

**ANNUAL REPORT OF
CITY OF SEDALIA, MISSOURI
YEAR ENDED MARCH 31, 2015**

CITY OF SEDALIA, MISSOURI

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GERDING, KORTE & CHITWOOD

Professional Corporation
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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To The City Council
City of Sedalia, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sedalia, Missouri (the "City") as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Health Center Fund, which represent 52 percent, 60 percent, and 92 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Health Center Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

PARTNERS

Robert A. Gerding
Fred W. Korte, Jr.
Joseph E. Chitwood
James R. McGinnis
Travis W. Hundley
Jeffrey A. Chitwood
Amy L. Watson
Heidi N. Ross

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of March 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension plan funding progress on pages 4 through 14 and 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, detailed major fund budgetary schedules, and statistical data are presented for purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management & Budget Circular A-133, *Audits of States, Local Governments, & Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



July 13, 2015

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

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2015
(UNAUDITED)**

As management of the City of Sedalia, Missouri, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended March 31, 2015. The City implemented Governmental Accounting Standards Board GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, for the first time for fiscal year 2004. As discussed in footnote I.B, Statement 34 allows for certain transition treatments in regards to infrastructure. The City elected to capitalize its infrastructure utilizing the transition treatments of Statement 34. The City completed the capitalization of these infrastructure networks in the fiscal year 2007.

Financial Highlights

- The assets and deferred outflows of the City of Sedalia exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$206,702,362 (net position). Of this amount, \$47,097,889 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position decreased by \$4,185,088 from \$210,887,450 as previously reported to \$206,702,362.
- As of the close of the current fiscal year, the City of Sedalia's governmental funds reported combined ending fund balances of \$13,719,857. Of this total, 51% is unassigned and available for use within the City's policies, and 38% is assigned to capital projects and special revenue purposes.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$7,046,984, which is 45% of the total general fund expenditures.
- The City's revenue bonds payable decreased \$390,000 due to scheduled payments.
- The City's certificates of participation debt decreased \$1,780,000 due to scheduled payments.
- The City's capital lease debt decreased \$127,069 due to scheduled payments.
- The City's note payable debt decreased \$1,917,498 due to scheduled payments.
- The City's other loan payable debt increased by a net of \$661,876 due to scheduled payments of \$338,124 and entering a new installment loan agreement for the purchase of properties at \$1,000,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2015
(UNAUDITED)**

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration, public safety, transportation, cultural, parks and recreation and community development. The business-type activities of the City include Health, Water and Wastewater operations. The government-wide financial statements can be found on page 12-15 of this report.

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

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

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

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2015
(UNAUDITED)**

The City maintains 7 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, which is considered to be a major fund. Data from the other 6 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 16-20.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Health, Water, and Wastewater funds since they are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 21-25 of this report.

Fiduciary Funds - This report also includes information for fiduciary funds which are funds held in trust for others. The basic fiduciary fund financial statements can be found on pages 26-27 of this report. Combining statements can be found on pages 105-106 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-90.

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

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 92-104 of this report.

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

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2015
(UNAUDITED)**

Governmental-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Sedalia, assets and deferred outflows exceeded liabilities and deferred inflows by \$206,702,362 as of March 31, 2015.

The largest portion of the City's net position (72%) reflects its investments in capital assets (e.g., land, building, equipment, improvements, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following provides a summary of net position at March 31, 2014 and 2015:

	March 31, 2015			March 31, 2014			Increase (Decrease)	% Change
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total		
Current assets	\$ 15,801,035	\$ 47,802,078	\$ 63,603,113	\$ 15,705,898	\$ 48,240,910	\$ 63,946,808	\$ (343,695)	(0.5%)
Restricted assets	1,034,950	28,579,051	29,614,001	1,878,262	31,602,053	33,480,315	(3,866,314)	(11.5%)
Capital assets	86,587,764	113,652,445	200,240,209	83,248,719	114,224,510	197,473,229	2,766,980	1.4%
Other assets	-	781,266	781,266	-	747,485	747,485	33,781	4.5%
Total Assets	<u>\$ 103,423,749</u>	<u>\$ 190,814,840</u>	<u>\$ 294,238,589</u>	<u>\$ 100,832,879</u>	<u>\$ 194,814,958</u>	<u>\$ 295,647,837</u>	<u>\$ (1,409,248)</u>	<u>(0.5%)</u>
Deferred Outflows	<u>\$ 113,971</u>	<u>\$ 393,053</u>	<u>\$ 507,024</u>	<u>\$ 124,033</u>	<u>\$ 415,577</u>	<u>\$ 539,610</u>	<u>\$ (32,586)</u>	<u>(6.0%)</u>
Current liabilities	\$ 3,603,220	\$ 17,197,882	\$ 20,801,102	\$ 2,879,365	\$ 13,395,840	\$ 16,275,205	\$ 4,525,897	27.8%
Long-term liabilities	14,583,536	52,450,491	67,034,027	13,197,780	55,623,484	68,821,264	(1,787,237)	(2.6%)
Total Liabilities	<u>\$ 18,186,756</u>	<u>\$ 69,648,373</u>	<u>\$ 87,835,129</u>	<u>\$ 16,077,145</u>	<u>\$ 69,019,324</u>	<u>\$ 85,096,469</u>	<u>\$ 2,738,660</u>	<u>3.2%</u>
Deferred Inflows	<u>\$ 131,998</u>	<u>\$ 76,124</u>	<u>\$ 208,122</u>	<u>\$ 114,888</u>	<u>\$ 88,640</u>	<u>\$ 203,528</u>	<u>\$ 4,594</u>	<u>2.3%</u>
Net Position:								
Invested in capital assets, net of related debt	\$ 72,479,150	\$ 76,711,718	\$ 149,190,868	\$ 69,115,316	\$ 76,738,405	\$ 145,853,721	\$ 3,337,147	2.3%
Restricted for debt service	1,034,950	3,309,240	4,344,190	942,734	3,278,410	4,221,144	123,046	2.9%
Restricted for other purposes	5,967,801	-	5,967,801	6,224,392	332,752	6,557,144	(589,343)	(9.0%)
Nonexpendable endowments	-	101,614	101,614	-	101,614	101,614	-	-
Unrestricted	5,737,065	41,360,824	47,097,889	8,482,437	45,671,390	54,153,827	(7,055,938)	(13.0%)
Total Net Position	<u>\$ 85,218,966</u>	<u>\$ 121,483,396</u>	<u>\$ 206,702,362</u>	<u>\$ 84,764,879</u>	<u>\$ 126,122,571</u>	<u>\$ 210,887,450</u>	<u>\$ (4,185,088)</u>	<u>(2.0%)</u>

As of March 31, 2015, the City is able to report positive balances in all three categories of net position for the government as a whole.

Analysis of the City's Operations - Overall the City had a decrease in net position of \$4,185,088 as of the year ending March 31, 2015 as compared to the previous year end as previously stated.

Governmental Activities: Governmental activities increased the net position by \$454,087 from \$84,764,879 to \$85,218,966. This is due primarily to an increase in revenue.

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2015
(UNAUDITED)**

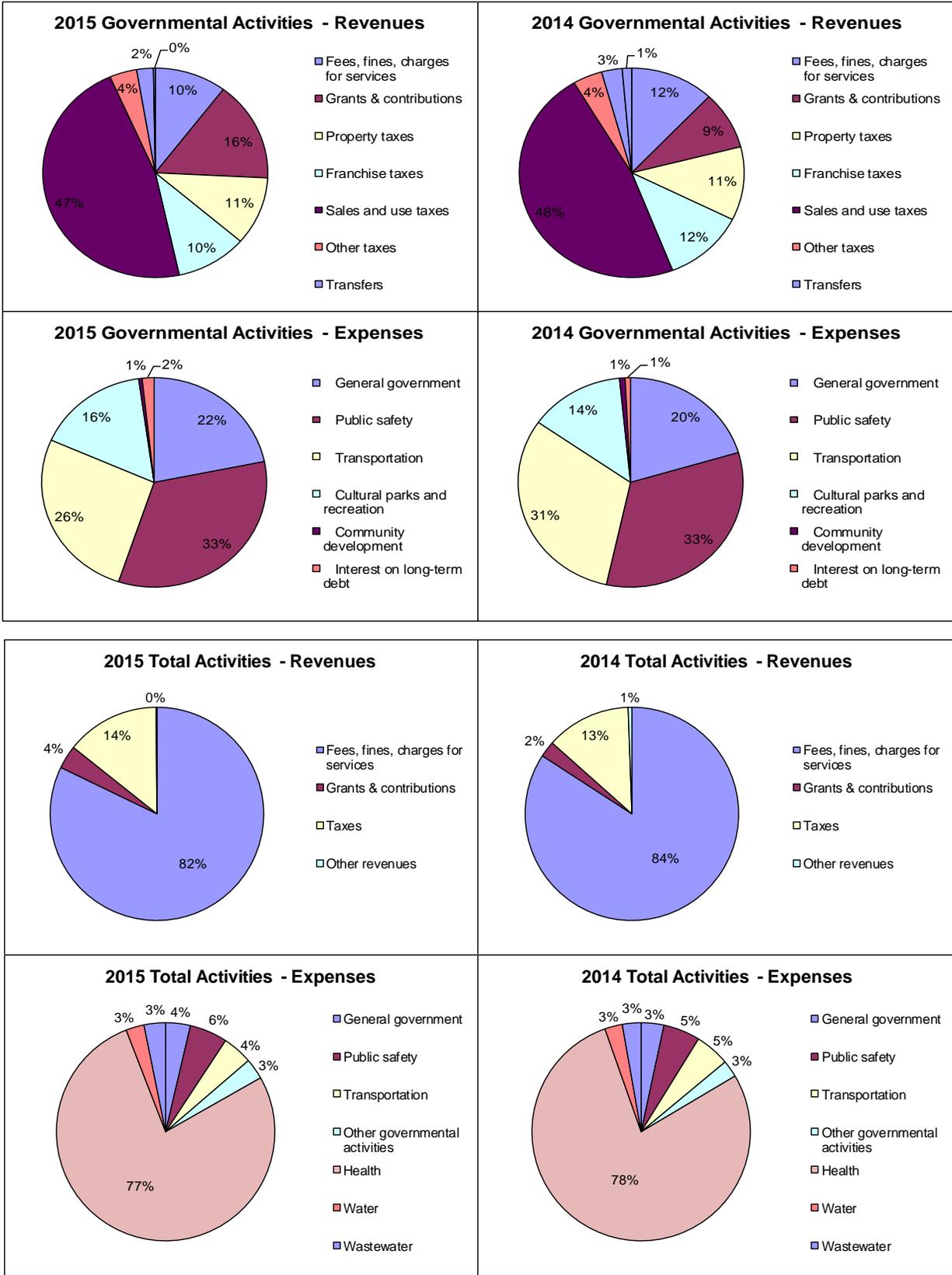
Business-type Activities: Net position from business-type activities decreased by a net amount of \$4,639,175 from \$126,122,571 to \$121,483,396. This decrease was primarily due to net position decrease from operating expenditures exceeding operating revenues for the Bothwell Regional Health Center unit by \$5,552,495, partially offset with operating net incomes in the Water and Wastewater funds.

The following table and charts provide a summary and comparison of the City's operations for years ending March 31, 2014 and 2015.

