,248,719</u>

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
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**III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

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

Capital assets of the Health, Water, and Wastewater Funds are stated at cost if purchased, or fair market value on the date of contribution (appraised value) if donated, adjusted for the cost of subsequent additions and disposals or retirements. The costs of normal maintenance and repairs are charged to operations as incurred. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized and depreciated over the remaining estimated useful lives of the related assets. The interest cost of borrowed funds used to finance construction projects is capitalized when material. Capital asset activity for the year ended March 31, Health Center year-end is May 31, 2013, was as follows:

**Health**

	Balance at June 1, 2012	Additions	Disposals	Balance at May 31, 2013
Land	\$ 2,997,675	\$ 52,861	\$ -	\$ 3,050,536
Land and land improvements	1,223,801	20,140	8,569	1,252,510
Buildings	81,974,362	57,512	1,814,744	83,846,618
Equipment	66,465,802	2,005,182	379,401	68,850,385
Construction in progress	601,947	2,195,447	(2,363,242)	434,152
Total at Historical Cost	<u>153,263,587</u>	<u>4,331,142</u>	<u>(160,528)</u>	<u>157,434,201</u>
Less Accumulated Depreciation				
Land improvements	(882,768)	(58,007)	-	(940,775)
Buildings	(39,955,585)	(3,243,081)	-	(43,198,666)
Equipment	(49,324,427)	(5,048,446)	160,528	(54,212,345)
Total Accumulated Depreciation	<u>(90,162,780)</u>	<u>(8,349,534)</u>	<u>160,528</u>	<u>(98,351,786)</u>
Capital Assets, Net	<u>\$ 63,100,807</u>	<u>\$ (4,018,392)</u>	<u>\$ -</u>	<u>\$ 59,082,415</u>

Construction in progress as of May 31, 2013 consists of costs incurred for the planning and construction of an emergency power source addition to the facility which has been ongoing since fiscal year 2012 and is being completed in four phases, as well as various equipment and facility upgrades. The projects are expected to be completed in fiscal year 2014. The projects are being financed with cash reserves and have an estimated total cost of approximately \$2,260,000 of which an estimated \$495,000 is required to complete the projects.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
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**III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**Water**

	Balance at April 1, 2013	Additions	Disposals	Balance at March 31, 2014
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 176,240	\$ -	\$ -	\$ 176,240
Construction in progress	496	779,518	(763,087)	16,927
Total capital assets not being depreciated	<u>176,736</u>	<u>779,518</u>	<u>(763,087)</u>	<u>193,167</u>
Other capital assets being depreciated:				
Structures and improvements	11,641,679	146,414	-	11,788,093
Pumping and purification equipment	4,749,930	11,623	-	4,761,553
Transmission mains	964,302	-	-	964,302
Distribution mains and equipment	17,469,923	451,764	(21,740)	17,899,947
General equipment	1,797,365	238,023	(23,865)	2,011,523
Total capital assets being depreciated	<u>36,623,199</u>	<u>847,824</u>	<u>(45,605)</u>	<u>37,425,418</u>
Total capital assets at historical cost	<u>36,799,935</u>	<u>1,627,342</u>	<u>(808,692)</u>	<u>37,618,585</u>
Accumulated Depreciation				
Structures and improvements	(4,303,156)	(204,230)	-	(4,507,386)
Pumping and purification equipment	(1,572,618)	(104,365)	-	(1,676,983)
Transmission mains	(521,972)	-	-	(521,972)
Distribution mains and equipment	(3,794,492)	(216,324)	21,740	(3,989,076)
General equipment	(1,537,809)	(139,205)	23,865	(1,653,149)
Total accumulated depreciation	<u>(11,730,047)</u>	<u>(664,124)</u>	<u>45,605</u>	<u>(12,348,566)</u>
Other capital assets, net	<u>24,893,152</u>	<u>183,700</u>	<u>-</u>	<u>25,076,852</u>
Business-Type Activities Capital Assets	<u>\$ 25,069,888</u>	<u>\$ 963,218</u>	<u>\$ (763,087)</u>	<u>\$ 25,270,019</u>

**Wastewater**

	Balance at April 1, 2013	Additions	Disposals	Balance at March 31, 2014
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 2,319,053	\$ -	\$ -	\$ 2,319,053
Construction work in process	3,458,640	1,650,541	-	5,109,181
Subtotal	<u>5,777,693</u>	<u>1,650,541</u>	<u>-</u>	<u>7,428,234</u>
Capital assets being depreciated:				
Pumping and purification equipment	24,932,652	1,805,032	-	26,737,684
Transmission mains	10,679,304	727,960	-	11,407,264
General equipment	2,774,976	548,808	-	3,323,784
Subtotal	<u>38,386,932</u>	<u>3,081,800</u>	<u>-</u>	<u>41,468,732</u>
Total	<u>44,164,625</u>	<u>4,732,341</u>	<u>-</u>	<u>48,896,966</u>
Less accumulated depreciation and amortization:				
Pumping and purification equipment	(11,164,921)	(802,837)	-	(11,967,758)
Transmission mains	(5,076,091)	(274,865)	-	(5,350,956)
General equipment	(1,486,026)	(220,150)	-	(1,706,176)
Subtotal	<u>(17,727,038)</u>	<u>(1,297,852)</u>	<u>-</u>	<u>(19,024,890)</u>
Net capital assets being depreciated	<u>20,659,894</u>	<u>1,783,948</u>	<u>-</u>	<u>22,443,842</u>
Business-Type Activities Capital Assets	<u>\$ 26,437,587</u>	<u>\$ 3,434,489</u>	<u>\$ -</u>	<u>\$ 29,872,076</u>

**CITY OF SEDALIA, MISSOURI**  
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**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	\$ 501,514
Sanitation	72,738
Total general government	<u>574,252</u>
Public safety:	
Police	137,679
Fire	94,786
Cemetery	8,216
Total public safety	<u>240,681</u>
Transportation:	
Airport	89,010
Streets	163,009
Total transportation	<u>252,019</u>
Cultural, parks and recreation:	
Library	44,982
Park	486,501
Community center	-
Total cultural, parks and recreation	<u>531,483</u>
Infrastructure	<u>2,396,319</u>
Total Infrastructure	<u>2,396,319</u>
Total depreciation expense - Governmental activity	<u><u>\$ 3,994,754</u></u>
Business-type activities:	
Health	\$ 8,349,534
Water	664,124
Sewer	1,297,852
Total depreciation expense - Business-type activity	<u><u>\$ 10,311,510</u></u>

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
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**III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

**G. Long-Term Debt**

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

	Beginning of Year	Additions	Retirements	End of Year	Amount Due Within One Year
<b>Business-Type Activities:</b>					
<b>Revenue Bonds:</b>					
Health Center	\$ 5,470,000	\$ -	\$ 5,470,000	\$ -	\$ -
Water	6,890,000	-	375,000	6,515,000	390,000
<b>Certificates of Participation:</b>					
Series 2010A	5,357,500	-	907,500	4,450,000	932,500
Series 2010B	29,480,000	-	-	29,480,000	-
<b>Other Debt:</b>					
Health Center					
Note payable - Imaging Equipment	743,935	-	546,839	197,096	197,096
Note payable - Construction	12,525,648	-	637,394	11,888,254	635,100
Note payable - Supplement	-	3,250,000	361,111	2,888,889	1,083,333
<b>Capital Leases:</b>					
Health Center	972,818	-	140,457	832,361	150,218
Water Department	3,155,962	-	194,397	2,961,565	201,434
<b>Total Business-Type Activities</b>	<b>\$ 64,595,863</b>	<b>\$ 3,250,000</b>	<b>\$ 8,632,698</b>	<b>\$ 59,213,165</b>	<b>\$ 3,589,681</b>
<b>Governmental Activities:</b>					
<b>Certificates of Participation:</b>					
Series 2007	6,160,000	-	410,000	5,750,000	430,000
Series 2010A	1,072,500	-	97,500	975,000	97,500
Series 2012A	6,235,000	-	-	6,235,000	-
Series 2012B	1,085,000	-	275,000	810,000	320,000
Energy Loan	225,444	-	167,913	57,531	57,531
DNR Energy Loan	336,464	-	30,592	305,872	30,592
<b>Total Governmental Activities</b>	<b>\$ 15,114,408</b>	<b>\$ -</b>	<b>\$ 981,005</b>	<b>\$ 14,133,403</b>	<b>\$ 935,623</b>

**1. Certificates of Participation**

Certificates of participation for park and public works improvement projects at March 31, 2014, are comprised of the following individual issues:

**Series 2007**

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.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
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**III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

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

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

\$ 5,750,000

The annual debt service requirements to maturity for the 2007 certificates of participation outstanding at March 31, 2014, are as follows:

