

*City of*

Mainstreet of the Midwest

**MEXICO**  
MISSOURI

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2010**

**CITY OF MEXICO, MISSOURI**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2010**

**Prepared By:**  
**Administrative Services Department**  
**Roger Haynes**  
**Administrative Services Director**

**CITY OF MEXICO, MISSOURI  
AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	i - viii
GFOA Certificate of Achievement	ix
Organizational Chart	x
List of Principal Officers	xi
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 14
Basic Financial Statements:	
Government-Wide:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Proprietary Funds:	
Statement of Net Assets	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets	22
Statement of Cash Flows	23
Notes to Basic Financial Statements	24 - 45
Required Supplementary Information:	
Budgetary Comparison Schedules-Major Governmental Funds:	
General Fund	46
Parks and Recreation Fund	47
Public Health Fund	48
Sales Tax Fund	49
Mid-America Brick NID Fund	50
Community Development Grants Fund	51
Notes to the Required Supplementary Information	52
Modified Approach to Reporting Infrastructure Assets	53 - 54
Pension Plan - Trend Information	55

**TABLE OF CONTENTS– continued**

Supplementary Information:	
Description of Non-Major Funds	56
Non-Major Governmental Funds:	
Combining Balance Sheet	57
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	58
Budgetary Comparison Schedules-Non-major Governmental Funds:	
Airport Fund	59
Economic Development Fund	60
Tourism Tax Fund	61
Community Development Fund	62
Capital Improvement Sales Tax Fund	63
Department of Natural Resources Energy Grant Fund	64
Roads and Other Funds	65
Cemetery Perpetual Fund	66

**STATISTICAL SECTION (Unaudited)**

Table of Contents for Statistical Section	67
Net Assets by Component – Last Seven Fiscal Years	68
Changes in Net Assets – Last Seven Fiscal Years	69 - 70
Fund Balances, Governmental Funds – Last Ten Fiscal Years	71
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years	72 – 73
Property Tax Levies and Collections – Last Ten Fiscal Years	74
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	75
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	76
Principal Property Tax Payers – Current Year and Nine Years Ago	77
Taxable Sales by Category	78
Direct and Overlapping Sales Tax Rates – Last Ten Fiscal Years	79
Principal Sales Tax Remitters – Current Year and Nine Years Ago	80
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	81
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	82
Direct and Overlapping Governmental Activities Debt	83
Legal Debt Margin Information – Last Ten Fiscal Years	84
Pledged-Revenue Coverage – Last Ten Fiscal Years	85
Demographic and Economic Statistics – Last Ten Calendar Years	86
Principal Employers – Current Year and Ten Years Ago	87
Full-time Equivalent City Government Employees by Function/Program – Last Ten Fiscal Years	88
Operating Indicators by Function/Program – Last Ten Fiscal Years	89
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	90

**SINGLE AUDIT REPORTS**

Report on Compliance and on Internal Control over Financial Reporting	91 – 92
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance	93 – 94
Schedule of Findings and Questioned Costs	95 - 96
Summary Schedule of Prior Year's Audit Findings	97
Schedule of Expenditures of Federal Awards	98

## **INTRODUCTORY SECTION**

*All Missouri Certified City*

*Administrative Services Department  
300 N. Coal  
Mexico, Missouri 65265  
www.mexicomissouri.net*



*Tree City U.S.A.*

*Voice: (573) 581-2100  
Fax: (573) 581-6261*

January 11, 2011

Honorable Mayor, City Council and City Manager  
City of Mexico, Missouri

Transmitted herewith is the annual financial report for the City of Mexico, Missouri (the City) for the fiscal year ended September 30, 2010. This report was prepared by the City's Administrative Service Department, which is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation of financial statements, supporting schedules and statistical tables, including all disclosures. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

For purposes of preparing this comprehensive annual financial report, all funds that are controlled by or dependent on the City of Mexico are included. This comprises such services as public safety, public works, parks and recreation, community development, economic development, sanitary sewerage utility, aviation, and sanitary landfill disposal of refuse. The Governmental Accounting Standards Board (GASB) has established the criteria to determine the financial reporting entity for a municipal government's financial report. Therefore, the City used these criteria to examine the relationship of the City to other associated but legally separate entities, to determine if their inclusion in the report would be necessary to fairly represent the financial position of the City. Based on these criteria, the City does disclose one legally separate organization, the Missouri Plant Science Center (MPSC), as a joint venture within this report. The MPSC's operating agreement was formalized and signed during the last month of the 2009 fiscal year and the newly formed joint venture company, for which the City of Mexico is one of three members, does not have any financial information to disclose within this year's report.

Statistics pertaining to the Mexico Public School District Number 59 and Audrain County are also contained in this report. However, it should be clearly noted these self-governed entities are not part of the City of Mexico, and are excluded from the Introductory and Financial Sections.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. Our MD&A complements this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The City of Mexico, the county seat of Audrain County, is incorporated as a third-class city under the Missouri statutes utilizing the Council-Manager form of government since 1949. In accordance with these statutes, the registered voters within the City elect five council members on an at-large nonpartisan basis serving three year staggered terms. The City Council appoints a City Manager to serve as the chief administrative officer to the City.

The City encompasses approximately 4.5-square miles and is centrally located within the State and is well served by State Highway 54 and located eighteen miles north of one of the nation's busiest Interstates, I-70.

The City of Mexico provides a full range of services including police and fire protection, construction and maintenance of streets and other infrastructure; and recreational and cultural activities through the parks system. The City also operates an airport, animal shelter, cemetery, wastewater treatment facility, and provides residential sanitation services. For financial reporting purposes, all funds and trusts involved in the provision of these services are included if the City is financially accountable.

Utility service in the City is mixed between public and private companies. Sanitary sewerage and Residential Refuse services are provided by the City. Water is supplied by Missouri American Water and two Public Water Supply Districts. Electricity is supplied to the City by both Ameren and Consolidated Electric Cooperative. Natural gas is provided by Ameren. Both traditional and cellular phone service is provided by several companies. Commercial Refuse service is provided by a number of local and non-local suppliers.

All major commercial television networks, independent local stations as well as public television, and one cable television company service the City, and a number of AM and FM stations broadcast throughout the area.

In addition to the St. Louis Post Dispatch daily newspaper, the City is served by the Mexico Ledger and Columbia Tribune.

## **EDUCATION**

The City of Mexico has within its boundaries one public school, one parochial school, one vocational school, a technical college, and one military academy. The public school, Mexico School District #59, has the largest enrollment of students, which as of this report totaled 2,417. The Advanced Technology Center is a two year college and enrolls approximately 550 students per semester. The ATC provides educational opportunities in nursing, photonics, information systems, and nuclear technology. The Missouri Military Academy, which has resided in Mexico for over one-hundred years, provides accelerated learning opportunities for young men from grades 6 through 12 and is recognized for its one hundred percent college graduate placement record.

## **RECREATION AND CULTURAL FACILITIES**

The City of Mexico has eleven developed park areas encompassing approximately 450 acres of park land. Park amenities include adult softball fields, soccer fields, lighted tennis courts, swimming pool, outdoor basketball courts, picnic shelters, bike, walking and hiking trails, a skate park, horseshoe pits, RV camping areas, multiple playground units, and over 100 acres of well stocked fishing lakes.

Both the City Council and Park Board continue to support significant improvements to existing parks and recreation facilities. These projects are funded through user fees, sales tax, and property taxes.

The City of Mexico is home of the Miss Missouri Pageant, which takes place during the first week of June each year. Year 2010 represented the fortieth pageant in Mexico and qualified another outstanding candidate to participate in the Miss America Pageant in Atlantic City. The City also provides cultural activities and historical perspective through the Presser Performing Arts Center and the Audrain County Historical Museum. The Presser Performing Arts Center provides venue for a pre-professional dance programs, various theatre productions, musical productions, lecture series for both youth and adults, and art workshops and classes.

The Audrain County Historical Museum, which is located within the setting of R. S. Green Park, provides a terrific learning experience for those who wish to obtain a flavor for the County's rich heritage in agriculture, horses, and fire brick manufacturing.

## **ECONOMIC CONDITION AND OUTLOOK**

As of September 30, 2010, local unemployment is 9.20%, which compares favorably to the State of Missouri unemployment rate of 9.60% and closely parallels that of the national unemployment rate. Though economy has slowed, City and County officials continue to seek new avenues for job creation and improved retail sales. With the prospect of the state-of-the-art Plant Science Research Center and a face brick manufacturing plant being close to fruition, more than one hundred excellent employment opportunities are on the horizon.

Assessed real estate value in Mexico decreased in fiscal year 2010 as compared to fiscal year 2009, but still remained four percent above fiscal year 2008 assessed values. The decrease in total valuation can be directly tied to a decline in personal property value. Adjustments in the overall tax levy was increased by three cents per one hundred dollar of assessed valuation for fiscal year 2010 to keep the overall mill rate revenue neutral as compared to the preceding fiscal year. A 10-year historical summary of property growth and the relation to assessed value is provided in the statistical section of this report.

As of the date of this report, the City of Mexico has noted that assessed values for personal property dropped for the upcoming fiscal year 2011. In response to the overall drop in assessment value, the City made necessary adjustments to the property tax levy again to keep revenue neutral with fiscal year 2011 in order to meet ongoing service and operational needs.

## **MAJOR INITIATIVES**

Council and City Management places on top of the City's agenda: expansion of arterial roads, wastewater treatment plant improvements, new business development, residential development, airport runway improvements, and quality of life issues to meet the current and future needs of its citizens and visitors.

The following summary is being provided so that the reader can get a quick overview of initiatives realized from year 2007 and forward.

The most sizeable grant project for fiscal year 2007 entailed a \$1,980,000 Federal pass through grant administered through the Missouri Department of Transportation for the reconstruction of twelve thousand feet of railroad for use by a Mexico employer, Rapid Set Concrete, Inc. (a.k.a. CTS). This grant will be referred to as the Arthur Branch Spur project within this report and this renovated rail system is not a City owned asset. This grant was closed out in fiscal year 2010.

During the course of 2007, the City of Mexico retained and assisted in the expansion of two local businesses by making Chapter 100 Financing available. The first business, Graf & Sons, Inc., which has been in the firearms reloading supplies distribution business for several years, elected to build a new distribution warehouse and expand their employment base. The City of Mexico, through incentives inherent with Chapter 100 Financing, was able to provide Graf & Sons \$900,000 to build the new facility.

A second business, Metro-Soft, Inc. elected to keep their presence in Mexico after being spun off through a business acquisition transaction. Retaining their presence in the community was due much in part to the excellent employment workforce combined with the availability of Chapter 100 financing. The company, which distributes upper scale household complements such as rugs, pillows, and clothing, acquired \$2,000,000 for the reconstruction of an existing building to make it a viable distribution facility. The Chapter 100 offer allowed the City of Mexico to retain more than one hundred jobs that might have been lost otherwise.

In 2008, 2009, and 2010, the City of Mexico utilized 2006 non-primary entitlement grant funds to begin the design phase for a new Airport Terminal. The City of Mexico retained the engineering services of Bucher-Willis-Ratliff to design a 2200 square foot Terminal facility. The City completed construction of the new facility in September of the 2010 fiscal year. The building phase was funded largely in part (95%) through 2006, 2007, 2008, 2009 non-primary entitlement grant funds with the remaining cost being funded by Capital Improvement Sales Tax revenue. The terminal improvement cost \$511,000.

In addition to a new Airport Terminal, remaining non-primary entitlement grant funds in the approximate amount of \$146,232 will be utilized to widen certain taxi-lanes approaching the runway area and make apron repairs. This project is anticipated to be complete by fiscal year end 2011.

During 2008 and 2009, the City of Mexico began the process of assessing improvement needs to the wastewater treatment plant, which had not seen any significant capital improvements since 1991. A professional engineering firm, Horner & Shifrin, Inc. out of the St. Louis area provided a report to the City of Mexico documenting \$12.6 million of improvements needed within a five year window to meet upcoming Department of Natural Resources wastewater treatment requirements.

In April of 2009, voters approved for the City a Wastewater Treatment Improvement Bond in the amount of \$16 million dollars. With the Revenue Bond amount being approved by voters, the City of Mexico submitted documents to the Missouri Department of Natural Resources to apply for grant funds and acceptance into the State Revolving Loan Fund Program in order to receive financing at a rate as much as seventy percent below regular market rates.

To further expedite the process and enhance the City's chance to obtain possible grant funds through stimulus package funding, the City of Mexico borrowed \$500,000 in September of 2009 through a Revenue Anticipation Note for design engineering through the engineering firm of Horner & Shifrin.

In May of 2010, with no revolving funds being available through the State of Missouri, the City of Mexico issued \$5,765,000 in Sewerage System Revenue Bonds. The City issued \$595,000 as tax exempt bonds and \$5,170,000 was issued as taxable Build America Bonds. These bond issuances represented funds to complete Phase I of three phases to make wastewater treatment improvements and pay off the City's previously obtained \$500,000 Revenue Anticipation Note. These two revenue bonds have amortizations periods of six and thirty years, respectively, and are described in more detail within the financial section of this year's report.

During the latter part of fiscal year 2009, the City of Mexico entered into a Joint Venture Company to organize the establishment and operation of an incubator type business facility providing opportunities in

light and pilot-scale manufacturing involving agriculture/biotechnology utilizing plant-based products.

The members of the Joint Venture overseeing the project, known as the Plant Science Research Center, include the City of Mexico, Missouri Technology Corporation, and the Curators of the University of Missouri. This project, which is currently under construction, is anticipated to be a multi-million dollar operation and is expected to provide excellent future economic benefits to the community. The Joint Venture has received financial support commitments from the Missouri Department of Economic Development through various State and Federal Grants.

The City of Mexico is Administrator for \$6,000,000 in three grants related to the Plant Science Research Center, from construction of the building to necessary infrastructure development. A \$4,000,000 construction grant was awarded and passed down through the State's Community Development Block Grant Program. This grant provides for land acquisition, facility construction, and legal costs associated with the Center's development.

A second grant administered by the City for the benefit of the Plant Science Research Center is in the amount of \$1,050,000. This grant also flows through the City from the Missouri Department of Economic Development via an Industrial Infrastructure Grant and Supplemental Disaster Funds. This grant will pay for certain street and infrastructure improvements to the Center such as water, sewer, electric, and gas.

The third grant obtained in connection to the Plant Science Research Center flows through the Missouri Department of Transportation (MoDot) and is in the amount of \$950,000. This grant provides funding to pave an existing gravel road, known as Audrain Road 820, leading to the Center. This road improvement will become an asset of the City of Mexico.

With the road and utility infrastructure in place, the City will be well positioned for more economic development opportunities along the City's southern corridor.

The operating agreement for the Joint Venture was not established and agreed upon until September, 2009. As of the date of this report, there is no financial information available to disclose within the CAFR.

Another large project in the works relates to redeveloping a closed refractory brick manufacturing facility, formerly known as A.P. Green Refractory, into a face brick manufacturing facility to be known as Mid America Brick. This new manufacturer of face brick is targeted to be in production by the third quarter of 2011 and will employ approximately seventy people once manufacturing is underway.

The City of Mexico, to make the revitalization possible, worked with M.A.B. to develop a Neighborhood Improvement District and issued \$1,930,000 in bonds during August of 2010. This NID loan is to be paid by M.A.B. through annual property tax assessments equal to annual debt service requirements. The NID is considered as a general obligation by the City and has a thirty year amortization. More detail on this NID is shown within the financial section of this report.

In addition to the NID, the City of Mexico was successful in obtaining three grants benefiting Mid America Brick's development. The combined value of the grants to M.A.B. equals \$1,850,000 and will be administered by the City of Mexico.

The first grant, as provided through the Missouri Department of Economic Development, is in the amount of \$250,000 and is identified as a forgivable loan for the benefit of M.A.B. M.A.B. must utilize the funds for equipment and/or facility improvements.

The second grant is also funded through the Missouri Department of Economic Development and is in the amount of \$1,000,000. This grant, known as an Action Grant, allows M.A.B. to borrow funds from the State well below market rates and will be utilized to purchase equipment. This grant was completed within fiscal year 2010.

The third grant, in the amount of \$600,000, is also funded through the Missouri Department of Economic Development. This grant will provide for certain road improvements leading into the face brick facility and will become an asset to the City of Mexico. This road construction project will begin in fiscal year 2011.

## **FINANCIAL INFORMATION**

### **Internal Budgeting Controls**

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the costs of control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, equities, revenues and expenditures, or expenses, as appropriate. The various funds are grouped by type in the financial statements.

The City of Mexico is considered a Phase III government under GASB guidelines. As a phase III entity, the City began in fiscal year ending September 2004 to report all funds, both general and proprietary, on an accrual basis.

Budgetary control is maintained at the activity level by the encumbrance of purchase orders with material balances before the release to vendors. Purchase orders which result in an overrun of activity balances are not released until alternative sources of payment are made available.

### **Cash Management**

The City's Finance Department strives to keep abreast of current trends and best practices of cash management and forecasting to insure efficient and profitable use of the City's cash resources. State statutes for third-class cities, however, do restrict the City's ability to incorporate as policy many investment methods.

All funds, except those restricted, constitute the pooled cash resources. Interest income is allocated to various funds based on their cash and investment balances. The pooled cash concept provides for investing larger amounts of funds to achieve more favorable interest rates and incorporates better liquidity for operational demands.

The City invested totally with local financial institutions in money market accounts. As of September 30, 2010, the City had pooled cash resources of \$9,914,632 consisting primarily of fully insured or security

collateralized money market accounts. The City, during fiscal year 2010, earned \$28,430 in interest income on all fund types and account groups. For additional information regarding investments and cash deposits, see financial statement Note 3.

### **Fund Balance Management**

The GFOA recommends that local governments maintain an unreserved fund balance in their general fund between 5% and 15% of regular general fund operating revenues. The City of Mexico follows this recommended practice in the development of its annual budget.

The City of Mexico targets similar unreserved balances, 5% to 15%, of regular operating revenues when developing budget for other Special Revenue Funds such as the Parks and Recreation Fund and Public Health Fund, to remain flexible in operations given unforeseen events or changes in economic conditions.

The City of Mexico opts to reserve 90 days and 60 days, respectively, of operating cash, or approximately 25% and 17% of operating expenditures, in its two enterprise funds: wastewater operations and sanitation operations.

### **Risk Management**

Because cities have been placed in the high-risk category in recent years, insurance has become more difficult to obtain and, in general, more expensive. The City carries a variety of insurance coverage such as worker's compensation, hospital and medical, auto, general liability, police liability, airport liability, error and omissions blanket bond and collector/administrator honesty bonds, with cost of \$849,903 in 2010. All insurance coverage is periodically reviewed for cost and coverage.

### **Financial Trend Monitoring System**

Through the assembly and compilation of this report, the City has developed a Financial Trend Monitoring System that is used as a valuable tool in discovering existing problems previously not recognized. The monitoring system also assists in identifying emerging problems before they reach serious proportions. This system has also been used to present a clear picture of the City's financial strengths and weaknesses. In addition, the administration staff has developed tables of historical trends to better facilitate the projection of future budgets in a more concise form.

### **Long-term Financial Planning**

The City of Mexico is initiating a five-year capital improvement program to prioritize public projects, which will be scheduled over a number of years on a pay-as-you go basis, as financial resources are available. The City has utilized in the past Tax Increment Financing, General Obligation Bonds, Lease Purchase Agreements, and inter-governmental agreements to meet necessary community improvements and will continue to use these financing options in the future. The City always looks for creative funding solutions such as grants, cost sharing with other area governmental agencies, public-private cooperative efforts, and any other source of funding for projects that becomes available.

## **OTHER INFORMATION**

### **Independent Audit**

Although not mandated by Missouri law, an annual audit of the City's financial statements has been performed since 1950 by certified public accountants. The firm of Williams-Keepers LLC was contracted

to perform this audit. The audit was conducted in such a manner as to enable the accountants to form an opinion on the combined financial statements taken as a whole. Williams-Keepers have issued an unqualified (“clean”) opinion on the City’s general-purpose financial statements. An unqualified opinion is the best an organization can receive on its financial statements from an independent certified public accountant. It indicates that the auditor’s examination has disclosed no conditions, which cause them to believe that the general-purpose financial statements are not fairly stated in all material respects.

Their audit was made in accordance with U.S. generally accepted auditing standards. The report of the accountants has been included as part of this document.

### **Certificates of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the City of Mexico for its comprehensive annual financial report for the fiscal year ended September 30, 2009. This was the twenty-first consecutive year the City received this award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Concluding Comments**

The City’s greatest areas of need continue to be capital improvements and equipment replacement. The community has many infrastructure and reconstruction demands. These needs can only be met through increased local funding. Funds available for City services continue to be more difficult than in previous years. The City has targeted cutbacks of operating expenditures and works diligently to seek improvements that hold potential of increasing revenues. Finding new resources to meet the continued demand for services continues to be the number one priority in Mexico.

Preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated service of the entire finance department staff. I would like to express my appreciation to all members of the department who assisted and contributed to its preparation. Special thanks must be extended to the firm of Williams-Keepers, LLC for their thorough and competent service and cooperation in the conduct of the annual audit and assistance in making this report available.