Changes In Net Position

	March 31, 2015			March 31, 2014			Increase (Decrease)	% Change
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total		
Revenues:								
Program Revenues:								
Fees, fines, charges for services	\$ 2,480,898	\$ 102,810,878	\$ 105,291,776	\$ 2,582,958	\$ 107,945,491	\$ 110,528,449	\$ (5,236,673)	(4.7%)
Operating grants & contributions	87,212	-	87,212	153,404	-	153,404	(66,192)	(43.1%)
Capital grants and contributions	3,622,016	829,965	4,451,981	1,765,354	1,262,774	3,028,128	1,423,853	47.0%
General Revenues:								
Property taxes	2,532,058	-	2,532,058	2,432,031	-	2,432,031	100,027	4.1%
Franchise taxes	2,458,689	-	2,458,689	2,511,951	-	2,511,951	(53,262)	(2.1%)
Sales and use taxes	11,248,188	978,061	12,226,249	10,151,948	875,041	11,026,989	1,199,260	10.9%
Motor vehicle and fuel taxes	820,117	-	820,117	784,800	-	784,800	35,317	4.5%
Other taxes	120,590	-	120,590	121,803	-	121,803	(1,213)	(1.0%)
Investment earnings	41,558	95,174	136,732	39,995	87,984	127,979	8,753	6.8%
Transfers	575,000	(575,000)	-	636,115	(275,000)	361,115	(361,115)	(100.0%)
Miscellaneous	21,723	(3,366)	18,357	249,257	3,125	252,382	(234,025)	(92.7%)
Total Revenues	\$ 24,008,049	\$ 104,135,712	\$ 128,143,761	\$ 21,429,616	\$ 109,899,415	\$ 131,329,031	\$ (3,185,270)	(2.4%)
Expenses:								
General government	\$ 4,772,848	-	\$ 4,772,848	\$ 4,274,040	-	\$ 4,274,040	\$ 498,808	11.7%
Public safety	7,293,224	-	7,293,224	6,925,609	-	6,925,609	367,615	5.3%
Transportation	5,795,055	-	5,795,055	6,547,206	-	6,547,206	(752,151)	(11.5%)
Cultural parks and recreation	3,541,741	-	3,541,741	2,872,891	-	2,872,891	668,850	23.3%
Community development	109,309	-	109,309	166,659	-	166,659	(57,350)	(34.4%)
Interest on long-term debt	372,522	-	372,522	162,640	-	162,640	209,882	129.0%
Health	-	100,897,134	100,897,134	-	99,401,561	99,401,561	1,495,573	1.5%
Water	-	3,522,182	3,522,182	-	3,315,011	3,315,011	207,171	6.2%
Wastewater	-	4,153,206	4,153,206	-	3,529,214	3,529,214	623,992	17.7%
Total Expenses	\$ 21,884,699	\$ 108,572,522	\$ 130,457,221	\$ 20,949,045	\$ 106,245,786	\$ 127,194,831	\$ 3,262,390	2.6%
Change in Net Position	\$ 2,123,350	\$ (4,436,810)	\$ (2,313,460)	\$ 480,571	\$ 3,653,629	\$ 4,134,200	\$ (6,447,660)	(156.0%)
Net Position Beginning of Year	\$ 84,764,879	\$ 126,122,571	\$ 210,887,450	\$ 84,467,188	\$ 123,307,657	\$ 207,774,845	\$ 3,112,605	1.5%
Prior Period Adjustments	(1,669,263)	(202,365)	(1,871,628)	(182,880)	(838,715)	(1,021,595)	(850,033)	83.2%
Restated Begin Net Position	\$ 83,095,616	\$ 125,920,206	\$ 209,015,822	\$ 84,284,308	\$ 122,468,942	\$ 206,753,250	\$ 2,262,572	1.1%
Net Position End of Year	\$ 85,218,966	\$ 121,483,396	\$ 206,702,362	\$ 84,764,879	\$ 126,122,571	\$ 210,887,450	\$ (4,185,088)	(2.0%)

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2015
(UNAUDITED)**



**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2015
(UNAUDITED)**

Financial Analysis of the Government's Funds

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

At the end of the current fiscal year, the City of Sedalia's governmental funds reported combined ending fund balances of \$13,719,857. This is a decrease of 12% from \$15,525,530.

In the general fund, the City budgeted for a decrease in the fund balance of \$2,163,594. Due to actual revenues being more than budgeted and actual expenses being less than budgeted, the actual fund balance decrease from activities for fiscal year 2015 was \$803,929.

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

Unrestricted net positions of the respective proprietary funds are Health - \$31,905,703, Water - \$2,521,774, and Wastewater - \$6,933,347. The Water and Wastewater funds had a net position increase in 2015 as follows: Water - \$411,542, and Wastewater - \$539,974. The Health fund had a net position decrease in 2015 of \$5,590,691.

General Fund Budgetary Highlights - The City spent \$797,957 less than the actual budget for the General Fund. The majority of this amount (\$509,804) was due to the delay of capital expenditures.

Capital Assets

The City of Sedalia's investment in capital assets for its governmental and business-type activities as of March 31, 2015 amounts to \$200,240,209 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements and construction in progress.

Capital Assets at Year End - Net of Accumulated Depreciation

	March 31, 2015			March 31, 2014			Increase (Decrease)	% Change
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total		
Property, Plant and Equipment								
Land, rights, & improvements	\$ 3,398,449	\$ 5,805,265	\$ 9,203,714	\$ 2,398,449	\$ 5,857,564	\$ 8,256,013	\$ 947,701	11.5%
Structures, improvements, & plant equipment	25,516,255	45,203,351	70,719,606	22,383,472	47,928,659	70,312,131	407,475	0.6%
Distribution system		13,814,688	13,814,688		13,910,871	13,910,871	(96,183)	(0.7%)
Pumping & purification equipment		17,737,324	17,737,324		17,854,496	17,854,496	(117,172)	(0.7%)
Transmission mains		8,425,876	8,425,876		6,498,638	6,498,638	1,927,238	29.7%
General equipment	3,851,094	15,673,125	19,524,219	3,908,027	16,614,022	20,522,049	(997,830)	(4.9%)
Construction in progress		6,992,816	6,992,816		5,560,260	5,560,260	1,432,556	25.8%
Infrastructure	53,821,966		53,821,966	54,558,771	-	54,558,771	(736,805)	(1.4%)
Net Capital Assets	\$ 86,587,764	\$ 113,652,445	\$ 200,240,209	\$ 83,248,719	\$ 114,224,510	\$ 197,473,229	\$ 2,766,980	1.4%

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

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED MARCH 31, 2015
(UNAUDITED)**

Debt Administration

At the end of the current fiscal year, the City of Sedalia had a total bonded debt, certificate of participation debt, note payable, capital lease payable, and a refund of sales taxes due to the State of \$71,772,221. Of this amount, \$6,125,000 comprises revenue bonded debt backed by the revenues of the Water Department; \$45,920,000 represents certificates of participation debt; \$3,666,857 represents capital lease obligations that are expected to be paid so long as the City appropriates funds for payment; \$13,056,741 represents the amount due on notes payable; \$1,025,279 represents the amount due on loans payable; and \$1,978,344 represents a sales tax refund due the State.

Outstanding Debt at Year End

	March 31, 2015			March 31, 2014			Increase (Decrease)	% Change
	Governmental Activities	Business Type		Governmental Activities	Business Type			
		Activities	Total		Activities	Activities		
Revenue bonds payable	\$ -	\$ 6,125,000	\$ 6,125,000	\$ -	\$ 6,515,000	\$ 6,515,000	\$ (390,000)	(6.0%)
Certificates of participation	12,922,500	32,997,500	45,920,000	13,770,000	33,930,000	47,700,000	(1,780,000)	(3.7%)
Capital lease obligations	160,835	3,506,022	3,666,857		3,793,926	3,793,926	(127,069)	(3.3%)
Notes payable		13,056,741	13,056,741		14,974,239	14,974,239	(1,917,498)	(12.8%)
Loans payable	1,025,279		1,025,279	363,403		363,403	661,876	182.1%
Sales tax refund due to State	1,770,097	208,247	1,978,344			-	1,978,344	
Total Outstanding Debt	\$ 15,878,711	\$ 55,893,510	\$ 71,772,221	\$ 14,133,403	\$ 59,213,165	\$ 73,346,568	\$ (1,574,347)	(2.1%)

During the fiscal year, the City's total debt decreased by \$1,574,347. The decrease was due to scheduled payments of \$4,863,283 and additional capital leases added totaling \$260,592, a short-term note to install a fueling station of \$50,000, an installment purchase agreement entered with the local school district of \$1,000,000 for the purchase of a property, and a payment schedule agreed to with the State of Missouri to reimburse the State for the City's portion of a refund of sales taxes they provided.

Additional information on the City of Sedalia's long term-debt can be found in footnote III-G on pages 56-70 of this report.

Request for Information

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

CITY OF SEDALIA, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET POSITION
MARCH 31, 2015

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current Assets:			
Cash and cash equivalents	\$ 12,063,817	\$ 23,736,783	\$ 35,800,600
Short-term investments	-	5,447,086	5,447,086
Internal balances	125,167	(125,167)	-
Accrued interest receivable	12,240	3,559	15,799
Accounts receivable net of allowance for uncollectibles - \$4,7	100,472	14,242,776	14,343,248
Taxes receivable - net of allowance for uncollectible - \$10,000	3,214,880	300,913	3,515,793
Estimated third-party payor settlements receivable	-	1,290,651	1,290,651
Due from other governmental agencies	45,275	-	45,275
Inventory	80,532	1,749,731	1,830,263
Prepaid expenses and other assets	158,652	1,155,746	1,314,398
Total Current Assets	<u>15,801,035</u>	<u>47,802,078</u>	<u>63,603,113</u>
Restricted assets:			
Cash and cash equivalents	1,034,950	8,113,053	9,148,003
Noncurrent cash and investments	-	20,465,998	20,465,998
Total Restricted Assets	<u>1,034,950</u>	<u>28,579,051</u>	<u>29,614,001</u>
Noncurrent Assets:			
Capital Assets			
Land, land rights and land improvements	3,398,449	5,545,829	8,944,278
Structures, improvements and plant equipment	40,435,168	97,662,017	138,097,185
Distribution system	-	18,023,496	18,023,496
Pumping and purification equipment	-	32,265,769	32,265,769
Transmission mains	-	14,709,096	14,709,096
Equipment	12,240,732	77,718,276	89,959,008
Infrastructure	159,239,267	-	159,239,267
Construction in progress	-	6,992,816	6,992,816
Accumulated depreciation	(128,725,852)	(139,264,854)	(267,990,706)
Total Capital Assets, net of accumulated depreciation	86,587,764	113,652,445	200,240,209
Other Assets	-	781,266	781,266
Total Noncurrent Assets	<u>86,587,764</u>	<u>114,433,711</u>	<u>201,021,475</u>
Total Assets	<u>\$ 103,423,749</u>	<u>\$ 190,814,840</u>	<u>\$ 294,238,589</u>
DEFERRED OUTFLOWS			
Unamortized insurance cost and deferred loss on debt	\$ 113,971	\$ 393,053	\$ 507,024
Total Deferred Outflows	<u>\$ 113,971</u>	<u>\$ 393,053</u>	<u>\$ 507,024</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET POSITION (CONT'D)
MARCH 31, 2015

LIABILITIES	Governmental Activities	Business-type Activities	Total
Current Liabilities:			
Accounts payable	\$ 437,859	\$ 3,228,107	\$ 3,665,966
Accrued expenses	1,825,157	5,631,559	7,456,716
Accrued long-term debt interest	-	740,258	740,258
Current maturities of long term debt	1,198,910	2,852,968	4,051,878
Estimated amounts due to third-party payers	-	3,576,163	3,576,163
Court bonds payable	38,196	-	38,196
Protested taxes payable	6,833	-	6,833
Sales tax overpayment payable	96,265	11,325	107,590
Payable from segregated funds:			
Accrued bond interest	-	7,490	7,490
Current maturities of long term debt	-	578,726	578,726
Customer's deposits	-	571,286	571,286
Total Current Liabilities	3,603,220	17,197,882	20,801,102
Noncurrent Liabilities:			
Certificates of participation	12,030,000	32,045,000	44,075,000
Energy loans payable	244,687	-	244,687
School loan payable	500,000	-	500,000
Capital lease payable	135,017	3,129,973	3,264,990
Bonded debt due after one year	-	17,078,596	17,078,596
Sales tax overpayment payable after one year	1,673,832	196,922	1,870,754
Total Noncurrent Liabilities	14,583,536	52,450,491	67,034,027
Total Liabilities	\$ 18,186,756	\$ 69,648,373	\$ 87,835,129
DEFERRED INFLOWS			
Unavailable revenue - grants and contract services	\$ 131,998	\$ -	\$ 131,998
Unamortized premium on bonds	-	76,124	76,124
Total Deferred Inflows	\$ 131,998	\$ 76,124	\$ 208,122
NET POSITION			
Net investment in capital assets	\$ 72,479,150	\$ 76,711,718	\$ 149,190,868
Restricted for:			
Expendable for debt service	1,034,950	3,309,240	4,344,190
Expendable for capital acquisitions	-	-	-
Expendable for other purposes	5,967,801	-	5,967,801
Nonexpendable permanent endowments	-	101,614	101,614
Unrestricted	5,737,065	41,360,824	47,097,889
Total Net Position	\$ 85,218,966	\$ 121,483,396	\$ 206,702,362