Year Ending March 31	Governmental Activities	
	Principal	Interest
2015	\$ 430,000	\$ 245,297
2016	460,000	228,312
2017	490,000	209,913
2018	520,000	189,822
2019	555,000	167,983
2020-2023	3,295,000	418,515
	\$ 5,750,000	\$ 1,459,842

**Series 2010A**

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

**CITY OF SEDALIA, MISSOURI**  
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**III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

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

\$7,595,000 2010A series due in annual installments of \$185,000 to \$1,125,000 beginning June 1, 2011, to \$1,125,000 through June 1, 2022, interest at 2.00% to 4.10% \$ 5,425,000

The annual debt service requirements to maturity for the 2010A certificates of participation outstanding at March 31, 2014, are as follows:

Year Ending March 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 97,500	\$ 32,637	\$ 932,500	\$ 129,287
2016	102,500	30,125	952,500	105,675
2017	102,500	27,050	982,500	76,650
2018	107,500	23,363	1,017,500	41,562
2019	110,000	19,397	110,000	19,398
2020-2023	455,000	34,729	455,000	34,729
	<u>\$ 975,000</u>	<u>\$ 167,301</u>	<u>\$ 4,450,000</u>	<u>\$ 407,301</u>

**Series 2010B**

On December 22, 2010, the City entered into a lease/purchase agreement to fund various improvements. The initial term of the lease will commence on December 22, 2010 and end on March 31, 2014. The initial term of this Lease expired on March 31, 2011 (the "Initial Term"), subjected to the Lessee's option to extend the term of this Lease for successive one-year terms commencing April 1, of each year, and a final renewal term ending March 31, 2036. Each option shall be exercised by the appropriation by the City Council of the Lessee, in accordance with applicable law, of sufficient moneys (after taking into account any moneys legally available for such purpose) specifically designated for the payment of Base Rentals and adequate moneys to pay the reasonably estimated Supplemental Rent for the next succeeding Renewal Term. Such appropriation shall automatically extend the term of this Lease for the succeeding Renewal Term without any further action required by any officers or officials of the Lessee. The terms of the lease set the interest rate at 4.800% to 7.300%.

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

**CITY OF SEDALIA, MISSOURI**  
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**III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)**

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

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

The annual debt service requirements to maturity for the Series 2010B certificates of participation outstanding at March 31, 2014 are as follows:

Year Ending March 31	Principal Series 2010B	Interest Series 2010B	Debt Service Before Subsidy	BAB Interest Subsidy	Net Payments
2015	\$ -	\$ 2,021,667	\$ 2,021,667	\$ (707,583)	\$ 1,314,084
2016	-	2,021,668	2,021,668	(707,584)	1,314,084
2017	-	2,021,667	2,021,667	(707,583)	1,314,084
2018	-	2,021,668	2,021,668	(707,584)	1,314,084
2019	945,000	1,998,988	2,943,988	(699,645)	2,244,343
2020-2024	5,585,000	9,162,608	14,747,608	(3,206,913)	11,540,695
2025-2029	8,040,000	6,898,995	14,938,995	(2,414,648)	12,524,347
2030-2034	10,135,000	3,660,753	13,795,753	(1,281,264)	12,514,489
2035-2036	4,775,000	352,772	5,127,772	(123,471)	5,004,301
	<u>\$ 29,480,000</u>	<u>\$ 30,160,786</u>	<u>\$ 59,640,786</u>	<u>\$ (10,556,275)</u>	<u>\$ 49,084,511</u>

**Series 2012A**

On December 1, 2012, the City entered into a lease/purchase agreement to fund various improvements. The initial term of the lease will commence on December 1, 2012 and end on March 31, 2013. The initial term of this Lease expired on March 31, 2013 (the “Initial Term”), subjected to the Lessee’s option to extend the term of this Lease for successive one-year terms commencing April 1, of each year, and a final renewal term ending March 31, 2032. Each option shall be exercised by the appropriation by the City Council of the Lessee, in accordance with applicable law, of sufficient moneys (after taking into account any moneys legally available for such purpose) specifically designated for the payment of Base Rentals and adequate moneys to pay the reasonably estimated Supplemental Rent for the next succeeding Renewal Term. Such appropriation shall automatically extend the term of this Lease for the succeeding Renewal Term without any further action required by any officers or officials of the Lessee. The terms of the lease set the interest rate at 2.000% to 3.100%.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

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

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

The annual debt service requirements to maturity for the 2012A certificates of participation outstanding at March 31, 2014, are as follows:

Year Ending March 31	Governmental Activities		
	Principal	Interest	Total
2015	\$ -	\$ 173,210	\$ 173,210
2016	-	173,210	173,210
2017	175,000	173,210	348,210
2018	340,000	169,710	509,710
2019	340,000	162,910	502,910
2020-2024	1,840,000	691,631	2,531,631
2025-2029	2,120,000	409,975	2,529,975
2030-2032	1,420,000	87,405	1,507,405
	<u>\$ 6,235,000</u>	<u>\$ 2,041,261</u>	<u>\$8,276,261</u>

**Series 2012B**

On December 1, 2012, the City entered into a lease/purchase agreement to fund various improvements. The initial term of the lease will commence on December 1, 2012 and end on March 31, 2013. The initial term of this Lease expired on March 31, 2013 (the “Initial Term”), subjected to the Lessee’s option to extend the term of this Lease for successive one-year terms commencing April 1, of each year, and a final renewal term ending March 31, 2017. Each option shall be exercised by the appropriation by the City Council of the Lessee, in accordance with applicable law, of sufficient moneys (after taking into account any moneys legally available for such purpose) specifically designated for the payment of Base Rentals and adequate moneys to pay the reasonably estimated Supplemental Rent for the next succeeding Renewal Term. Such appropriation shall automatically extend the term of this Lease for the succeeding Renewal Term without any further action required by any officers or officials of the Lessee. The terms of the lease set the interest rate at 2.000%.

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

\$1,085,000 2012B series due in annual installments of \$275,000 beginning June 1, 2014, to \$160,000 through May 1, 2017, interest at 2.000%. \$ 810,000

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

The annual debt service requirements to maturity for the 2012B certificates of participation outstanding at March 31, 2014, are as follows:

Year Ending March 31	Governmental Activities		
	Principal	Interest	Total
2015	\$ 320,000	\$ 16,200	\$ 336,200
2016	330,000	9,800	339,800
2017	160,000	3,200	163,200
	\$ 810,000	\$ 29,200	\$ 839,200

The Capital Projects #2 Fund has pledged future revenues, net of specified operating expenses, to repay certificates of participation and loans that were issued for the purpose of city improvements. The certificates and loans are payable from Capital Projects #2 net revenues and are payable through 2032. The total principal and interest remaining to be paid is \$17,834,562. Principal and interest paid for the current year and total Capital Projects #2 net revenues for the current year were \$1,168,970 and \$(4,830,127), respectively.

The Wastewater Fund has pledged future revenues, net of specified operating expenses, to repay certificates of participation that were issued for wastewater improvements. The certificates are payable from wastewater net revenues and are payable through 2036. Annual principal and interest payments in 2014 required 34% of net revenues. The total principal and interest remaining to be paid is \$53,941,812. Principal and interest paid for the current year and total wastewater fund net revenues for the current year were \$1,049,130 and \$3,084,120, respectively.

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

Revenue bonds as of May 31, 2013, are as follows:

Hospital Refunding Revenue Bonds

The City of Sedalia issued \$12,585,000 of Hospital Refunding Revenue Bonds, Series 2004 (Revenue Bonds) 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.

The Revenue Bonds were advance refunded on March 1, 2013 using the proceeds from the Note Payable – Supplement together with amounts on deposit in accounts held for the payment of the Revenue Bonds.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

Note Payable – Supplement

The City acting through the board of trustees of Bothwell Regional Health Center entered into an agreement supplementary to the Note Payable – Construction, dated as of February 1, 2013 for issuance of debt within the meaning of Section 103 of the Code.

The agreement allowed for the advancement of \$3,250,000 in proceeds, which, together with amounts on deposit in accounts held for payment of the Series 2004 Revenue Bonds, were used to advance refund the Series 2004 Revenue Bonds on March 1, 2013. The agreement bears interest at 3.7% and requires interest only payments on a monthly basis. The maturity date of the agreement is March 1, 2017. The debt is secured by real property and improvements of the Truman Lake Clinic.