Finally, I would like to express my thanks to you and the governing council for the interest and support displayed during the past fiscal year in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

  
Roger D. Haynes  
Administrative Services Director  
Assistant City Manager

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mexico  
Missouri

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



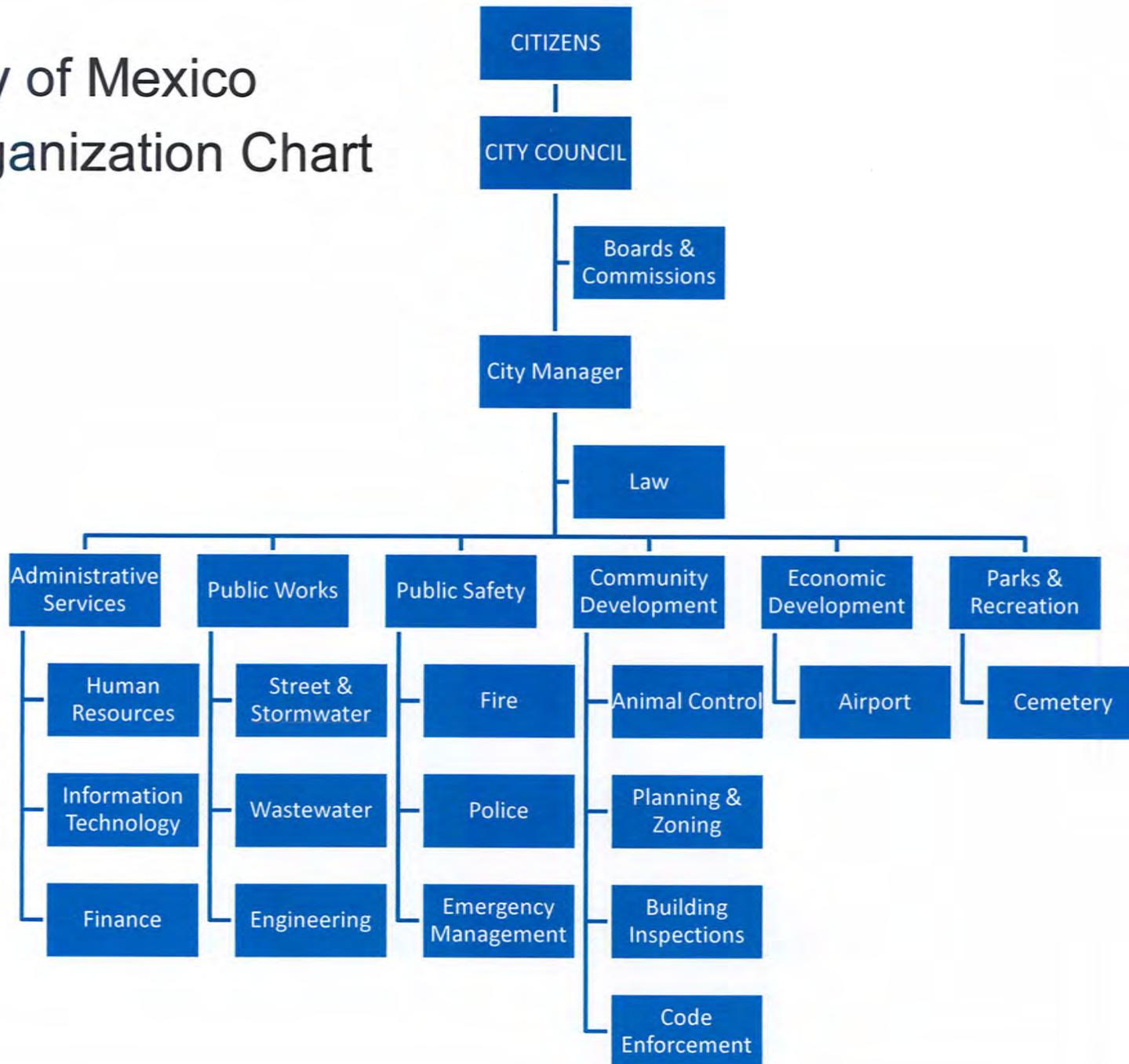
A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

# City of Mexico Organization Chart



CITY OF MEXICO, MISSOURI

PRINCIPAL OFFICERS

CITY COUNCIL

Ron Loesch, Mayor

Steve Nichols, Mayor Pro-tem

Dan Botts

Michael Myers

Chris Williams

ADMINISTRATION

Todd Thompson – City Manager

Roger D. Haynes – Administrative Services Director

Susan Rockett – Public Safety Director

Kensey Russell – Public Works Director

Rita Jackson – Community Development Director

Chad Shoemaker – Parks & Recreation Director

Russell Runge – Economic Development Director

Robert Fenlon – Municipal Court Judge

Jay Jacobi – Airport Manager

LEGAL COUNSEL

Lou Leonatti

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Williams-Keepers LLC

## **FINANCIAL SECTION**



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2005 West Broadway, Suite 100, Columbia, MO 65203  
OFFICE (573) 442-6171 FAX (573) 777-7800

3220 West Edgewood, Suite E, Jefferson City, MO 65109  
OFFICE (573) 635-6196 FAX (573) 644-7240

[www.williamskeepers.com](http://www.williamskeepers.com)

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council  
City of Mexico, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Mexico, Missouri (the City), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mexico, Missouri, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison information, and the modified approach to reporting infrastructure as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The supplementary information and schedule of expenditures of federal awards as listed in the table of contents are not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2011, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we express no opinion on them.

*Williams Keepers LLC*

January 11, 2011

## CITY OF MEXICO

### MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2010

As management of the City of Mexico, Missouri, we offer readers of the City of Mexico's financial statements this narrative overview and analysis of the financial activities of the City of Mexico for the fiscal year ended September 30, 2010. The City of Mexico, Missouri has prepared financial statements in accordance with the guidelines prescribed in the Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements – and management's Discussion and Analysis – for State and Local Governments* (GASB 34), since 2004. This discussion and analysis is meant to provide an objective and easily readable analysis of the City's financial activities based on current facts and conditions. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - viii of this report, and the accompanying basic financial statements.

#### Financial Highlights

- The assets of the City of Mexico exceeded its entity-wide liabilities at the close of the most recent fiscal year by \$55,811,081 on the entity-wide statements. Of this amount, \$48,559,246 represents investment in capital assets; \$1,316,515 is restricted and the remaining \$5,935,319 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,212,948. Of that total, \$80,264 is attributable to business-type activities, and \$2,132,684 is attributable to governmental activities.
- As of the close of the current fiscal year, the City of Mexico's governmental activities reported net assets of \$46,160,682 an increase of \$2,132,684 in comparison with the prior year. Of this total amount, \$40,527,934 represents investment in capital assets and \$4,827,107 is available for spending at the government's discretion (unrestricted net assets).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,773,700, or 54.86% of the total General Fund expenditures.
- The City of Mexico's total long term debt increased by \$7,760,471 or 527% during the current fiscal year. The key factors in this increase were issuances of Neighborhood Improvement District Special Assessment Bonds in the amount of \$1,930,000 and the issuance of Sewerage System Capital Improvement Revenue Bonds in the amount of \$5,765,000. Additional information on these new long term obligations can be found within the Long-Term Debt section of this report on (pages 36-38).
- The City of Mexico's other liabilities decreased by \$104,414 or 5.35% during the current fiscal year. The key factor in this decrease is related to the payoff of a Wastewater Fund Revenue Anticipation Note in the amount of \$386,033 through use of the proceeds from the 2010 Wastewater Capital Improvement Revenue Bonds.
- The City of Mexico utilized a combination of twelve State and Federal grants during fiscal year 2010, with approximately \$4,369,356 being expended and \$4,332,029 being reimbursed during the twelve-month period. Substantially all of the expenditures and reimbursements were attributable to the Missouri Plant Science Center construction/infrastructure improvement grants and a Mid-America Brick and Refractory Action Loan/Grant, which were in the amounts of \$2,978,152, and \$1,000,000 respectively.

## Overview of the Financial Statements

This MD&A is intended to introduce the City's basic financial statements. Basic financial statements include three major sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains supplementary information, the budgetary comparisons, to provide additional information that our readers can use to analyze the City's finances.

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

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

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as 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 future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City of Mexico that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that attempt to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mexico include general government and administration, public safety, public health, transportation, cultural, parks and recreation, and community development. The business-type activities of the City of Mexico include sanitation and wastewater operations.

The government-wide financial statements can be found on pages 15 - 16 of this report.

**Fund financial statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mexico, 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 of Mexico can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of monetary resources, as well as on balances of monetary 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 governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Mexico maintains fourteen individual 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, parks and recreation, public health, sales tax, Mid-America Brick NID, and community development grants funds which are considered to be major funds. Data from the other nine governmental 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 City of Mexico adopts an annual appropriated budget for its general fund. A budgetary comparison statement has also been provided for each governmental fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 17 - 20 of this report.

**Proprietary funds** - The City of Mexico maintains one type of proprietary fund, which contains two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Mexico uses enterprise funds to account for its sanitation 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 sanitation and wastewater funds, which are considered to be major funds of the City of Mexico.

The basic proprietary fund financial statements can be found on pages 21 - 23 of the report.

**Notes to the financial statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 45 of this report.

**Other information** – In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s budgetary compliance. Required supplementary information can be found on page 46 - 55 of this report.

The City uses the modified approach for capitalization of infrastructure assets on the street systems and calculates straight-line depreciation on all other infrastructure systems. Currently the assessed condition level of the assets reported under the modified approach is graded as 6.3. The City’s goal is that no street will fall below a condition index of 6, with the range from 6 to 7 being considered as “good condition”. There were no significant differences between the estimated annual amounts to maintain/preserve eligible infrastructure assets compared with the actual amounts spent during the year. Required supplementary information on the use of the modified approach can be found on pages 53 and 54 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 57 - 66 of this report.

## Government-wide Financial Analysis

### Statement of Net Assets

The following table reflects the condensed statement of net assets as of September 30:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 9,042,021	\$ 5,145,583	\$ 6,507,660	\$ 1,562,474	\$ 15,549,681	\$ 6,708,057
Capital assets	41,815,611	41,435,871	9,524,126	8,876,485	51,339,737	50,312,356
<b>Total assets</b>	<b>50,857,632</b>	<b>46,583,463</b>	<b>16,031,786</b>	<b>10,440,968</b>	<b>66,889,418</b>	<b>57,020,413</b>
Long-term obligations	3,183,579	1,207,128	6,048,316	264,296	9,231,895	1,471,424
Other liabilities	1,513,371	1,346,328	333,072	604,529	1,846,443	1,950,857
<b>Total liabilities</b>	<b>4,696,950</b>	<b>2,553,456</b>	<b>6,381,388</b>	<b>868,825</b>	<b>11,078,338</b>	<b>3,422,281</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	40,527,934	40,400,657	8,031,312	8,828,500	48,559,246	49,229,157
Restricted	805,641	411,321	510,874	25,383	1,316,515	436,704
Unrestricted	4,827,107	3,216,020	1,108,212	716,251	5,935,319	3,932,271
<b>Total net assets</b>	<b>\$ 46,160,682</b>	<b>\$ 44,027,998</b>	<b>\$ 9,650,398</b>	<b>\$ 9,570,134</b>	<b>\$ 55,811,080</b>	<b>\$ 53,598,132</b>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Mexico, assets exceeded liabilities by \$55,811,081 at the close of the most recent fiscal year. Net assets increased by \$2,212,948 for the current fiscal year over the prior fiscal year. Assets exceed liabilities by \$53,598,132 at the close of the prior fiscal year and net assets for that year decreased by \$250,776.

Governmental activities' assets constitute 76.03% of total assets and 91.12% of total net assets for the most recent fiscal year. Governmental activities' assets constituted 81.70% of total assets and 86.91% of total net assets in the prior fiscal year. The business-type activities constitute 23.97% of total assets, 57.60% of liabilities, and 17.29% of total net assets. The business-type activities constituted 18.31% of total assets, 25.39% of liabilities, and 17.86% of total net assets in the prior fiscal year.

By far the largest portion of the City of Mexico's net assets (\$48,559,246 or 87%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets, to provide services to citizens; consequently, these assets are not available for future spending. The City of Mexico's investment in capital assets in the prior year totaled \$49,229,157 or 91.85% of total net assets. Investment in capital assets decreased by \$669,911 for the current year over the prior fiscal year. Most of this decrease is due to depreciation expense exceeding the amounts capitalized during the year and debt activity. Although the City of Mexico's investment 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.

An additional portion of the City of Mexico's net assets (\$1,316,515 or 2.36%) represents resources that are subject to external restrictions on how they may be used. This portion of net assets was \$436,704 or 0.81% in the prior fiscal year. The remaining balance of unrestricted net assets of \$5,935,319 may be used to meet the

government's ongoing obligations to citizens and creditors. This is an increase of \$2,003,048 over the prior fiscal year.

At the end of the current fiscal year, the City of Mexico is able to report a positive net asset balance for the government as a whole. The same situation held true for the prior fiscal year.

Governmental activities - Current and other assets increased, partially due to a prepaid expense recorded as a result of the lease of additional park land for a twenty year period for the amount of \$1,037,500 as part of the Mid-America Brick Refractory NID debt issuance. In addition, \$1,930,000 special assessments receivable related to that debt was recorded in the current year. Other changes in current and other assets included increased grant and tax receivables. Long-term obligations increased primarily due to the \$1,930,000 NID debt issuance noted above.

Business-type activities - Current and other assets increased significantly as a result of the debt service reserves requirements for the Sewerage System Capital Improvement Revenue Bonds. Capital assets increased as a result of construction in progress. Construction in progress at fiscal year-end 2010 equaled \$932,779, which represented the Phase I sewerage treatment facility capital improvement construction value as of September 30, 2010. Long-term obligations increased in 2010 due to the issuance of \$595,000 (Series 2010A) and \$5,170,000 (Series 2010B) sewerage system revenue bonds for purposes of financing capital improvements for the treatment wastewater facilities and collection system. The bonds have six and thirty year maturities, respectively. Proceeds from the sewerage revenue bonds were utilized to pay off remaining principal and accrued interest balance of the \$500,000 Tax and Revenue Anticipation Note that originated in fiscal year 2009.

In the current fiscal year, the City was required to record other post-employment benefits (OPEB) liabilities in accordance with GASB 45. As a result, \$67,130 and \$3,459 is recorded in Long term obligations category for governmental and business-type activities, respectively. For more information refer to the note disclosures on page 42.

### Statement of Activities

The following table reflects the revenues and expenses for the City's activities for the year ended September 30:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 747,433	800,666	\$ 2,082,289	\$ 1,572,321	\$ 2,829,722	\$ 2,372,987
Grants and contributions:						
Operating	683	2,663	-	-	683	2,663
Capital	6,483,394	198,330	-	-	6,483,394	198,330
General revenues:						
Taxes	5,789,906	6,025,378	-	-	5,789,906	6,025,378
Investment revenue	17,392	21,008	11,038	7,500	28,430	28,508
Net transfers (out) in	(9,596)	-	9,596	-	-	-
Other	517,973	316,609	22,300	15,363	540,273	331,972
Total revenues	<u>13,547,185</u>	<u>7,364,654</u>	<u>2,125,223</u>	<u>1,595,184</u>	<u>15,672,408</u>	<u>8,959,838</u>

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Expenses:						
General government	1,224,743	1,192,781	-	-	1,224,743	1,192,781
Public safety	2,781,807	2,635,278	-	-	2,781,807	2,635,278
Streets	1,158,808	1,124,209	-	-	1,158,808	1,124,209
Cemetery	111,844	104,053	-	-	111,844	104,053
Parks and recreation	842,499	797,951	-	-	842,499	797,951
Public health	390,387	328,804	-	-	390,387	328,804
Economic development	238,929	295,034	-	-	238,929	295,034
Airport	117,739	119,922	-	-	117,739	119,922
Community development	4,496,925	404,435	-	-	4,496,925	404,435
Interest expense	50,820	63,983	-	-	50,820	63,983
Wastewater utility	-	-	1,571,695	1,692,600	1,571,695	1,692,600
Sanitation	-	-	473,264	451,564	473,264	451,564
Total expenses	11,414,501	7,066,450	2,044,959	2,144,164	13,459,460	9,210,614
Increase in net assets	2,132,684	298,204	80,264	(548,980)	2,212,948	(250,776)
Net assets, beginning	44,027,998	43,729,794	9,570,134	10,119,114	53,598,132	53,848,908
Net assets, ending	\$ 46,160,682	\$ 44,027,998	\$ 9,650,398	\$ 9,570,134	\$ 55,811,080	\$ 53,598,132

**Governmental activities:** Governmental activities increased the City of Mexico's net assets by \$2,132,684. Governmental activities increased the City of Mexico's net assets by \$298,204 in the prior fiscal year.

The following summarizes significant events or changes in governmental activities for the year ended September 30, 2010.

- Operating grants and contributions for governmental activities decreased by \$1,980 due to the reduction in utilizing the Bullet Proof Vest grant program during fiscal year 2010 as compared to fiscal year 2009.
- Capital grants and contributions for governmental activities increased by \$6,283,084. This was caused by a series of capital grants of which the most notable were: a \$4,000,000 building construction grant for the Missouri Plant Science Center of which \$2,507,796 was expended; an infrastructure grant for the Missouri Plant Science Center in the amount of \$1,050,000 of which \$458,568 was expended; a \$1,000,000 Action Grant Loan for the Mid-American Brick and Refractory project for which \$1,000,000 was expended; and capital grants for the Mexico Memorial Airport Terminal for which \$348,885 in grants funds were expended.
- Purchase of a roadway entering the Mid-America Brick Refractory site for the amount of \$305,000 for purposes of future development in year fiscal year 2011.
- Gross receipts taxes for governmental activities increased by \$346,976. For the most part, this was due to a one-time telecommunications tax settlement in the amount of \$269,190 from AT&T and the ability to collect future license taxes on cell phone business activity.

The following summarizes significant events or changes in governmental activities for the year ended September 30, 2009:

- Operating grants and contributions for governmental activities decreased \$88,091 due to the Kiwanis Lake Park fountain and Northeast Park restroom facility being completed in the previous fiscal year.

- Capital grants and contributions for governmental activities decreased by \$196,828. This was caused by a decrease in grants received for the nearly complete Arthur Spur Branch railroad improvement project and less activity on Airport Terminal construction project. Grant funds received for the Arthur Branch Spur project during fiscal year 2009 equaled \$117,751 as compared to \$217,776 in fiscal year 2008. Grant funds received for Airport related projects totaled \$20,713 in 2009 and \$35,164 in related grant funds received for the project in fiscal year 2008.
- Gross receipts taxes for governmental activities decreased by \$41,951. This was due to more one-time telecommunications tax settlements received in fiscal year 2008 that were deferred for fiscal year 2009.
- Property tax revenues for governmental activities increased by \$79,724. This was due to an increase in assessed valuation related to new construction as assessed January 1, 2008.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for personnel and services. As a whole, expenses for Governmental activities increased \$4,348,051 in fiscal year 2010 as compared to fiscal year 2009. As noted above, a large percentage of this increase was attributed to significant grant activity recorded as community development throughout the year.

In fiscal year 2010, general government expenditures increased by \$31,962 or 2.68%, public safety increased \$146,529 or 5.56%, street department increased \$34,599 or 3.08%, parks department operations increased by \$44,548 or 5.59%, and public health increased by \$61,583 or 18.87% as compared to fiscal year 2009. The larger percentage increases in the departments of public safety and public health can be attributed to the addition of personnel and filling of position vacancies within public safety department and the Public Health Fund allocation of \$60,000 in additional support to the City/County Health Department of Audrain County. As a partial offset, the departments of economic development and airport operations realized a reduction in expenses in the respective amounts of \$56,105 and \$2,183.

Community Development expenses increased by \$4,092,490 from the previous year due to the significant amount of grant expenses associated with the Missouri Plant Science Center.

**Business-type activities:** Business type activities increased the City of Mexico's net assets by \$80,264. Business type activities decreased the City of Mexico's net assets by \$548,980, in the prior fiscal year.

The following summarizes significant events or changes in business-type activities for the year ended September 30, 2010.

- Sewerage rates were increased by an average of 30% in anticipation of future revenue bonds for Phase II of the capital improvement plan for the City's sewerage system.
- The governmental activities transferred certain capital assets.
- Expenses were relatively flat, offset by decreases in repairs and maintenance from prior year.

The following summarizes significant events or changes in business-type activities for the year ended September 30, 2009:

- The City received \$500,000 in Tax and Revenue Anticipation Note (RAN) proceeds and subsequently had a note payable of the same amount to be paid under a monthly amortization over a three-year period which began on September 1, 2009. The funds generated from the loan proceeds were utilized to expedite engineering processes for design/build plans in order to submit a capital improvement plan to the Missouri Department of Natural Resources to seek possible stimulus grant

funds and potential State Revolving Loan funds to finance major improvements to the wastewater treatment plant facility. The RAN was reported in other liabilities since it was a short-term liability. The City incurred about \$183,000 in related wastewater expenses and \$48,000 in construction in progress was capitalized as of September 30, 2009.

- Sewer service user rates were increased by an average of sixty-percent (60%) starting with the September utility billing to increase cash flow for upcoming significant wastewater treatment plant capital improvements.
- The wastewater inflow/ infiltration holding cell and sludge lagoon required sludge removal to increase holding capacity of each unit; the cost of the dredging project was \$181,639 and was not to be considered an annually recurring expense.

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

As noted earlier, the City of Mexico uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of the current fiscal year, the City of Mexico's governmental funds reported combined ending fund balances of \$5,407,566, an increase of \$2,002,839 in comparison with the prior year. Approximately 85.10% of this total amount (\$4,601,925) constitutes unreserved fund balance, which is available for spending at the government's discretion. Approximately 87.92% (\$2,993,406) of the total governmental fund balance in the prior year constituted unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service, 3) to generate income to pay for the perpetual care of the municipal cemetery, or 4) for a variety of other restricted purposes.

The General Fund is the chief operating fund of the City of Mexico. At the end of the current fiscal year, total fund balance of the General Fund was \$2,773,700, all of which was unreserved. The fund balance of the City of Mexico's General Fund increased by \$655,848 compared to the prior year. The fund balance of the General Fund was \$2,117,852 in the prior fiscal year. There was a significant positive change in General Fund's total fund balance from fiscal year 2009 to 2010. The key factors in the increased fund balance can be attributed to management's decision to reduce certain expenditures to counter the uncertainty of revenue overall due to a slowing economy and the one-time receipt from a telecommunications tax revenue settlement with a cell phone service provider in the approximate amount of \$269,190, which also decreased deferred revenue in a like amount for the current fiscal year end.

The Parks and Recreation Fund accounts for funds provided from charges for recreational programs and for the portion of City taxes designated and expended for maintenance of the City parks and playgrounds and operation of recreation programs. At the end of the current fiscal year, total fund balance of the Parks and Recreation Fund was \$154,650. The fund balance of the Parks and Recreation Fund increased by \$22,073 from the prior fiscal year. The fund balance of the Parks and Recreation Fund was \$132,577 in the prior year. The key factor for this change was management's decision to reduce certain expenditures to counter the uncertainty of revenue being available for transfer from the Sales Tax Fund to the Parks and Recreation Fund due to a slowing economy.

The Public Health Fund accounts for funds provided from the City property taxes and expended for animal control, public health, nursing, and environmental sanitation. At the end of the current fiscal year, total fund

balance of the Public Health Fund was \$132,695. The fund balance of the City of Mexico's Public Health Fund decreased by \$28,766 compared to the prior year. The fund balance of the Public Health Fund was \$161,461 in the prior year. The key factor in this change was a one-time additional contribution of \$60,000 to the Audrain City/County Health Department during the 2010 fiscal year.

Through fiscal year ending 2010, the Sales Tax Fund has been used to account for City sales tax collections and expenditures for designated operations. At the end of the current fiscal year, total fund balance of the Sales Tax Fund was transferred to the General Fund. Management decided that from the start of fiscal year 2011 and forward all general sales tax revenue will be receipted into the General Fund, thus reducing the number of inter-fund transfers necessary on an annual basis.

The Sales Tax Fund balance in the amount of \$376,305 as of the end of September was transferred in its entirety to the General Fund. The fund balance at the time of transfer was \$113,590 more than the fund balance at the end of 2009 fiscal year. The fund balance of the Sales Tax Fund was \$262,715 in the prior year. The key factor in this change was due to the last budgeted transfer of \$300,000 from the Sales Tax Fund to the General Fund being included in the year end transfer of \$376,305.