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental Activities:							
General Government:							
General and administration	\$ 3,322,649	\$ 452,854	\$ 20,000	\$ 35,624	\$ (2,814,171)	\$ -	\$ (2,814,171)
Sanitation	1,450,199	1,232,749	-	-	(217,450)	-	(217,450)
Total General Government	4,772,848	1,685,603	20,000	35,624	(3,031,621)	-	(3,031,621)
Public Safety:							
Police	4,179,480	163,988	52,637	10,084	(3,952,771)	-	(3,952,771)
Fire	2,803,808	-	-	-	(2,803,808)	-	(2,803,808)
Cemetery	309,936	111,397	-	-	(198,539)	-	(198,539)
Total Public Safety	7,293,224	275,385	52,637	10,084	(6,955,118)	-	(6,955,118)
Transportation:							
Airport	626,848	237,565	-	3,016,865	2,627,582	-	2,627,582
Streets	2,840,214	-	-	358,107	(2,482,107)	-	(2,482,107)
Infrastructure	2,327,993	-	-	201,336	(2,126,657)	-	(2,126,657)
Total Transportation	5,795,055	237,565	-	3,576,308	(1,981,182)	-	(1,981,182)
Cultural, Parks and Recreation:							
Library	750,210	11,458	14,575	-	(724,177)	-	(724,177)
Park	2,735,010	251,284	-	-	(2,483,726)	-	(2,483,726)
Community center	56,521	19,603	-	-	(36,918)	-	(36,918)
Total Cultural, Parks and Recreation	3,541,741	282,345	14,575	-	(3,244,821)	-	(3,244,821)
Community/Economic Development:							
Planning, building and economic	109,309	-	-	-	(109,309)	-	(109,309)
Total Community/Economic	109,309	-	-	-	(109,309)	-	(109,309)
Debt Service							
Interest and fees	372,522	-	-	-	(372,522)	-	(372,522)
Total Debt Service	372,522	-	-	-	(372,522)	-	(372,522)
Total Governmental Activities	21,884,699	2,480,898	87,212	3,622,016	(15,694,573)	-	(15,694,573)
Business-Type Activities:							
Health	100,897,134	94,687,863	-	573,831	-	(5,635,440)	(5,635,440)
Water	3,522,182	3,864,815	-	73,984	-	416,617	416,617
Wastewater	4,153,206	4,258,200	-	182,150	-	287,144	287,144
Total Business-Type Activities	108,572,522	102,810,878	-	829,965	-	(4,931,679)	(4,931,679)
Total	\$ 130,457,221	\$ 105,291,776	\$ 87,212	\$ 4,451,981	\$ (15,694,573)	\$ (4,931,679)	\$ (20,626,252)

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (Cont'd)
YEAR ENDED MARCH 31, 2015

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
General Revenues:			
Taxes:			
Property taxes, levied for general purposes	2,532,058	-	2,532,058
Franchise taxes	2,458,689		2,458,689
Sales and use taxes	11,248,188	978,061	12,226,249
Motor vehicle and fuel taxes	820,117	-	820,117
Other taxes	120,590	-	120,590
Unrestricted investment earnings	41,558	95,174	136,732
Transfers	575,000	(575,000)	-
Miscellaneous	21,723	(3,366)	18,357
Total general revenues	<u>17,817,923</u>	<u>494,869</u>	<u>18,312,792</u>
Change in net position	<u>2,123,350</u>	<u>(4,436,810)</u>	<u>(2,313,460)</u>
Net position - beginning	84,764,879	126,122,571	210,887,450
Prior Period Adjustment (Note IV-M)	<u>(1,669,263)</u>	<u>(202,365)</u>	<u>(1,871,628)</u>
Net Position, Beginning of Year, Restated	<u>83,095,616</u>	<u>125,920,206</u>	<u>209,015,822</u>
Net position - ending	<u>\$ 85,218,966</u>	<u>\$ 121,483,396</u>	<u>\$ 206,702,362</u>

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2015**

ASSETS	General Fund	Other Governmental Funds	Total Governmental Funds
Cash, including time deposits	\$ 7,534,463	\$ 4,529,354	\$ 12,063,817
Taxes receivable - net of allowance for uncollectible - \$10,000	2,350,075	864,805	3,214,880
Accrued interest receivable	8,813	3,427	12,240
Accounts receivable	100,472	-	100,472
Due from other governmental agencies	42,664	2,611	45,275
Due from other funds	127,647	-	127,647
Inventory	80,532	-	80,532
Prepaid expenses	142,638	16,014	158,652
Restricted cash	-	1,034,950	1,034,950
Total Assets	\$ 10,387,304	\$ 6,451,161	\$ 16,838,465
LIABILITIES			
Accounts payable	\$ 382,176	\$ 55,683	\$ 437,859
Accrued expenses	516,248	89,283	605,531
Court bonds payable	38,196	-	38,196
Due to other funds	-	2,480	2,480
Protested taxes payable	6,833	-	6,833
Sales tax overpayment payable	1,249,480	520,617	1,770,097
Total Liabilities	2,192,933	668,063	2,860,996
DEFERRED INFLOWS			
Unavailable revenue - property taxes, grants and contract services	230,612	27,000	257,612
Total Deferred Inflows	230,612	27,000	257,612
FUND EQUITY			
Nonspendable			
Inventory	80,532	-	80,532
Prepaid expenses	142,638	16,014	158,652
Restricted for cemetery	192,330	-	192,330
Restricted for debt service	-	1,034,950	1,034,950
Assigned for specific purposes	501,275	-	501,275
Assigned for special revenue purposes	-	3,107,980	3,107,980
Assigned for capital project purposes	-	1,629,585	1,629,585
Unassigned	7,046,984	(32,431)	7,014,553
Total Fund Equity	7,963,759	5,756,098	13,719,857
Total Liabilities, Deferred Inflows and Fund Equity	\$ 10,387,304	\$ 6,451,161	\$ 16,838,465

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
MARCH 31, 2015**

Total fund balance - total governmental funds	\$ 13,719,857
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$128,725,852	86,587,764
Unavailable revenue accounts are used by management to report revenues earned but not collected within 60 days of the fiscal year-end as deferred inflows of the funds. These revenues are considered revenues of the government-wide statements when earned.	125,614
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Debt due within one year	(1,198,910)
Debt due in more than one year	(12,909,704)
Accrued compensated absences due in more than one year	(1,219,626)
Unamortized debt issuance costs are not financial resources and therefore are not reported in the funds, net of accumulated amortization.	<u>113,971</u>
Net position of governmental activities	<u>\$ 85,218,966</u>

CITY OF SEDALIA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 11,273,656	\$ 5,061,089	\$ 16,334,745
Licenses and permits	452,854	-	452,854
Intergovernmental	938,462	3,389,547	4,328,009
Charges for services	1,615,158	262,742	1,877,900
Fines and penalties	150,144	-	150,144
Miscellaneous	272,817	23,335	296,152
Total Revenues	14,703,091	8,736,713	23,439,804
EXPENDITURES			
General and administrative	2,684,539	-	2,684,539
Sanitation	1,395,043	-	1,395,043
Public safety	6,877,253	-	6,877,253
Transportation	3,065,889	-	3,065,889
Cultural	48,475	-	48,475
Library	-	675,400	675,400
Park	-	2,223,555	2,223,555
Planning, building and economic development	-	109,309	109,309
Capital outlay	1,735,861	5,268,722	7,004,583
Debt service	-	1,209,960	1,209,960
Total Expenditures	15,807,060	9,486,946	25,294,006
Excess (Deficit) of Revenues over Expenditures	(1,103,969)	(750,233)	(1,854,202)
Other Financing Sources (Uses)			
Loan proceeds	50,000	-	50,000
Operating transfers in (out)	250,040	324,960	575,000
Total Other Financing Sources (Uses)	300,040	324,960	625,000
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	(803,929)	(425,273)	(1,229,202)
Fund Balance, beginning of year	8,881,664	6,643,866	15,525,530
Prior Period Adjustment	(113,976)	(462,495)	(576,471)
Fund Balance, beginning of year, restated	8,767,688	6,181,371	14,949,059
Fund Balance, end of year	\$ 7,963,759	\$ 5,756,098	\$ 13,719,857

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2015**

Net change in fund balances - total governmental funds \$ (1,229,202)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset purchases capitalized	7,615,902
Disposition of assets	(232,871)
Capital contribution received	201,336
Depreciation expense	<u>(4,245,322)</u>
	<u>3,339,045</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds

Deferred inflows - unavailable property taxes changes	<u>24,780</u>
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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 the governmental funds:

Increase in long-term accrued compensated absences	<u>(26,000)</u>
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Certificates of participation obligation principal payments	847,500
Note proceeds received	(1,050,000)
Note payable principal payments	388,124
Capital lease proceeds	(185,853)
Capital lease principal payments	25,018
Amortization expense	<u>(10,062)</u>
	<u>14,727</u>

Change in Net Position of Governmental Activities	<u>\$ 2,123,350</u>
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See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 10,633,050	\$ 10,633,050	\$ 11,273,656	\$ 640,606
Licenses and permits	460,000	460,000	452,854	(7,146)
Intergovernmental	833,500	876,623	938,462	61,839
Charges for services	1,710,200	1,710,200	1,615,158	(95,042)
Fines and penalties	206,000	206,000	150,144	(55,856)
Miscellaneous	230,550	230,550	272,817	42,267
Total Revenues	<u>14,073,300</u>	<u>14,116,423</u>	<u>14,703,091</u>	<u>586,668</u>
EXPENDITURES				
General and administrative	2,787,930	2,798,355	2,684,539	113,816
Sanitation	1,371,305	1,379,305	1,395,043	(15,738)
Public safety	6,882,054	6,947,197	6,877,253	69,944
Transportation	3,174,945	3,183,445	3,065,889	117,556
Cultural	26,550	51,050	48,475	2,575
Capital outlay	1,907,530	2,245,665	1,735,861	509,804
Total Expenditures	<u>16,150,314</u>	<u>16,605,017</u>	<u>15,807,060</u>	<u>797,957</u>
Excess (Deficit) of Revenues over Expenditures	<u>(2,077,014)</u>	<u>(2,488,594)</u>	<u>(1,103,969)</u>	<u>1,384,625</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	50,000	50,000	-
Operating transfers in (out)	275,000	275,000	250,040	(24,960)
Total Other Financing Sources (Uses)	<u>275,000</u>	<u>325,000</u>	<u>300,040</u>	<u>(24,960)</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	<u>(1,802,014)</u>	<u>(2,163,594)</u>	<u>(803,929)</u>	<u>\$ 1,359,665</u>
Fund Balance, beginning of year	8,881,664	8,881,664	8,881,664	
Prior Period Adjustment	(113,976)	(113,976)	(113,976)	
Fund Balance, beginning of year, restated	<u>8,767,688</u>	<u>8,767,688</u>	<u>8,767,688</u>	
Fund Balance, end of year	<u>\$ 6,965,674</u>	<u>\$ 6,604,094</u>	<u>\$ 7,963,759</u>	