Note Payable – Construction

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

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

Note Payable – Imaging Equipment

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

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

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

**Capital Lease Obligations - Health Center**

The Health Center leases various equipment under capital leases with monthly payments ranging from \$8,032 to \$8,170, at varying rates of imputed interest from 1.39 percent to 7.7 percent collateralized by leased equipment. Capital assets include the following amounts for leases which have been capitalized at May 31, 2013:

Equipment	\$ 3,928,697
Less: accumulated depreciation	<u>(3,037,635)</u>
Total	<u>\$ 891,062</u>
 Depreciation expense	 <u>\$ 61,877</u>

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

Year Ending May 31,	Bonds and Notes Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2014	\$ 1,915,529	\$ 518,277	\$ 150,218	\$ 44,200
2015	1,731,177	460,276	156,080	38,338
2016	1,378,875	405,918	154,294	32,093
2017	665,793	379,237	71,876	26,164
2018	675,278	362,098	77,619	20,421
2019-2023	3,531,632	1,593,479	222,274	43,247
2024-2028	3,828,393	1,116,112	-	-
2029-2033	1,247,562	305,530	-	-
	<u>\$ 14,974,239</u>	<u>\$ 5,140,927</u>	<u>\$ 832,361</u>	<u>\$ 204,463</u>

**3. Bonds Payable - Water Department**

The following is a summary of changes in long-term debt transactions for the year ended March 31, 2014:

	Revenue Bonds	Capital Lease	Total
Balance, April 1, 2013	\$ 6,890,000	\$ 3,155,962	\$ 10,045,962
Bonds issued	-	-	-
Bonds retired	(375,000)	-	(375,000)
Capital lease principal payments	-	(194,397)	(194,397)
Balance, March 31, 2014	<u>\$ 6,515,000</u>	<u>\$ 2,961,565</u>	<u>\$ 9,476,565</u>
 Current portion	<u>\$ 390,000</u>	<u>\$ 201,434</u>	<u>\$ 591,434</u>

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

***Revenue Bonds***

Revenue bonded debt as of March 31, 2014 is as follows:

Water refunding revenue bonds 2.000% to 3.000%, series of 2012, due in \$345,000 to \$545,000 annual installments to March 15, 2029	\$ 6,515,000
Less amounts due in one year	<u>390,000</u>
Long-term portion of debt	<u><u>\$ 6,125,000</u></u>

The annual debt service requirements to amortize the revenue bonds outstanding as of March 31, 2014 are as follows:

Year Ending March 31,	Principal	Interest	Total
2015	\$ 390,000	\$ 178,200	\$ 568,200
2016	370,000	170,400	540,400
2017	375,000	163,000	538,000
2018	390,000	155,500	545,500
2019	400,000	147,700	547,700
2020-2024	2,120,000	564,300	2,684,300
2025-2029	<u>2,470,000</u>	<u>228,600</u>	<u>2,698,600</u>
	<u><u>\$ 6,515,000</u></u>	<u><u>\$ 1,607,700</u></u>	<u><u>\$ 8,122,700</u></u>

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

1. *Waterworks System Project Account* - This account was established to make payments for bond-related planning, engineering, and construction costs of the project.
2. *Waterworks System Operation and Maintenance Account* - This account was established to account for funds set aside to pay estimated costs of operating and maintaining the Department during the ensuing month as long as the bonds remain outstanding.
3. *Debt Service Account for Waterworks Refunding Revenue Bonds Series 2012* - This account was established to account for principal and interest in the amounts specified in the Bond Agreement.

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

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

<u>Account</u>	<u>Restricted Assets</u>	<u>Restricted Retained Earnings</u>	<u>Liabilities Payable from Restricted Assets</u>
Debt Service	\$ 134,478	\$ 134,478	\$ 7,833
Customer Deposits	590,590	-	543,756
	<u>\$ 725,068</u>	<u>\$ 134,478</u>	<u>\$ 551,589</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:

<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	\$ 136,199	\$ 136,199	\$ 599,267
Reserve account	3,142,211	3,142,211	-
Renewal and replacement	-	-	-
Customer Deposits	590,590	-	543,756
Donor-specified purposes	101,614	101,614	-
Construction funds	27,631,439	332,752	-
Debt service	-	-	-
	<u>\$ 31,602,053</u>	<u>\$ 3,712,776</u>	<u>\$ 1,143,023</u>

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

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

*Capital Leases*

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

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

Future payments as of March 31, 2014 are as follows assuming noncancellation:

Year Ending March 31,	Principal	Interest	Total
2015	\$ 201,434	\$ 107,209	\$ 308,643
2016	208,726	99,917	308,643
2017	216,282	92,361	308,643
2018	224,111	84,532	308,643
2019	232,224	76,419	308,643
2020-2024	1,293,474	249,740	1,543,214
2025-2026	585,314	31,970	617,284
	<u>\$ 2,961,565</u>	<u>\$ 742,148</u>	<u>\$ 3,703,713</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at March 31, 2014:

Distribution mains	\$ 3,725,942
Less accumulated amortization	<u>(186,298)</u>
	<u>\$ 3,539,644</u>

Amortization of capital leases was \$93,149 for the fiscal year ending March 31, 2014. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

**CITY OF SEDALIA, MISSOURI  
NOTES TO COMBINED FINANCIAL STATEMENTS  
MARCH 31, 2014**

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

Pledged Revenues

The Department pledged future revenues, net of specified operating expenses, to repay revenue bonds and capital lease obligations that were issued for the purpose of water improvements. The bonds and leases are payable from water net revenues and are payable through 2029. Annual principal and interest payments in 2014 required 62% of net revenues. The total principal and interest remaining to be paid on the bonds and leases is \$11,826,413. Principal and interest paid for the current year was \$869,343 and total net revenues for the current year were \$1,382,699.

**4. Loans**

Energy Performance Loan:

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

The annual debt service requirements to amortize the principal on the loan outstanding at March 31, 2014, are as follows:

Year Ending March 31,	Governmental Funds		
2015	Principal	Interest	Total
	\$ 57,531	\$ 497	\$ 58,028
	\$ 57,531	\$ 497	\$ 58,028

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, 2014**

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

The annual debt service requirements to amortize the principal on the loan outstanding at March 31, 2014, are as follows:

Year Ending March 31,	Governmental Funds		
	Principal	Interest	Total
2015	\$ 30,592	\$ 306	\$ 30,898
2016	30,592	306	30,898
2017	30,592	306	30,898
2018	30,592	306	30,898
2019	30,592	306	30,898
2020-2024	152,912	1,528	154,440
	<u>\$ 305,872</u>	<u>\$ 3,058</u>	<u>\$ 308,930</u>

**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, 2014, based on the total assessed valuation as of December 31, 2013, of \$258,298,713 the constitutional general obligation debt limit was \$51,659,743.

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

Of the \$35,301,364 of unrestricted net position reported in 2013, \$5,571,627 has been designated by the Health Center’s Board of Trustees for funded depreciation. 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, 2014**

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

**I. Leases**

Operating leases

The City leases equipment under cancellable operating leases. Total costs for such leases were \$17,205 for the year ended March 31, 2014. The future minimum lease payments for these leases, assuming noncancellation, is as follows:

March 31		
2015	\$	43,678
2016		43,679
2017		43,678
2018		153,790
		284,825
Amount representing interest		(24,234)
Net	\$	260,591

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

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

Total rental expense for the year ending May 31, 2013 for month-to-month and contingent rentals was \$277,742.

**J. Interfund Transfers**

Interfund transfers during the year ended March 31, 2014, were as follows:

Disbursing Fund	Receiving Fund	Amount
Cemetery (Non-Major)	General (Major)	\$ 321,115
Sewer (major)	Capital Projects 2 (Major)	275,000
Capital Projects (Non-Major)	Capital Projects 2 (Major)	40,000
Capital Projects (Non-Major)	General (Major)	8,000

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

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

The purpose of the \$321,115 transfer from Cemetery Fund to the General Fund was to close out cemetery fund.

The purpose of the \$275,000 transfer from Sewer Fund to the Capital Projects 2 Fund was for storm drainage and various other capital improvements.

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

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

**K. Restricted Net Position**

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

Activity	Restricted By	Amount
Library	Council action	\$ 707,697
Park	Council action	1,907,099
Special Business District	Council action	40,195
Midtown Special Allocation	Council action	202,978
Capital Project	Council action	245,780
Capital Project #2	Council action	3,524,658
Cemetery	Council action	192,260
DARE Program	Council action	67,356
Court Clerk Training	Council action	4,254
Police Seizure	Council action	7,064
Fire Insurance	Council action	4,408
Court Bonds	Council action	31,548
Sick Leave	Council action	231,829
		\$ 7,167,126

**L. Accounts Payable**

Payables in the governmental funds are composed of payables to vendors (1%) and accrued salaries and benefits (99%). Payables of Enterprise Funds are composed of payables to vendors (40%) and accrued salaries and benefits (60%).