A new fund listed within the 2010 financial statements as a major fund is the Mid-America Brick NID Fund. On September 1, 2010, the City issued \$1,930,000 in special assessment debt to provide funds for certain capital purchases, capital improvements, and land leases benefiting a neighborhood improvement district; specifically a new brick manufacturer known as Mid-America Brick and Refractory. Under the NID, Mid-America Brick will remit to the City an annual payment equal to the amount necessary to pay annual debt service of the bonds. At the end of the current fiscal year, the total fund balance of the Mid-America Brick NID Fund was \$1,448,133. Since this is a new project and fund, there is no data for comparison to the previous fiscal year. Additional information on the Mid-America Brick NID can be found within note disclosure 10 within the Notes to Financial Statements section of this report.

The Community Development Grants Fund represents activity for the Missouri Plant Science Center (MPSC) and the Mid-America Brick (MAB) projects. The MPSC portion reflects activity on a \$4,000,000 Facility Grant, and a \$1,050,000 Infrastructure Grant, including road improvements to Audrain Road 820 connecting to the MPSC site. The MAB portion reflects activity on a \$250,000 Action Loan Grant for the infrastructure and equipment, and a \$1,000,000 Action Grant for working capital on this Industrial Development.

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

Net assets including investment in capital assets of the Wastewater Fund at the end of the year amounted to \$9,564,059, and the net assets for Sanitation Fund amounted to \$86,339. The increase in net assets for the Wastewater Fund was \$40,738 and there was an increase of \$39,526 for the Sanitation Fund. The net assets in the Wastewater Fund amounted to \$9,523,321, and net assets for the Sanitation Fund amounted to a \$46,813 in the prior fiscal year. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Mexico's business-type activities.

## General Fund Budgetary Highlights

Revisions of the original expenditure budget were fairly significant and done to reflect changes in original budgeting assumptions. The original General Fund expenditure budget was forecasted at \$5,866,221 and the revised expenditure budget was reduced by 8.38% to \$5,374,481. Such revisions included reallocation of salary and benefit expenses (\$175,606 decrease in appropriations), as well as savings changes in supplies, services, and postponement of certain capital outlay items. Reduced salary and benefit expenses resulted from employee position vacancies within the departments of Public Safety and Community Development.

Actual expenditures for the General Fund came in 5.92% or \$318,491 under the revised expenditure budget.

Departments within the General Fund with the largest expenditure savings as compared to the revised budget were:

- The Public Safety Department, which came in \$152,346 under budget with a better than revised budget savings of \$60,699 in the category of personal services expense, \$20,279 in the category of supplies, and \$64,355 in capital outlay. A capital outlay of \$60,000 for computer and recording equipment was moved into fiscal year 2011.
- The Street Maintenance Department came in \$58,328 under budget with a better than revised budget savings of \$33,657 in the category of supplies and \$15,988 in personal services.
- The Building and Grounds Department, which came in \$37,779 under budget with a better than revised budget savings of \$30,310 in the category of building improvements due to the postponement of improvements into the 2011 fiscal year.
- The Economic Development Department came in \$20,310 under budget with a better than budget savings of \$16,185 in the category of services expense.
- The Administrative Services Department came in \$12,078 under budget with a better than revised budget savings of \$6,880 in the personal services category and \$4,578 in the category of services expense.
- The City Manager Department came in \$8,761 under budget with a better than revised budget savings of \$6,886 in personal services and \$1,934 in supplies.

Revisions of the original revenue budget were adjusted downward slightly, approximately 1%, in response to the slowing economy. The General Fund original revenue budget was \$5,381,238 and was revised downward to \$5,329,807. For the most part, revenue sources comprised gross receipts tax attributed to the slight downward estimate.

General Fund revenues exceeded the revised budget for General Fund revenues by approximately \$365,333 in part by:

- Sales tax being accrued within the General Fund in the amount of \$216,860, which had been accrued within the Sales Tax Fund in the previous fiscal year.
- Electric Gross Receipts Tax exceeding the revised revenue budget by \$51,971 due to average temperatures being up during the summer months and a 10% rate increase by one of the providers positively affecting revenue late in the fiscal year.

- Telecommunications Gross Receipts Tax exceeding the revised revenue budget by \$40,326 as a result of recent telecommunications tax settlements and allowing for gross receipts taxes being applied to cell phones.
- Charges for fees and licenses exceeding the revised revenue budget by \$12,554 due to services provided such as School Resource Officer and Joint Dispatch Services.

### Capital Asset and Debt Administration

**Capital Assets** - The City of Mexico's investment in capital assets for its governmental and business type activities includes land, buildings, system improvements, and infrastructure.

The following schedule provides a breakdown of capital assets as of September 30:

	2010	2009
Capital assets, not being depreciated:		
Land	\$ 4,059,550	\$ 4,080,370
Infrastructure	29,980,124	29,679,624
Construction in progress	967,389	112,983
Total capital assets, not being depreciated	<u>35,007,063</u>	<u>33,872,977</u>
Capital assets, being depreciated:		
Buildings	11,818,815	11,256,748
Structures other than buildings	11,675,849	11,651,649
Equipment	4,522,244	4,509,293
Infrastructure	1,780,511	1,780,511
Total capital assets, being depreciated	29,797,419	29,198,201
Less accumulated depreciation	<u>(13,464,745)</u>	<u>(12,758,822)</u>
Total capital assets being depreciated, net	<u>16,332,674</u>	<u>16,439,379</u>
Capital assets, net	<u>\$ 51,339,737</u>	<u>\$ 50,312,356</u>

The major capital asset events in the current year included the completion of a 2,200 square foot airport terminal valued at \$511,000 and the purchase of a roadway entering the new Mid-America Brick and Refractory facility for the amount of \$305,000. The City of Mexico also contributed ten acres of land to the Missouri Plant Science Center, which carried an asset value of \$50,000.

Construction in progress increased by \$854,406. Phase I of the Wastewater Treatment Plant Improvements represent an \$884,794 increase, along with the Airport Taxiway Expansion increase of \$19,031. The completed Airport Terminal project represented a \$49,419 decrease.

Major capital asset events during the prior fiscal year included a donation of ten acres of land valued at \$50,000 from a local businessman to the City for the purposes of building a plant science center in fiscal years 2010 and 2011.

The City uses the modified approach to account for its highway system as permitted by GASB 34. Under the modified approach, depreciation is not reported and certain preservation and maintenance costs are expensed. In addition, the City is required to perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale in order to document that the eligible infrastructure assets

are being preserved approximately at (or above) the condition level established and disclosed by the government.

During the current fiscal year, the City changed the software program used to perform the yearly condition assessments. See further discussion on page 53. The City's goal is to maintain an average condition index of 6 to 7 or greater and not to allow any street to fall below a condition index of 6; the average condition was met with an average of 6.3 was met for 2010.

For the current year and two prior years, the results of the condition assessments are as follows:

<u>Year</u>	<u>Assessed Condition</u>
2010	6.3
2009	81
2008	81

Additional information regarding the City's capital assets can be found in Note 7 on pages 32 through 33 of this report.

#### **Long-term debt**

At the end of the current fiscal year, the City of Mexico had bonded debt in the amount of \$7,695,000 and additional obligations relating to capital leases for purchase and improvement of capital assets. Additional information regarding the City's long-term debt can be found in Note 9 and Note 10 on pages 34 through 38 of this report.

At the end of the prior fiscal year, the City of Mexico did not have any bonded debt, but did have obligations relating to capital leases for purchase and improvement of capital assets.

#### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the City of Mexico is 9.20% at September 30, 2010, which is higher as compared to last year's rate of 6.20%. This rate is comparable to the State's average unemployment rate of 9.60%, and equals the national average of 9.20%.
- The occupancy rate of the City's central business district has remained at 97% for the past five years.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Mexico's budget for the 2011 fiscal year.

#### **Requests for Information**

The financial report is designed to provide a general overview of the City of Mexico's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Administrative Services Director, 300 N. Coal, City of Mexico, MO, 65265, or call (573) 581-2100.

**CITY OF MEXICO**

**STATEMENT OF NET ASSETS**

**September 30, 2010**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,428,463	\$ 1,081,736	\$ 4,510,199
Restricted cash	409,016	4,996,067	5,405,083
Accounts receivable (net of allowance of \$36,412)	-	301,625	301,625
Taxes receivable	1,666,335	-	1,666,335
Intergovernmental revenue receivable	227,988	-	227,988
Notes receivable	50,697	-	50,697
Special assessment receivable	1,930,000	-	1,930,000
Other receivables	17,721	-	17,721
Prepaid expenses	1,249,500	23,044	1,272,544
Deferred charges, net of amortization	62,301	105,188	167,489
Capital assets:			
Non-depreciable	34,056,864	950,199	35,007,063
Depreciable, net	7,758,747	8,573,927	16,332,674
Total assets	<u>50,857,632</u>	<u>16,031,786</u>	<u>66,889,418</u>
<b>LIABILITIES</b>			
Accounts payable	408,150	270,322	678,472
Accrued interest payable	2,106	62,750	64,856
Unearned revenue	1,103,115	-	1,103,115
Long-term liabilities:			
Other post-employment benefit obligations	67,130	3,459	70,589
Leases payable			
Amounts due within one year	71,634	11,761	83,395
Amount due beyond one year	915,543	20,559	936,102
Bonds payable			
Amounts due within one year	65,000	-	65,000
Amount due beyond one year	1,865,000	5,765,000	7,630,000
Accrued landfill closure costs			
Amounts due within one year	-	13,000	13,000
Amounts due beyond one year	-	219,000	219,000
Compensated absences			
Amounts due within one year	99,636	7,769	107,405
Amounts due beyond one year	99,636	7,769	107,405
Total liabilities	<u>4,696,950</u>	<u>6,381,388</u>	<u>11,078,338</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	40,527,934	8,031,312	48,559,246
Restricted for:			
Capital improvements	421,287	-	421,287
Debt service	218,002	510,874	728,876
Perpetual care, nonexpendable	166,352	-	166,352
Unrestricted	4,827,107	1,108,212	5,935,319
Total net assets	<u>\$ 46,160,682</u>	<u>\$ 9,650,398</u>	<u>\$ 55,811,080</u>

The notes to the financial statements are an integral part of these statements.

**CITY OF MEXICO**  
**STATEMENT OF ACTIVITIES**  
Year Ended September 30, 2010

Program/Function	Program revenues				Net (expense) revenue and changes in net assets		Total
	Expenses	Charges for services	Capital grants and contributions	Operating grants and contributions	Governmental activities	Business-type activities	
<b>Governmental activities:</b>							
General government	\$ 1,224,743	\$ 132,660	\$ 5,038	\$ -	\$ (1,087,045)	\$ -	\$ (1,087,045)
Public safety	2,781,807	515,245	-	683	(2,265,879)	-	(2,265,879)
Streets	1,158,808	-	24,318	-	(1,134,490)	-	(1,134,490)
Cemetery	111,844	-	-	-	(111,844)	-	(111,844)
Parks and recreation	842,499	47,615	-	-	(794,884)	-	(794,884)
Public health	390,387	-	42,474	-	(347,913)	-	(347,913)
Economic development	238,929	29,113	-	-	(209,816)	-	(209,816)
Airport	117,739	22,800	462,443	-	367,504	-	367,504
Community development	4,496,925	-	5,949,121	-	1,452,196	-	1,452,196
Interest expense	50,820	-	-	-	(50,820)	-	(50,820)
Total governmental activities	<u>11,414,501</u>	<u>747,433</u>	<u>6,483,394</u>	<u>683</u>	<u>(4,182,991)</u>	<u>-</u>	<u>(4,182,991)</u>
<b>Business-type activities:</b>							
Wastewater utility	1,571,695	1,573,091	-	-	-	1,396	1,396
Sanitation	473,264	509,198	-	-	-	35,934	35,934
Total business-type activities	<u>2,044,959</u>	<u>2,082,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,330</u>	<u>37,330</u>
<b>Total city</b>	<u>\$ 13,459,460</u>	<u>\$ 2,829,722</u>	<u>\$ 6,483,394</u>	<u>\$ 683</u>	<u>(4,182,991)</u>	<u>37,330</u>	<u>(4,145,661)</u>
<b>General revenue:</b>							
Taxes:							
Property taxes					1,149,805	-	1,149,805
Sales taxes					2,866,397	-	2,866,397
Franchise taxes					1,773,704	-	1,773,704
Miscellaneous income					517,973	22,300	540,273
Interest income					17,392	11,038	28,430
Net transfers (out) in from other funds					(9,596)	9,596	-
Total general revenues					<u>6,315,675</u>	<u>42,934</u>	<u>6,358,609</u>
Changes in net assets					2,132,684	80,264	2,212,948
Net assets - beginning					<u>44,027,998</u>	<u>9,570,134</u>	<u>53,598,132</u>
Net assets - ending					<u>\$ 46,160,682</u>	<u>\$ 9,650,398</u>	<u>\$ 55,811,080</u>

The notes to the financial statements are an integral part of these statements.

CITY OF MEXICO

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
September 30, 2010

	Major Funds							Totals
	General Fund	Parks and Recreation Fund	Public Health Fund	Sales Tax Fund	Mid-America Brick NID Fund	Community Development Grants Fund	Non-major Funds	
<b>ASSETS</b>								
Cash and cash equivalents	\$ 2,372,944	\$ 172,650	\$ 134,388	\$ -	\$ 6,105	\$ -	\$ 742,376	\$ 3,428,463
Restricted cash	24,662	-	-	-	218,002	-	166,352	409,016
Taxes receivable	1,015,801	270,841	270,841	-	-	-	108,852	1,666,335
Intergovernmental receivable	41,837	-	-	-	-	29,110	157,041	227,988
Notes receivable	-	-	-	-	-	-	50,697	50,697
NID receivable	-	-	-	-	1,930,000	-	-	1,930,000
Other receivables	4,558	-	4,258	-	-	-	8,905	17,721
Interfund receivable	43,632	-	-	-	-	-	-	43,632
Prepaid expenditures	-	-	-	-	1,249,500	-	-	1,249,500
Total assets	<u>\$ 3,503,434</u>	<u>\$ 443,491</u>	<u>\$ 409,487</u>	<u>\$ -</u>	<u>\$ 3,403,607</u>	<u>\$ 29,110</u>	<u>\$ 1,234,223</u>	<u>\$ 9,023,352</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 68,816	\$ 3,971	\$ 1,773	\$ -	\$ 474	\$ 13,478	\$ 177,089	\$ 265,601
Accrued liabilities	99,485	14,029	4,178	-	25,000	-	2,880	145,572
Interfund payable	-	-	-	-	-	13,632	30,000	43,632
Deferred revenue	561,433	270,841	270,841	-	1,930,000	6,391	121,475	3,160,981
Total liabilities	<u>729,734</u>	<u>288,841</u>	<u>276,792</u>	<u>-</u>	<u>1,955,474</u>	<u>33,501</u>	<u>331,444</u>	<u>3,615,786</u>
<b>FUND BALANCES</b>								
<b>Reserved</b>								
Capital improvements	-	-	-	-	-	-	421,287	421,287
Debt service	-	-	-	-	218,002	-	-	218,002
Perpetual care, nonexpendable	-	-	-	-	-	-	166,352	166,352
<b>Unreserved</b>								
General Fund	2,773,700	-	-	-	-	-	-	2,773,700
Special revenue funds	-	154,650	132,695	-	1,230,131	(4,391)	295,914	1,808,999
Capital projects funds	-	-	-	-	-	-	19,226	19,226
Total fund balances	<u>2,773,700</u>	<u>154,650</u>	<u>132,695</u>	<u>-</u>	<u>1,448,133</u>	<u>(4,391)</u>	<u>902,779</u>	<u>5,407,566</u>
Total liabilities and fund balances	<u>\$ 3,503,434</u>	<u>\$ 443,491</u>	<u>\$ 409,487</u>	<u>\$ -</u>	<u>\$ 3,403,607</u>	<u>\$ 29,110</u>	<u>\$ 1,234,223</u>	<u>\$ 9,023,352</u>

The notes to the financial statements are an integral part of these statements.

**CITY OF MEXICO**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

**September 30, 2010**

Fund balances - total governmental funds		\$ 5,407,566
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	49,308,853	
Less accumulated depreciation	<u>(7,493,242)</u>	
		41,815,611
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		2,057,866
Long-term liabilities, including capital lease obligations, interest payable, and accrued compensated absences, are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds:		
Bonds payable	(1,930,000)	
Less deferred charges on issuance	<u>62,301</u>	(1,867,699)
Capital lease obligations		(984,153)
Accrued compensated absences		(199,272)
Other post-employment benefit obligations		(67,130)
Accrued interest payable		<u>(2,107)</u>
Net assets of governmental activities		<u>\$ 46,160,682</u>

The notes to the financial statements are an integral part of these statements.

**CITY OF MEXICO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**Year Ended September 30, 2010**

	Major Funds							Totals
	General Fund	Parks and Recreation Fund	Public Health Fund	Sales Tax Fund	Mid-America Brick NID Fund	Community Development Grants Fund	Non-major Funds	
<b>REVENUES:</b>								
Taxes								
Property	\$ 583,913	\$ 282,946	\$ 282,946	\$ -	\$ -	\$ -	\$ -	\$ 1,149,805
Sales	711,277	814	814	1,360,880	-	-	792,612	2,866,397
Franchise	2,042,894	-	-	-	-	-	-	2,042,894
Licenses and permits	132,660	-	-	-	-	-	-	132,660
Charges for services	-	47,615	-	-	-	-	-	47,615
Intergovernmental revenues	5,721	-	-	-	-	3,976,376	499,145	4,481,242
Fines and forfeitures	44,234	-	-	-	-	-	-	44,234
Miscellaneous								
Rent	-	-	-	-	-	-	129,661	129,661
Interest	10,954	-	-	-	538	-	5,900	17,392
Joint dispatch reimbursement	471,011	-	-	-	-	-	-	471,011
Other	281,976	15,420	39,509	-	-	-	133,262	470,167
<b>TOTAL REVENUES</b>	<b>4,284,640</b>	<b>346,795</b>	<b>323,269</b>	<b>1,360,880</b>	<b>538</b>	<b>3,976,376</b>	<b>1,560,580</b>	<b>11,853,078</b>
<b>EXPENDITURES:</b>								
Current:								
General government	1,001,272	-	-	-	-	-	-	1,001,272
Public safety	2,674,804	-	-	-	-	-	-	2,674,804
Streets	784,612	-	-	-	-	-	-	784,612
Cemetery	106,433	-	-	-	-	-	-	106,433
Parks and recreation	-	689,277	-	-	-	-	-	689,277
Public health	-	-	352,035	30,900	-	-	-	382,935
Economic development	131,893	-	-	292	-	-	49,687	181,872
Airport	-	-	-	-	-	-	46,644	46,644
Community development	215,276	-	-	-	400,500	-	93,202	708,978
Capital outlay	118,143	15,445	-	-	-	3,982,767	867,123	4,983,478
Debt service:								
Principal	23,209	-	-	-	-	-	64,000	87,209
Interest	348	-	-	-	-	-	50,472	50,820
<b>TOTAL EXPENDITURES</b>	<b>5,055,990</b>	<b>704,722</b>	<b>352,035</b>	<b>31,192</b>	<b>400,500</b>	<b>3,982,767</b>	<b>1,171,128</b>	<b>11,698,334</b>
Excess (deficiency) of revenues over expenditures	(771,350)	(357,927)	(28,766)	1,329,688	(399,962)	(6,391)	389,452	154,744
<b>OTHER FINANCING SOURCES (USES)</b>								
Debt proceeds from NID bonds	-	-	-	-	1,916,259	-	-	1,916,259
Issuance costs incurred related to NID bonds	-	-	-	-	(68,164)	-	-	(68,164)
Transfers in	1,427,198	380,000	-	-	-	1,000	90,967	1,899,165
Transfers (out)	-	-	-	(1,592,403)	-	-	(306,762)	(1,899,165)
Total other financing sources (uses)	<b>1,427,198</b>	<b>380,000</b>	<b>-</b>	<b>(1,592,403)</b>	<b>1,848,095</b>	<b>1,000</b>	<b>(215,795)</b>	<b>1,848,095</b>
Net change in fund balances	655,848	22,073	(28,766)	(262,715)	1,448,133	(5,391)	173,657	2,002,839
Fund balances, October 1	2,117,852	132,577	161,461	262,715	-	1,000	729,122	3,404,727
<b>FUND BALANCES, SEPTEMBER 30</b>	<b>\$ 2,773,700</b>	<b>\$ 154,650</b>	<b>\$ 132,695</b>	<b>\$ -</b>	<b>\$ 1,448,133</b>	<b>\$ (4,391)</b>	<b>\$ 902,779</b>	<b>\$ 5,407,566</b>

The notes to the financial statements are an integral part of these statements.

**CITY OF MEXICO**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF THE GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES**

**Year Ended September 30, 2010**

Net change in fund balances - total governmental funds \$ 2,002,839

Amounts reported for governmental activities in the statement  
of activities is 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. The following is the detail of the amount by which capital outlays were less than the depreciation in the current period.

Capital outlay capitalized as assets	947,305	
Capital contribution to business-type activity	(9,596)	
Disposal of fixed assets	(73,427)	
Depreciation	<u>(524,774)</u>	
		339,508

Revenues in the statement of activities that do not provide  
current financial resources are not reported as revenues in  
the funds.

Deferred revenues	1,661,231
Loss on disposal of fixed assets	(52,130)
Amount of contributed assets	42,474

The issuance of long-term debt (e.g., bonds, loans, and 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. 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. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items.

Issuance of NID bonds	(1,916,259)	
Issuance costs incurred related to NID bonds	68,164	
Repayment of principal (leases)	<u>87,209</u>	
		(1,760,886)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(27,359)
Other post-employment benefit obligations	(67,130)
Amortization of issuance costs	<u>(5,863)</u>
Change in net assets of governmental activities	<u>\$ 2,132,684</u>

The notes to the financial statements are an integral part of these statements.

**CITY OF MEXICO**

**STATEMENT OF NET ASSETS**

**ALL PROPRIETARY FUNDS**

**September 30, 2010**

	Major Funds		
	Wastewater Fund	Sanitation Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 801,747	\$ 279,989	\$ 1,081,736
Restricted cash	4,996,067	-	4,996,067
Accounts receivable (net of allowance of \$36,412)	233,244	68,381	301,625
Prepaid expenses	23,044	-	23,044
Total current assets	<u>6,054,102</u>	<u>348,370</u>	<u>6,402,472</u>
Non-current assets:			
Deferred charges, net of accumulated amortization	105,188	-	105,188
Property, plant and equipment, net of accumulated depreciation	9,521,521	2,605	9,524,126
Total non-current assets	<u>9,626,709</u>	<u>2,605</u>	<u>9,629,314</u>
Total assets	<u>15,680,811</u>	<u>350,975</u>	<u>16,031,786</u>
<b>LIABILITIES</b>			
Current liabilities:			
Leases payable	11,761	-	11,761
Accrued interest payable	62,750	-	62,750
Accrued landfill closure costs	-	13,000	13,000
Accounts payable	238,310	32,012	270,322
Compensated absences	7,769	-	7,769
Total current liabilities	<u>320,590</u>	<u>45,012</u>	<u>365,602</u>
Non-current liabilities:			
Lease payable	20,559	-	20,559
Bonds payable	5,765,000	-	5,765,000
Other post employment benefits payable	2,835	624	3,459
Accrued landfill closure costs	-	219,000	219,000
Compensated absences	7,769	-	7,769
Total long-term liabilities	<u>5,796,163</u>	<u>219,624</u>	<u>6,015,787</u>
Total liabilities	<u>6,116,752</u>	<u>264,636</u>	<u>6,381,388</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,031,312	-	8,031,312
Restricted for capital improvements	-	-	-
Restricted for debt service	510,874	-	510,874
Unrestricted	1,021,873	86,339	1,108,212
<b>TOTAL NET ASSETS</b>	<u>\$ 9,564,059</u>	<u>\$ 86,339</u>	<u>\$ 9,650,398</u>

The notes to the financial statements are an integral part of these statements.