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2015

	Business Type Activities - Enterprise Funds			
	Health	Water	Wastewater	Total
ASSETS				
Operating Funds				
Cash and cash equivalents	\$ 17,700,231	\$ 1,039,569	\$ 4,996,983	\$ 23,736,783
Short-term investments	1,791,616	1,540,470	2,115,000	5,447,086
Taxes receivable	-	-	300,913	300,913
Accounts receivable:				
Consumers	12,836,019	460,551	-	13,296,570
Other	797,775	126,829	21,602	946,206
Estimated third-party payor settlements receivable	1,290,651	-	-	1,290,651
Due from other funds	-	(722,664)	597,497	(125,167)
Accrued interest	-	431	3,128	3,559
Inventories	1,521,950	227,781	-	1,749,731
Prepaid expenses and other assets	1,058,377	73,857	23,512	1,155,746
	<u>36,996,619</u>	<u>2,746,824</u>	<u>8,058,635</u>	<u>47,802,078</u>
SEGREGATED FUNDS				
Cash and cash equivalents	106,270	752,485	7,360,568	8,219,323
Noncurrent cash and investments	5,581,632	-	14,778,096	20,359,728
	<u>5,687,902</u>	<u>752,485</u>	<u>22,138,664</u>	<u>28,579,051</u>
Total Current Assets (Including Segregated Funds)	<u>42,684,521</u>	<u>3,499,309</u>	<u>30,197,299</u>	<u>76,381,129</u>
Noncurrent Assets				
Capital Assets				
Land, land rights and land improvements	3,050,536	176,240	2,319,053	5,545,829
Structures, improvements and plant equipment	85,873,924	11,788,093	-	97,662,017
Distribution system	-	18,023,496	-	18,023,496
Pumping and purification equipment	-	4,809,133	27,456,636	32,265,769
Transmission mains	-	964,302	13,744,794	14,709,096
Equipment	72,394,448	2,061,694	3,262,134	77,718,276
Construction in progress	262,728	43,033	6,687,055	6,992,816
Accumulated depreciation	(106,209,468)	(12,890,683)	(20,164,703)	(139,264,854)
Total Capital Assets, net of accumulated depreciation	55,372,168	24,975,308	33,304,969	113,652,445
Other assets	781,266	-	-	781,266
Total Noncurrent Assets	<u>56,153,434</u>	<u>24,975,308</u>	<u>33,304,969</u>	<u>114,433,711</u>
Total Assets	<u>98,837,955</u>	<u>28,474,617</u>	<u>63,502,268</u>	<u>190,814,840</u>
DEFERRED OUTFLOWS				
Unamortized insurance premium on bonds	-	-	393,053	393,053

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF NET POSITION (CONT'D)
PROPRIETARY FUNDS
MARCH 31, 2015

	Business Type Activities - Enterprise Funds			
	Health	Water	Wastewater	Total
LIABILITIES				
Operating Funds:				
Accounts payable	\$ 2,694,326	\$ 86,302	\$ 89,724	\$ 2,870,352
Construction accounts payable	-	-	357,755	357,755
Accrued interest	-	24,979	715,279	740,258
Accrued payroll and related benefits	5,407,729	76,494	147,336	5,631,559
Sales tax refund due to state	-	-	11,325	11,325
Estimated amounts due to third-party payers	3,576,163	-	-	3,576,163
Current maturities of capital lease obligations	156,080	-	963,743	1,119,823
Current maturities of revenue bonds payable	1,733,145	-	-	1,733,145
	<u>13,567,443</u>	<u>187,775</u>	<u>2,285,162</u>	<u>16,040,380</u>
Segregated Funds:				
Accrued bond interest	-	7,490	-	7,490
Current portion of long-term debt due within one year	-	578,726	-	578,726
Consumer's deposits	-	571,286	-	571,286
	<u>-</u>	<u>1,157,502</u>	<u>-</u>	<u>1,157,502</u>
Total Current Liabilities (Including Segregated Funds)	<u>13,567,443</u>	<u>1,345,277</u>	<u>2,285,162</u>	<u>17,197,882</u>
Long-Term Debt:				
Bonded debt due after one year	11,323,596	5,755,000	-	17,078,596
Capital lease obligations	526,062	2,551,405	52,506	3,129,973
Certificates of participation	-	-	32,045,000	32,045,000
Sales tax overpayment payable after one year	-	-	196,922	196,922
Total Noncurrent Liabilities	<u>11,849,658</u>	<u>8,306,405</u>	<u>32,294,428</u>	<u>52,450,491</u>
Total Liabilities	<u>25,417,101</u>	<u>9,651,682</u>	<u>34,579,590</u>	<u>69,648,373</u>
DEFERRED INFLOWS				
Unamortized premium on bonds	-	76,124	-	76,124
Total Deferred Inflows	<u>-</u>	<u>76,124</u>	<u>-</u>	<u>76,124</u>
NET POSITION				
Net investment in capital assets	41,413,537	16,090,177	19,208,004	76,711,718
Restricted				
For debt service	-	134,860	3,174,380	3,309,240
Expendable for capital acquisitions	-	-	-	-
Nonexpendable permanent endowments	101,614	-	-	101,614
Unrestricted	<u>31,905,703</u>	<u>2,521,774</u>	<u>6,933,347</u>	<u>41,360,824</u>
Total Net Position	<u>\$ 73,420,854</u>	<u>\$ 18,746,811</u>	<u>\$ 29,315,731</u>	<u>\$ 121,483,396</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2015

	Business Type Activities - Enterprise Funds			
	Health	Water	Wastewater	Total
Operating revenues:				
Charges for services	\$ 94,615,634	\$ 3,697,784	\$ 4,240,978	\$ 102,554,396
Miscellaneous	72,229	167,031	17,222	256,482
Total operating revenues	<u>94,687,863</u>	<u>3,864,815</u>	<u>4,258,200</u>	<u>102,810,878</u>
Operating expenses:				
Professional and purchased services	10,381,418	177,795	-	10,559,213
Personnel services	50,092,505	1,230,079	1,103,747	52,426,331
Transmission and distribution	-	1,308,370	1,498,141	2,806,511
Supplies	19,167,486	-	-	19,167,486
Other expenses	12,654,697	-	-	12,654,697
Interest expense	-	-	-	-
Depreciation and amortization	7,944,252	628,081	1,425,121	9,997,454
Total operating expenses	<u>100,240,358</u>	<u>3,344,325</u>	<u>4,027,009</u>	<u>107,611,692</u>
Net operating income	<u>(5,552,495)</u>	<u>520,490</u>	<u>231,191</u>	<u>(4,800,814)</u>
Nonoperating revenue (expense):				
Taxes	-	-	978,061	978,061
Investment income	44,749	(1,709)	52,134	95,174
Interest expense	(656,776)	(177,857)	(126,197)	(960,830)
Noncapital contributions	159,511	-	-	159,511
Gain(loss) on disposal of capital assets	-	(3,366)	-	(3,366)
Total nonoperating revenue (expense)	<u>(452,516)</u>	<u>(182,932)</u>	<u>903,998</u>	<u>268,550</u>
Net Income before contributions and transfers	(6,005,011)	337,558	1,135,189	(4,532,264)
Capital contributions and grants	414,320	73,984	182,150	670,454
Transfers	-	-	(575,000)	(575,000)
Total capital contributions and transfers	<u>414,320</u>	<u>73,984</u>	<u>(392,850)</u>	<u>95,454</u>
Net income	<u>(5,590,691)</u>	<u>411,542</u>	<u>742,339</u>	<u>(4,436,810)</u>
Net position - beginning of year	79,011,545	18,335,269	28,775,757	126,122,571
Prior Period Adjustment (Note IV-M)	-	-	(202,365)	(202,365)
Net Position, Beginning of Year Restated	<u>79,011,545</u>	<u>18,335,269</u>	<u>28,573,392</u>	<u>125,920,206</u>
Net position - end of year	<u>\$ 73,420,854</u>	<u>\$ 18,746,811</u>	<u>\$29,315,731</u>	<u>\$ 121,483,396</u>

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2015**

	Business Type Activities - Enterprise Funds			
	Health	Water	Wastewater	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from and on behalf of customers/patients	\$ 96,650,036	\$ 3,869,775	\$ 4,238,077	\$104,757,888
Payments to suppliers and contractors	(42,481,312)	(1,461,701)	(1,053,256)	(44,996,269)
Payments to and on behalf of employees	(49,908,365)	(1,226,607)	(1,083,573)	(52,218,545)
Other receipts and payments	144,181	-	-	144,181
Net cash provided (used) by operating activities	<u>4,404,540</u>	<u>1,181,467</u>	<u>2,101,248</u>	<u>7,687,255</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Taxes	-	-	930,446	930,446
Noncapital contributions	159,511	-	-	159,511
Interfund transfer	-	-	(575,000)	(575,000)
Net cash provided by noncapital financing activities	<u>159,511</u>	<u>-</u>	<u>355,446</u>	<u>514,957</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants and contributions	414,320	73,984	188,032	676,336
Proceeds from sale of assets	-	(3,366)	-	(3,366)
Acquisition and construction of capital assets	(4,303,642)	(345,886)	(4,835,490)	(9,485,018)
Repayment of long-term debt	(2,067,717)	(591,434)	(868,751)	(3,527,902)
Interest paid on capital debt	(656,776)	(180,023)	(131,011)	(967,810)
Net cash provided (used) by capital and related financing activities	<u>(6,613,815)</u>	<u>(1,046,725)</u>	<u>(5,647,220)</u>	<u>(13,307,760)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investment assets	7,696,695	2,241,669	21,458,570	31,396,934
Purchase of investment assets	(7,433,507)	(1,540,470)	(16,893,096)	(25,867,073)
Income from investments	44,749	(1,657)	53,022	96,114
Net cash provided by investing activities	<u>307,937</u>	<u>699,542</u>	<u>4,618,496</u>	<u>5,625,975</u>
Net increase (decrease) in cash and cash equivalents	(1,741,827)	834,284	1,427,970	520,427
Balances - beginning of year	<u>19,548,328</u>	<u>957,770</u>	<u>10,929,581</u>	<u>31,329,566</u>
Balances - end of year	<u>\$ 17,806,501</u>	<u>\$ 1,792,054</u>	<u>\$ 12,357,551</u>	<u>\$ 31,956,106</u>
Cash and cash equivalents	\$ 17,700,231	\$ 1,039,569	\$ 4,996,983	\$ 23,736,783
Segregated cash and cash equivalents	106,270	752,485	7,360,568	8,219,323
Total cash and cash equivalents, end of year	<u>\$ 17,806,501</u>	<u>\$ 1,792,054</u>	<u>\$ 12,357,551</u>	<u>\$ 31,956,106</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF CASH FLOWS (CONT'D)
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2015

	Business Type Activities - Enterprise Funds			
	Health	Water	Wastewater	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (5,552,495)	\$ 520,490	\$ 231,191	\$ (4,800,814)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Cash flows reported in other categories:				
Depreciation and amortization expense	7,944,252	628,081	1,425,121	9,997,454
Provision for bad debts	14,003,032	-	-	14,003,032
Change in assets and liabilities:				
Receivables, net	(14,296,142)	4,960	(20,123)	(14,311,305)
Estimated third-party payor settlements	2,327,512	-	-	2,327,512
Inventory and other assets	42,935	(15,870)	-	27,065
Prepaid expenses	-	(3,243)	(2,594)	(5,837)
Accounts payable and accrued expenses	(238,080)	43,577	447,479	252,976
Accrued payroll, related taxes and benefits	173,526	3,472	20,174	197,172
Net cash provided (used) by operating activities	<u>\$ 4,404,540</u>	<u>\$ 1,181,467</u>	<u>\$ 2,101,248</u>	<u>\$ 7,687,255</u>
 Noncash investing, capital, and financing activities:				
Capital asset acquisitions included in accounts payable	<u>\$ 219,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,748</u>
 Construction accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 357,755</u>	<u>\$ 357,755</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
MARCH 31, 2015

ASSETS

Cash and cash equivalents	\$ 399,162
Investments	
U.S. Government securities	918,041
Corporate debt and equity	11,775,950
Other investments	25,912
Total investments	<u>12,719,903</u>
Total Assets	<u>13,119,065</u>

LIABILITIES

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

NET POSITION

Held in trust for pension benefits and other purposes	<u><u>\$ 11,018,479</u></u>
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CITY OF SEDALIA, MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED MARCH 31, 2015

ADDITIONS

Contributions

Taxes	\$ 363,010
Employer/employee	569,530
Miscellaneous	5,842
Total contributions	938,382

Investment earnings

Investment income	575,270
Net increase (decrease) in fair value of investments	487,004
Net investment earnings	1,062,274

Total Additions	2,000,656
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DEDUCTIONS

Pension expense	1,522,272
Insurance	31,633
Administrative fees	91,410
Pension refunds	11,167
Miscellaneous	19,903
Total Deductions	1,676,385

Change in net position	324,271
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Net position, beginning of year	10,694,208
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Net position, end of year	\$ 11,018,479
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CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

Bothwell Regional Health Center, (Health Center) is an acute care hospital located in Sedalia, Missouri. The Health Center is governed by a board of trustees appointed by the City Council of Sedalia, Missouri (City). The Health Center may not issue debt without the City’s approval. For these reasons, the Health Center is considered to be a component unit of the City of Sedalia and is included as a discretely presented component unit in the basic financial statements of the City. The Health Center is owned by and is a part of the primary government of the City because the City holds the corporate powers of the Health Center. The Health Center primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Pettis County, Missouri area. The Health Center has been designated as a sole community provider and a rural referral center for Medicare reimbursement purposes. It also operates various physician clinics in the same geographic area.