**CITY OF SEDALIA, MISSOURI  
NOTES TO COMBINED FINANCIAL STATEMENTS  
MARCH 31, 2014**

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

**M. Fund Balance**

Classifications of fund balances at March 31, 2014 are as follows:

	General Fund	Capital Projects #2 Fund	Other Governmental Funds	Total
Fund Balances:				
Nonspendable				
Inventory	\$ 102,877	\$ -	\$ -	\$ 102,877
Prepaid expenses	135,282	-	15,459	150,741
Restricted for debt service	-	942,734	-	942,734
Restricted for construction	-	935,528	-	935,528
Restricted for cemetery	192,260	-	-	192,260
Committed	-	-	-	-
Assigned for:				
DARE program	67,356	-	-	67,356
Court clerk training	4,254	-	-	4,254
Police seizure	7,064	-	-	7,064
Fire insurance proceeds	4,408	-	-	4,408
Court bonds	31,548	-	-	31,548
Sick leave	231,829	-	-	231,829
Assigned for special revenue purposes	-	-	2,857,969	2,857,969
Assigned for capital project purposes	-	1,646,396	245,780	1,892,176
Unassigned	8,104,786	-	-	8,104,786
	<u>\$ 8,881,664</u>	<u>\$ 3,524,658</u>	<u>\$ 3,119,208</u>	<u>\$ 15,525,530</u>

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

**IV. OTHER INFORMATION**

**A. Related Organization**

The Sedalia-Pettis County Development Corporation was created on July 8, 1975, as a "General Not-For-Profit Corporation" under Missouri Statutes and has been recognized by the Internal Revenue Service as a tax-exempt corporation operating under Internal Revenue Code Section 501(c)(6). The Corporation promotes industrial and business opportunities in Sedalia, Missouri. The Corporation solicits new businesses and manufacturers, develops industrial parks and other facilities, and acts as an information clearing house for existing businesses. The City has paid \$104,000 to the Corporation for the year ended March 31, 2014.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**IV. OTHER INFORMATION (continued)**

**B. Employee Pension Plans**

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

1. Missouri Local Government Employees Retirement System (City)

Plan Description

The City of Sedalia participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

Funding Status

Full-time employees of the City of Sedalia do not contribute to the pension plan. The June 30<sup>th</sup> statutorily required contribution rates are 15.8% (General) and 14.1% (Police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

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

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

Annual required contribution	\$	968,960
Interest on net pension obligation		17,766
Adjustment to annual required contribution		(13,577)
Annual pension cost		973,149
Actual contributions		920,512
Increase (decrease) in NPO		52,637
NPO beginning of year		245,054
NPO end of year	\$	297,691

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**IV. OTHER INFORMATION (continued)**

The annual required contribution (ARC) was determined as part of the February 28, 2011 and February 29, 2012 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013 included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2011 was 30 years for the General division and 30 years for the Police division. The amortization period as of February 29, 2012 was 30 years for the General division and 29 years for the Police division.

City  
Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 886,124	85.2%	\$ 158,323
2012	968,125	91.0%	245,054
2013	973,149	94.6%	297,691

2. Missouri Local Government Employees Retirement System (Water Department)

Plan Description

The City of Sedalia Water Department participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**IV. OTHER INFORMATION (continued)**

Funding Status

Full-time employees of City of Sedalia Water Department do not contribute to the pension plan. The June 30<sup>th</sup> statutorily required contribution rate is 21.0% (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.

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

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

Annual required contribution	\$	175,440
Interest on net pension obligation		1,103
Adjustment to annual required contribution		(928)
Annual pension cost		175,615
Actual contributions		172,984
Increase (decrease) in NPO		2,631
NPO beginning of year		15,213
NPO end of year	\$	17,844

The annual required contribution (ARC) was determined as part of the February 28, 2011 and February 29, 2012 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013 included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2011 was 30 years for the General division. The amortization period as of February 29, 2012 was 25 years for the General division.

Three-Year Trend Information

Year Ended <u>June 30</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 163,068	95.4%	\$ 9,214
2012	166,998	96.4%	15,213
2013	175,615	98.5%	17,844

**CITY OF SEDALIA, MISSOURI  
NOTES TO COMBINED FINANCIAL STATEMENTS  
MARCH 31, 2014**

**IV. OTHER INFORMATION (continued)**

3. 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 (\$48,402 for the 2013 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, 2013. 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.

At April 1, 2013, the unfunded pension benefit obligation was \$2,669,104 determined as follows:

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and current active employees	\$ 9,328,942
Net assets available for benefits, at market value	6,659,838
Unfunded Pension Benefit Obligation	\$ 2,669,104

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**IV. OTHER INFORMATION (continued)**

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, 2013, is the individual entry age method. The actuary provides a range of contribution recommendations depending on how rapidly the past service liability is funded. The actuarially determined minimum contribution recommendation, including amortization of past service liability over thirty years amounted to \$364,363 for the 2013 plan year which includes \$151,020 for normal costs and \$201,022 for amortization of the unfunded actuarial liability. Significant actuarial assumptions used to compute actuarially determined contribution requirements are substantially the same as those used to compute the pension benefit obligation.

As required by City ordinance, each member contributes 7.50% of a base compensation amount which is matched by the City. In addition, contributions to the Fund are made by the City from a \$.0450 per \$100 assessed valuation property tax levy established by City ordinance.

Total anticipated contributions to the pension plan for the plan year ended April 1, 2013, were \$364,363 of which \$238,763 was made by both the City and employees and \$125,600 was provided from the property tax levy.

Trend Information

Valuation Date	(1) Valuation Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Under-Funded AAL (2) - (1)	(5) Annual Covered Payroll	Underfunded AAL as a Percent of Covered Payroll (4)/(5)
4/1/2004	\$ 4,851,479	\$ 6,069,910	80%	\$ 1,218,431	\$ 1,459,897	83.5%
4/1/2005	5,145,526	6,388,856	81%	1,243,330	1,451,968	85.6%
4/1/2006	5,576,704	6,548,435	85%	971,731	1,510,556	64.3%
4/1/2007	5,851,469	6,698,403	87%	846,934	1,618,493	52.3%
4/1/2008	6,088,585	6,970,345	87%	881,760	1,664,582	53.0%
4/1/2009	5,018,241	7,632,087	66%	2,613,846	1,649,103	158.5%
4/1/2010	6,065,751	8,084,357	75%	2,018,606	1,816,095	111.2%
4/1/2011	6,436,054	8,545,811	75%	2,109,757	1,870,578	112.8%
4/1/2012	6,468,119	8,773,088	74%	2,304,969	1,879,720	122.6%
4/1/2013	6,659,838	9,328,942	71%	2,669,104	1,936,080	137.9%

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**IV. OTHER INFORMATION (continued)**

4. 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.

An actuarial valuation of the Policemen's Retirement Fund of the City of Sedalia, Missouri was performed as of August 1, 2013. The benefits were frozen as of April 1, 2010 and all active participants become 100% vested in their accrued benefits as of that date.

Funding Status and Progress

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of August 1, 2013. 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 6% per year compounded annually and 2) no salary increase and 3) no post-retirement benefit increases.

At August 1, 2013, the unfunded pension benefit obligation was determined as follows:

Pension benefit obligation:	
Active participants	\$ 3,170,563
Retired and terminated participants	6,211,681
Total Pension Benefit Obligation	<u>9,382,244</u>
Actuarial value of assets, market value	3,153,449
Unfunded Pension Benefit Obligation	<u>\$ 6,228,795</u>
Projected Benefit Obligation Ratio	<u><u>0.34</u></u>

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**IV. OTHER INFORMATION (continued)**

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, 2013, is the market value cost method. The actuary provides a range of contribution recommendations depending on how rapidly the past service liability is funded.

Trend Information

Valuation Date	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation (PBO)	(3) Percent Funded (1)/(2)	(4) Under-Funded PBO (2) - (1)	(5) Annual Covered Payroll	(6)	(7)
						Underfunded PBO as a Percent of Covered Payroll (4)/(5)	Employer Contributions as a Percent of Covered Payroll
8/1/2003	\$ 3,668,439	\$ 4,908,122	74.7%	\$ 1,239,683	\$ 1,845,904	67.2%	10.2%
8/1/2004	3,940,408	5,119,399	77.0%	1,178,991	1,851,420	63.7%	10.8%
8/1/2005	4,103,473	6,166,659	66.5%	2,063,186	1,365,300	151.1%	10.5% **
8/1/2006	4,240,547	7,073,332	60.0%	2,832,785	1,367,302	207.2%	15.2%
8/1/2007	4,521,203	6,742,592	67.1%	2,221,389	1,356,675	163.7%	16.1%
8/1/2008	4,163,737	7,702,179	54.1%	3,538,442	1,474,531	240.0%	15.0%
8/1/2009	3,168,121	8,114,072	39.0%	4,945,951	1,479,620	334.3%	15.0%
8/1/2011	3,448,056	7,720,777	44.7%	4,272,721	n/a	n/a	n/a
8/1/2012	3,157,848	7,800,214	40.5%	4,642,366	n/a	n/a	n/a
8/1/2013	3,153,449	9,382,244	33.6%	6,228,795	n/a	n/a	n/a

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

\*\* insufficient information

**5. Bothwell Regional Health Center Employee Pension Plan**

Defined Benefit Pension 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.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**IV. OTHER INFORMATION (continued)**

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

Annual Pension Cost and Net Pension Obligation: The Health Center's annual pension cost and net pension obligation (prepayment) were as follows at May 31, 2013:

Annual required contribution	\$	2,263,173
Interest on net pension obligation		59,350
Adjustment to annual required contribution		(140,291)
Annual Pension Cost		2,182,232
Contributions made		2,173,403
(Increase) Decrease in net pension prepayment		8,829
Net Pension Prepayment, Beginning of Year		(750,700)
Net Pension Prepayment, End of Year	\$	(741,871)

The annual required contribution for the current year was determined as part of the June 1, 2013 actuarial valuation rolled forward to May 31, 2014, using the projected unit credit actuarial cost method. The actuarial assumptions included an 8.0% investment rate of return and projected salary increases ranging from 4% to 9% per year.