**CITY OF MEXICO**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
ALL PROPRIETARY FUND TYPES  
Year Ended September 30, 2010**

	Major Funds		
	Wastewater Fund	Sanitation Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,573,091	\$ 509,198	\$ 2,082,289
Miscellaneous	19,569	2,731	22,300
Total operating revenues	<u>1,592,660</u>	<u>511,929</u>	<u>2,104,589</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	416,871	34,074	450,945
Employee benefits	157,940	12,102	170,042
Materials and supplies	63,367	43,140	106,507
Electricity	105,943	133	106,076
Repairs and maintenance	153,872	17,725	171,597
Telephone and utilities	28,827	-	28,827
Fuel and oil	9,213	-	9,213
Other operating expenses	247,688	14,822	262,510
Depreciation	311,917	1,880	313,797
Contracted haulers	-	349,388	349,388
Total operating expenses	<u>1,495,638</u>	<u>473,264</u>	<u>1,968,902</u>
OPERATING INCOME (LOSS)	<u>97,022</u>	<u>38,665</u>	<u>135,687</u>
<b>NON-OPERATING REVENUES</b>			
Interest income	10,177	861	11,038
Interest expense	(76,057)	-	(76,057)
Total non-operating revenues	<u>(65,880)</u>	<u>861</u>	<u>(65,019)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	31,142	39,526	70,668
Capital contributions	9,596	-	9,596
Change in net assets	40,738	39,526	80,264
Net assets, October 1	9,523,321	46,813	9,570,134
NET ASSETS, SEPTEMBER 30	<u>\$ 9,564,059</u>	<u>\$ 86,339</u>	<u>\$ 9,650,398</u>

The notes to the financial statements are an integral part of these statements.

**CITY OF MEXICO**

**STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
Year Ended September 30, 2010**

	Major Funds		
	Wastewater Fund	Sanitation Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 1,525,762	\$ 508,685	\$ 2,034,447
Cash received from other sources	19,567	2,731	22,298
Cash paid to vendors	(608,970)	(449,031)	(1,058,001)
Cash paid to employees	(414,531)	(36,714)	(451,245)
Net cash provided by operating activities	<u>521,828</u>	<u>25,671</u>	<u>547,499</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Payment for capital acquisitions	(920,486)	-	(920,486)
Proceeds from issuance of wastewater bonds	5,765,000	-	5,765,000
Capitalization of bond issuance costs	(110,103)	-	(110,103)
Principal and interest payments on debt	(500,792)	-	(500,792)
Net cash provided by capital and related financing activities	<u>4,233,619</u>	<u>-</u>	<u>4,233,619</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income	10,177	861	11,038
Net increase in cash and cash equivalents	4,765,624	26,532	4,792,156
Cash and cash equivalents, beginning of year	<u>1,032,190</u>	<u>253,457</u>	<u>1,285,647</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 5,797,814</u>	<u>\$ 279,989</u>	<u>\$ 6,077,803</u>
Cash and cash equivalents	\$ 801,747	\$ 279,989	\$ 1,081,736
Restricted cash	4,996,067	-	4,996,067
Total cash and cash equivalents	<u>\$ 5,797,814</u>	<u>\$ 279,989</u>	<u>\$ 6,077,803</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income	\$ 97,022	\$ 38,665	\$ 135,687
Adjustments:			
Depreciation and amortization	316,832	1,880	318,712
(Increase) decrease in assets:			
Accounts receivable	(47,329)	(513)	(47,842)
Increase (decrease) in liabilities:			
Accounts payable	152,963	1,279	154,242
Accrued expenses	(495)	(3,264)	(3,759)
Other post-employment benefit obligations	2,835	624	3,459
Accrued landfill	-	(13,000)	(13,000)
Net cash provided (used) by operating activities	<u>\$ 521,828</u>	<u>\$ 25,671</u>	<u>\$ 547,499</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Contributions of capital assets	\$ 9,596	\$ -	\$ 9,596
Asset acquisition via debt	31,356	-	31,356

The notes to the financial statements are an integral part of these statements.

# CITY OF MEXICO

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies employed in the preparation of the accompanying financial statements, as presented on the basis set forth in Governmental Accounting Standards Board Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

#### *A. Reporting Entity*

The City of Mexico is located in central Missouri and is governed by a city manager, an elected mayor, and a five-member council.

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Mexico. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Mexico that have been determined not to be component units as defined by Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" (GASB 14). Based on the criteria of GASB 14, there are no other agencies or entities for which the City has been determined to be financially accountable and, therefore, should be included in the financial statements of the City.

#### *B. Fund Accounting*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the City. The effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City uses funds to report its financial position and results of its operations in the fund financial statements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into two categories: governmental and proprietary.

The City reports the following major governmental funds:

General Fund – This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund or designated by management for expenditures for specified purposes.

Parks and Recreation Fund – This fund is used to account for funds provided from charges for recreational programs and for the portion of City taxes designated and expended for maintenance of the City parks and playgrounds and operation of recreation programs.

Public Health Fund – This fund is used to account for funds provided from the City property taxes and expended for animal control, public health, nursing, and environmental sanitation.

Sales Tax Fund - This fund is used to account for City sales tax collections and expenditures for designated operations.

Mid-America Brick Neighborhood Improvement District (NID) Fund - The City was petitioned by E.L.T. Mexico, LLC and Mid-America Brick & Structural Clay Products, LLC to form a neighborhood improvement district to make funds available for redevelopment of the designated NID area for use as a refractory and manufacturing facility for production and marketing of structural brick and clay products. This fund is used to account for bond proceeds made available to Mid-America Brick and Structural Clay Products, LLC and annual bond payments over a twenty year amortization.

Community Development Grants Fund: This fund is used to account for various received and disbursed for special community development projects.

The City reports the following major proprietary funds:

Wastewater Fund – The Wastewater Fund is used to account for the provision of sanitary wastewater services to residents of the City. All activities necessary to provide such services are accounted for in this fund included but not limited to, administration, operations, maintenance, billing and collection.

Sanitation Fund – The Sanitation Fund is used to account for the provision of landfill and refuse service to the residents of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operation, maintenance, billing and collection.

### *C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, interest and principal on general long-term debt is recognized when due.

Property tax, sales tax, gasoline tax, motor vehicle tax, interest, and revenues from other governmental units associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. Operating expenses include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as needed.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The City does not apply FASB Statements and Interpretations issued after November 30, 1989.

#### *D. Budgets*

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and capital project funds. All annual appropriations lapse at fiscal year end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. There were no encumbrances outstanding at September 30, 2010.

#### *E. Pooled Cash*

The City maintains a cash money-market pool that is used by all funds. Interest income is allocated to each fund in proportion to each fund's ownership of the pool each month.

For purposes of the statement of cash flows, all highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents. Because a statement of cash flows is prepared only for proprietary funds under generally accepted accounting principles, cash and cash equivalents are distinguished only for those funds.

#### *F. Accounts Receivable*

Accounts receivable result primarily of taxes, grants, and from wastewater and sanitation services provided. All unbilled wastewater and sanitation receivables are included in accounts receivable in the accompanying financial statements as of September 30, 2010. Receivables are shown net of an allowance for estimated uncollectible amounts.

### G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with GASB Statement No. 34, general government infrastructure assets (streets, bridges, sidewalks) have been capitalized retroactively to 1980 at estimated historical cost.

The costs of normal maintenance and repairs that do not enhance functionality or materially extend the life of an asset are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	25 – 50 years
Structures and improvements	3 – 65 years
Equipment	3 – 30 years
Vehicles	3 – 20 years

GASB Statement No. 34 allows an alternative (modified) approach which reflects a reasonable value of the asset and cost required to maintain the service potential at established minimum standards in lieu of depreciation. The City has elected to use this option for its street system of infrastructure. The City has developed and implemented an asset management system that establishes minimum standards. It determines, at least every three years, whether the minimum standards are being met. Disclosures of the minimum standards and the current status of the City's system of streets are included in the Required Supplementary Information section of this report.

Fully depreciated capital assets are included in the capital assets accounts until their disposal.

### H. Amortization of Debt Issue Costs

In the government-wide financial statements, debt issue costs totaling \$68,164 related to the special assessment debt and \$105,188 related to wastewater bonds are deferred and being amortized by the straight-line method over the repayment period of the related debt. As of December 31, 2010, accumulated amortization amounted to \$5,863 and \$4,915 for governmental and business-type activities, respectively. In the governmental fund statements, these issuance costs are recognized as expenses when paid.

### I. Compensated Absences

All vested or accumulated vacation leave is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Under terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts. However, in the event of termination, an employee is only paid for accumulated vacation.

### J. Long-Term Obligations

General long-term obligations consist of the non-current portion of capital lease obligations, compensable leave, revenue bonds, and other long-term loans. General long-term obligations are not reported as liabilities in governmental funds, but are reported in the governmental activities column in the government-wide

statement of net assets. In the government-wide and proprietary fund statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

#### *K. Fund Equity*

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes. Designated fund balances represent tentative plans for future use of financial resources.

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

#### *L. Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The most significant estimates used by management are the useful lives of fixed assets and the estimated post closure liability related to the landfill.

#### *M. Industrial Revenue Bonds*

The City has issued several revenue bonds to provide funds to assist companies within the City to acquire and construct facilities for manufacturing and industrial development purposes. The City has issued and sold these bonds to financial institutions. The companies are required to make monthly principal and interest payments to the financial institutions over the maturity of the bonds. The City is not liable for repayment of these revenue bonds. The original issuance amount of these revenue bonds totals \$15,762,813 and the maturity of these bonds ranges from 5 to 20 years. See Note 14 to the financial statements for further information.

## **2. LEGAL COMPLIANCE - BUDGET**

The City’s policy is to prepare the operating budgets in accordance with U.S. generally accepted accounting principles. The City prepared budgets for all governmental fund types for the year ended September 30, 2010.

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal period commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (4) The City Manager is authorized to transfer budgeted amounts between departments within any fund. Any revision that alters the total expenditures of any fund must be approved by the City Council. Expenditures may not exceed appropriations for any fund without approval by the City Council.
- (5) All appropriations lapse at year end.

The reported budgetary data represents the final approved budget after amendments as adopted by the City Council. The budget was amended during the year.

### 3. CASH AND INVESTMENTS

Missouri State Statutes authorize the City to deposit funds in obligations of the U.S. Treasury; federal agencies and instrumentalities; certificates of deposit; and repurchase agreements. Custodial credit risk is the risk that, in event of a bank failure, the government's deposits may not be returned to it. The City's deposit policy for custodial credit risk is set by statute. Statutes require that collateral pledged must have a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities, which are of the same type as authorized for investment by the City, are limited to the following as prescribed by state statutes:

- Bonds of the State of Missouri, of the United States, or of any wholly owned corporation of the United States.
- Other short term obligations of the United States.

The City of Mexico maintains a cash pool that is available for use by all funds.

A reconciliation of cash and cash equivalents as shown on the government-wide statement of net assets is as follows:

	Government-Wide Statement of Net Assets
Cash and cash equivalents	\$ 4,510,199
Restricted assets:	
Cash and cash equivalents	5,405,083
Total	<u>\$ 9,915,282</u>

The City's pooled deposits are categorized to give an indication of the level of custodial risk assumed by the City at September 30, 2010. Deposits, categorized by level of custodial risk, were as follows as of September 30, 2010:

	Cash and Cash Equivalents	Petty Cash	Total
Bank balance			
Insured by FDIC	\$ 1,271,435	\$ -	\$ 1,271,435
Collateralized with securities pledged by the financial institution	9,138,840	-	9,138,840
Collateralized with securities held by the pledging financial institutions' trust department or agent but not in the depositor government's name	-	-	-
Uncollateralized	-	-	-
	<u>\$ 10,410,275</u>	<u>\$ -</u>	<u>\$ 10,410,275</u>
Carrying value	<u>\$ 9,914,632</u>	<u>\$ 650</u>	<u>\$ 9,915,282</u>

#### 4. RESTRICTED ASSETS/RESERVED FUND BALANCE

At September 30, 2010, cash was restricted and fund balances were reserved for various uses as follows:

	Assets	Fund Balance
Governmental funds:		
General Fund		
Restricted for municipal court bonds and protested taxes	\$ 24,662	\$ -
Mid-America NID Fund		
Restricted/reserved for debt service	218,002	218,002
Capital Improvement Sales Tax Fund		
Reserved for capital improvements	-	421,287
Cemetery Fund		
Restricted/reserved for perpetual maintenance	166,352	166,352
	<u>409,016</u>	<u>805,641</u>
Enterprise funds:		
Wastewater Fund		
Restricted for wastewater improvements	4,485,193	-
Restricted for debt service	510,874	510,874
	<u>4,996,067</u>	<u>510,874</u>
Total for all funds	<u>\$ 5,405,083</u>	<u>\$ 1,316,515</u>

## 5. PROPERTY TAXES

Property tax revenue is recognized independent of receivable recognition. A receivable is recognizable as of the lien date when the City has an enforceable legal claim while revenue is recognized in the period for which the taxes are levied. Receivables recognized prior to that period are recorded as deferred revenue in both the government-wide and fund statements. Delinquent taxes expected to be received later than 60 days after the close of the fiscal year are also classified as deferred revenue within the governmental fund financial statements because they do not meet the criteria of being available as described in Note 1.

The City's property tax is levied by the City on September 1 on the value of all real and personal property located in the City as of the prior January 1, the lien date. Taxes are billed by November 1 and are considered delinquent after December 31. Property taxes levied in the fiscal year are recognized as receivable as of that fiscal year end, but the revenue is not recognized until the following fiscal year because the levy ordinance specifies the taxes are being levied for use in the next fiscal year. Thus, those amounts are included as deferred revenue in both the government-wide and fund financial statements.

The City's assessed valuation and tax levies per \$100 assessed valuation of those properties are as follows:

	<u>For the 2009 Calendar Year</u>
Assessed valuation:	
Real estate	\$ 86,918,208
Personal property	35,198,217
Railroad and utilities	<u>13,961,532</u>
	<u>\$ 136,077,957</u>
	<u>For the 2009 Calendar Year</u>
Tax rates per \$100 assessed valuation:	
General Fund	\$ 0.4108
Parks and Recreation Fund	0.1999
Public Health Fund	<u>0.1999</u>
	<u>\$ 0.8106</u>

## 6. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at December 31, 2010, in the fund financial statements resulting from interfund transfers, activity and loans were as follows:

	<u>Receivable</u>	<u>Payable</u>
Governmental funds:		
General Fund	\$ 43,632	\$ -
Community Development Grants Fund	-	13,632
Department of Natural Resources Energy Grant Fund	-	30,000
Total for all funds	<u>\$ 43,632</u>	<u>\$ 43,632</u>

The City maintains a pooled cash account encompassing the majority of its funds. Interfund receivables and payables arise due to the deficiencies in cash at year-end in some funds which are covered by sufficiency of cash in other funds.

## 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010 was as follows:

	Balance October 1, 2009	Additions	Retirements	Transfers	Balance September 30, 2010
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 4,062,950	\$ 29,180	\$ 50,000	\$ -	\$ 4,042,130
Infrastructure	29,679,624	300,500	-	-	29,980,124
Construction in progress	64,998	481,440	-	(511,828)	34,610
Total capital assets, not being depreciated	<u>33,807,572</u>	<u>811,120</u>	<u>50,000</u>	<u>(511,828)</u>	<u>34,056,864</u>
Capital assets, being depreciated:					
Buildings	4,566,565	50,239	-	511,828	5,128,632
Structures other than buildings	4,874,691	-	-	-	4,874,691
Equipment	3,507,648	116,582	156,075	-	3,468,155
Infrastructure	1,780,511	-	-	-	1,780,511
Total capital assets, being depreciated	<u>14,729,415</u>	<u>166,821</u>	<u>156,075</u>	<u>511,828</u>	<u>15,251,989</u>
Less accumulated depreciation for:					
Buildings	1,876,284	112,246	-	-	1,988,530
Structures other than buildings	1,973,737	133,797	-	-	2,107,534
Equipment	2,386,192	256,023	132,648	-	2,509,567
Infrastructure	864,903	22,708	-	-	887,611
Total accumulated depreciation	<u>7,101,116</u>	<u>524,774</u>	<u>132,648</u>	<u>-</u>	<u>7,493,242</u>
Total capital assets being depreciated, net	<u>7,628,299</u>	<u>(357,953)</u>	<u>23,427</u>	<u>511,828</u>	<u>7,758,747</u>
Governmental activities capital assets, net	<u>\$ 41,435,871</u>	<u>\$ 453,167</u>	<u>\$ 73,427</u>	<u>\$ -</u>	<u>\$ 41,815,611</u>

	Balance October 1, 2009	Additions	Retirements	Transfers	Balance September 30, 2010
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 17,420	\$ -	\$ -	\$ -	\$ 17,420
Construction in progress	47,985	884,794	-	-	932,779
Total capital assets, not being depreciated	<u>65,405</u>	<u>884,794</u>	<u>-</u>	<u>-</u>	<u>950,199</u>
Capital assets, being depreciated:					
Buildings	6,690,183	-	-	-	6,690,183
Structures other than buildings	6,776,958	24,200	-	-	6,801,158
Equipment	1,001,645	52,444	-	-	1,054,089
Total capital assets, being depreciated	<u>14,468,786</u>	<u>76,644</u>	<u>-</u>	<u>-</u>	<u>14,545,430</u>
Less accumulated depreciation for:					
Buildings	2,351,573	132,093	-	-	2,483,666
Structures other than buildings	2,769,998	109,751	-	-	2,879,749
Equipment	536,135	71,953	-	-	608,088
Total accumulated depreciation	<u>5,657,706</u>	<u>313,797</u>	<u>-</u>	<u>-</u>	<u>5,971,503</u>
Total capital assets being depreciated, net	<u>8,811,080</u>	<u>(237,153)</u>	<u>-</u>	<u>-</u>	<u>8,573,927</u>
Business-type activities capital assets, net	<u>\$ 8,876,485</u>	<u>\$ 647,641</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,524,126</u>

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

Governmental activities:	
General government	\$ 74,037
Public safety	85,477
Streets	101,200
Cemetery	5,055
Parks and recreation	127,133
Public health	8,713
Community and economic development	56,193
Airport	66,966
Total depreciation expense - governmental activities	<u>\$ 524,774</u>
Business-type activities:	
Wastewater	311,917
Sanitation	1,880
Total depreciation expense - business-type activities	<u>\$ 313,797</u>

**8. SHORT-TERM LIABILITIES**

The following is a summary of short-term debt transactions of the City for the year ended September 30, 2010:

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities:				
Revenue anticipation note	\$ 487,485	\$ -	\$ 487,485	\$ -
	<u>\$ 487,485</u>	<u>\$ -</u>	<u>\$ 487,485</u>	<u>\$ -</u>

On July 31, 2009, the City issued Tax and Revenue Anticipation Note Series 2009 in the aggregate principal amount of \$500,000 to finance improvements to the City’s two wastewater treatment facilities. The Tax and Revenue Anticipation Note had an interest rate of 4.55% and maturity date of November 1, 2010. The City paid off the note in July 2010 using proceeds from the revenue bonds issued during the current year, which are discussed further below.

**9. CAPITAL LEASES**

Capital lease obligations at September 30, 2010 consist of the following:

Governmental Activities:

1. The City has a \$1,275,000 lease-purchase agreement for property and improvements to be leased to commercial entities. As of September 30, 2010, \$1,625,128 has been capitalized and the associated debt is recorded in the Governmental Activities on the government-wide statements. Accumulated depreciation for this asset was \$198,773 as of September 30, 2010. This lease agreement qualifies as a capital lease for accounting purposes because title transfers at the end of the lease-term. Therefore, it has been recorded as debt at the present value of the future minimum lease payments as of the date of its inception.
2. The City has a lease-purchase agreement for an excavator. As of September 30, 2010, \$45,744 has been capitalized and fifty percent of the associated debt is recorded in the Governmental Activities on the government-wide statements. This asset is being shared with the wastewater department as noted below. Accumulated depreciation for this asset was \$2,723 as of September 30, 2010. This lease agreement qualifies as a capital lease for accounting purposes because title transfers at the end of the lease-term. Therefore, it has been recorded as debt at the present value of future minimum lease payments as of the date of its inception.

Business-type Activities:

3. The City has a lease-purchase agreement for an excavator. As of September 30, 2010, \$45,744 has been capitalized and fifty percent of the associated debt is recorded in the Business-Type Activities on the government-wide statements. Accumulated depreciation for this asset was \$2,723 as of September 30, 2010. This lease agreement qualifies as a capital lease for accounting purposes because title transfers at the end of the lease-term. Therefore, it has been recorded as debt at the present value of future minimum lease payments as of the date of its inception.