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

B. Financial Reporting Entity

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Blended Component Units

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

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

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

Bothwell Regional Health Center
601 East 14th Street
Sedalia, Missouri 65301

Sedalia Water Department
111 West 4th Street
Sedalia, Missouri 65301

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

C. Basis of Presentation

Government-Wide Financial Statements:

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Fund Financial Statements:

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

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The funds of the financial reporting entity are described below:

Governmental Funds

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

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

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

Proprietary Fund

Enterprise Funds

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

Fiduciary Funds (Not included in government-wide statements)

Trust Funds

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

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

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

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

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major and Nonmajor Funds

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

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus

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

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

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

Basis of Accounting

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

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Patient Accounts Receivable: The Health Center provides an allowance for uncollectible accounts using management's judgment. Patients are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of invoice. Past due accounts are individually analyzed for collectibility, and then turned over to collection agents. Accounts for which no payments have been received are analyzed and after approval are written off. In addition, an allowance is estimated for other accounts based on historical experience of the Health Center. At May 31, 2014 the allowance for uncollectible accounts was approximately \$4,716,000.

Net Patient Service Revenue: The Health Center has agreements with third-party payers that provide for payments to the Health Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care: The Health Center provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Health Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. Charges excluded from revenue under the Health Center's policy were approximately \$2,550,000 for the year ended May 31, 2014.

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

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Electronic Health Records Incentive Program: The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Health Center continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Health Center recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

In 2014, the Health Center completed the requirements under both the Medicare and Medicaid programs and recorded revenue of \$1,763,942, which is included in other revenue within operating revenues in the statement of revenues, expenses and changes in net position.

Assets, Liabilities and Equity

Cash and Investments

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

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Interfund Receivables and Payables

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

Receivables

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Health Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Health Center provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

Inventory

The inventories are recorded at the lower of cost or market using the latest invoice cost, which approximates the first-in, first-out method.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

With the implementation of GASB Statement No. 34, the City has recorded all its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems in its government-wide financial statements.

Capital assets are reported at cost, if purchased, or at fair market value on the date received if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the property. Useful lives are assigned based on estimated useful lives of depreciable assets. It is the City's policy to include amortization expense on assets acquired under capital leases with depreciation on owned assets.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of the assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of the capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the statement of net position as a reduction in the book value of the fixed assets.

Government-Wide Statements

In the government-wide financial statements, all capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements	20-50 years
Machinery and Equipment	3-20 years
Utility System	25-75 years
Infrastructure	5-50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to revenue bond trustee accounts and utility meter deposits.

When the Health Center has both restricted and unrestricted resources available to finance a particular program, it is the Health Center's policy to use restricted resources before unrestricted resources.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of certificates of participation, notes payable, revenue bonds payable and capital leases payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Deferred Charges

Revenue bond and capitalized lease issuance costs and related refunding costs and losses arising from the issuance of debt in the Proprietary Funds are capitalized and amortized over the period the related debt is outstanding.

Compensated Absences - City

Under the terms of the City's personnel policy, City employees are granted vacation based upon length of service. In the event of termination, employees are paid for accumulated vacation days. Vested or accumulated vacation is recorded as an expenditure or expense and liability of those funds as the benefits accrue to the employee. Sick leave is granted at varying rates dependent upon department of employment. Upon retirement, employees are paid for one-third of accumulated sick leave.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences – Health Center

Health Center policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Compensated Absences – Water Department

Under the terms of the Department's personnel policy, employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days up to the equivalent of one year's vacation (maximum of three weeks). Employees are not paid for unused sick leave. The costs of vacation are accrued.

Capital Leases

Property, plant and equipment financed by capital leases are reflected as assets and corresponding liabilities of the Enterprise Funds and the related depreciation expense is provided on the same basis as assets financed with other resources.

Equity Classifications

Government-Wide Statements

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position -
 - (1) Expendable - Net position whose use by the City is subject to externally imposed stipulations that can be fulfilled by actions of the City pursuant to those stipulations or that expire by the passage of time. The City's policy is to utilize specifically restricted net position, as required by revenue bond indentures, prior to unrestricted net position.
 - (2) Nonexpendable - Net position subject to externally imposed stipulations that they be maintained permanently by the City. Such assets include the Health Center's permanent endowment funds.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- c. Unrestricted net position - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”
- d. Net position of the Health Center is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the Health Center. Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Health Center, such as permanent endowments. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Fund Statements

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

Fund Equity – Fund Financial Statements:

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

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

The City’s restricted funds are as detailed in Note III-K.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Estimates

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. During the fiscal year 2015 the City capitalized net interest of \$1,440,830.

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

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

Expenditures/Expenses

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

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

Governmental Funds - By Function

Proprietary Fund - By Operating and Nonoperating

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

Interfund Transfers

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

Income Taxes

As an essential government function of the City, the Health Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

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

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

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

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deposits and Investment Laws and Regulations

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

B. Budget Basis of Accounting

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

The City amended the budget once during the fiscal year.

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Deposits and Investments

The City of Sedalia is governed by the deposit and investment limitations of state law. The deposits and investments held at March 31, 2015, are shown below:

	<u>Maturity Date</u>	<u>Carrying Value</u>
Deposits:		
Demand deposits		\$ 18,038,837
Time deposit	04/17/15	4,995,030
Time deposit	06/26/15	245,000
Time deposits	06/30/15	490,000
Time deposit	07/06/15	245,000
Time deposit	08/10/15	245,000
Time deposits	09/18/15	1,000,000
Time deposit	10/26/15	4,995,547
Time deposit	10/28/15	245,000
Time deposit	11/04/15	245,000
Time deposit	11/06/15	150,000
Time deposits	11/12/15	2,000,000
Time deposit	12/18/15	245,000
Time deposit	01/25/16	500,000
Time deposit	02/12/16	245,000
Time deposit	05/18/16	250,000
Time deposit	06/10/16	250,000
Time deposit	08/18/16	245,000
Time deposit	10/28/16	245,000
Time deposit	10/31/16	150,000
Time deposits	11/07/16	1,000,000
Time deposit	11/08/16	245,000
Time deposit	12/15/16	145,000
Time deposit	12/27/16	245,000
Time deposit	12/30/16	245,000
Time deposit	01/17/17	245,000
Time deposit	02/13/17	245,000
Time deposits	06/26/17	490,000
Time deposits	06/27/17	490,000
Time deposit	06/30/17	245,000
Time deposit	07/13/17	245,000
Time deposit	07/31/17	245,000
Time deposit	08/15/17	245,000
Time deposit	09/15/17	245,000
Time deposit	10/27/17	245,000
Time deposit	10/30/17	245,000
Time deposit	10/31/17	245,000
Time deposit	12/06/17	150,000
Time deposit	12/18/17	245,000
Time deposit	01/12/18	245,000
Time deposit	03/13/18	245,000
Time deposit	03/19/18	245,000
Time deposit	03/29/18	245,000
Time deposit	08/06/18	150,000
Time deposits	10/30/18	490,000
Total Deposits		<u>42,349,414</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

	Carrying Value
Water Department deposits and investments	\$ 3,332,524
Health Center deposits and investments	25,179,749
	70,861,687
Reconciliation of Statement of Net Position:	
Current:	
Cash and cash equivalents	\$ 35,800,600
Short-term investments	5,447,086
Total Current	41,247,686
Restricted:	
Cash and cash equivalents	\$ 9,148,003
Noncurrent cash and investments	20,465,998
Total Restricted	29,614,001
Total	\$ 70,861,687

Custodial Credit Risk. Deposits in financial institutions, reported as components of cash and investments had a bank balance of \$19,418,621 at March 31, 2015, which was fully insured by depository insurance or secured with collateral. This amount does not include the Water Department's or Health Center's deposits, which are discussed below.

Investment interest rate risk. The City has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at March 31, 2015, are provided in the previous schedule.

Investment credit risk. The City maintains cash deposits and investments which are authorized by City ordinances related to the long-term debt issuances. The Council has given the City Administrator and Finance Director the authority to invest idle funds of the City in low-risk investments such as United States government securities or collateralized certificates of deposit.

Concentration of investment credit risk. The City places no limit on the amount it may invest in any one issuer. At March 31, 2015, the City had no concentration of credit risk.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

Sedalia Water Department Deposits and Investments

The Sedalia Water Department is governed by the deposit and investment limitations of state law. State statutes authorize the Department to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool. The deposits and investments held at March 31, 2015 are shown below:

	Maturities	Carrying Value
Deposits:		
Demand deposits		\$ 1,792,054
Time deposit	04/23/15	1,178,676
Time deposit	08/15/15	361,794
Total Deposits		\$ 3,332,524
Reconciliation of Statement of Net Position:		
Current:		
Cash and cash equivalents		\$ 1,039,569
Investments		1,540,470
Total Current		2,580,039
Segregated:		
Cash and cash equivalents		752,485
Total Segregated		752,485
Total		\$ 3,332,524

Custodial credit risk. Deposits in financial institutions, reported as components of cash and investments had a bank balance of \$3,340,429 at March 31, 2015. All deposits were adequately secured at March 31, 2015.

Investment interest rate risk. The Department has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at March 31, 2015, are provided in the previous schedule.

Investment credit risk. The Department maintains cash deposits and investments which are authorized by the Board of Public Works.

Concentration of investment credit risk. The Department places no limit on the amount it may invest in any one issuer. At March 31, 2015, the Department had no concentration of credit risk.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

Bothwell Health Center Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Health Center's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. Agencies or instrumentalities or the state of Missouri; bonds of any city, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At May 31, 2014, none of the Health Center's bank balances of \$26,534,264 were exposed to custodial credit risk as being uninsured and uncollateralized.

Investments

The Health Center may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities. The Health Center did not have any such investments at May 31, 2014.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

Carrying value	
Deposits	<u>\$ 25,179,749</u>
Included in the following balance sheet captions	
Cash	\$ 17,700,231
Certificates of deposit	1,791,616
Noncurrent cash and deposits	<u>5,687,902</u>
Total	<u>\$ 25,179,749</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

B. Net Patient Service Revenue - Health Center

The Health Center has agreements with third party payors that provide for payments to the Health Center at amounts different from its established rates. These payment arrangements include:

- *Medicare.* Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity. Certain inpatient nonacute services and defined medical education costs are paid based on a cost reimbursement methodology. The Health Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the Medicare administrative contractor.
- *Medicaid.* Inpatient and outpatient services rendered to Medicaid program beneficiaries under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The Health Center is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the Medicaid administrative contractor.