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
5/31/2011	\$ 2,582,672	117%	\$ (761,588)
5/31/2012	2,487,850	100%	(750,700)
5/31/2013	2,182,232	100%	(741,871)

Defined Contribution Plan

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**IV. OTHER INFORMATION (continued)**

Funding Policy: The Health Center's contribution to the Program is dependent on employee's date of employment and participation in the Health Center's Defined Benefit Pension Plan above. For employees whose employment date is prior to June 1, 2006, the Health Center contributes at the rate of 20% of the employee's voluntary contribution up to a 4% employee contribution. For those whose employment date is after May 31, 2006, the Health Center contributes an amount equal to the employee's voluntary contribution up to 4% of compensation.

Annual Pension Cost: The Health Center's contribution for the year ended May 31, 2013, was \$542,651. Employee voluntary contributions were \$1,741,940 for the year ended May 31, 2013.

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

The Health Center offers its employees a contributory self-insurance health care plan. An excess coverage insurance policy covers the portion of specific claims in excess of \$100,000 and the greater of aggregate claims in excess of \$5,335,230 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 \$4,801,707. Claims incurred but not reported are accrued as a liability. The recorded payable at May 31, 2013 was approximately \$897,000. This amount is included in accrued expenses in the accompanying financial statements.

The Health Center is self-insured for workers' compensation. An excess coverage insurance policy, limited to \$1,000,000 per occurrence and \$5,000,000 aggregate per policy period covers indemnity claims in excess of \$400,000 per occurrence and \$1,019,712 aggregate per policy period. Claims incurred but not reported are accrued as a liability. The recorded payable at May 31, 2013 was approximately \$296,000. This amount is included in accrued expenses in the accompanying financial statements.

**D. Concentrations of Credit Risk**

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

Medicare	49%
Medicaid	11%
Commercial insurance	22%
Self pay	18%
	100%

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**IV. OTHER INFORMATION (continued)**

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

The Health Center is the sole beneficiary of a trust established by John H. Bothwell in 1926 which is administered by an independent board of trustees. Proceeds from the Trust, which are restricted to building and equipment additions, for the year ended May 31, 2013, amounted to \$36,074. Proceeds to be used for capital additions for the year ended May 31, 2013 were received and are being held by Bothwell Regional Health Center Foundation. The assets and liabilities of the Trust are not included in the financial statements of the Health Center.

**F. Related Party Transactions**

Bothwell Regional Health Center Foundation

The Bothwell Regional Health Center Foundation supports the health care services and education mission of Bothwell Regional Health Center. Established in 2005, the Foundation seeks, receives, and administers donations for the benefit of Bothwell Regional Health Center. The Foundation is governed by a Board of Directors composed of local leaders from across the Health Center service areas who have commitment to the importance of philanthropy and fulfilling the Health Center mission. Included on the Foundation Board are members from the Health Center's board and management. The Foundation's fiscal year ends as of calendar year end December 31.

During the year ending May 31, 2010, the Foundation completed a capital campaign to assist with the raising of funds to complete a medical office building and cancer center. The total amount pledged was \$3.5 million. During the year ended May 31, 2013 \$806,599 was contributed to the Health Center in relation to the pledged contributions. The Foundation is expected to make additional contributions to the Health Center in future years as pledges are received.

**G. Commitments and Contingencies**

**1. Risk Management**

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

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**IV. OTHER INFORMATION (continued)**

2. Healthcare Legislation & Regulation

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

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

3. Medical Malpractice Insurance

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

4. Litigation

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

5. Electronic Health Record Incentive Program

The Electronic Health Record (EHR) incentive program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These acts provided for incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified EHR technology. The incentive payments are made based on statutory formula and are contingent on the Health Center continuing to meet the escalating meaningful use criteria. For the first payment year, the Health Center must attest, subject to an audit, that it met the meaningful use criteria for a continuous 90-day period.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**IV. OTHER INFORMATION (continued)**

For the subsequent payment year, a hospital must demonstrate meaningful use for the entire year. The incentive payments are generally made over a four year period. For hospitals that do not start receiving meaningful use payments until federal fiscal year 2014 or 2015, the base payment amount will reduce in subsequent years by  $\frac{1}{4}$ ,  $\frac{1}{2}$ , and  $\frac{3}{4}$ .

The Health Center demonstrated meaningful use for the initial 90-day period during the year ending May 31, 2013. As a result the Health Center has recognized approximately \$2,452,000 for the year ending May 31, 2013 in other operating revenues related to these programs.

The final amount of these payments will be determined based on information from the Health Center's Medicare cost report for the year ending May 31, 2012. Events could occur that would cause the final payments to differ materially upon final settlement.

**6. 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 \$2,244,478 at March 31, 2014, to satisfy the claims of general creditors in the future.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**IV. OTHER INFORMATION (continued)**

7. 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, 2014, 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.

8. 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.

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.

**H. Postclosure Care Cost**

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

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

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

**CITY OF SEDALIA, MISSOURI  
NOTES TO COMBINED FINANCIAL STATEMENTS  
MARCH 31, 2014**

**IV. OTHER INFORMATION (continued)**

**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, 2013 on which the fiscal 2013 levy was based, were as follows:

Real estate	\$191,271,722
Personal property	<u>67,026,991</u>
	<u><u>\$258,298,713</u></u>

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, 2014, are as follows:

Fund	Levy
General Fund	\$ 0.4358
Public Library	0.2161
Library - temp	0.0700
Public Parks	0.1516
Firemen's Pension	0.0466
Police Pension	<u>0.0853</u>
Total City-Wide Levy	1.0054
Special Business District	<u>0.7964</u>
Total	<u><u>\$ 1.8018</u></u>

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**IV. OTHER INFORMATION (continued)**

**J. Risk Management**

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

**K. Litigation**

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

**L. Contingent Liabilities**

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

**M. Missouri Department of Natural Resources Consent Order**

The City and the Missouri Department of Natural Resources have agreed on a consent order to address problems with the City's sanitary sewer system. The City has until June, 2016 to comply with the terms of the order. The estimated cost to comply with the order is over \$24 million. Additional improvements to the system may be necessary after the order has been complied with, which will cost an additional \$24 - \$30 million. The City has obtained a COPS issue and has increased wastewater user fees to comply with the order. The total improvements are on target to be completed before June, 2016.

**CITY OF SEDALIA, MISSOURI**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**MARCH 31, 2014**

**IV. OTHER INFORMATION (continued)**

**N. Adoption of New Accounting Standards**

During the year ending May 31, 2013 the Health Center adopted an accounting standard update for “Items Previously Reported as Assets and Liabilities” in the basic financial statements, as described in Note I. This standard was retroactively applied to the basic financial statements for the year ending May 31, 2012, as reflected in the May 31, 2012 statement of revenues, expenses, and changes in net position.

Due to the adoption of this statement the Health Center retroactively adjusted unamortized deferred financing costs of \$166,009 to beginning net position of fiscal year ending May 31, 2012. Deferred liabilities were decreased by \$127,599 and long-term debt, less current maturities increased by \$38,410 for the fiscal year ending May 31, 2012. The Health Center’s cumulative effect due to the adoption of this statement decreased net position by \$166,009 for the fiscal year ending May 31, 2012.

The Water Department adopted GASB Statement No. 65, “Items Previously Recorded as Assets and Liabilities,” in fiscal year 2014. Due to the adoption of this statement, the Department can no longer recognize bond issuance costs as an asset and amortize over the life of the bonds. The Department has recognized a prior period adjustment of \$354,361 to remove the unamortized portion of the bond issuance costs from the Statement of Revenues, Expenses and Changes in Net Position. As a result of this new pronouncement, the Department’s net position at April 1, 2013, decreased by \$354,361.

Net Position, Beginning of Year	\$ 18,043,992
Prior Period Adjustment	<u>(354,361)</u>
Net Position, Beginning of Year, Restated	<u>\$ 17,689,631</u>

The City of Sedalia adopted GASB Statement No. 65, “Items Previously Recorded as Assets and Liabilities,” in fiscal year 2014. Due to the adoption of this statement, the City can no longer recognize bond issuance costs as an asset and amortize over the life of the bonds. The City has recognized a prior period adjustment including the Health Center and Water Department of \$501,225. As a result the City’s net position at June 10, 2013 (not including Health Center and Water Department) decreased by \$501,225.