The following summarizes the terms:

	Interest Rate	Maturity Date	Principal Balance 9/30/2010
Long Term Debt Financed by:			
Economic Development Special Revenue Fund - Speculative Building (1)	5.00%	8/15/2012	\$ 954,857
Community Development Fund - Excavator (2)	3.57%	5/15/2013	32,320
Wastewater Fund - Excavator (3)	3.57%	5/15/2013	32,320
			<u>\$ 1,019,497</u>

The following summarizes the future minimum lease payments under the above capital leases, and the present value of the future net minimum lease payments at September 30, 2010:

	Speculative Building (1)	Excavator (2)	Excavator (3)	Total
Total minimum lease payments	\$ 1,274,064	\$ 33,931	\$ 33,931	\$ 1,341,926
Less: Amount representing interest	(319,207)	(1,611)	(1,611)	(322,429)
Present value of future minimum lease payments	<u>\$ 954,857</u>	<u>\$ 32,320</u>	<u>\$ 32,320</u>	<u>\$ 1,019,497</u>

The following is a schedule of the future minimum lease payments for the above capital leases in aggregate, and the present value of the net minimum lease payments at September 30, 2010:

Year Ending September 30:	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2011	\$ 71,634	\$ 47,951	\$ 11,761	\$ 963	\$ 132,309
2012	75,044	44,542	12,189	536	132,311
2013	74,611	40,733	8,370	112	123,826
2014	69,678	37,183	-	-	106,861
2015	73,294	33,568	-	-	106,862
2016-2020	427,481	106,826	-	-	534,307
2021-2022	195,435	10,015	-	-	205,450
Total minimum lease payments	<u>\$ 987,177</u>	<u>\$ 320,818</u>	<u>\$ 32,320</u>	<u>\$ 1,611</u>	<u>\$ 1,341,926</u>

## 10. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2010:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount due In one year
Governmental activities:					
Capital leases	\$ 1,035,214	\$ 36,148	\$ 84,185	\$ 987,177	\$ 71,634
NID bonds	-	1,930,000	-	1,930,000	65,000
Compensated absences	171,914	230,003	202,645	199,272	99,636
Business-type activities:					
Capital leases	-	36,148	3,828	32,320	11,761
Revenue bonds	-	5,765,000	-	5,765,000	-
Compensated absences	19,296	16,459	20,217	15,538	7,769
Landfill closure costs	245,000	-	13,000	232,000	13,000
	<u>\$ 1,471,424</u>	<u>\$ 8,013,758</u>	<u>\$ 323,875</u>	<u>\$ 9,161,307</u>	<u>\$ 268,800</u>

Accrued compensated absences are generally liquated by the General Fund.

### NID Bonds

On September 1, 2010, the City issued \$1,930,000 of special assessment debt to provide funds for certain capital purchases, capital improvements, and land leases benefiting a neighborhood improvement district (NID). These bonds will be repaid from amounts levied against the property owners benefited by this development. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are received. However, the City cannot levy additional taxes unless approved by the voters.

As part of this debt issuance, the City used \$1,037,500 of proceeds to enter into a twenty year lease with Mid-America Brick Refinery for land to be used by the City as a park. The entire lease amount was paid in August 2010, and, therefore, is recorded as a prepaid as of September 30, 2010.

The governmental activities' bonds issued to fund NID projects are as follows:

	Original Amount	Interest Rate	Final Maturity Date	Balance September 30, 2010
NID Bonds:				
2010A, Tax-Exempt Limited General Obligation Bonds	\$ 810,000	1.0%-3.0%	3/1/2020	\$ 810,000
2010B, Taxable Limited General Obligation Bonds	1,120,000	5.500%-6.125%	3/1/2030	1,120,000
				<u>\$ 1,930,000</u>

The annual requirements to amortize debt outstanding in the governmental activities as of September 30, 2010, including interest payments, are as follows:

Year Ending September 30:	Principal	Interest	Total
2011	\$ 65,000	\$ 86,786	\$ 151,786
2012	70,000	82,850	152,850
2013	70,000	81,975	151,975
2014	70,000	80,925	150,925
2015	70,000	79,569	149,569
2016-2020	465,000	367,813	832,813
2021-2025	460,000	267,300	727,300
2026-2030	660,000	117,600	777,600
Total minimum payments	\$ 1,930,000	\$ 1,164,818	\$ 3,094,818

### Revenue Bonds

The business-type activities' revenue bonds are composed of sewerage system revenue bonds. In 2010, the City issued \$595,000 (Series 2010A) and \$5,170,000 (Series 2010B) in Tax-Exempt Sewerage System Revenue Bonds and Taxable Sewerage System Revenue Bonds (Build America Bonds), respectively, for the purpose of financing capital improvements for two wastewater treatment facilities and costs associated with the issuance of the bonds.

Under the Build America Bonds program, the Treasury Department makes a direct payment to the City in an amount equal to 35 percent of the interest payment on the Build America Bonds. As the Build America Bonds were not issued until May (taxable Wastewater Revenue Bonds) and August (taxable NID Bonds) 2010, no interest payments were made during the current fiscal year, although interest expense was accrued. As such, reimbursements from the Treasury Department will not begin until fiscal year 2011.

The City has pledged future utility customer revenues, net of current specified operating expenses, to repay \$5,765,000 in revenue bonds. Proceeds from the bonds provided financing for capital improvements for two wastewater treatment facilities. The bonds are payable solely from utility customer net revenues and are payable through 2040. Net revenues available for debt service are not to be less than 110% of the amount required to be paid annually of principal and interest. Net revenues are over 734% of the annual principal and interest payments made during the year ended September 30, 2010. The total principal and interest remaining to be paid on the bonds is \$13,515,549. Principal paid and interest accrued for the current year and total customer net revenues were \$62,750 and \$460,520, respectively.

Bonds payable are comprised of the following individual issues:

	Original Amount	Interest Rate	Final Maturity Date	Balance September 30, 2010
Revenue Bonds:				
2010A, Tax-Exempt Sewerage System Revenue Bonds	\$ 595,000	3.0%-4.0%	7/1/2016	\$ 595,000
2010B, Taxable Sewerage System Revenue Bonds	5,170,000	5.289%-7.108%	7/1/2040	5,170,000
				<u>\$ 5,765,000</u>

The annual requirements to amortize debt outstanding in the business-type activities as of September 30, 2010, including interest payments, are as follows:

Year Ending September 30:	Principal	Interest	Total
2011	\$ -	\$ 405,412	\$ 405,412
2012	95,000	370,428	465,428
2013	105,000	367,578	472,578
2014	110,000	364,428	474,428
2015	110,000	361,128	471,128
2016-2020	680,000	1,722,000	2,402,000
2021-2025	740,000	1,526,380	2,266,380
2026-2030	920,000	1,256,731	2,176,731
2031-2035	1,150,000	911,601	2,061,601
2036-2040	1,855,000	464,863	2,319,863
Total minimum payments	<u>\$ 5,765,000</u>	<u>\$ 7,750,549</u>	<u>\$ 13,515,549</u>

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 and to incur additional general obligation indebtedness not to exceed, in the aggregate, an additional 10% of the assessed value of taxable tangible property, for the purpose of acquiring rights-of-way, construction, extending and improving streets and avenues and/or sanitary or storm wastewater systems, and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed 20% of the assessed valuation of taxable property. Based on the assessed valuation as of January 1, 2009, of \$136,077,957, the constitutional total general obligation debt limit for "city purposes" was \$27,215,591, which provides a general obligation debt margin of \$25,478,591.

## 11. LEASE REVENUE

On September 30, 2003, the City entered into a lease for a building to Bentley Industries LLC, through August 16, 2022. Effective May 27, 2009, Bentley Industries LLC transferred their interest in the lease to Encore Boat Builders, LLC. Upon transfer of this interest, Encore Boat Builders, LLC provided a promissory note in the amount of \$84,303, which requires quarterly payments through June 22, 2012. The promissory note had an outstanding balance of \$50,697 at September 30, 2010.

The carrying value of this building in the Governmental Activities is \$1,426,355. Payments are \$8,905 per month through August 16, 2022. Future lease revenue by fiscal year for the lease is as follows:

2011	\$ 106,862
2012	106,862
2013	106,862
2014	106,862
2015	106,862
2016-2020	534,310
2021-2022	204,818
	<u>\$ 1,273,436</u>

The City leased a piece of property to Bentley Industries, LLC as of May 11, 2004, for an original term of five years, with the option for a maximum of three 5-year extensions. Effective June 10, 2008, Bentley Industries, LLC transferred their interest in the lease to Joseph L. Jacobi. Under this lease, Jacobi has use of a portion of land at the airport. Jacobi pays no significant rent under this agreement. The City has given Jacobi the right to build a hangar on the portion of land, with agreement that Jacobi is responsible for building, maintaining, and insuring the hangar. In exchange for the use of the land, Jacobi will turn the hangar over to the City at the conclusion of the lease.

The City owns a second commercial property that is available for lease and consists of approximately 50,000 square feet. This property, known as the Griffin Building, is located with the Industrial Park and had been under lease until November of 2007 at a rate of \$2.50 per square foot. The facility was vacant as of September 30, 2010, and the City continues to market the property for sale or lease through the Missouri Department of Economic Development and other various commercial real estate websites.

## 12. INTERFUND TRANSFERS

Amounts were transferred as a result of reallocation of resources. Sales taxes are collected by the City and deposited into the Sales Tax and Capital Improvement Sales Tax Funds and transferred to other funds to fund operating activities as needed. All transfers were approved by the City Council.

A summary of interfund transfers for the year ended September 30, 2010 follows:

TRANSFERRED TO	TRANSFERRED FROM			Total
	Major Fund	Non-major Funds		
	Sales Tax Fund	Cemetery Trust Fund	Capital Improvement Sales Tax Fund	
Governmental Funds:				
Major Funds:				
General Fund	\$ 1,176,343	\$ 855	\$ 250,000	\$ 1,427,198
Community Development Grants Fund	340,000	-	40,000	380,000
CDBG Grants Fund	1,000	-	-	1,000
	<u>1,517,343</u>	<u>855</u>	<u>290,000</u>	<u>1,808,198</u>
Non-major Funds:				
Community Development Fund	75,000	-	-	75,000
Dept. of Natural Resources Energy Grant Fund	-	-	5,907	5,907
Roads and Other Projects Fund	60	-	10,000	10,060
	<u>75,060</u>	<u>-</u>	<u>15,907</u>	<u>90,967</u>
	<u>\$ 1,592,403</u>	<u>\$ 855</u>	<u>\$ 305,907</u>	<u>\$ 1,899,165</u>

### 13. COMMITMENTS AND CONTINGENCIES

#### A. Landfill

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The City closed its landfill in April, 1994. As of September 30, 2010, the City has recorded \$232,000 in estimated closure and postclosure costs, a change in the liability of \$13,000 from the prior year. The estimated total closure and postclosure care costs is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of September 30, 2010. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

#### B. Joint Dispatch Communication

The City has entered into a partnership agreement with the Emergency Services Board (ESB) to provide joint dispatch communication for Audrain County. The City bills the ESB for the labor costs incurred while operating the joint dispatch communication service on behalf of the ESB. The City's costs for operating and salary support for the joint dispatch and reimbursements received were \$471,011 for the year ended September 30, 2010.

#### C. Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained coverage from commercial insurance companies for these risks of losses. There were no significant reductions in insurance coverage from the prior year. In addition, no settlements have exceeded insurance coverage in the previous three fiscal years.

#### D. Contracts for Construction

The City has entered into agreements with contractors for various projects for airport construction and wastewater treatment plant improvements. As of September 30, 2010, commitments under contracts were as follows:

Project	Spent-to-Date	Commitment
Airport Taxiway	9,926	110,056
Asphalt Overlay	177,710	120,731
Wastewater Treatment Plant	886,411	4,043,790
	<u>\$ 1,074,047</u>	<u>\$ 4,274,577</u>

### 14. INTERGOVERNMENTAL REVENUE

The City receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants. Federal grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements or the individual fund-types included herein or on the overall financial position of the City as of September 30, 2010.

## **15. CONDUIT BOND ISSUES**

As of September 30, 2010, the City has issued \$15,487,283 in Industrial Revenue Bonds. The City has no liability for repayment of the above revenue bonds and, accordingly, these bonds have not been recorded in the accompanying financial statements. Security for the bondholders consists of the unconditional obligation of the borrowers to repay the bonds.

## **16. PENSION PLAN**

### ***Employees' Retirement System***

The following information is presented in accordance with Governmental Accounting Standards Board Statement 27 (GASB 27), "Accounting for Pensions by State and Local Governmental Employers."

### ***Plan Description***

The City of Mexico 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, PO Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

The City's payroll for employees covered by LAGERS for the year ended September 30, 2010, was \$3,660,897 and the total City payroll was \$3,699,320. The City's contribution to LAGERS for the year ended September 30, 2010, was \$350,907, which represents 9.6% of covered payroll.

### ***Funding Status***

The City of Mexico's full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 7.8% (general), 12.8% (police) and 0.6% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of each participating political subdivision. The contribution provisions of political subdivisions participating in the plan are established by state statute.

### ***Annual Pension Cost***

For LAGERS fiscal year ended June 30, 2010, the City's annual pension cost of \$349,659 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2007 and/or February 29, 2008 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971

Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 29, 2008 was 15 years.

***Trend Information***

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

Three-Year Trend Information			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	\$ 320,508	100%	-
6/30/2009	328,895	100%	-
6/30/2010	349,659	100%	-

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded Accrued Liability (UAL)	Fund Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
2/28/2010	\$ 7,915,835	\$ 9,011,398	\$ 1,095,563	88%	\$ 3,519,227	31%

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

The required schedule of funding progress included in required supplementary information immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**17. POST EMPLOYMENT BENEFITS**

Effective October 1, 2009, the City adopted the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" (GASB 45). As a result, the financial statements reflect a long-term liability and expense of \$67,130 and \$3,459 in governmental and business-type activities, respectively, as of and for the year ended September 30, 2010.

***Plan Description***

The City sponsors a single-employer health care plan that provides health benefits to retirees and spouses. All full time employees over age 55 with five years of service are eligible for post retirement benefits. Retirees who elect to continue coverage in the medical plan offered through the City are required to pay a contribution until the employee becomes eligible for Medicare. Since the retirees pay the same premium as active employees each year, the City share of any premium cost is determined on the basis of a blended rate or implicit rate subsidy calculation. The implicit rate subsidy is the difference between what the retiree actually pays and the age adjusted amount he or she would have paid for the full cost of the benefit.

**Funding Policy**

The City does not pay retiree benefits directly; they are paid implicitly over time through employer subsidization of active premiums charged to plan participants that would be lower if retirees were not part of the experience group.

**Annual OPEB Costs and Net OPEB Obligation**

The City’s annual OPEB cost is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB #45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. For the year ended September 30, 2010, the annual OPEB costs and changes in the net obligation are as follows:

Annual accrued liability	\$ 443,211
OPEB plan assets	-
Unfunded actuarial accrued liability as of September 30, 2009	<u>\$ 443,211</u>
Amortization factor (based on 30-year open-level dollar)	<u>17.026</u>
Amortization of unfunded liability	\$ 26,031
Normal costs	<u>41,518</u>
Annual required contribution (ARC)	67,549
Interest to end of the year	3,040
Adjustment to the ARC	-
Annual OPEB cost	<u>70,589</u>
Net OPEB obligation, beginning of year	-
Actual contributions for 2010	-
Net OPEB obligation, end of year	<u>\$ 70,589</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended September 30, 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Estimated Retiree Benefits for the Year	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation - End of Year
9/30/2010	\$ 70,589	-	0%	\$ 70,589

Because 2010 was the year of transition for GASB 45, requirements of GASB 45 have been implemented prospectively; therefore, the above illustration does not reflect information respective of the two preceding years.

## ***Funding Status and Schedule of Funding Progress***

For the year ended September 30, 2010:

Actuarial Valuation Date	Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Current Fiscal Year Covered Payroll	UALL as a Percentage of Covered Payroll
9/30/2009	\$ -	\$ 443,211	\$ 443,211	0%	\$ 3,780,631	11.72%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Because the City is only required to have a full actuarial valuation every three years, the *Schedule of Funding Progress* presented above will not be updated until the new valuation is completed in 2011.

### ***Actuarial Methods and Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the City and plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities, consistent with the long-term perspective of the calculation.

The population valued is based on a closed group. Only current employees and retirees as of a valuation date are considered; no provision is made for future new hires.

As of the September 30, 2010, actuarial valuation, the liabilities were computed using the projected unit credit method with a 30-year level dollar amortization of the unfunded actuarial accrued liability. Because the City funds its OPEB on a pay-as-you-go basis, the plan has no assets (investments) used specifically for paying the post-retirement health benefits; therefore, the actuarial assumption utilized a 4.5% discount rate. Actuarial assumptions also included annual healthcare trend rates of 8.5%, initially, reduced by decrements to an ultimate rate of 4.5% after nine years. The UAAL is being amortized as a level dollar amount over thirty years on an open period amortization basis.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides healthcare benefits to eligible employees and eligible dependents. The Federal government outlines certain requirements for this coverage. The premium is paid by the insured either monthly or quarterly at the insured's discretion for the next period's coverage. This program is offered for 18 months after the termination date. There is no associated cost to the City under this program.

## **18. JOINT VENTURE**

During fiscal year 2009, the City of Mexico entered into a joint venture company, the Missouri Plant Science Center, LLC (the Company), to organize the establishment and operation of a facility where basic research, applied research and light and pilot-scale manufacturing, all in agriculture/biotechnology could be developed utilizing plant-based products. The intent is for the Company to promote and provide a facility to incubate

the development of new agriculture/ biotechnology business for existing and potentially new companies to further economic development in the central region of the State of Missouri.

The Company is organized and operated as a supporting organization as described in Section 509(a)(3) of the Tax Code, and the Company is intended to be exempt from federal income taxation under Section 501 (c)(3) of the Tax Code. The Company's members consist of the City of Mexico, the Curators of the University of Missouri, and the Missouri Technology Corporation. The members entered into an operating agreement in September, 2009 containing various stipulations and terms. A member is only liable to make an initial capital contribution as agreed in the agreement and additional capital contributions as subsequently voted by the members. No member is obligated to pay any distribution to or for the account of the Company or any creditor of the Company. As of September 30, 2010, the City had made its required initial capital contribution.

In 2009, the City entered a purchase option agreement totaling \$350,000 to convey 70 acres of land adjacent to the facility once construction is completed in 2011. There were no additional developments on the 70 acre purchase or conveyance in fiscal year 2010. In fiscal year 2010, the City of Mexico contributed ten (10) acres of land valued at \$50,000, which provided the land necessary for a construction site of the Missouri Plant Science Center.

As of September 30, 2010, the facility was still under construction. As such, financial statements for the joint venture are currently not published.

## **19. BUDGETS AND FUND BALANCES**

The Community Development Grants Fund and Department of Natural Resources Energy Grant Fund, both governmental funds, have deficits of \$4,391 and \$30,000, respectively, which will be reduced by future grants. The Mid-American Brick NID Fund, a governmental fund, had expenditures that exceed its budgeted expenditures by \$1,216,341.

## **20. SUBSEQUENT EVENT**

In October 2010, the City entered into an agreement for water and sewer extensions to the Missouri Plant Science Center for approximately \$349,000. These costs will be reimbursed through a Missouri Department of Transportation grant. After completion of the project, the City will retain the sewer line as an asset of the City, and Missouri American Water Company will assume title to the water line.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MEXICO**  
**BUDGETARY COMPARISON SCHEDULE -**  
**GENERAL FUND**  
**Year Ended September 30, 2010**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>				
Taxes	\$ 3,338,084	\$ 3,031,343	\$ 3,001,549	\$ 336,535
Licenses and permits	132,660	123,200	129,981	2,679
Intergovernmental revenues	5,721	5,038	5,721	-
Fines and forfeitures	44,234	43,000	41,600	2,634
Miscellaneous	763,941	827,657	740,456	23,485
Total revenues	<u>4,284,640</u>	<u>4,030,238</u>	<u>3,919,307</u>	<u>365,333</u>
<b>EXPENDITURES:</b>				
General government	1,001,272	1,165,934	1,047,409	46,137
Public safety	2,674,804	2,921,630	2,757,831	83,027
Streets	784,612	849,915	840,438	55,826
Cemetery	106,433	121,022	117,599	11,166
Economic development	131,893	164,034	152,203	20,310
Community development	215,276	233,554	220,261	4,985
Capital outlay	118,143	386,569	215,177	97,034
Debt service	23,557	23,563	23,563	6
Total expenditures	<u>5,055,990</u>	<u>5,866,221</u>	<u>5,374,481</u>	<u>318,491</u>
Excess (deficiency) of revenues over expenditures	<u>(771,350)</u>	<u>(1,835,983)</u>	<u>(1,455,174)</u>	<u>683,824</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	1,427,198	1,351,000	1,410,500	16,698
Total other financing sources	<u>1,427,198</u>	<u>1,351,000</u>	<u>1,410,500</u>	<u>16,698</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ 655,848</u>	<u>\$ (484,983)</u>	<u>\$ (44,674)</u>	<u>\$ 700,522</u>

**CITY OF MEXICO**

**BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - PARKS AND RECREATION FUND  
Year Ended September 30, 2010**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>				
Taxes	\$ 283,760	\$ 273,491	\$ 281,506	\$ 2,254
Charges for services	47,615	49,900	41,057	6,558
Intergovernmental revenues	-	36,000	20,000	(20,000)
Miscellaneous	15,420	16,500	15,550	(130)
Total revenues	<u>346,795</u>	<u>375,891</u>	<u>358,113</u>	<u>(11,318)</u>
<b>EXPENDITURES:</b>				
Parks and recreation	689,277	731,712	727,292	38,015
Capital outlay	15,445	72,600	35,445	20,000
Total expenditures	<u>704,722</u>	<u>804,312</u>	<u>762,737</u>	<u>58,015</u>
Excess (deficiency) of revenues over expenditures	<u>(357,927)</u>	<u>(428,421)</u>	<u>(404,624)</u>	<u>46,697</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	<u>380,000</u>	<u>380,000</u>	<u>380,000</u>	<u>-</u>
Total other financing sources	<u>380,000</u>	<u>380,000</u>	<u>380,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ 22,073</u>	<u>\$ (48,421)</u>	<u>\$ (24,624)</u>	<u>\$ 46,697</u>

**CITY OF MEXICO**

**BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - PUBLIC HEALTH FUND  
Year Ended September 30, 2010**

	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>REVENUES:</b>				
Taxes	\$ 283,760	\$ 273,492	\$ 281,505	\$ 2,255
Miscellaneous	39,509	22,500	27,500	12,009
Total revenues	<u>323,269</u>	<u>295,992</u>	<u>309,005</u>	<u>14,264</u>
<b>EXPENDITURES:</b>				
Public health	<u>352,035</u>	<u>369,661</u>	<u>362,983</u>	<u>10,948</u>
Total expenditures	<u>352,035</u>	<u>369,661</u>	<u>362,983</u>	<u>10,948</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (28,766)</u>	<u>\$ (73,669)</u>	<u>\$ (53,978)</u>	<u>\$ 25,212</u>

**CITY OF MEXICO**  
**BUDGETARY COMPARISON SCHEDULE -**  
**SPECIAL REVENUE - SALES TAX FUND**  
**Year Ended September 30, 2010**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>				
Taxes	\$ 1,360,880	\$ 1,608,802	\$ 1,557,303	\$ (196,423)
Miscellaneous	-	850	520	(520)
Total revenues	<u>1,360,880</u>	<u>1,609,652</u>	<u>1,557,823</u>	<u>(196,943)</u>
<b>EXPENDITURES:</b>				
Public health	30,900	30,900	30,900	-
Economic development	292	20,000	5,000	4,708
Total expenditures	<u>31,192</u>	<u>50,900</u>	<u>35,900</u>	<u>4,708</u>
Excess (deficiency) of revenues over expenditures	<u>1,329,688</u>	<u>1,558,752</u>	<u>1,521,923</u>	<u>(192,235)</u>
<b>OTHER FINANCING (USES):</b>				
Transfers (out)	<u>(1,592,403)</u>	<u>(1,526,000)</u>	<u>(1,575,560)</u>	<u>(16,843)</u>
Total other financing (uses)	<u>(1,592,403)</u>	<u>(1,526,000)</u>	<u>(1,575,560)</u>	<u>(16,843)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (262,715)</u>	<u>\$ 32,752</u>	<u>\$ (53,637)</u>	<u>\$ (209,078)</u>

**CITY OF MEXICO**

**BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - MID-AMERICA BRICK NID FUND  
Year Ended September 30, 2010**

	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>REVENUES:</b>				
Miscellaneous	\$ 538	\$ -	\$ -	\$ 538
Total revenues	<u>538</u>	<u>-</u>	<u>-</u>	<u>538</u>
<b>EXPENDITURES:</b>				
Community development	400,500	-	433,659	33,159
Total expenditures	<u>400,500</u>	<u>-</u>	<u>433,659</u>	<u>33,159</u>
Excess (deficiency) of revenues over expenditures	<u>(399,962)</u>	<u>-</u>	<u>(433,659)</u>	<u>33,697</u>
<b>OTHER FINANCING (USES):</b>				
Debt proceeds from NID bonds	1,916,259	-	1,916,258	1
Issuance costs related to NID	(68,164)	-	(69,224)	1,060
Total other financing (uses)	<u>1,848,095</u>	<u>-</u>	<u>1,847,034</u>	<u>1,061</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ 1,448,133</u>	<u>\$ -</u>	<u>\$ 1,413,375</u>	<u>\$ 34,758</u>

**CITY OF MEXICO**  
**BUDGETARY COMPARISON SCHEDULE -**  
**SPECIAL REVENUE - COMMUNITY DEVELOPMENT GRANTS FUND**  
**Year Ended September 30, 2010**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>				
Intergovernmental revenues	\$ 3,976,376	\$ 2,650,000	\$ 5,050,000	\$ (1,073,624)
Total revenues	<u>3,976,376</u>	<u>2,650,000</u>	<u>5,050,000</u>	<u>(1,073,624)</u>
<b>EXPENDITURES:</b>				
Capital outlay	3,982,767	2,650,000	5,051,000	1,068,233
Total expenditures	<u>3,982,767</u>	<u>2,650,000</u>	<u>5,051,000</u>	<u>1,068,233</u>
Excess (deficiency) of revenues over expenditures	<u>(6,391)</u>	<u>-</u>	<u>(1,000)</u>	<u>(5,391)</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	1,000	-	1,000	-
Total other financing sources	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (5,391)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,391)</u>

## CITY OF MEXICO

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

#### **Budgetary Information**

An annual budget prepared under the modified accrual basis of accounting is adopted in September prior to the beginning of each fiscal year for all revenues and expenditures of all governmental funds of the City. The City also prepares annual operating budgets for the enterprise funds; however, there is no requirement to report on these budgets. Therefore, the financial statements include a comparison of budget to actual only for the budgeted governmental funds.