Approximately 63% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the year ended May 31, 2014. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Health Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Health Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The Health Center receives additional reimbursement, for disproportionate share, from Missouri Medicaid program in relation to the percentage of Medicaid and indigent population they serve. Beginning in 2011, funding received in excess of costs to provide these services was to be refunded to the state for reallocation to other health care systems. The Health Center has accrued \$973,000, which is included in the estimated amounts due to third-party payers in the balance sheet, for 2014 under this program. It is reasonably possible that circumstances related to the state's Medicaid program could change materially in the near term.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

The Health Center grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at May 31, 2014, consisted of:

Medicare	\$	5,103,209
Medicaid		1,086,263
Other third-party payers		4,775,699
Patients		6,586,848
		17,552,019
Less: Allowance for uncollected accounts		(4,716,000)
	\$	12,836,019

C. Accounts Receivable

Accounts receivable of the business-type activities consists of patient and utilities receivable. Accounts receivable of the governmental activities consists of miscellaneous receivables. Receivables detail at March 31, 2015, is as follows:

	Governmental Activities	Business- Type Activities	Total
Accounts receivable	\$ 100,472	\$ 18,958,776	\$ 19,059,248
Allowance for doubtful accounts	-	(4,716,000)	(4,716,000)
Net accounts receivable	\$ 100,472	\$ 14,242,776	\$ 14,343,248

D. Taxes Receivable

Taxes receivable of the governmental activities consist of property, sales, franchise, gas and motor vehicle tax receivable. Receivables detail at March 31, 2015, was as follows:

	Governmental Activities	Business- Type Activities	Total
Taxes receivable	\$ 3,224,880	\$ 300,913	\$ 3,525,793
Allowance for doubtful accounts	(10,000)	-	(10,000)
Net taxes receivable	\$ 3,214,880	\$ 300,913	\$ 3,515,793

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

E. Capital Assets - Governmental Activities

Capital asset activity for the year ended March 31, 2015, was as follows:

	Balance at April 1, 2014	Additions	Disposals	Balance at March 31, 2015
Capital assets not being depreciated:				
Land and land rights	\$ 2,398,449	\$ 1,000,000	\$ -	\$ 3,398,449
Subtotal	<u>2,398,449</u>	<u>1,000,000</u>	<u>-</u>	<u>3,398,449</u>
Other capital assets being depreciated:				
Structures and improvements	26,721,773	808,181	(240,519)	27,289,435
Other improvements	9,738,771	3,545,953	(138,991)	13,145,733
General equipment	13,828,916	871,916	(2,460,100)	12,240,732
Infrastructure	157,648,079	1,591,188	-	159,239,267
Subtotal	<u>207,937,539</u>	<u>6,817,238</u>	<u>(2,839,610)</u>	<u>211,915,167</u>
Total capital assets at historical costs	<u>210,335,988</u>	<u>7,817,238</u>	<u>(2,839,610)</u>	<u>215,313,616</u>
Accumulated Depreciation				
Structures and improvements	(9,475,239)	(769,040)	197,536	(10,046,743)
Other improvements	(4,601,833)	(359,579)	89,242	(4,872,170)
General	(9,920,889)	(788,710)	2,319,961	(8,389,638)
Infrastructures	(103,089,308)	(2,327,993)	-	(105,417,301)
Subtotal	<u>(127,087,269)</u>	<u>(4,245,322)</u>	<u>2,606,739</u>	<u>(128,725,852)</u>
Net capital assets being depreciated	<u>80,850,270</u>	<u>2,571,916</u>	<u>(232,871)</u>	<u>83,189,315</u>
Governmental activities capital assets	<u>\$ 83,248,719</u>	<u>\$ 3,571,916</u>	<u>\$ (232,871)</u>	<u>\$ 86,587,764</u>

F. Capital Assets - Business-Type Activities

Capital assets of the Health, Water, and Wastewater Funds are stated at cost if purchased, or fair market value on the date of contribution (appraised value) if donated, adjusted for the cost of subsequent additions and disposals or retirements. The costs of normal maintenance and repairs are charged to operations as incurred. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized and depreciated over the remaining estimated useful lives of the related assets. The interest cost of borrowed funds used to finance construction projects is capitalized when material. Capital asset activity for the year ended March 31, Health Center year-end is May 31, 2014, was as follows:

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

Health

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 3,050,536	\$ -	\$ -	\$ -	\$ 3,050,536
Land improvements	1,252,510	1,400	-	-	1,253,910
Buildings and leasehold improvements	83,846,618	35,644	-	737,752	84,620,014
Equipment	68,850,385	3,405,960	(86,570)	224,673	72,567,588
Construction in progress	434,152	791,001	-	(962,425)	262,728
	<u>157,434,201</u>	<u>4,234,005</u>	<u>(86,570)</u>	<u>-</u>	<u>161,754,776</u>
Less Accumulated Depreciation					
Land improvements	(940,775)	(53,699)	-	-	(994,474)
Buildings and leasehold improvements	(43,198,666)	(3,289,371)	-	-	(46,488,037)
Equipment	(54,212,345)	(4,601,182)	86,570	-	(58,900,097)
Total Accumulated Depreciation	<u>(98,351,786)</u>	<u>(7,944,252)</u>	<u>86,570</u>	<u>-</u>	<u>(106,382,608)</u>
Capital Assets, Net	<u>\$ 59,082,415</u>	<u>\$ (3,710,247)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,372,168</u>

Water

	Balance at April 1, 2014	Additions	Disposals	Balance at March 31, 2015
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 176,240	\$ -	\$ -	\$ 176,240
Construction in progress	16,927	275,062	(248,956)	43,033
Total capital assets not being depreciated	<u>193,167</u>	<u>275,062</u>	<u>(248,956)</u>	<u>219,273</u>
Other capital assets being depreciated:				
Structures and improvements	11,788,093	-	-	11,788,093
Pumping and purification equipment	4,761,553	47,580	-	4,809,133
Transmission mains	964,302	-	-	964,302
Distribution mains and equipment	17,899,947	136,760	(13,211)	18,023,496
General equipment	2,011,523	135,440	(85,269)	2,061,694
Total capital assets being depreciated	<u>37,425,418</u>	<u>319,780</u>	<u>(98,480)</u>	<u>37,646,718</u>
Total capital assets at historical cost	<u>37,618,585</u>	<u>594,842</u>	<u>(347,436)</u>	<u>37,865,991</u>
Accumulated Depreciation				
Structures and improvements	(4,507,386)	(209,333)	-	(4,716,719)
Pumping and purification equipment	(1,676,983)	(105,317)	-	(1,782,300)
Transmission mains	(521,972)	-	-	(521,972)
Distribution mains and equipment	(3,989,076)	(219,732)	-	(4,208,808)
General equipment	(1,653,149)	(106,215)	98,480	(1,660,884)
Total accumulated depreciation	<u>(12,348,566)</u>	<u>(640,597)</u>	<u>98,480</u>	<u>(12,890,683)</u>
Other capital assets, net	<u>25,076,852</u>	<u>(320,817)</u>	<u>-</u>	<u>24,756,035</u>
Business-Type Activities Capital Assets	<u>\$ 25,270,019</u>	<u>\$ (45,755)</u>	<u>\$ (248,956)</u>	<u>\$ 24,975,308</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

Wastewater

	Balance at April 1, 2014	Additions	Disposals	Balance at March 31, 2015
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 2,319,053	\$ -	\$ -	\$ 2,319,053
Construction work in process	5,109,181	2,517,992	(940,118)	6,687,055
Subtotal	<u>7,428,234</u>	<u>2,517,992</u>	<u>(940,118)</u>	<u>9,006,108</u>
Capital assets being depreciated:				
Pumping and purification equipment	26,737,684	718,952	-	27,456,636
Transmission mains	11,407,264	2,337,530	-	13,744,794
General equipment	3,323,784	199,263	(260,913)	3,262,134
Subtotal	<u>41,468,732</u>	<u>3,255,745</u>	<u>(260,913)</u>	<u>44,463,564</u>
Total	<u>48,896,966</u>	<u>5,773,737</u>	<u>(1,201,031)</u>	<u>53,469,672</u>
Less accumulated depreciation and amortization:				
Pumping and purification equipment	(11,967,758)	(780,725)	2,338	(12,746,145)
Transmission mains	(5,350,956)	(410,292)	-	(5,761,248)
General equipment	(1,706,176)	(211,580)	260,446	(1,657,310)
Subtotal	<u>(19,024,890)</u>	<u>(1,402,597)</u>	<u>262,784</u>	<u>(20,164,703)</u>
Net capital assets being depreciated	<u>22,443,842</u>	<u>1,853,148</u>	<u>1,871</u>	<u>24,298,861</u>
Business-Type Activities Capital Assets	<u>\$ 29,872,076</u>	<u>\$ 4,371,140</u>	<u>\$ (938,247)</u>	<u>\$ 33,304,969</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

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

Governmental activities:	
General and administration	\$ 490,633
Sanitation	63,706
Total general government	<u>554,339</u>
Public safety:	
Police	124,592
Fire	242,303
Cemetery	11,441
Total public safety	<u>378,336</u>
Transportation:	
Airport	124,103
Streets	274,100
Total transportation	<u>398,203</u>
Cultural, parks and recreation:	
Library	81,622
Park	504,829
Community center	-
Total cultural, parks and recreation	<u>586,451</u>
Infrastructure	<u>2,327,993</u>
Total Infrastructure	<u>2,327,993</u>
Total depreciation expense - Governmental activity	<u>\$ 4,245,322</u>
Business-type activities:	
Health	\$ 7,944,252
Water	640,597
Sewer	1,402,597
Total depreciation expense - Business-type activity	<u>\$ 9,987,446</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

G. Long-Term Debt

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

	Beginning of Year	Additions	Retirements	End of Year	Amount Due Within One Year
Business-Type Activities:					
Revenue Bonds:					
Health Center	\$ -	\$ -	\$ -	\$ -	\$ -
Water	6,515,000	-	390,000	6,125,000	370,000
Certificates of Participation:					
Series 2010A	4,450,000	-	932,500	3,517,500	952,500
Series 2010B	29,480,000	-	-	29,480,000	-
Other Debt:					
Health Center					
Note payable - Imaging Equipment	197,096	-	197,096	-	-
Note payable - Construction	11,888,254	-	637,069	11,251,185	649,812
Note payable - Supplement	2,888,889	-	1,083,333	1,805,556	1,083,333
Capital Leases:					
Health Center	832,361	-	150,219	682,142	156,080
Water Department	2,961,565	-	201,434	2,760,131	208,726
Sewer Department	-	74,739	10,990	63,749	11,243
Total Business-Type Activities	\$ 59,213,165	\$ 74,739	\$ 3,602,641	\$ 55,685,263	\$ 3,431,694
Governmental Activities:					
Certificates of Participation:					
Series 2007	5,750,000	-	430,000	5,320,000	460,000
Series 2010A	975,000	-	97,500	877,500	102,500
Series 2012A	6,235,000	-	-	6,235,000	-
Series 2012B	810,000	-	320,000	490,000	330,000
World Fuel Loan	-	50,000	50,000	-	-
Sedalia School Loan	-	1,000,000	250,000	750,000	250,000
Energy Loan	57,531	-	57,531	-	-
DNR Energy Loan	305,872	-	30,593	275,279	30,592
Capital Leases	-	185,853	25,018	160,835	25,818
Total Governmental Activities	\$ 14,133,403	\$ 1,235,853	\$ 1,260,642	\$ 14,108,614	\$ 1,198,910

1. Certificates of Participation

Certificates of participation for park and public works improvement projects at March 31, 2015, are comprised of the following individual issues:

Series 2007

On April 2, 2007, the City issued refunding certificates of participation (Series 2007) of \$8,140,000 (par value) with an interest rate of 3.700% to 4.400% to advance refund revenue certificates of participation (Series 2001) with an interest rate of 2.250% to 5.300% and a par value of \$7,885,000. The Series 2007 certificates mature on March 15, 2023, and are callable beginning March 15, 2017. The Series 2007 certificates were issued at par plus accrued interest of \$934 and, after paying issuance costs of \$102,288, the net proceeds were \$8,038,646. The net proceeds from the issuance of the Series 2007 certificates were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments when the term certificates were called on April 23, 2007. The advance refunding met the requirements of an in-substance debt defeasance and the certificates were removed from the City's financial statements.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