Net Position, Beginning of Year (City only)	\$ 11,870,067
Prior Period Adjustment (City only)	<u>(501,225)</u>
Net Position, Beginning of Year, Restated (City only)	<u>\$ 11,368,842</u>

**O. Consideration of Subsequent Events**

Subsequent events have been evaluated through July 30, 2014, which is the date the financial statements are available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SEDALIA, MISSOURI  
PENSION PLAN FUNDING PROGRESS  
YEAR ENDED MARCH 31, 2014**

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
2/28/2011	\$ 7,985,357	\$ 11,855,072	\$ 3,869,715	67%	\$ 5,492,395	70%
2/28/2012	8,605,727	12,484,059	3,878,332	69%	5,886,063	66%
2/28/2013	9,440,315	13,036,058	3,595,743	72%	6,213,541	58%

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
2/28/2011	\$ 1,807,555	\$ 3,234,033	\$ 1,426,478	56%	\$ 778,329	183%
2/29/2012	1,824,772	3,291,995	1,467,223	55%	828,477	177%
2/28/2013	2,199,014	3,591,843	1,392,829	61%	832,872	167%

NOTE: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

Schedule of Funding Progress  
Bothwell Regional Health Center

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
6/1/2011	\$ 38,730,185	\$ 45,157,607	\$ 6,427,422	86%	\$23,490,995	28%
6/1/2012	40,515,740	45,671,745	5,156,005	89%	21,200,268	24%
6/1/2013	43,331,426	48,386,017	5,054,591	90%	20,498,065	25%

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, 2013 were 20 years.

## **OTHER SUPPLEMENTARY INFORMATION**

## **COMBINING FINANCIAL STATEMENTS**

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

**Special Revenue Funds and Capital Project Funds**

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

**Special Revenue Funds**

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

**Capital Project Funds**

Capital Project Fund	Accounts for resources restricted for the acquisition or construction of specified capital projects or items.
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**CITY OF SEDALIA, MISSOURI  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
MARCH 31, 2014**

	<b>Special Revenue Funds</b>				<b>Capital Project</b>	<b>Totals (Memorandum Only)</b>
	<b>Library</b>	<b>Park</b>	<b>Special Business District</b>	<b>Midtown Special Allocation</b>		
<b>ASSETS</b>						
Cash including time deposits	\$ 800,830	\$ 1,600,347	\$ 35,653	\$ 188,352	\$ 190,149	\$ 2,815,331
Taxes receivable, net of allowance	-	379,896	-	-	-	379,896
Receivables, net of allowance	-	15	-	-	-	15
Due from other governmental agencies	7,500	-	-	-	55,631	63,131
Accrued interest receivable	671	2,436	-	-	-	3,107
Due from other funds	-	-	4,542	14,626	-	19,168
Prepaid expenses	-	15,459	-	-	-	15,459
Total Assets	809,001	1,998,153	40,195	202,978	245,780	3,296,107
<b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES</b>						
Accrued expenses	101,304	75,595	-	-	-	176,899
Total Liabilities	101,304	75,595	-	-	-	176,899
<b>FUND EQUITY</b>						
Nonspendable						
Prepaid expenses	-	15,459	-	-	-	15,459
Assigned for special revenue purposes	707,697	1,907,099	40,195	202,978	-	2,857,969
Assigned for capital project purposes	-	-	-	-	245,780	245,780
Total Fund Equity	707,697	1,922,558	40,195	202,978	245,780	3,119,208
Total Liabilities and Fund Equity	\$ 809,001	\$ 1,998,153	\$ 40,195	\$ 202,978	\$ 245,780	\$ 3,296,107

**CITY OF SEDALIA, MISSOURI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED MARCH 31, 2014**

	<u>Special Revenue Funds</u>	
	<u>Library</u>	<u>Park</u>
<b>REVENUES</b>		
Taxes	\$ 574,764	\$ 2,080,112
Intergovernmental	32,154	-
Charges for services	10,292	255,151
Miscellaneous	34,152	4,907
Total Revenues	<u>651,362</u>	<u>2,340,170</u>
<b>EXPENDITURES</b>		
Library	597,927	-
Park	-	1,630,969
Planning, building and economic development	-	-
Capital outlay	74,900	564,333
Debt service	-	-
Total Expenditures	<u>672,827</u>	<u>2,195,302</u>
Excess (Deficit) of Revenues over Expenditures	<u>(21,465)</u>	<u>144,868</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers in (out)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	(21,465)	144,868
Fund Balance, beginning of year	<u>729,162</u>	<u>1,777,690</u>
Fund Balance, end of year	<u>\$ 707,697</u>	<u>\$ 1,922,558</u>

<b>Special Revenue Funds</b>		<b>Capital Project</b>	<b>Totals (Memorandum Only)</b>
<b>Special Business District</b>	<b>Midtown Special Allocation</b>		
\$ 39,658	\$ 90,953	\$ -	\$ 2,785,487
1,659	-	112,404	146,217
-	-	-	265,443
1,485	193	59,867	100,604
42,802	91,146	172,271	3,297,751
-	-	-	597,927
-	-	-	1,630,969
25,018	613	77,704	103,335
4,000	-	168,677	811,910
-	-	-	-
29,018	613	246,381	3,144,141
13,784	90,533	(74,110)	153,610
-	-	(48,000)	(48,000)
-	-	(48,000)	(48,000)
13,784	90,533	(122,110)	105,610
26,411	112,445	367,890	3,013,598
\$ 40,195	\$ 202,978	\$ 245,780	\$ 3,119,208

**CITY OF SEDALIA, MISSOURI**  
**LIBRARY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED MARCH 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes				
Property	\$ 457,760	\$ 457,760	\$ 543,853	\$ 86,093
Payment in-lieu-of	320	320	417	97
Financial institution	2,375	2,375	3,641	1,266
Railroad and utilities	25,500	25,500	26,853	1,353
Total Taxes	<u>485,955</u>	<u>485,955</u>	<u>574,764</u>	<u>88,809</u>
Intergovernmental				
State and federal grants	10,055	10,055	32,154	22,099
Total Intergovernmental	<u>10,055</u>	<u>10,055</u>	<u>32,154</u>	<u>22,099</u>
Charges for Services				
Library fees	10,500	10,500	10,292	(208)
Total Charges for Services	<u>10,500</u>	<u>10,500</u>	<u>10,292</u>	<u>(208)</u>
Miscellaneous				
Interest	1,800	1,800	3,272	1,472
Miscellaneous	500	500	30,880	30,380
Total Miscellaneous	<u>2,300</u>	<u>2,300</u>	<u>34,152</u>	<u>31,852</u>
<b>TOTAL REVENUES</b>	<u>508,810</u>	<u>508,810</u>	<u>651,362</u>	<u>142,552</u>
<b>EXPENDITURES</b>				
Personnel services	307,990	314,990	330,296	(15,306)
Other charges and services	71,670	83,517	80,854	2,663
Operating supplies	89,180	91,480	78,042	13,438
Capital outlay	4,970	74,881	74,900	(19)
Debt service	35,000	108,735	108,735	-
<b>TOTAL EXPENDITURES</b>	<u>508,810</u>	<u>673,603</u>	<u>672,827</u>	<u>776</u>
Excess (Deficit) of Revenues over Expenditures	-	(164,793)	(21,465)	<u>\$ 143,328</u>
Fund Balance, beginning of year	<u>729,162</u>	<u>729,162</u>	<u>729,162</u>	
Fund Balance, end of year	<u>\$ 729,162</u>	<u>\$ 564,369</u>	<u>\$ 707,697</u>	