The primary basis of budgetary control is at the fund level. Funds may not legally exceed their total appropriation without City Council approval. A review of the current year's budget is made by the departments within each fund in September of each year and interdepartmental transfers are made with City Council approval. Any remaining unencumbered appropriations lapse at fiscal year end. Any increase in appropriations during the fiscal year must be approved by the City Council. During the current budget year, supplemental budget appropriations were necessary to approve funding for new grant programs, as well as other approved City programs. These changes are reflected in the final budgeted amounts in the accompanying required supplemental information.

A Budgetary Comparison Schedule for the City's General Fund and major special revenues funds are included in the Required Supplementary Information. The budgetary comparison schedules for all other governmental funds are included as supplemental information.

#### **Excess of Expenditures Over Appropriations**

The Community Development Grants Fund and Department of Natural Resources Energy Grant Fund, both governmental funds, have deficits of \$4,391 and \$30,000, respectively, which will be reduced by future grants. The Mid-American Brick NID Fund, a governmental fund, had expenditures that exceed its budgeted expenditures by \$1,216,341.

## CITY OF MEXICO

### MODIFIED APPROACH FOR REPORTING INFRASTRUCTURE ASSETS

As permitted by GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, the City of Mexico has adopted the modified approach for reporting its highway system. Under the modified approach, depreciation is not reported and certain preservation and maintenance costs are expensed.

The modified approach requires that the City:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets,
- Perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale in order to document that the eligible infrastructure assets are being preserved approximately at (or above) the condition level established and disclosed by the government, and
- Estimate each year the annual amount needed to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.

Although bridges are an integral part of the infrastructure system, the City of Mexico has elected to depreciate bridges. Therefore, they are not reported using the modified approach.

#### Condition Assessments

The City of Mexico Public Works Department performs and reports yearly condition assessments based on core sampling, written records, updated traffic counts, visual inspection, and data entry into a street condition software program. During fiscal year 2010, the City replaced the LASIS (Larkin Associates Street Information System) software program with PASER (Pavement Surface Evaluation and Rating). PASER operates similar to the LASIS program, but uses a condition index of 1 to 10 rather than 0 to 100. The PASER index allows the additional feature of being applied to GIS and places considerable weight to visual inspections.

PASER, by utilizing visual inspections, identifies different types of pavement distress and links them to a cause, which in turn helps select the appropriate maintenance or rehabilitation technique. Under PASER, all streets are to be re-rated every three years. The City's goal under PASER is to keep the average street condition in the range of 6 to 7, which is a "good" rating and normally requires only routine type maintenance. The average street rating as of this report is 6.3, which is comparable to a low 80s rating under LASIS.

<u>Rating</u>	<u>Condition</u>	<u>Maintenance</u>
1	Failed	Reconstruct
2	Very Poor	Extensive reconstruction
3	Poor	Patching and repair prior to major overlay
4	Fair	Overlay
5	Fair	Sealcoat or thin non-structural overlay
6	Good	Sealcoat
7	Good	Crack filing
8	Very Good	Minor crack filing to no maintenance
9	Excellent	None
10	Excellent (new)	None

**Assessed Conditions**

For the current year and two prior years, the results of the condition assessments are as follows:

<u>Year</u>	<u>Assessed Condition</u>
2010	6.3
2009	81
2008	81

**Estimated and Actual Costs for Maintenance**

The table below provides a comparison between the City of Mexico’s estimate of maintenance expenditures required to maintain the highway system at or above the adopted condition levels and the actual expenditures. Since GASB 34 only became effective in 2004 for Phase III governments, no prior year estimates are available. However, the actual maintenance expenditures are presented for comparison.

<u>Year</u>	<u>Actual Expense</u>	<u>Estimated Expense</u>
2010	\$ 678,616	\$ 866,294
2009	\$ 621,742	\$ 630,000
2008	\$ 749,858	\$ 700,000

**Factors Affecting Condition Assessments**

Although the City of Mexico has adopted condition levels for the street system, this process is new and represents a different approach to maintaining and monitoring the street system for financial reporting purposes. As time progresses, the City of Mexico hopes to achieve a greater correlation between the estimated and actual maintenance expenditures needed to maintain the street system at or above the adopted condition levels.

In reviewing the condition assessments, it is also necessary to consider the effects of other factors such as increases in traffic, legislative mandates, and environmental effects (rainfall, drought, freeze, thaw, etc.) which may have a major impact on needed funds and the condition of Mexico roads.

**CITY OF MEXICO**

**PENSION PLAN – TREND INFORMATION**  
**September 30, 2010**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded Accrued Liability (UAL)	Fund Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
2/29/2008	\$ 10,313,766	\$ 9,097,176	\$ (1,216,590)	113%	\$ 3,000,456	(41%)
2/28/2009	7,991,108	8,719,954	728,846	92%	3,196,632	23%
2/28/2010	7,915,835	9,011,398	1,095,563	88%	3,519,227	31%

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

## **SUPPLEMENTARY INFORMATION**

## **CITY OF MEXICO, MISSOURI**

### **SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to or designated by management for expenditures for specific purposes. The following are the City of Mexico's non-major special revenue funds:

#### *Airport*

To account for funds received and disbursed for the City's municipal airport.

#### *Economic Development Fund*

To account for funds disbursed for special economic development programs and activities.

#### *Tourism Tax*

To account for the City lodging gross receipt tax collections and expenditures for designated tourism promotion activities.

#### *Community Development Fund*

To account for funds disbursed for special community development programs and activities.

#### *Capital Improvement Sale Tax Fund*

To account for City capital improvement sales tax collections and expenditures for designated capital projects.

#### *Department of Natural Resources Energy Grant Fund*

To account for American Recovery and Reinvestment Act grants received and disbursed for qualified energy efficiency improvement programs to eligible downtown area businesses and for City owned buildings.

### **CAPITAL PROJECTS FUNDS**

The Capital Projects Funds are used to account for financial resources to be used for the acquisition and construction of capital facilities, other than those financed by proprietary funds and trust funds, and is grouped together by purpose. The City uses subfunds for each construction project in the Capital Projects Funds. The following are the City of Mexico's non-major capital projects funds:

#### *Housing Rehab Fund*

To account for funds received and disbursed for significant housing rehabilitation projects.

#### *Roads and Other Funds*

To account for City financial resources and expenditures related to roads and other miscellaneous capital projects.

### **PERMANENT FUND**

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

#### *Cemetery Perpetual Care Permanent Fund*

To account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the City Cemetery. City ordinances require that the monies generated from the perpetual care fees be retained in the Cemetery Fund. Cemetery lot sales of \$11,400 and burial permits of \$10,000 for the year were recorded in the General Fund and were used to finance cemetery maintenance costs which are also recorded in the General Fund. The Cemetery Fund contributed \$855 of investment interest and contributions received in the current period to the General Fund to finance maintenance costs.

**CITY OF MEXICO**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR FUNDS**  
**September 30, 2010**

	Special Revenue Funds							Capital Projects Fund	Permanent Fund	Total
	Airport Fund	Economic Development Fund	Tourism Tax Fund	Community Development Fund	Capital Improvement Sales Tax Fund	Department of Natural Resources Energy Grant Fund	Roads and Other Funds			
<b>ASSETS</b>										
Cash and cash equivalents	\$ 143,783	\$ 187,504	\$ 20,236	\$ 36,968	\$ 334,659	\$ -	\$ 19,226	\$ -	\$ 742,376	
Restricted cash	-	-	-	-	-	-	-	-	166,352	
Taxes receivable	-	-	4,453	-	104,399	-	-	-	108,852	
Intergovernmental receivable	95,459	-	-	-	-	52,477	9,105	-	157,041	
Notes receivable	-	50,697	-	-	-	-	-	-	50,697	
Other receivables	-	8,905	-	-	-	-	-	-	8,905	
<b>TOTAL ASSETS</b>	<b>239,242</b>	<b>247,106</b>	<b>24,689</b>	<b>36,968</b>	<b>439,058</b>	<b>52,477</b>	<b>28,331</b>	<b>166,352</b>	<b>1,234,223</b>	
<b>LIABILITIES AND FUND BALANCES</b>										
<b>LIABILITIES</b>										
Accounts payable	108,329	14,933	-	4,474	17,771	22,477	9,105	-	177,089	
Accrued liabilities	2,880	-	-	-	-	-	-	-	2,880	
Interfund payable	-	-	-	-	-	30,000	-	-	30,000	
Deferred revenue	40,778	50,697	-	-	-	30,000	-	-	121,475	
Total Liabilities	151,987	65,630	-	4,474	17,771	82,477	9,105	-	331,444	
<b>FUND BALANCES</b>										
Reserved										
Capital improvements	-	-	-	-	421,287	-	-	-	421,287	
Perpetual care, nonexpendable	-	-	-	-	-	-	-	166,352	166,352	
Unreserved	87,255	181,476	24,689	32,494	-	(30,000)	19,226	-	315,140	
Total Fund Balances	87,255	181,476	24,689	32,494	421,287	(30,000)	19,226	166,352	902,779	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 239,242</b>	<b>\$ 247,106</b>	<b>\$ 24,689</b>	<b>\$ 36,968</b>	<b>\$ 439,058</b>	<b>\$ 52,477</b>	<b>\$ 28,331</b>	<b>\$ 166,352</b>	<b>\$ 1,234,223</b>	

**CITY OF MEXICO**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR FUNDS**  
**Year Ended September 30, 2010**

	Special Revenue Funds					Department of Natural Resources Energy Grant Fund	Capital Projects Fund	Permanent Fund	Total
	Airport Fund	Economic Development Fund	Tourism Tax Fund	Community Development Fund	Capital Improvement Sales Tax Fund				
REVENUES:									
Taxes									
Sales	\$ -	\$ -	\$ 42,586	\$ -	\$ 750,026	\$ -	\$ -	\$ -	\$ 792,612
Intergovernmental revenues	421,667	-	-	-	-	24,318	53,160	-	499,145
Miscellaneous									
Rent	22,800	106,861	-	-	-	-	-	-	129,661
Interest	-	3,317	-	-	1,728	-	-	855	5,900
Other	1,130	132,132	-	-	-	-	-	-	133,262
<b>TOTAL REVENUES</b>	<b>445,597</b>	<b>242,310</b>	<b>42,586</b>	<b>-</b>	<b>751,754</b>	<b>24,318</b>	<b>53,160</b>	<b>855</b>	<b>1,560,580</b>
EXPENDITURES:									
Current:									
Economic development	-	49,687	-	-	-	-	-	-	49,687
Airport	46,644	-	-	-	-	-	-	-	46,644
Community development	-	-	47,568	-	-	24,318	21,316	-	93,202
Capital outlay	485,569	1,470	-	74,584	269,529	35,907	64	-	867,123
Debt service:									
Principal	-	56,919	-	7,081	-	-	-	-	64,000
Interest	-	49,942	-	530	-	-	-	-	50,472
<b>Total expenditures</b>	<b>532,213</b>	<b>158,018</b>	<b>47,568</b>	<b>82,195</b>	<b>269,529</b>	<b>60,225</b>	<b>21,380</b>	<b>-</b>	<b>1,171,128</b>
Excess (deficiency) of revenues over expenditures	(86,616)	84,292	(4,982)	(82,195)	482,225	(35,907)	31,780	855	389,452
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	75,000	-	5,907	10,060	-	90,967
Transfers (out)	-	-	-	-	(305,907)	-	-	(855)	(306,762)
Total other financing sources (uses)	-	-	-	75,000	(305,907)	5,907	10,060	(855)	(215,795)
Net change in fund balances	(86,616)	84,292	(4,982)	(7,195)	176,318	(30,000)	41,840	-	173,657
Fund balances, October 1	173,871	97,184	29,671	39,689	244,969	-	(22,614)	166,352	729,122
<b>FUND BALANCES, SEPTEMBER 30</b>	<b>\$ 87,255</b>	<b>\$ 181,476</b>	<b>\$ 24,689</b>	<b>\$ 32,494</b>	<b>\$ 421,287</b>	<b>\$ (30,000)</b>	<b>\$ 19,226</b>	<b>\$ 166,352</b>	<b>\$ 902,779</b>

**CITY OF MEXICO**

**BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - AIRPORT FUND  
Year Ended September 30, 2010**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>				
Intergovernmental revenues	\$ 421,667	\$ 528,494	\$ 492,821	\$ (71,154)
Miscellaneous	23,930	25,290	25,211	(1,281)
Total revenues	<u>445,597</u>	<u>553,784</u>	<u>518,032</u>	<u>(72,435)</u>
<b>EXPENDITURES:</b>				
Airport	46,644	63,975	56,310	9,666
Capital outlay	485,569	611,310	538,760	53,191
Total expenditures	<u>532,213</u>	<u>675,285</u>	<u>595,070</u>	<u>62,857</u>
Excess (deficiency) of revenues over expenditures	<u>(86,616)</u>	<u>(121,501)</u>	<u>(77,038)</u>	<u>(9,578)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (86,616)</u>	<u>\$ (121,501)</u>	<u>\$ (77,038)</u>	<u>\$ (9,578)</u>

**CITY OF MEXICO**

**BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - ECONOMIC DEVELOPMENT FUND  
Year Ended September 30, 2010**

	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>REVENUES:</b>				
Miscellaneous	\$ 242,310	\$ 259,097	\$ 245,753	\$ (3,443)
Total revenues	<u>242,310</u>	<u>259,097</u>	<u>245,753</u>	<u>(3,443)</u>
<b>EXPENDITURES:</b>				
Economic development	49,687	101,030	65,210	15,523
Capital outlay	1,470	5,000	5,000	3,530
Debt service	106,861	106,861	106,861	-
Total expenditures	<u>158,018</u>	<u>212,891</u>	<u>177,071</u>	<u>19,053</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 84,292</u>	<u>\$ 46,206</u>	<u>\$ 68,682</u>	<u>\$ 15,610</u>

**CITY OF MEXICO**

**BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - TOURISM TAX FUND  
Year Ended September 30, 2010**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>				
Taxes	\$ 42,586	\$ 42,000	\$ 40,000	\$ 2,586
Total revenues	<u>42,586</u>	<u>42,000</u>	<u>40,000</u>	<u>2,586</u>
<b>EXPENDITURES:</b>				
Community development	47,568	55,000	54,680	7,112
Total expenditures	<u>47,568</u>	<u>55,000</u>	<u>54,680</u>	<u>7,112</u>
Excess (deficiency) of revenues over expenditures	<u>(4,982)</u>	<u>(13,000)</u>	<u>(14,680)</u>	<u>9,698</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (4,982)</u>	<u>\$ (13,000)</u>	<u>\$ (14,680)</u>	<u>\$ 9,698</u>

**CITY OF MEXICO**

**BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - COMMUNITY DEVELOPMENT FUND  
Year Ended September 30, 2010**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>				
Miscellaneous	\$ -	\$ 7,500	\$ 8,100	\$ (8,100)
Total revenues	-	7,500	8,100	(8,100)
<b>EXPENDITURES:</b>				
Capital outlay	74,584	84,000	90,600	16,016
Debt service	7,611	15,109	6,551	(1,060)
Total expenditures	82,195	99,109	97,151	14,956
Excess (deficiency) of revenues over expenditures	(82,195)	(91,609)	(89,051)	6,856
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	75,000	85,000	75,000	-
Total other financing sources	75,000	85,000	75,000	-
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	\$ (7,195)	\$ (6,609)	\$ (14,051)	\$ 6,856

**CITY OF MEXICO**

**BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - CAPITAL IMPROVEMENT SALES TAX FUND  
Year Ended September 30, 2010**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>				
Taxes	\$ 750,026	759,601	740,808	\$ 9,218
Miscellaneous	1,728	2,320	1,950	(222)
Total revenues	<u>751,754</u>	<u>761,921</u>	<u>742,758</u>	<u>8,996</u>
<b>EXPENDITURES:</b>				
Capital outlay	<u>269,529</u>	<u>485,743</u>	<u>423,583</u>	<u>154,054</u>
Total expenditures	<u>269,529</u>	<u>485,743</u>	<u>423,583</u>	<u>154,054</u>
Excess (deficiency) of revenues over expenditures	<u>482,225</u>	<u>276,178</u>	<u>319,175</u>	<u>163,050</u>
<b>OTHER FINANCING USES:</b>				
Transfers (out)	<u>(305,907)</u>	<u>(330,000)</u>	<u>(306,000)</u>	<u>93</u>
Total other financing (uses)	<u>(305,907)</u>	<u>(330,000)</u>	<u>(306,000)</u>	<u>93</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ 176,318</u>	<u>\$ (53,822)</u>	<u>\$ 13,175</u>	<u>\$ 163,143</u>

**CITY OF MEXICO**

**BUDGETARY COMPARISON SCHEDULE -  
SPECIAL REVENUE - DEPARTMENT OF NATURAL RESOURCES  
ENERGY GRANT FUND**

**Year Ended September 30, 2010**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>				
Intergovernmental revenues	\$ 24,318	\$ -	\$ 78,000	\$ (53,682)
Total revenues	<u>24,318</u>	<u>-</u>	<u>78,000</u>	<u>(53,682)</u>
<b>EXPENDITURES:</b>				
Community development	24,318	-	48,000	23,682
Total expenditures	<u>60,225</u>	<u>-</u>	<u>84,000</u>	<u>23,775</u>
Excess (deficiency) of revenues over expenditures	<u>(35,907)</u>	<u>-</u>	<u>(6,000)</u>	<u>(29,907)</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	5,907	-	6,000	(93)
Total other financing sources	<u>5,907</u>	<u>-</u>	<u>6,000</u>	<u>(93)</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ (30,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30,000)</u>

**CITY OF MEXICO**

**BUDGETARY COMPARISON SCHEDULE -  
CAPITAL PROJECTS - ROADS AND OTHER FUNDS  
Year Ended September 30, 2010**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>				
Intergovernmental revenues	\$ 53,160	\$ 132,000	\$ -	\$ 53,160
Total revenues	<u>53,160</u>	<u>132,000</u>	<u>-</u>	<u>53,160</u>
<b>EXPENDITURES:</b>				
Community development	21,316	113,202	80,063	58,747
Capital outlay	64	62,000	10,060	9,996
Total expenditures	<u>21,380</u>	<u>175,202</u>	<u>90,123</u>	<u>68,743</u>
Excess (deficiency) of revenues over expenditures	<u>31,780</u>	<u>(43,202)</u>	<u>(90,123)</u>	<u>121,903</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	10,060	41,000	10,060	-
Total other financing sources	<u>10,060</u>	<u>41,000</u>	<u>10,060</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ 41,840</u>	<u>\$ (2,202)</u>	<u>\$ (80,063)</u>	<u>\$ 121,903</u>

**CITY OF MEXICO**

**BUDGETARY COMPARISON SCHEDULE -  
PERMANENT - CEMETERY PERPETUAL CARE FUND  
Year Ended September 30, 2010**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Miscellaneous	\$ 855	\$ 1,000	\$ 1,000	\$ (145)
Total revenues	<u>855</u>	<u>1,000</u>	<u>1,000</u>	<u>(145)</u>
OTHER FINANCING USES:				
Transfers (out)	(855)	(1,000)	(1,000)	145
Total other financing (uses)	<u>(855)</u>	<u>(1,000)</u>	<u>(1,000)</u>	<u>145</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STATISTICAL SECTION (Unaudited)**

## Statistical Section

*This part of the City of Mexico's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.*

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> <i>These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time. (schedules 1 through 4)</i>	68 - 73
<b>Revenue Capacity</b> <i>These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes. (schedules 5 through 11)</i>	74 - 80
<b>Debt Capacity</b> <i>These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future. (schedules 12 through 16)</i>	81 - 85
<b>Demographic and Economic Information</b> <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments. (schedules 17 through 18)</i>	86 - 87
<b>Operating Information</b> <i>These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs. (schedule 19 through 21)</i>	88 - 90

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.*

Schedule 1  
City of Mexico Statistical  
Net Assets by Component  
Last Seven Fiscal Years  
(accrual basis of accounting)

	FISCAL YEAR						
	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities</b>							
Invested in capital assets, net of related debt	\$36,634,261	\$37,893,947	\$40,051,333	\$40,222,312	\$40,306,835	\$40,400,657	\$40,527,934
Restricted	467,423	494,454	372,656	362,367	431,253	411,321	805,641
Unrestricted	1,485,969	1,149,140	1,487,151	2,401,214	2,991,706	3,216,020	4,827,108
<b>Total governmental activities net assets</b>	<u>38,587,653</u>	<u>39,537,541</u>	<u>41,911,140</u>	<u>42,985,893</u>	<u>43,729,794</u>	<u>44,027,998</u>	<u>46,160,683</u>
<b>Business-type activities</b>							
Invested in capital assets, net of related debt	8,776,302	8,783,227	8,965,499	9,083,219	9,083,219	8,828,500	8,031,312
Restricted	-	-	-	-	-	25,383	510,874
Unrestricted	310,437	528,992	714,198	1,038,189	1,035,895	716,251	1,108,212
<b>Total business-type activities net assets</b>	<u>9,086,739</u>	<u>9,312,219</u>	<u>9,679,697</u>	<u>10,121,408</u>	<u>10,119,114</u>	<u>9,570,134</u>	<u>9,650,398</u>
<b>Primary government</b>							
Invested in capital assets, net of related debt	45,410,563	46,677,174	49,016,832	49,305,531	49,390,054	49,229,157	48,559,246
Restricted	467,423	494,454	372,656	362,367	431,253	436,704	1,316,515
Unrestricted	1,786,406	1,678,132	2,201,349	3,439,403	4,027,601	3,932,271	5,935,320
<b>Total primary government net assets</b>	<u>\$47,674,392</u>	<u>\$48,849,760</u>	<u>\$51,590,837</u>	<u>\$53,107,301</u>	<u>\$53,848,908</u>	<u>\$53,598,132</u>	<u>\$55,811,081</u>

**Note:** The City began to report accrual information when it implemented GASB Statement 34 in fiscal year ending September 2004.