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

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

\$ 5,320,000

The annual debt service requirements to maturity for the 2007 certificates of participation outstanding at March 31, 2015, are as follows:

Year Ending March 31	Governmental Activities	
	Principal	Interest
2016	\$ 460,000	\$ 228,312
2017	490,000	209,913
2018	520,000	189,822
2019	555,000	167,983
2020	585,000	144,395
2021-2023	2,710,000	274,120
	\$ 5,320,000	\$ 1,214,545

Series 2010A

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

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

\$7,595,000 2010A series due in annual installments of \$185,000 to \$1,125,000 beginning June 1, 2011, to \$1,125,000 through June 1, 2022, interest at 2.00% to 4.10% \$ 4,395,000

The annual debt service requirements to maturity for the 2010A certificates of participation outstanding at March 31, 2015, are as follows:

Year Ending March 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 102,500	\$ 30,125	\$ 952,500	\$ 105,675
2017	102,500	27,050	982,500	76,650
2018	107,500	23,363	1,017,500	41,562
2019	110,000	19,397	110,000	19,398
2020	117,500	15,468	117,500	15,467
2021-2023	337,500	19,261	337,500	19,262
	<u>\$ 877,500</u>	<u>\$ 134,664</u>	<u>\$ 3,517,500</u>	<u>\$ 278,014</u>

Series 2010B

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

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

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

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

The annual debt service requirements to maturity for the Series 2010B certificates of participation outstanding at March 31, 2015 are as follows:

Year Ending March 31	Principal Series 2010B	Interest Series 2010B	Debt Service Before Subsidy	BAB Interest Subsidy	Net Payments
2016	\$ -	\$ 2,021,668	\$ 2,021,668	\$ (707,584)	\$ 1,314,084
2017	-	2,021,667	2,021,667	(707,583)	1,314,084
2018	-	2,021,668	2,021,668	(707,584)	1,314,084
2019	945,000	1,998,988	2,943,988	(699,645)	2,244,343
2020	970,000	1,951,572	2,921,572	(683,050)	2,238,522
2021-2025	6,080,000	8,810,224	14,890,224	(3,083,579)	11,806,645
2026-2030	8,415,000	6,319,237	14,734,237	(2,211,733)	12,522,504
2031-2035	10,625,000	2,904,853	13,529,853	(1,016,699)	12,513,154
2036	2,445,000	89,242	2,534,242	(31,235)	2,503,007
	<u>\$ 29,480,000</u>	<u>\$ 28,139,119</u>	<u>\$ 57,619,119</u>	<u>\$ (9,848,692)</u>	<u>\$ 47,770,427</u>

Series 2012A

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

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

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

The annual debt service requirements to maturity for the 2012A certificates of participation outstanding at March 31, 2015, are as follows:

Year Ending March 31	Governmental Activities		
	Principal	Interest	Total
2016	\$ -	\$ 173,210	\$ 173,210
2017	175,000	173,210	348,210
2018	340,000	169,710	509,710
2019	340,000	162,910	502,910
2020	345,000	156,110	501,110
2021-2025	1,895,000	642,206	2,537,206
2026-2030	2,180,000	346,375	2,526,375
2031-2032	960,000	44,320	1,004,320
	<u>\$ 6,235,000</u>	<u>\$ 1,868,051</u>	<u>\$8,103,051</u>

Series 2012B

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

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

\$1,085,000 2012B series due in annual installments of \$275,000 beginning June 1, 2014, to \$160,000 through May 1, 2017, interest at 2.000%. \$ 490,000

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

The annual debt service requirements to maturity for the 2012B certificates of participation outstanding at March 31, 2015, are as follows:

Year Ending March 31	Governmental Activities		
	Principal	Interest	Total
2016	\$ 330,000	\$ 9,800	\$ 339,800
2017	160,000	3,200	163,200
	<u>\$ 490,000</u>	<u>\$ 13,000</u>	<u>\$ 503,000</u>

The Capital Projects #2 Fund has pledged future revenues, net of specified operating expenses, to repay certificates of participation and loans that were issued for the purpose of city improvements. The certificates and loans are payable from Capital Projects #2 net revenues and are payable through 2032. The total principal and interest remaining to be paid is \$16,604,560. Principal and interest paid for the current year and total Capital Projects #2 net revenues for the current year were \$1,209,960 and \$(218,084), respectively.

The Wastewater Fund has pledged future revenues, net of specified operating expenses, to repay certificates of participation that were issued for wastewater improvements. The certificates are payable from wastewater net revenues and are payable through 2036. Annual principal and interest payments in 2015 required 34% of net revenues. The total principal and interest remaining to be paid is \$51,633,318. Principal and interest paid for the current year and total wastewater fund net revenues for the current year were \$1,069,687 and \$2,686,507, respectively.

2. Bonds/Notes Payable - Bothwell Regional Health Center

Notes payable as of May 31, 2014, are as follows:

Note Payable – Imaging Equipment

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

The debt bearing interest at 3.6% is payable in monthly payments of \$47,188 through November 3, 2013 at which time it was paid off. The debt was secured by certain equipment and investments.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

Note Payable – Construction

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

The agreement allows for the advancement of up to \$18,300,000 in proceeds to be utilized for construction projects through December 31, 2011. The agreement bears interest at 3.7% through December 2014 and thereafter is adjusted every five year to a rate equal to the Federal Home Loan Bank of Des Moines published interest rate for five-year fixed-rate advances, plus .7%. Interest only payments are required on a monthly basis. The maturity date of the agreement is the Health Center’s fiscal year end with the option of the Health Center to extend the agreement for an additional one year renewal term. The Health Center cannot extend the agreement past the final maturity date of January 1, 2030. The agreement does not contain terms for repayment of principal; however, future maturities are based on an internally determined repayment schedule. The debt is secured by real property and improvements.

Note Payable – Supplement

The City acting through the board of trustees of Bothwell Regional Health Center entered into an agreement dated February 1, 2013 for issuance of debt within the meaning of Section 103 of the Code. The agreement is supplementary to the note payable – construction agreement dated December 31, 2009.

The agreement allowed for the advancement of \$3,250,000 in proceeds, which, together with amounts on deposit in accounts held for payment of the Series 2004 Revenue Bonds, were used to advance refund the Series 2004 Revenue Bonds on March 1, 2013. The agreement bears interest at 3.7% through December 2014 and thereafter is adjusted every five years to a rate equal to the Federal Home Loan Bank of Des Moines published interest rate for five-year fixed-rate advances, plus .7%. The maturity date of the agreement is March 2017. The agreement requires monthly payments of interest and principal at a rate that amortizes the aggregate proceeds over the term of the agreement. The debt is secured by real property and improvements.

Year Ending March 31	Total to be Paid	Principal	Interest
2015	\$ 2,212,302	\$ 1,733,145	\$ 479,157
2016	1,795,725	1,380,844	414,881
2017	1,031,398	667,761	363,637
2018	1,016,016	677,246	338,770
2019	1,000,633	687,087	313,546
2020-2024	4,772,430	3,596,522	1,175,908
2025-2029	4,387,870	3,904,451	483,419
2030	419,560	409,685	9,875
	<u>\$ 16,635,934</u>	<u>\$ 13,056,741</u>	<u>\$ 3,579,193</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

3. Capital Lease Obligations - Health Center

The Health Center leases various assets under capital leases with monthly payments ranging from \$8,032 to \$8,170, at varying rates of imputed interest from 1.39% to 7.71%.

Assets under capital leases at May 31, 2014 totaled:

Buildings and leasehold improvements	\$	870,000
Equipment		465,277
Less accumulated depreciation		<u>(773,627)</u>
Balance, end of year	\$	<u>561,650</u>

The following is a schedule by year of future minimum lease payments under the capital lease including interest together with the present value of the future minimum lease payments as of May 31, 2014:

2015	\$	194,418
2016		186,386
2017		98,040
2018		98,040
2019		98,040
2020-2021		<u>147,060</u>
Total minimum lease payments		821,984
Less amount representing interest		<u>(139,842)</u>
	\$	<u>682,142</u>

4. Bonds/Capital Lease Payable - Water Department

The following is a summary of changes in long-term debt transactions for the year ended March 31, 2015:

	Revenue Bonds	Capital Lease	Total
Balance, April 1, 2014	\$ 6,515,000	\$ 2,961,565	\$ 9,476,565
Bonds issued	-	-	-
Bonds retired	(390,000)	-	(390,000)
Capital lease principal payments	-	(201,434)	(201,434)
Balance, March 31, 2015	<u>\$ 6,125,000</u>	<u>\$ 2,760,131</u>	<u>\$ 8,885,131</u>
 Current portion	 <u>\$ 370,000</u>	 <u>\$ 208,726</u>	 <u>\$ 578,726</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

Revenue Bonds

Revenue bonded debt as of March 31, 2015 is as follows:

Water refunding revenue bonds 2.000% to 3.000%, series of 2012, due in \$345,000 to \$545,000 annual installments to March 15, 2029	\$ 6,125,000
Less amounts due in one year	<u>370,000</u>
Long-term portion of debt	<u><u>\$ 5,755,000</u></u>

The annual debt service requirements to amortize the revenue bonds outstanding as of March 31, 2015 are as follows:

Year Ending March 31,	Principal	Interest	Total
2016	\$ 370,000	\$ 170,400	\$ 540,400
2017	375,000	163,000	538,000
2018	390,000	155,500	545,500
2019	400,000	147,700	547,700
2020	405,000	137,700	542,700
2021-2025	2,170,000	500,700	2,670,700
2026-2029	2,015,000	154,500	2,169,500
	<u><u>\$ 6,125,000</u></u>	<u><u>\$ 1,429,500</u></u>	<u><u>\$ 7,554,500</u></u>

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

Waterworks System Project Account - This account was established to make payments for bond-related planning, engineering, and construction costs of the project.

Waterworks System Operation and Maintenance Account - This account was established to account for funds set aside to pay estimated costs of operating and maintaining the Department during the ensuing month as long as the bonds remain outstanding.

Debt Service Account for Waterworks Refunding Revenue Bonds Series 2012 - This account was established to account for principal and interest in the amounts specified in the Bond Agreement.

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

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

<u>Account</u>	<u>Restricted Assets</u>	<u>Restricted Retained Earnings</u>	<u>Liabilities Payable from Restricted Assets</u>
Debt Service	\$ 134,860	\$ 134,860	\$ 7,833
Customer Deposits	617,625	-	543,756
	<u>\$ 752,485</u>	<u>\$ 134,860</u>	<u>\$ 551,589</u>

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

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

Surplus account monies are reflected as unrestricted cash. Assets of all special reserves and accounts, along with assets restricted for repayment of customer deposits and for donor-specified purposes, consist of cash and investments and are reported in the accompanying combined balance sheet as follows:

<u>Account</u>	<u>Enterprise Funds</u>		
	<u>Restricted Assets</u>	<u>Restricted Net Position</u>	<u>Liabilities Payable from Restricted Assets</u>
Principal and interest accounts	\$ 161,592	\$ 134,860	\$ 586,216
Reserve account	3,147,648	3,174,380	-
Renewal and replacement	-	-	-
Customer Deposits	617,625	-	571,286
Donor-specified purposes	101,614	101,614	-
Construction funds	24,550,572	-	-
Debt service	-	-	-
	<u>\$ 28,579,051</u>	<u>\$ 3,410,854</u>	<u>\$ 1,157,502</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

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

Capital Leases – Water Department

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

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

Future payments as of March 31, 2015 are as follows assuming noncancellation:

Year Ending March 31,	Principal	Interest	Total
2016	\$ 208,726	\$ 99,917	\$ 308,643
2017	216,282	92,361	308,643
2018	224,111	84,532	308,643
2019	232,224	76,419	308,643
2020	240,631	68,012	308,643
2021-2025	1,340,297	202,916	1,543,213
2026	297,860	10,782	308,642
	<u>\$ 2,760,131</u>	<u>\$ 634,939</u>	<u>\$ 3,395,070</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at March 31, 2015:

Distribution mains	\$ 3,725,942
Less accumulated amortization	<u>(279,447)</u>
	<u>\$ 3,446,495</u>

Amortization of the capital lease was \$93,149 for the fiscal year ending March 31, 2015. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

Pledged Revenues

The Department pledged future revenues, net of specified operating expenses, to repay revenue bonds and capital lease obligations that were issued for the purpose of water improvements. The bonds and leases are payable from water net revenues and are payable through 2029. Annual principal and interest payments in 2015 required 76% of net revenues. The total principal and interest remaining to be paid on the bonds and leases is \$10,949,570. Principal and interest paid for the current year was \$876,843 and total net revenues for the current year were \$1,146,862.