**CITY OF SEDALIA, MISSOURI**  
**PARK FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**YEAR ENDED MARCH 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes				
Property	\$ 394,000	\$ 394,000	\$ 419,363	\$ 25,363
Payment in-lieu-of	-	-	221	221
Railroad and utility	18,000	18,000	15,042	(2,958)
General sales	1,675,000	1,675,000	1,645,486	(29,514)
Total Taxes	<u>2,087,000</u>	<u>2,087,000</u>	<u>2,080,112</u>	<u>(6,888)</u>
Charges for Services				
Park and recreation fees	237,000	237,000	255,151	18,151
Total Charges for Services	<u>237,000</u>	<u>237,000</u>	<u>255,151</u>	<u>18,151</u>
Miscellaneous				
Interest	5,000	5,000	2,823	(2,177)
Miscellaneous	5,000	5,000	2,084	(2,916)
Total Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>4,907</u>	<u>(5,093)</u>
<b>TOTAL REVENUES</b>	<u>2,334,000</u>	<u>2,334,000</u>	<u>2,340,170</u>	<u>6,170</u>
<b>EXPENDITURES</b>				
Personnel services	1,027,078	1,027,078	901,909	125,169
Other charges and services	448,300	448,300	450,869	(2,569)
Operating supplies	301,700	301,700	278,191	23,509
Capital outlay	556,922	556,922	564,333	(7,411)
<b>TOTAL EXPENDITURES</b>	<u>2,334,000</u>	<u>2,334,000</u>	<u>2,195,302</u>	<u>138,698</u>
Excess (Deficit) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>144,868</u>	<u>(132,528)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>144,868</u>	<u>\$ (132,528)</u>
Fund Balance, beginning of year	<u>1,777,690</u>	<u>1,777,690</u>	<u>1,777,690</u>	
Fund Balance, end of year	<u>\$ 1,777,690</u>	<u>\$ 1,777,690</u>	<u>\$ 1,922,558</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 38,200	\$ 38,200	\$ 39,410	\$ 1,210
Financial institution	1,000	1,000	248	(752)
Total Taxes	<u>39,200</u>	<u>39,200</u>	<u>39,658</u>	<u>458</u>
Intergovernmental				
State and federal grants	-	-	1,659	1,659
Total Intergovernmental	<u>-</u>	<u>-</u>	<u>1,659</u>	<u>1,659</u>
Miscellaneous				
Interest	50	50	27	(23)
Miscellaneous	4,500	4,500	1,458	(3,042)
Total Miscellaneous	<u>4,550</u>	<u>4,550</u>	<u>1,485</u>	<u>(3,065)</u>
TOTAL REVENUES	<u>43,750</u>	<u>43,750</u>	<u>42,802</u>	<u>(948)</u>
EXPENDITURES				
Other charges and services	31,180	31,180	23,518	7,662
Operating supplies	1,500	1,500	1,500	-
Capital outlay	4,000	4,000	4,000	-
TOTAL EXPENDITURES	<u>36,680</u>	<u>36,680</u>	<u>29,018</u>	<u>7,662</u>
Excess (Deficit) of Revenues over Expenditures	7,070	7,070	13,784	<u>\$ 6,714</u>
Fund Balance, beginning of year	<u>26,411</u>	<u>26,411</u>	<u>26,411</u>	
Fund Balance, end of year	<u>\$ 33,481</u>	<u>\$ 33,481</u>	<u>\$ 40,195</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes				
Property	\$ 32,000	\$ 32,000	\$ 90,953	\$ 58,953
Total Taxes	<u>32,000</u>	<u>32,000</u>	<u>90,953</u>	<u>58,953</u>
Miscellaneous				
Interest income	100	100	193	93
Total Miscellaneous	<u>100</u>	<u>100</u>	<u>193</u>	<u>93</u>
 Total Revenues	 <u>32,100</u>	 <u>32,100</u>	 <u>91,146</u>	 <u>59,046</u>
<b>EXPENDITURES</b>				
Other charges and services	134,000	134,000	613	133,387
Total Expenditures	<u>134,000</u>	<u>134,000</u>	<u>613</u>	<u>133,387</u>
Excess (Deficit) of Revenues over Expenditures	<u>(101,900)</u>	<u>(101,900)</u>	<u>90,533</u>	<u>192,433</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	<u>(101,900)</u>	<u>(101,900)</u>	<u>90,533</u>	<u>\$ 192,433</u>
Fund Balance, beginning of year	<u>112,445</u>	<u>112,445</u>	<u>112,445</u>	
Fund Balance, end of year	<u>\$ 10,545</u>	<u>\$ 10,545</u>	<u>\$ 202,978</u>	

**CITY OF SEDALIA, MISSOURI  
CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental				
State and federal grants	\$ 951,518	\$ 951,518	\$ 112,404	\$ (839,114)
Total Intergovernmental	<u>951,518</u>	<u>951,518</u>	<u>112,404</u>	<u>(839,114)</u>
Miscellaneous				
Interest income	300	300	398	98
Miscellaneous	284,280	284,280	59,469	(224,811)
Total Miscellaneous	<u>284,580</u>	<u>284,580</u>	<u>59,867</u>	<u>(224,713)</u>
Total Revenues	<u>1,236,098</u>	<u>1,236,098</u>	<u>172,271</u>	<u>(1,063,827)</u>
<b>EXPENDITURES</b>				
Other charges and services	-	-	77,704	(77,704)
Capital outlay	1,184,794	1,184,794	168,677	1,016,117
Total Expenditures	<u>1,184,794</u>	<u>1,184,794</u>	<u>246,381</u>	<u>938,413</u>
Excess (Deficit) of Revenues over Expenditures	<u>51,304</u>	<u>51,304</u>	<u>(74,110)</u>	<u>(125,414)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	(48,000)	(48,000)	(48,000)	-
Total Other Financing Sources (Uses)	<u>(48,000)</u>	<u>(48,000)</u>	<u>(48,000)</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	3,304	3,304	(122,110)	<u>\$ (125,414)</u>
Fund Balance, beginning of year	<u>367,890</u>	<u>367,890</u>	<u>367,890</u>	
Fund Balance, end of year	<u>\$ 371,194</u>	<u>\$ 371,194</u>	<u>\$ 245,780</u>	

SUPPLEMENTARY INDIVIDUAL FUND  
FINANCIAL SCHEDULE

Capital Projects Fund #2  
General Fund

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

**CITY OF SEDALIA, MISSOURI  
CAPITAL PROJECT FUND #2  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes				
Sales	\$ 1,687,400	\$ 1,687,400	\$ 1,731,876	\$ 44,476
Franchise	45,000	45,000	45,000	-
Total Taxes	<u>1,732,400</u>	<u>1,732,400</u>	<u>1,776,876</u>	<u>44,476</u>
Miscellaneous				
Rental income	4,000	4,000	4,000	-
Interest income	5,615	5,615	9,666	4,051
Total Miscellaneous	<u>9,615</u>	<u>9,615</u>	<u>13,666</u>	<u>4,051</u>
Total Revenues	<u>1,742,015</u>	<u>1,742,015</u>	<u>1,790,542</u>	<u>48,527</u>
<b>EXPENDITURES</b>				
Other charges and services	112,100	112,100	63,324	48,776
Capital outlay	8,467,856	8,467,856	6,557,345	1,910,511
Debt service	1,176,237	1,176,237	1,168,970	7,267
Total Expenditures	<u>9,756,193</u>	<u>9,756,193</u>	<u>7,789,639</u>	<u>1,966,554</u>
Excess (Deficit) of Revenues over Expenditures	<u>(8,014,178)</u>	<u>(8,014,178)</u>	<u>(5,999,097)</u>	<u>2,015,081</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	40,000	40,000	40,000	-
Total Other Financing Sources (Uses)	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	<u>(7,974,178)</u>	<u>(7,974,178)</u>	<u>(5,959,097)</u>	<u>\$ 2,015,081</u>
Fund Balance, beginning of year	<u>9,483,755</u>	<u>9,483,755</u>	<u>9,483,755</u>	
Fund Balance, end of year	<u>\$ 1,509,577</u>	<u>\$ 1,509,577</u>	<u>\$ 3,524,658</u>	