**Schedule 2**  
**City of Mexico Statistical**  
**Changes in Net Assets, Last Seven Fiscal Years**  
 (accrual basis of accounting)

	<b>FISCAL YEAR</b>						
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Expenses</b>							
<b>Governmental activities:</b>							
General Government	\$1,182,563	\$1,271,804	\$1,142,529	\$1,198,109	\$1,076,185	\$1,187,124	\$1,172,615
Public Safety	2,044,546	2,126,942	2,334,216	2,411,185	2,499,074	2,635,278	2,781,807
Streets	772,977	518,376	942,616	1,084,270	1,202,872	1,124,209	1,158,808
Cemetery	69,415	76,220	86,997	64,100	101,259	104,053	111,844
Parks and recreation	550,639	539,874	619,299	772,521	738,024	787,951	842,499
Public Health	243,211	237,757	258,891	264,344	322,190	328,804	390,387
Economic Development	153,267	520,174	213,753	256,284	396,448	295,034	238,929
Airport	87,571	32,658	130,388	136,487	126,166	119,922	117,739
Community Development	688,511	2,659,678	1,018,615	2,267,577	395,961	404,435	4,496,926
Interest on long-term debt	133,302	93,236	101,668	104,925	232,160	63,983	50,820
Loss on sale of capital assets	-	-	-	-	42,011	5,657	52,128
<b>Total governmental activities expenses</b>	<u>5,936,002</u>	<u>8,076,719</u>	<u>6,848,972</u>	<u>8,559,802</u>	<u>7,132,350</u>	<u>7,066,450</u>	<u>11,414,502</u>
<b>Business-type activities:</b>							
Wastewater Utility	985,127	939,278	903,561	968,139	1,248,086	1,692,600	1,571,895
Sanitation	393,570	393,360	413,830	397,429	445,968	451,564	473,264
MAAIN	1,987	-	-	-	-	-	-
<b>Total business-type activities expenses</b>	<u>1,380,684</u>	<u>1,332,638</u>	<u>1,317,391.00</u>	<u>1,365,568</u>	<u>1,694,054</u>	<u>2,144,464</u>	<u>2,044,959</u>
<b>Total primary government expenses</b>	<u>\$7,316,686</u>	<u>\$9,409,357</u>	<u>\$8,166,363</u>	<u>\$9,925,370</u>	<u>\$8,826,404</u>	<u>9,210,614</u>	<u>13,459,461</u>
<b>Program Revenues</b>							
<b>Governmental activities:</b>							
Charges for Services:							
General	\$146,710	\$145,095	\$154,490	\$138,514	\$156,405	\$114,322	\$132,660
Public Safety	403,334	366,087	435,456	466,165	472,741	493,238	515,245
Parks and recreation	52,351	42,551	40,273	42,886	40,217	39,652	47,615
Economic Development	173,676	220,165	226,007	230,069	152,630	130,964	29,113
Airport	23,956	24,428	22,253	23,050	22,140	22,490	22,800
Operating grants and contributions	454,510	1,715,633	32,176	330,105	90,754	2,663	683
Capital grants and contributions	510,678	2,288,213	2,652,789	2,097,620	395,158	198,330	6,483,395
<b>Total governmental activities program revenues</b>	<u>1,765,215</u>	<u>4,802,172</u>	<u>3,563,444</u>	<u>3,328,409</u>	<u>1,330,045</u>	<u>1,001,659</u>	<u>7,231,511</u>
<b>Business-type activities:</b>							
Charges for services:							
Wastewater Utility	982,547	1,089,206	1,049,665	1,153,744	1,092,773	1,082,665	1,573,091
Sanitation	464,753	430,084	421,947	443,060	468,907	489,656	509,198
Capital grants and contributions	-	-	145,113	42,354	76,501	-	-
<b>Total business-type activities program revenues</b>	<u>1,447,300</u>	<u>1,519,290</u>	<u>1,616,725</u>	<u>1,639,158</u>	<u>1,638,181</u>	<u>1,572,321</u>	<u>2,082,289</u>
<b>Total primary government program revenues</b>	<u>\$3,212,515</u>	<u>\$6,321,462</u>	<u>\$5,180,169</u>	<u>\$4,967,567</u>	<u>\$2,968,226</u>	<u>\$2,573,980</u>	<u>\$9,313,800</u>

Schedule 2  
City of Mexico Statistical  
Changes in Net Assets, Last Seven Fiscal Years, continued  
(accrual basis of accounting)

	FISCAL YEAR						
	2004	2005	2006	2007	2008	2009	2010
<b>Net (Expense)/Revenue</b>							
Governmental activities	(4,170,787)	(3,274,547)	(3,285,528)	(5,230,466)	(5,802,305)	(6,064,791)	(4,182,991)
Business-type activities	66,616	186,652	299,334	273,590	(55,873)	(571,843)	37,330
Total primary government net expense	(\$4,104,171)	(\$3,087,895)	(\$2,986,194)	(\$4,956,876)	(\$5,858,178)	(\$6,636,634)	(\$4,145,661)
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental activities:	\$4,608,414	\$4,899,869					
Taxes							
Property Taxes			\$974,322	\$999,767	\$1,061,739	\$1,141,463	\$1,149,805
Sales Taxes			2,916,774	3,017,837	3,020,303	2,918,807	2,866,397
Franchise Taxes			1,271,386	1,444,128	2,007,059	1,965,108	1,773,704
Intergovernmental Revenues	961,604	44,148	21,559	9,058	5,038	5,000	-
Miscellaneous Income	226,114	293,375	387,137	219,212	364,195	311,609	517,974
Gain on Sale of Capital Assets	-	-	-	580,285	-	-	-
Investment earnings	16,589	39,694	87,949	146,461	87,875	21,008	17,392
Net transfers (out) in from other funds	-	-	-	(110,602)	-	-	(9,596)
Total governmental activities	1,204,307	377,217	5,659,127	1,844,181	6,546,209	6,362,995	6,315,676
Business-type activities:							
Change in landfill P/L estimate	13,000	13,000	13,000	-	-	-	-
Miscellaneous Income	23,791	15,897	3,612	2,773	15,450	15,363	22,300
Investment earnings	13,911	22,931	51,532	54,746	38,127	7,500	11,038
Net transfers (out) in from other funds	-	-	-	110,602	-	-	9,596
Total business-type activities	50,702	38,628	68,144	168,121	53,577	22,863	42,934
Total primary government	\$1,255,009	\$416,045	\$5,727,271	\$2,012,302	\$6,599,786	\$6,385,858	\$6,358,610
<b>Change in Net Assets</b>							
Governmental activities	\$1,641,934	\$2,002,539	\$2,373,599	\$1,074,753	\$743,904	\$298,204	\$2,132,685
Business-type activities	117,318	225,480	367,478	441,711	(2,296)	(548,980)	80,264
Total primary government	\$1,759,252	\$2,228,019	\$2,741,077	\$1,516,464	\$741,608	(\$250,776)	\$2,212,949

Notes: The City began to report accrual information when it implemented GASB 34 in fiscal year ending September 30, 2004.

Schedule 3  
City of Statistcal  
Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	FISCAL YEAR									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 1,357,368	\$ 831,937	\$ 665,276	\$ 951,625	\$ 1,003,552	\$ 1,070,357	\$ 1,406,458	\$ 2,115,543	\$ 2,117,852	\$ 2,773,700
Unreserved	\$ 1,357,368	\$ 831,937	\$ 665,276	\$ 951,625	\$ 1,003,552	\$ 1,070,357	\$ 1,406,458	\$ 2,115,543	\$ 2,117,852	\$ 2,773,700
Total general fund										
All Other Governmental Funds										
Reserved	10,404	187,174	174,334	301,071	328,102	372,656	362,367	431,253	411,321	805,641
Unreserved, reported in:										
Special revenue funds	888,004	857,123	831,006	677,833	519,228	670,989	1,250,733	1,024,916	898,168	1,808,999
Capital projects funds	110,497	(1,755)	62,959	0	225,373	50,142	(138,703)	(23,002)	(22,614)	19,226
Total all other governmental funds	\$1,008,905	\$1,042,542	\$1,068,299	\$978,904	\$1,072,703	\$1,093,787	\$1,474,397	\$1,433,167	\$1,286,875	\$2,633,866

Note: GASB 34 implemented - Fiscal year ending September 30, 2004

Schedule 4  
City of Mexico Statistical  
Changes in fund balances, Governmental Funds,  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	FISCAL YEAR									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
Taxes	\$ 4,719,903	\$ 4,695,213	\$ 4,621,386	\$ 4,602,134	\$ 4,899,869	\$ -	\$ 999,767	\$ 1,061,739	\$ 1,141,463	\$ -
Property	-	-	-	-	-	\$ 974,322	\$ 999,767	\$ 1,061,739	\$ 1,141,463	\$ -
Sales	-	-	-	-	-	2,916,774	3,017,837	3,020,303	2,918,807	2,866,397
Franchise	-	-	-	-	-	1,271,386	1,444,128	2,007,059	1,695,918	2,042,894
Licenses, fees, and permits	125,378	117,313	134,061	146,710	145,095	154,490	138,514	156,405	114,322	132,660
Charges for services	44,040	41,188	49,124	52,351	42,551	40,273	42,886	40,217	39,652	47,615
Intergovernmental	483,672	811,827	1,477,569	1,926,792	3,603,338	1,020,223	2,265,656	457,901	129,934	4,481,243
Fines and penalties	56,656	57,282	46,386	60,065	49,979	44,268	44,151	43,594	47,916	44,234
Investment earnings	-	-	-	6,589	39,694	87,949	146,462	87,875	21,008	17,392
Other revenues	868,739	781,874	883,306	789,171	1,311,686	1,006,309	954,928	1,014,536	835,300	1,070,840
Total revenues	\$6,298,388	\$6,504,697	\$7,211,832	\$7,583,812	\$10,092,212	\$7,515,994	\$9,054,329	\$7,889,629	\$6,944,320	\$11,853,080
<b>Expenditures</b>										
General government	\$810,264	\$842,848	\$793,169	\$826,088	\$783,997	\$819,426	\$844,913	\$930,061	\$951,126	\$1,001,272
Public Safety	1,618,290	1,862,476	1,895,863	2,016,956	2,147,788	2,298,277	2,374,666	2,478,127	2,635,278	2,674,804
Streets	667,133	674,857	662,016	652,687	663,715	704,252	751,972	749,858	760,172	784,612
Cemetery	59,587	70,819	65,685	69,431	75,907	92,887	93,052	97,975	104,053	106,433
Parks and recreation	411,027	475,600	406,212	439,913	460,001	472,927	479,490	585,016	630,228	689,277
Public Health	236,982	249,832	243,261	239,813	260,089	252,129	256,934	313,372	320,376	382,935
Economic Development	95,283	95,283	366,147	73,894	468,658	159,535	184,433	341,478	232,719	181,872
Airport	57,590	49,323	59,093	53,148	54,815	56,703	91,254	98,859	64,012	46,644
Community Development	340,902	329,651	1,186,857	647,801	1,609,441	275,375	1,955,556	311,664	353,337	708,979
Capital outlay	1,838,161	3,028,234	1,304,862	1,547,551	2,873,967	2,119,982	1,912,280	1,022,768	877,114	4,983,478
*Debt service										
Principal	216,742	225,311	430,055	1,271,359	310,864	241,009	72,170	216,327	95,368	87,209
Interest	130,831	124,087	167,289	138,697	97,551	101,955	105,053	97,939	64,520	50,820
Total expenditures	\$6,482,792	\$8,028,321	\$7,580,509	\$7,977,338	\$9,826,793	\$7,594,457	\$9,121,773	\$7,243,444	\$7,088,303	\$11,698,335
Excess of revenues over (under) expenditures	(\$184,404)	(\$1,523,624)	(\$368,677)	(\$393,526)	\$265,419	(\$78,463)	(\$67,444)	\$646,185	(\$143,983)	\$154,745

Schedule 4  
City of Mexico Statistical  
Changes in fund balances, Governmental Funds,  
Last Ten Fiscal Years, continued  
(modified accrual basis of accounting)

	FISCAL YEAR									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Other Financing Sources (uses)</b>										
Lease proceeds	809,808	1,025,000	225,000	299,000	-	-	-	-	-	-
NID proceeds	-	-	-	-	-	-	-	-	-	1,916,259
Proceeds from sale of capital assets	-	-	-	-	-	-	894,758	22,600	-	-
Issuance costs	-	-	-	-	-	-	-	-	-	(68,164)
Transfers in	1,305,732	1,483,256	1,471,112	1,538,581	1,821,533	2,580,145	2,401,532	2,099,106	2,056,372	1,899,165
Transfers out	(1,298,164)	(1,476,516)	(1,468,338)	(1,550,737)	(1,821,533)	(2,580,145)	(2,512,134)	(2,099,106)	(2,056,372)	(1,899,165)
<b>Total other financing sources (uses)</b>	<b>817,376</b>	<b>1,031,740</b>	<b>227,774</b>	<b>286,844</b>	<b>-</b>	<b>-</b>	<b>784,156</b>	<b>22,600</b>	<b>-</b>	<b>1,848,095</b>
<b>Net change in fund balances</b>	<b>\$632,972</b>	<b>(\$491,884)</b>	<b>(\$140,903)</b>	<b>(\$106,682)</b>	<b>\$265,419</b>	<b>(\$78,463)</b>	<b>\$716,712</b>	<b>\$668,785</b>	<b>(\$143,983)</b>	<b>\$2,002,840</b>

Debt service as a percentage of noncapital expenditures	7.48%	6.99%	9.52%	20.66%	5.46%	6.56%	2.17%	4.70%	2.44%	2.10%
---	-------	-------	-------	--------	-------	-------	-------	-------	-------	-------

**Note:** GASB 34 implemented-Fiscal Year ending September 30, 2004  
\*Debt Service separated into Principal and Interest beginning fiscal year 2004.

Schedule 5  
 City of Mexico Statistical  
 Property Tax Levies and Collections  
 Last Ten Fiscal Years

City of Mexico

PROPERTY TAX LEVIES AND COLLECTIONS  
 LAST TEN FISCAL YEARS

Fiscal Year	Tax Year	Total Tax Levy (1)	Collected within the		Collection in Subsequent Years	Total Collections to Date	
			Fiscal Year of the Levy	Percent of Levy		Amount	Percentage of Levy
2001	2000	821,025	797,004	97.07%	20,329	817,333	99.55%
2002	2001	867,589	844,708	97.36%	22,651	867,359	99.97%
2003	2002	878,360	862,505	98.19%	20,138	882,643	100.49%
2004	2003	875,470	843,462	96.34%	21,546	865,008	98.80%
2005	2004	880,944	797,824	90.66%	21,216	819,040	92.98%
2006	2005	894,242	854,065	95.51%	13,157	867,222	96.98%
2007	2006	921,879	898,719	97.49%	22,208	920,927	99.90%
2008	2007	1,024,770	989,460	96.56%	30,442	1,019,902	99.53%
2009	2008	1,094,182	1,070,854	97.90%	23,067	1,093,521	99.98%
2010	2009	1,103,048	1,041,675	94.44%	-	1,041,675	94.44%

NOTES:

(1) Based on the valuation of real and personal property and railroad and utilities as reflected on Schedule 6.

Audrain County bills and collects real and personal property taxes on behalf of the city of Mexico for a fee of 2.5% on taxes collected.

Schedule 6  
City of Mexico Numerical  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Agricultural Property</u>	<u>Commercial Property</u>	<u>Personal Property</u>	<u>RxR &amp; Utility</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
2001	\$46,046,240	\$105,745	\$24,934,149	\$36,505,270	\$4,877,842	\$112,469,246	\$0.73	\$445,800,910	25.23%
2002	\$49,102,512	\$93,670	\$27,743,057	\$36,914,135	\$4,994,401	\$118,847,775	\$0.73	\$472,151,905	25.17%
2003	\$51,147,292	\$96,034	\$29,647,496	\$29,906,738	\$4,995,585	\$115,793,145	\$0.75	\$467,864,355	24.75%
2004	\$51,685,226	\$94,657	\$30,317,056	\$27,626,537	\$4,702,123	\$114,425,599	\$0.77	\$465,025,240	24.61%
2005	\$52,282,590	\$93,060	\$27,714,020	\$25,223,491	\$4,873,757	\$110,186,918	\$0.80	\$453,343,804	24.31%
2006	\$53,965,032	\$91,520	\$26,708,336	\$27,311,460	\$5,119,013	\$113,195,361	\$0.79	\$466,068,184	24.29%
2007	\$54,546,632	\$95,732	\$28,111,286	\$28,740,193	\$5,199,776	\$116,693,619	\$0.79	\$478,167,698	24.40%
2008	\$60,895,384	\$97,526	\$29,548,090	\$35,682,655	\$5,308,821	\$131,532,476	\$0.78	\$537,271,302	24.48%
2009	\$61,623,740	\$95,390	\$30,997,568	\$42,244,718	\$5,480,305	\$140,441,721	\$0.78	\$565,984,758	24.81%
2010	\$58,923,010	\$96,120	\$33,933,018	\$37,520,198	\$5,605,611	\$136,077,957	\$0.81	\$546,469,713	24.90%

**Source:** Audrain County Board of Equalization and Assessment, and the City of Mexico. Supplemental Information for Table 5; Total Tax Column (1).

**Notes:** Property in Audrain county is reassessed by the county once every three (3) years on average. Tax rates are per \$100 of assessed value. The county assesses property at: Commercial 32 percent Personal 33.3 percent, Residential 19 percent, and Agricultural 12 percent of actual value.

Schedule 7  
City of Statistical  
Direct and Overlapping Property Tax Rates,  
Last Ten Fiscal Years  
(rate per \$100 of assessed value)

Fiscal Year	City Direct Rates					Overlapping Rates					Total
	General Fund	General Obligation Debt Service	Special Revenue Funds		Total Direct Rate	Mexico					
			Parks & Public Hlth	Redevelopment Program		Mexico School District	Audrain County General	Audrain County Special	Mexico Ambulance District	State	
2001	0.37	0.00	0.36	\$0.00	0.73	3.25	0.11	0.88	-	0.03	5.00
2002	0.37	0.00	0.36	\$0.00	0.73	3.25	0.13	0.86	-	0.03	5.00
2003	0.38	0.00	0.37	\$0.00	0.75	3.25	0.13	0.86	-	0.03	5.02
2004	0.39	0.00	0.38	\$0.00	0.77	3.30	0.13	0.94	-	0.03	5.17
2005	0.41	0.00	0.39	\$0.00	0.80	3.30	0.13	0.94	-	0.03	5.20
2006	0.40	0.00	0.39	\$0.00	0.79	3.30	0.13	0.95	-	0.03	5.20
2007	0.40	0.00	0.39	\$0.00	0.79	3.36	0.16	0.89	-	0.03	5.23
2008	0.39	0.00	0.39	\$0.00	0.78	3.36	0.16	0.89	-	0.03	5.23
2009	0.39	0.00	0.39	\$0.00	0.78	3.40	0.02	0.88	.30	0.03	5.58
2010	0.41	0.00	0.40	\$0.00	0.81	3.55	0.21	0.90	.30	0.03	5.80

Source: Audrain County Board of Equalization and Assessment.

Notes: The city's basic tax rate may be increased only by a majority vote of the city's residents. City rates are reviewed annually for compliance to Missouri Statutes by the State Auditors office. Rates for debt service are set based on the year's payment obligation. Overlapping rates are those of local and county governments that apply to property owners with the City of Statistical. State rate is disclosed for purpose of disclosing total rate assessed to residents of city.

Schedule 8  
 City of Mexico  
 Principal Property Tax Payers,  
 Current Year and Nine Years Ago

Taxpayer	Fiscal Year 2010			Fiscal Year 2001		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Spartan Light Metals	\$6,598,103	1	4.86%	958,000	7	0.86%
Wal Mart	2,906,880	2	2.14%	885,200	8	0.79%
Mo Cities Water Co	2,744,518	3	2.02%	687,585	10	0.62%
Archer Daniels Midland	2,433,706	4	1.79%	10,953,770	1	9.74%
Dawn	1,817,594	5	1.19%	-	-	-
Mexwest LLC	1,328,380	6	0.98%	-	-	-
Biocraft/Teva	1,189,292	7	0.88%	-	-	-
Cerro Copper	924,690	8	0.68%	-	-	-
Three T' Partnership	834,689	9	0.62%	-	-	-
Mexico Plastics	630,780	10	0.47%	614,600	11	0.55%
Optec DD USA Inc	-	-	-	5,928,990	3	5.28%
Westlake Hardware Inc	-	-	-	1,355,990	6	1.21%
A.P. Green	-	-	-	6,205,395	2	5.52%
Roberts Consolidated	-	-	-	809,595	9	0.72%
Mexico Shopping Center	-	-	-	560,315	13	0.50%
<b>Total</b>	<b>\$21,408,632</b>		<b>15.63%</b>	<b>\$28,959,440</b>		<b>25.79%</b>

Source: Audrain County Assessor's Office.

**Schedule 9**  
**City of Mexico**  
**Taxable Sales by Category**  
(in thousand of dollars)

	Calendar Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Communication	\$ 4,445	\$ 4,530	\$ 3,982	\$ 5,465	\$ 5,205	\$ 5,380	\$ 5,958	\$ 6,461	\$ 6,789	\$ 6,941
Wholesale Trade	1,067	1,114	1,141	1,046	1,424	1,561	1,556	790	1,437	1,218
Building Materials	-	-	-	-	-	2,365	813	-	4,138	3,894
Variety Stores	81	54	62	207	1,367	623	859	3,060	-	908
Food Stores	20,595	21,176	20,546	19,774	20,219	14,994	14,599	16,503	16,873	11,543
Automotive Store & Service Stations	6,044	5,844	5,463	5,355	2,603	3,105	3,347	3,358	3,668	3,663
Furniture and Home Furnishings	2,421	1,780	1,976	2,014	2,718	4,040	3,924	4,266	4,404	3,152
Eating and Drinking	11,183	10,656	10,133	9,863	10,368	11,632	11,772	12,268	12,742	12,359
Miscellaneous Retail	37,662	38,636	15,498	13,157	13,139	15,133	10,228	11,633	9,868	8,182
Miscellaneous Business Services	164	281	473	410	374	769	2,166	2,562	2,995	1,632
Automotive Repair Services	663	1,032	837	859	1,129	1,941	1,839	2,092	2,075	1,816
Miscellaneous Services	3,906	2,580	3,083	1,584	1,655	1,863	2,343	1,518	1,623	1,748
All other outlets	43,024	43,955	64,878	67,486	70,896	84,362	97,084	98,920	95,802	95,674
<b>Total</b>	<b>\$ 131,255</b>	<b>\$ 131,638</b>	<b>\$ 128,072</b>	<b>\$ 127,220</b>	<b>\$ 131,097</b>	<b>\$ 147,768</b>	<b>\$ 156,488</b>	<b>\$ 163,431</b>	<b>\$ 162,414</b>	<b>\$ 152,730</b>
City direct sales tax rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

**Source:** Missouri Department of Revenue

**Notes:** Sales Tax Revenue represents the City's largest own source revenue. Retail sales information is not available on the city's fiscal-year basis. Information provided by the State of Missouri Department of Revenue. General grocery items are not taxable; sales tax applies only to prepared food items and nonfood items.

**Schedule 10  
City of Mexico  
Direct and Overlapping Sales Tax Rates  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Audrain County Rate</u>	<u>Audrain Emergency Services</u>	<u>Total Local Sales Tax</u>
2001	1.50%	1.50%	0.00%	3.000%
2002	1.50%	1.50%	0.00%	3.000%
2003	1.50%	1.50%	0.00%	3.000%
2004	1.50%	1.50%	0.00%	3.000%
2005	1.50%	1.50%	0.375%	3.375%
2006	1.50%	1.50%	0.375%	3.375%
2007	1.50%	1.50%	0.375%	3.375%
2008	1.50%	1.50%	0.375%	3.375%
2009	1.50%	1.50%	0.375%	3.375%
2010	1.50%	1.00%	0.375%	2.875%

**Sources:** City Budget Office and Audrain County City Clerks Office.

**Note:** The city sales tax rate may be changed only with the approval of the citizens. Total is local sales tax only; excludes state sales tax. In 2005 the voters passed a three-eighths of a cent sales tax for support of emergency services dispatch centralization.

**Schedule 11**  
**City of Mexico**  
**Principal Sales Tax Remitters,**  
**Current Year and Nine Years Ago**

<u>Tax Remitter</u>	2009			2000		
	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>
Retail Outlets	\$ 1,733,114	1	75.61%	\$ 1,338,480	1	67.99%
Eating & Drinking	185,386	2	8.10%	167,745	3	8.52%
Food Stores	173,145	3	7.56%	308,925	2	15.69%
Total	<u>\$ 2,090,645</u>		<u>91.27%</u>	<u>\$ 1,815,150</u>		<u>92.20%</u>

**Source:** Based on calendar year sales tax data provided by Missouri Department of Revenue. Individual Business data is considered confidential; only sales categories are permitted. Retail Outlets include: Variety stores, building supplies, automotive stores, furniture stores, miscellaneous retail and other retail as described within the Missouri Department of Revenue annual report.

**Note:** Percentage is based on total sales tax received for calendar year. Tax Rate 1.50%.

Schedule 12  
City of Mexico  
Ratios of Outstanding Debt by Type,  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Sales Tax Increment Bonds	Certificates of Participation	Special Assessment Bonds	Revenue Bonds	Certificates of Participation	Wastewater Capital Leases					
2004	-	1,767,638	65,000	-	-	-	-	418,795	-	-	2,251,433	0.008%	198
2005	-	1,486,775	35,000	-	-	-	-	233,478	-	-	1,755,253	0.008%	155
2006	-	1,283,503	-	-	-	-	-	91,467	-	-	1,374,970	0.000%	121
2007	-	1,211,333	-	-	-	-	-	-	-	-	1,211,333	0.000%	107
2008	-	1,130,583	-	-	-	-	-	-	-	-	1,130,583	0.000%	100
2009	-	1,035,214	-	-	-	-	-	-	-	-	1,035,214	0.000%	138
2010	-	987,177	-	-	1,930,000	5,765,000	-	32,320	-	-	8,714,497	3.750%	787

**Notes:** Details regarding the city's outstanding debt can be found in the notes to the financial statements.

See Schedule 17 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

The City of Mexico was categorized as a phase III government and reported governmental activities schedules beginning in fiscal year 2004 to meet GASB 34 requirements.

Schedule 13  
 City of Mexico  
 Ratios of General Bonded Debt Outstanding,  
 Last Ten Fiscal Years

Fiscal Year	<u>General Bonded Debt Outstanding</u>			Percentage of Actual Taxable Value of Property	Per Capita
	General Bonds	Redevelopment Bonds	Total		
2001	-	-	-	-	-
2002	-	-	-	-	-
2003	-	-	-	-	-
2004	-	-	-	-	-
2005	-	-	-	-	-
2006	-	-	-	-	-
2007	-	-	-	-	-
2008	-	-	-	-	-
2009	-	-	-	-	-
2010	-	1,930,000	1,930,000	0.003	174

**Notes:** Details regarding the city's outstanding debt can be found in the notes to the financial statements. See Schedule 5 for property value data. Population data can be found in schedule 17.

Schedule 14  
City of Mexico  
Direct and Overlapping Governmental Activities Debt  
As of September 30, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
City of Mexico, Missouri	\$ -	\$ -	\$ -
	-	-	-
	-	-	-
	-	-	-
<b>Other debt</b>			
Mexico Public School District #59	\$ 19,653,754	71%	\$ 13,954,165
	-	-	-
	-	-	-
	-	-	-
Subtotal, overlapping debt			\$ 13,954,165
City direct debt			-
<b>Total direct and overlapping debt</b>			<u>\$ 13,954,165</u>

**Sources:** Assessed value data used to estimate applicable percentages provided by the Audrain County Board of Equalization and Assessment. Debt outstanding data provided by each governmental unit.

**Notes:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Statistical. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident-and therefore responsible for repaying the debt-of each overlapping government.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Schedule 15  
 City of Mexico  
 Legal Debt Margin Information,  
 Last Ten Fiscal Years

Legal Debt margin Calculation for Fiscal Yr 2010

Assessed value	\$136,077,957
Debt limit (20% of assessed valuation)	\$27,215,591
Debt applicable to limit:	
General obligation bonds	\$1,930,000
Less: Amount set aside for repayment of general obligation debt	\$193,000
Total net debt applicable to limit	\$1,737,000
Legal debt margin	\$25,478,591

FISCAL YEAR

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$ 22,316,326	\$ 23,592,032	\$ 23,158,629	\$ 22,885,120	\$ 22,037,385	\$ 22,639,072	\$ 23,338,723	\$ 26,306,495	\$ 28,088,344	\$ 27,215,591
Total net debt applicable to limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,737,000
Legal debt margin	\$ 22,316,326	\$ 23,592,032	\$ 23,158,629	\$ 22,885,120	\$ 22,037,385	\$ 22,639,072	\$ 23,338,723	\$ 26,306,495	\$ 28,088,344	\$ 25,478,591
Total net debt applicable to the limit as a percentage of debt limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.063

Note: Under state finance law, the city's outstanding general obligation debt should not exceed 20 percent of total assessed property value.

Schedule 16  
City of Mexico  
Pledged-Revenue Coverage,  
Last Ten Fiscal Years

Fiscal Year	WasteWater Revenue Bonds			Special Assessment Bonds			Sales Tax Increment Bonds				
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage	Sales Tax Increment	Debt Service Principal	Debt Service Interest	Coverage
2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,701	\$ 49,988	\$ 93,356	\$ -
2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,884	\$ 45,307	\$ 60,001	\$ -
2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,414	\$ 50,898	\$ 65,271	\$ -
2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,826	\$ 46,959	\$ 35,394	\$ -
2005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,152	\$ 30,000	\$ 2,875	\$ 2.53
2006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,512	\$ 35,000	\$ 1,006	\$ 2.18
2007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes: Sales Tax Increment Bonds issued under a Special TIF District received payment coverage through Sales Tax Interfund transfers from fiscal year 1997 through fiscal year 2004.

Wastewater revenue bonds closed on May 21, 2010, with the first scheduled payment made in fiscal year 2011.

Mid America Brick NID closed on August 17, 2010, with the first scheduled payment made in fiscal year 2011.

Schedule 17  
City of Mexico  
Demographic and Economic Statistics,  
Last Ten Calendar Years

Calendar Year	Population	Personal Income In Thousands	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2001	11,320 *	\$ 215,135 *	\$ 19,005 *	40.50	2,553	4.40%
2002	11,320 *	\$ 229,119 *	\$ 20,241 *	40.30	2,450	4.40%
2003	11,320 *	\$ 244,011 *	\$ 21,556 *	40.70	2,427	6.30%
2004	11,320 *	\$ 259,872 *	\$ 22,957 *	41.30	2,427	5.90%
2005	11,320	\$ 268,940	\$ 23,785	41.70	2,375	5.40%
2006	11,320 *	\$ 277,317 *	\$ 24,498	41.70 **	2,351	4.50%
2007	11,320 *	\$ 238,037	\$ 21,028	39.80	2,388	5.00%
2008	11,074	\$ 232,864	\$ 21,028	39.80	2,415	6.20%
2009	11,074	\$ 232,864 *	\$ 21,208 *	39.80 **	2,434	9.20%
2010	11,074	\$ 232,864 *	\$ 21,208 *	38.00	2,417	9.20%

**Sources:** Population and median age information provided by the U.S. Census and Missouri Data Center as made available.

\* Income, per Capita Personal Income levels, and median age were estimated between known values using an average growth rate factor between census provided values.

**Notes:** Personal income information is a total for the year stated in thousands. Unemployment rate information is an adjusted yearly average: 2010 is as of September 2010.  
School enrollment is based on the census at the start of the school year.

Schedule 18  
City of Mexico  
Principal Employers  
Current Year and Ten Years Ago

Employer	2010			2001		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Audrain Medical Center	568	1	3.74%	679	1	5.07%
True Manufacturing	400	2	2.63%	-	-	0.00%
Mexico School Dirstrict	375	3	2.47%	351	3	2.62%
Wai-Mart	325	4	2.14%	-	-	0.00%
Dawn Food Products	290	5	1.91%	-	-	0.00%
Continental Products/Mexico Plast	220	6	1.45%	-	-	0.00%
Missouri Veteran's Home	200	7	1.32%	150	9	1.12%
Spartan Light Metal Products	181	8	1.19%	-	-	0.00%
Home Decorators Collection	167	9	1.10%	153	8	1.14%
Brookstone	150	10	0.99%	165	7	1.23%
A. P. Green Industries	-	-	0.00%	573	2	4.28%
Optec DD, USA	-	-	0.00%	238	4	1.78%
Mexico Plastics	-	-	0.00%	225	5	1.68%
National Refractories	-	-	0.00%	210	6	1.57%
Roberts Consolidated Industries	-	-	0.00%	130	10	0.97%
<b>Total</b>	<b>2876</b>		<b>18.92%</b>	<b>2874</b>		<b>21.44%</b>

**Source:** City Economic Development Division and Website - fedstats.gov.  
Employment percentages were calculated by using county employment numbers (15,198 and 13,425) respectively; (August report) employment numbers for the City of Mexico alone were not available.

**Schedule 19**  
**City of Mexico**  
**Full-time-Equivalent City Government Employees by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government										
City Manager	2.4	2.4	2.4	2.4	2.8	2.8	2.3	2.3	2.3	2.3
Administrative Services	5.5	5.5	5.5	5.5	5.5	5.5	5	5	6	5
Comm.Dev./Animal Control	7.2	7.9	7.2	5.6	5.6	5.6	6.6	6.55	6.6	6.6
Economic Development	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Other										
Police										
Public Safety Officers	32.8	29.8	32.8	34	34	35	35	35	35	35.15
Clerk Typist/Dispatchers	14.35	14.35	13.35	14.35	13.35	13.35	14	15	15	15
Fire										
Fire Apparatus Operator	1	1	1	1	1	1	1	1	1	0
Civil Defense	0.5	0.8	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5
Other public works										
Engineering	2	2	2	1.5	1.5	1.5	1.5	1.5	1.25	1.25
Street Dept.	11.8	11.8	11.8	11	11	11	11.05	10.8	10.8	10
Parks and recreation/Cemetery	10.1	10.1	9.1	9.1	9.6	9.6	10.6	11	12	12
Internal Service	0	0	0	0	0	0	0	0	0	0
Wastewater	7.4	9.4	7.4	8.1	7.3	7.3	10.3	10.3	10.8	10.8
Sanitation	1	1	1	1	1	1	1	1	1	1
<b>Total</b>	<u>97.55</u>	<u>97.55</u>	<u>95.55</u>	<u>95.55</u>	<u>94.55</u>	<u>95.55</u>	<u>100.3</u>	<u>101.4</u>	<u>103.7</u>	<u>101</u>

**Source: City Budget Office.**

**Notes:** A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full time-equivalent employment is calculated by dividing total labor hours by 2,080. (Does not include seasonal personnel). Some City Employee's wages are split between different departments.

Schedule 20  
City of Mexico  
Operating Indicators by Function/Program,  
Last Ten fiscal Years

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government	495	474	461	408	477	543	509	442	404	570
Building permits issued	1435	1422	1383	1507	1624	1273	1527	0	827	1373
Building inspections conducted										
Police	568	580	578	672	749	852	831	708	0	*
Physical arrests	567	394	608	330	410	540	494	445	0	*
Parking violations	909	1024	971	973	1074	1218	861	1183	0	*
Traffic violations										
Fire	133	178	146	158	186	183	198	187	0	*
Emergency responses	55	89	69	72	89	56	64	87	0	*
Fires extinguished	12	12	13	12	42	30	40	57	0	*
Inspections										
Other public works	4.2	5	1.6	1.9	2.1	3.7	2.3	1.6	2	2.1
Street resurfacing (miles)										
Parks and recreation										
Pool Admissions	18,539	18,341	12,192	12,386	13,824	14,012	14,007	13,984	10,383	11,214
Wastewater										
Average daily sewage treatment (Millions of gallons)	1.745	1.802	1.971	2.302	1.921	1.959	2.03	2.08	2.26	2.01

Sources: Various city departments.

Notes: NA=Not Available

Under Fire/Emergency Responses the numbers reflects the number of responses by fire apparatus.

Wastewater plant maximum flow 3.001 MG per day.

\*Statistics for Police and Fire activity is reported in summary on a calendar year basis.

Schedule 21  
 City of Mexico  
 Capital Asset Statistics by Function/Program,  
 Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Function/Program</b>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	7	7	7	7	7	8	8	8	8	8
Fire stations	1	1	1	1	1	1	1	1	1	1
Other public works										
Streets (miles)	80	71	71	81	82	84	84	84	84	82
Streetlights	1130	1135	1140	1140	1140	1150	1162	1188	1188	1188
Storm sewers (miles)	51	52	52	52	52	53	53.5	54	54	54
Parks and recreation										
Pools	1	1	1	1	1	1	1	1	1	1
Acreage	383	383	383	386	386	475	475	475	475	475
Playgrounds	8	8	8	7	7	7	7	7	7	7
Baseball/softball diamonds	2	2	2	2	2	1	1	1	1	1
Soccer/football fields	1	1	1	1	1	1	1	1	1	1
Community lakes	3	3	3	3	3	4	4	4	4	4
Wastewater										
Sanitary sewers (miles)	84	84	84	84	85	85	86	86	86	86
Treatment capacity (millions of gallons) per day	3.001	3.001	3.001	3.001	3.001	3.001	3.001	3.001	3.001	3.001

Sources: Various city departments.

Notes: Water, gas and electric utilities are not owned or operated by the City of Mexico. Sanitation services are contracted.

## **SINGLE AUDIT REPORTS**



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2005 West Broadway, Suite 100, Columbia, MO 65203  
OFFICE (573) 442-6171 FAX (573) 777-7800

3220 West Edgewood, Suite E, Jefferson City, MO 65109  
OFFICE (573) 635-6196 FAX (573) 644-7240

[www.williamskeepers.com](http://www.williamskeepers.com)

**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 City Council  
City of Mexico, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Mexico, Missouri (the City) as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents and have issued our report thereon dated January 11, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as finding 10-01 that we consider to be a significant deficiency in internal control. A *significant deficiency* is a deficiency, or 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.

***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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management in a separate letter dated January 11, 2011.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, City Council and management of the City of Mexico and is not intended to be and should not be used by anyone other than those specified parties.

*Williams Keepers LLC*

January 11, 2011



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2005 West Broadway, Suite 100, Columbia, MO 65203  
OFFICE (573) 442-6171 FAX (573) 777-7800

3220 West Edgewood, Suite E, Jefferson City, MO 65109  
OFFICE (573) 635-6196 FAX (573) 644-7240

[www.williamskeepers.com](http://www.williamskeepers.com)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council  
City of Mexico, Missouri

***Compliance***

We have audited the compliance of the City of Mexico, Missouri (the City) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. The City's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

***Internal Control Over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

This report is intended solely for the information and use of the Mayor, City Council and management of the City of Mexico and is not intended to be and should not be used by anyone other than those specified parties.

*Williams Keepers LLC*

January 11, 2011

## CITY OF MEXICO, MISSOURI

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2010

#### A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements and schedule of expenditures of federal awards of the City of Mexico, Missouri.
2. Significant deficiencies relating to the audit of the financial statements are reported in the "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*." Finding 10-01 is considered to be a significant deficiency.
3. No instances of noncompliance material to the financial statements of the City of Mexico, Missouri were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133."
5. The auditors' report on compliance for the major federal award programs for the City of Mexico, Missouri expresses an unqualified opinion.
6. No findings relative to the major federal award programs for the City of Mexico, Missouri are reported in Part C of this Schedule.
7. The programs tested as major programs include:

	<u>Federal CFDA Number</u>
CDBG Plant Science Center Grant - 2008	14.228
CDBG Plant Science Center Grant - 2009	14.228
CDBG Mid America Brick Action Grant	14.228
MoDOT TCSP - Road 820 PSC Grant	20.205
Non-Entitlement Grant - Terminal 2006	20.205
Non-Entitlement Grant - Terminal 2007	20.205
Non-Entitlement Grant - Terminal 2008	20.205
Non-Entitlement Grant - Terminal 2009	20.205
Non-Entitlement Grant - Taxiway 2009	20.205

8. The dollar threshold used to distinguish between Type A and B programs, as described in Section 520(b) of OMB Circular A-133, was \$300,000.
9. Using the criteria as defined in Section 530 of OMB Circular A-133, the City of Mexico, Missouri did not qualify as a low-risk auditee.

## B. FINDINGS--FINANCIAL STATEMENT AUDIT

### Finding 10-01: Preparation of GAAP Financial Statements (significant deficiency)

*Statement of Condition:* As part of our engagement, we prepare the City's financial statements in accordance with generally accepted accounting principles ("GAAP"). Upon completion, those financial statements are submitted to management for review, comment, and ultimately acceptance as management's representation.

*Criteria:* We are required to report as at least significant deficiencies in internal control those aspects of an entity's preparation of financial statements in accordance with GAAP that we believe management does not have the means to perform without our assistance and that have a material impact on the financial statements.

*Effect of Condition:* With respect to ensuring that the internal control standard is met of ensuring that there are no misstatements or omissions that would be considered significant to GAAP financial statements, we believe the City has internal control deficiencies that are significant deficiencies with respect to the following:

- Identifying material adjustments to the books and records used to prepare the financial statements,
- Preparing the annual financial statements in accordance with the City's basis of accounting, including drafting the note disclosures.

*Cause of Condition:* In evaluating the situation for the City we considered that the City's accounting staff, though trained in accounting and reporting standards, do not necessarily keep current with all relevant GAAP accounting and reporting standards.

*Recommendation:* We are pleased to continue to provide the service of preparation of the annual GAAP financial statements for the City, and are not recommending City make other arrangements. We feel the process of us as auditors preparing the financial statements at the conclusion of the audit, followed by management review and acceptance, is an efficient and cost-effective process overall. However, we would be pleased to work with the City's staff to find ways they can take a larger role in preparing the annual GAAP financial statements, if that is desired.

*Management's Response:* At this time, the City does not have the means to perform both of the identified items above, although it makes every attempt to record all adjustments of which it is aware. Management does not believe that the benefits of obtaining the needed skills outweigh the costs that would be required to do so.

## C. FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings relative to federal awards from the current year's audit.

**CITY OF MEXICO, MISSOURI**

**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS  
For the Year Ended September 30, 2010**

There were no findings relative to federal awards from the prior year's audit.

**CITY OF MEXICO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended September 30, 2010**

	CFDA Number	Expenditures
U.S. Department of Justice		
Passed through the Missouri Department of Justice:		
Bullet Proof Vest Grant	85.554	683
U.S. Department of Education		
Passed through the Missouri Department of Education:		
CDBG Plant Science Center Grant - 2008	14.228	2,515,531
CDBG Plant Science Center Grant - 2009	14.228	467,235
CDBG Mid America Brick Action Grant	14.228	1,000,000
U.S. Department of Natural Resources		
Passed through the Missouri Department of Natural Resources:		
Department of Energy Downtown Energy Grant	81.047	24,318
Department of Energy City Hall Energy Efficiency Grant	81.047	30,000
U.S. Department of Transportation		
Passed through the Missouri Department of Transportation:		
MoDOT TCSP - Road 820 PSC Grant	20.205	20,893
Non-Entitlement Grant - Terminal 2006	20.205	29,783
Non-Entitlement Grant - Terminal 2007	20.205	150,000
Non-Entitlement Grant - Terminal 2008	20.205	150,000
Non-Entitlement Grant - Terminal 2009	20.205	97,710
Non-Entitlement Grant - Taxiway 2009	20.205	17,373
Total expenditures of federal awards		\$ 4,503,526