**CITY OF SEDALIA, MISSOURI  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
<b>Taxes</b>				
Property	\$ 1,134,000	\$ 1,134,000	\$ 1,205,552	\$ 71,552
Interest and penalties	30,000	30,000	46,479	16,479
Payment-in-lieu-of taxes	600	600	635	35
Railroad and utilities	55,000	55,000	43,253	(11,747)
Financial institution	7,994	7,994	12,796	4,802
General sales	6,800,000	6,800,000	6,774,586	(25,414)
Franchise	2,305,000	2,305,000	2,466,951	161,951
Cigarette	113,000	113,000	105,118	(7,882)
<b>Total Taxes</b>	<u>10,445,594</u>	<u>10,445,594</u>	<u>10,655,370</u>	<u>209,776</u>
<b>Licenses and Permits</b>				
Occupational	349,062	349,062	326,800	(22,262)
Building	180,500	180,500	110,016	(70,484)
Street cuts	4,500	4,500	12,000	7,500
Other licenses	9,700	9,700	3,573	(6,127)
<b>Total Licenses and Permits</b>	<u>543,762</u>	<u>543,762</u>	<u>452,389</u>	<u>(91,373)</u>
<b>Intergovernmental</b>				
State gasoline tax	550,000	550,000	542,685	(7,315)
Motor vehicle sales tax	220,000	220,000	242,115	22,115
State and federal grants	36,500	36,500	119,591	83,091
<b>Total Intergovernmental</b>	<u>806,500</u>	<u>806,500</u>	<u>904,391</u>	<u>97,891</u>
<b>Charges for Services</b>				
Sanitation fees	1,200,000	1,200,000	1,203,753	3,753
Community center fees	16,500	16,500	19,985	3,485
Cemetery fees and lot sales	100,000	100,000	114,343	14,343
Airport fees	507,900	507,900	349,620	(158,280)
<b>Total Charges for Services</b>	<u>1,824,400</u>	<u>1,824,400</u>	<u>1,687,701</u>	<u>(136,699)</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES (cont'd)				
Fines and Forfeitures	206,000	206,000	177,425	(28,575)
Total Fines and Forfeitures	<u>206,000</u>	<u>206,000</u>	<u>177,425</u>	<u>(28,575)</u>
Miscellaneous				
Interest income	30,500	30,500	23,616	(6,884)
Rental income	46,200	46,200	49,478	3,278
Private grants and contributions	566,000	566,000	578,000	12,000
Miscellaneous	123,300	123,300	228,009	104,709
Total Miscellaneous	<u>766,000</u>	<u>766,000</u>	<u>879,103</u>	<u>113,103</u>
 TOTAL REVENUES	 <u>14,592,256</u>	 <u>14,592,256</u>	 <u>14,756,379</u>	 <u>164,123</u>
EXPENDITURES				
General and Administrative				
Administrative				
Personnel services	676,970	752,616	745,220	7,396
Other charges and services	265,285	265,285	257,515	7,770
Operating supplies	19,900	19,900	14,117	5,783
Total Administrative	<u>962,155</u>	<u>1,037,801</u>	<u>1,016,852</u>	<u>20,949</u>
Finance				
Personnel services	403,225	403,225	336,045	67,180
Other charges and services	117,315	117,315	121,602	(4,287)
Operating supplies	2,300	2,300	2,065	235
Total Finance	<u>522,840</u>	<u>522,840</u>	<u>459,712</u>	<u>63,128</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (cont'd)				
Records				
Personnel services	137,455	137,455	136,779	676
Other charges and services	31,600	31,600	29,947	1,653
Repairs and maintenance	1,100	1,100	960	140
Total Records	<u>170,155</u>	<u>170,155</u>	<u>167,686</u>	<u>2,469</u>
Code Enforcement				
Personnel services	474,942	474,942	425,811	49,131
Other charges and services	49,680	49,680	40,752	8,928
Repairs and maintenance	12,900	12,900	14,091	(1,191)
Total Code Enforcement	<u>537,522</u>	<u>537,522</u>	<u>480,654</u>	<u>56,868</u>
Building Maintenance				
Personnel services	270,810	270,810	262,927	7,883
Other charges and services	55,180	55,180	56,459	(1,279)
Operating supplies	8,100	8,100	8,590	(490)
Repairs and maintenance	11,000	11,000	1,123	9,877
Total Building Maintenance	<u>345,090</u>	<u>345,090</u>	<u>329,099</u>	<u>15,991</u>
Total General and Administrative	<u>2,537,762</u>	<u>2,613,408</u>	<u>2,454,003</u>	<u>159,405</u>
Sanitation				
Personnel services	851,455	851,455	839,239	12,216
Other charges and services	62,900	62,900	63,588	(688)
Operating supplies	430,200	430,200	431,219	(1,019)
Total Sanitation	<u>1,344,555</u>	<u>1,344,555</u>	<u>1,334,046</u>	<u>10,509</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (cont'd)				
Public Safety				
Police				
Personnel services	3,467,650	3,467,650	3,326,999	140,651
Other charges and services	324,970	324,970	310,236	14,734
Operating supplies	178,500	178,500	207,751	(29,251)
Total Police	<u>3,971,120</u>	<u>3,971,120</u>	<u>3,844,986</u>	<u>126,134</u>
Fire				
Personnel services	2,368,450	2,424,250	2,406,062	18,188
Other charges and services	111,480	111,480	111,287	193
Operating supplies	43,300	43,300	39,763	3,537
Total Fire	<u>2,523,230</u>	<u>2,579,030</u>	<u>2,557,112</u>	<u>21,918</u>
Cemetery				
Personnel services	271,675	271,675	252,466	19,209
Other charges and services	17,570	17,570	18,332	(762)
Operating supplies	12,800	12,800	12,032	768
Total Cemetery	<u>302,045</u>	<u>302,045</u>	<u>282,830</u>	<u>19,215</u>
Total Public Safety	<u>6,796,395</u>	<u>6,852,195</u>	<u>6,684,928</u>	<u>167,267</u>
Transportation				
Streets and Alleys				
Personnel services	1,416,554	1,418,154	1,365,822	52,332
Other charges and services	661,375	687,835	734,352	(46,517)
Operating supplies	438,200	444,200	435,191	9,009
Total Streets and Alleys	<u>2,516,129</u>	<u>2,550,189</u>	<u>2,535,365</u>	<u>14,824</u>
Airport				
Personnel services	178,585	178,585	184,565	(5,980)
Other charges and services	39,810	39,810	50,146	(10,336)
Operating supplies	451,000	451,000	340,248	110,752
Total Airport	<u>669,395</u>	<u>669,395</u>	<u>574,959</u>	<u>94,436</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Total Transportation	3,185,524	3,219,584	3,110,324	109,260
Cultural Parks and Recreation Community Center				
Other charges and services	33,550	33,550	31,629	1,921
Operating supplies	1,800	1,800	1,711	89
Total Community Center	<u>35,350</u>	<u>35,350</u>	<u>33,340</u>	<u>2,010</u>
Capital Expenditures				
Capital outlay	1,807,577	1,807,577	1,485,393	322,184
Total Capital Expenditures	<u>1,807,577</u>	<u>1,807,577</u>	<u>1,485,393</u>	<u>322,184</u>
Debt Service				
Total Debt Service	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>15,707,163</u>	<u>15,872,669</u>	<u>15,102,034</u>	<u>770,635</u>
Excess (Deficit) of Revenues over Expenditures	(1,114,907)	(1,280,413)	(345,655)	934,758
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	593,390	593,390	604,115	10,725
Total Other Financing Sources (Uses)	<u>593,390</u>	<u>593,390</u>	<u>604,115</u>	<u>10,725</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	(521,517)	(687,023)	258,460	<u>\$ 945,483</u>
Fund Balance, beginning of year	<u>8,623,204</u>	<u>8,623,204</u>	<u>8,623,204</u>	
Fund Balance, end of year	<u>\$ 8,101,687</u>	<u>\$ 7,936,181</u>	<u>\$ 8,881,664</u>	

**COMBINING FINANCIAL STATEMENTS**

**Fiduciary Funds**

**CITY OF SEDALIA, MISSOURI**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED MARCH 31, 2014**

	Private Purpose Trust	Pension Trust		Agency Fund	Total
	Cemetery	Firemen's Pension	Police Pension	Deferred Compensation	
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 189,839	\$ 247,125	\$ -	\$ 436,964
Investments					
U.S. Government securities	-	592,029	-	-	592,029
Corporate debt and equity	-	6,483,288	3,017,480	2,244,478	11,745,246
Other investments	-	19,497	1,058	-	20,555
Total investments	-	7,094,814	3,018,538	2,244,478	12,357,830
Total Assets	-	7,284,653	3,265,663	2,244,478	12,794,794
<b>LIABILITIES</b>					
Refundable contributions	-	1,824,913	275,673	-	2,100,586
Total Liabilities	-	1,824,913	275,673	-	2,100,586
<b>NET POSITION</b>					
Held in trust for pension benefits and other purposes	\$ -	\$ 5,459,740	\$ 2,989,990	\$ 2,244,478	\$ 10,694,208

**CITY OF SEDALIA, MISSOURI**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED MARCH 31, 2014**

	<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	\$ -	\$ 133,581	\$ 244,533	\$ -	\$ 378,114
Employer/employee	-	253,804	37,000	158,482	449,286
Miscellaneous	-	528	3,336	-	3,864
Total contributions	-	387,913	284,869	158,482	831,264
Investment earnings					
Investment income	-	212,772	36,087	281,061	529,920
Net increase (decrease) in fair value of investments	-	747,940	179,917	-	927,857
Net investment earnings	-	960,712	216,004	281,061	1,457,777
Total Additions	-	1,348,625	500,873	439,543	2,289,041
<b>DEDUCTIONS</b>					
Pension expense	-	629,000	498,897	138,223	1,266,120
Insurance	-	32,632	-	-	32,632
Administrative fees	-	47,373	24,245	15,820	87,438
Pension refunds	-	-	299	-	299
Miscellaneous	-	14,903	7,467	-	22,370
Transfer to General Fund	321,115	-	-	-	321,115
Total Deductions	321,115	723,908	530,908	154,043	1,729,974
Change in net position	(321,115)	624,717	(30,035)	285,500	559,067
Net position, beginning of year	321,115	4,835,023	3,020,025	1,958,978	10,135,141
Net position, end of year	\$ -	\$ 5,459,740	\$ 2,989,990	\$ 2,244,478	\$ 10,694,208

## **COMPLIANCE AND INTERNAL CONTROL**



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

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

PARTNERS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sedalia, Missouri (the "City"), as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 30, 2014.

Internal Control Over Financial Reporting

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

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

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

#### Compliance and Other Matters

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

#### Purpose of this Report

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



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

July 30, 2014