5. Capital Lease – City (Sewer Fund)

On April 17, 2012, the City entered into a lease/purchase agreement to fund the purchase of equipment. The initial term of the lease commenced on April 17, 2012 and ended on March 31, 2013. Payments under the Lease are subject to annual appropriation and are expected to be payable only from the funds maintained by the City and the assets under control of the City.

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

Future payments as of March 31, 2015 are as follows assuming noncancellation:

Year Ending March 31,	Principal	Interest	Total
2016	\$ 11,243	\$ 1,470	\$ 12,713
2017	11,502	1,211	12,713
2018	41,004	947	41,951
	<u>\$ 63,749</u>	<u>\$ 3,628</u>	<u>\$ 67,377</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at March 31, 2015:

Equipment	\$ 100,800
Less accumulated amortization	29,792
	<u>\$ 71,008</u>

Amortization of the capital lease was \$10,080 for the fiscal year ending March 31, 2015. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

6. Capital Leases – City

On April 17, 2012, the City entered into two lease/purchase agreement to fund the purchase of equipment. The initial term of the lease commenced on April 17, 2012 and ended on March 31, 2013. Payments under the Lease are subject to annual appropriation and are expected to be payable only from the funds maintained by the City and the assets under control of the Sewer Fund.

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

Future payments as of March 31, 2015 are as follows assuming noncancellation:

Year Ending March 31,	Principal	Interest	Total
2016	\$ 25,819	\$ 5,146	\$ 30,965
2017	26,645	4,320	30,965
2018	108,371	3,468	111,839
	<u>\$ 160,835</u>	<u>\$ 12,934</u>	<u>\$ 173,769</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at March 31, 2015:

Equipment	\$ 253,700
Less accumulated amortization	<u>74,982</u>
	<u>\$ 178,718</u>

Amortization of the capital lease was \$25,370 for the fiscal year ending March 31, 2015. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015**

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

7. Loans

Energy Performance Loan:

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

This loan was paid off in fiscal year 2015.

DNR Energy Construction Loan:

On April 2, 2007, the City approved a loan agreement with the Missouri Department of Natural Resources and the State Environmental Improvement Energy Resources Authority to provide financing for the installation and construction of energy conservation measures. The financing is to be repaid from energy cost savings realized by the City as a result of implementation of such energy conservation measures.

The amount of the loan received was \$489,424. The loan proceeds were received by the City on May 19, 2010.

The interest rate is 0.00% plus a 1% loan origination fee and semi-annual payments are \$15,449 for 15 years.

The annual debt service requirements to amortize the principal on the loan outstanding at March 31, 2015, are as follows:

Year Ending March 31,	Governmental Funds		
	Principal	Interest	Total
2016	\$ 30,592	\$ 306	\$ 30,898
2017	30,592	306	30,898
2018	30,592	306	30,898
2019	30,592	306	30,898
2020	30,592	306	30,898
2021-2024	122,319	1,222	123,541
	<u>\$ 275,279</u>	<u>\$ 2,752</u>	<u>\$ 278,031</u>

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015**

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

School Loan:

On September 9, 2013, the City approved the purchase of land from the Sedalia School District #20 for a cost of \$1,000,000. Payments of \$250,000 are payable annually at no interest.

The annual debt service requirements to amortize the principal on the loan outstanding at March 31, 2015, are as follows:

Year Ending March 31,	Governmental Funds		
	Principal	Interest	Total
2016	\$ 250,000	\$ -	\$ 250,000
2017	250,000	-	250,000
2018	250,000	-	250,000
	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 750,000</u>

8. Legal Debt Limit

The State Constitution permits a City, by vote of two-thirds of the voting electorate, to incur general obligation indebtedness for “City purposes” not to exceed 10% of the assessed value of taxable tangible property. The State Constitution also permits a City, by vote of two-thirds of the voting electorate, to incur additional assessed value of taxable tangible property, for the purpose of acquiring right-of-way, constructing, extending and improving streets and avenues and/or sanitary or storm sewer systems, and purchasing or constructing waterworks, electric or other light and plants, provided that the total general obligation indebtedness of the City does not exceed 20% of the assessed valuation of taxable property.

At March 31, 2015, based on the total assessed valuation as of December 31, 2014, of \$251,549,850 the constitutional general obligation debt limit was \$50,309,970.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

H. Interfund Transfers

Interfund transfers during the year ended March 31, 2015, were as follows:

Disbursing Fund	Receiving Fund	Amount
Sewer (major)	General (Major)	\$ 275,000
Sewer (major)	Capital Projects 2 (Non-Major)	300,000
Capital Projects (Non-Major)	Capital Projects 2 (Non-Major)	40,000
General (Major)	Library (Non-Major)	24,960

The purpose of the \$275,000 transfer from the Sewer Fund to the General Fund was to cover a portion of the administrative costs provided by the General Fund to the Sewer Fund.

The purpose of the \$300,000 transfer from the Sewer Fund to the Capital Projects 2 Fund was to transfer a portion of the sales tax funding.

The purpose of the \$40,000 transfer from the Capital Projects Fund to the Capital Projects 2 Fund was to transfer budgeted grant revenue from one capital projects fund to another.

The purpose of the \$24,960 transfer from the General Fund to the Library Fund was for reimbursement to the Library Fund for expenditures that were paid out of the fund in FY14 that should have been paid by the General Fund.

I. Restricted Net Position

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

Activity	Restricted By	Amount
Library	Council action	\$ 829,782
Park	Council action	2,250,860
Special Business District	Council action	57,159
Midtown Special Allocation	Council action	298,563
Capital Project #2	Council action	2,872,782
Cemetery	Council action	192,330
DARE Program	Council action	83,244
Court Clerk Training	Council action	4,718
Police Seizure	Council action	46,370
Fire Insurance	Council action	81,631
Court Bonds	Council action	38,196
Sick Leave	Council action	187,805
Animal Shelter	Council action	59,311
		<u>\$ 7,002,751</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

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

J. Accounts Payable

Payables in the governmental funds are composed of payables to vendors (44%) and accrued salaries and benefits (56%). Payables of Enterprise Funds are composed of payables to vendors (40%) and accrued salaries and benefits (60%).

K. Fund Balance

Classifications of fund balances at March 31, 2015 are as follows:

	General Fund	Other Governmental Funds	Total
Fund Balances:			
Nonspendable			
Inventory	\$ 80,532	\$ -	\$ 80,532
Prepaid expenses	142,638	16,014	158,652
Restricted for debt service	-	1,034,950	1,034,950
Restricted for construction	-	-	-
Restricted for cemetery	192,330	-	192,330
Committed	-	-	-
Assigned for:			
DARE program	83,244	-	83,244
Court clerk training	4,718	-	4,718
Police seizure	46,370	-	46,370
Fire insurance proceeds	81,631	-	81,631
Court bonds	38,196	-	38,196
Sick leave	187,805	-	187,805
Animal shelter	59,311	-	59,311
Assigned for special revenue purposes	-	3,420,350	3,420,350
Assigned for capital project purposes	-	1,837,832	1,837,832
Unassigned	8,296,464	(32,431)	8,264,033
	<u>\$ 9,213,239</u>	<u>\$ 6,276,715</u>	<u>\$ 15,489,954</u>

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

L. Sales Tax Overpayment Payable

In late June of 2015, management was notified by the Missouri Department of Revenue (DOR) about a potential negative impact on its future sales tax remittances. A specific business had applied for a refund of sales taxes previously remitted and the audit division of DOR had just finished their review resulting in their approval of the refund. In the normal course of business, refunds are deducted from the next remittance allocation to the City from DOR. However, due to the amount and the relatively dated nature of this refund, management requested more specific information from DOR and reviewed this instance with legal counsel. Since that time management has determined that the refund is being handled by DOR in accordance with current statutes and regulations. Further, the City has negotiated with DOR an extended period of time for the refund to be deducted from future remittances. The refund is from remittances made by the business over the period beginning May of 2009 and extending through February 2012. The amount of the refund that will be allocated to the City

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015**

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

is \$1,978,344.13. The agreement reached in August with DOR will spread the reduction of future remittances over 36 months beginning in September 2015. The refund has been recorded in the March 31, 2015 financial statements as “Sales Tax Overpayment Payable” and as a prior period adjustment (See Note IV-M) in several funds. The payable and prior period adjustment, as reflected in the financial statement, is detailed by fund below:

General Fund	\$ 1,249,480
Capital Projects #2 Fund	208,247
Park Fund	312,370
Wastewater Fund	208,247
Total	\$ 1,978,344

IV. OTHER INFORMATION

A. Related Organization

The Sedalia-Pettis County Development Corporation was created on July 8, 1975, as a “General Not-For-Profit Corporation” under Missouri Statutes and has been recognized by the Internal Revenue Service as a tax-exempt corporation operating under Internal Revenue Code Section 501(c)(6). The Corporation promotes industrial and business opportunities in Sedalia, Missouri. The Corporation solicits new businesses and manufacturers, develops industrial parks and other facilities, and acts as an information clearing house for existing businesses. The City has paid \$123,000 to the Corporation for the year ended March 31, 2015.

B. Employee Pension Plans

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

1. Missouri Local Government Employees Retirement System (City)

Plan Description

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

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

IV. OTHER INFORMATION (continued)

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

Funding Status

Full-time employees of the City of Sedalia do not contribute to the pension plan. The June 30th statutorily required contribution rates are 16.8% (General) and 14.3% (Police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

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

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

Annual required contribution	\$	987,486
Interest on net pension obligation		21,583
Adjustment to annual required contribution		<u>(21,388)</u>
Annual pension cost		987,681
Actual contributions		<u>977,611</u>
Increase (decrease) in NPO		10,070
NPO beginning of year		<u>297,691</u>
NPO end of year	\$	<u><u>307,761</u></u>

The annual required contribution (ARC) was determined as part of the February 29, 2012 and February 28, 2013 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2014 included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 29, 2012 was 30 years for the General division and 29 years for the Police division. The amortization period as of February 28, 2013 was 18 years for the General division and 26 years for the Police division.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

IV. OTHER INFORMATION (continued)

<u>City</u>			
<u>Three-Year Trend Information</u>			
<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2012	\$ 968,125	91.0%	\$ 245,054
2013	973,149	94.6%	297,691
2014	987,681	99.0%	307,761

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

Plan Description

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

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

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

Funding Status

Full-time employees of City of Sedalia Water Department do not contribute to the pension plan. The June 30th statutorily required contribution rate is 22.0% (General) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

IV. OTHER INFORMATION (continued)

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

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

Annual required contribution	\$	189,576
Interest on net pension obligation		1,294
Adjustment to annual required contribution		(1,260)
Annual pension cost		189,610
Actual contributions		189,576
Increase (decrease) in NPO		34
NPO beginning of year		17,844
NPO end of year	\$	17,878

The annual required contribution (ARC) was determined as part of the February 29, 2012 and February 28, 2013 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2014 included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 29, 2012 was 25 years for the General division. The amortization period as of February 28, 2013 was 20 years for the General division.

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 166,998	96.4%	\$ 15,213
2013	175,615	98.5%	17,844
2014	189,610	100.0%	17,878

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

IV. OTHER INFORMATION (continued)

3. Firemen’s Pension Trust Fund

Plan Description

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

Employees of the fire department become eligible for the plan immediately upon employment and are fully vested after ten years of full-time service. Employees completing 22 years of service are entitled to a monthly benefit of 50% of a base amount which increases by 3% per year (\$49,854 for the 2014 plan year). Any employee hired after July 1, 1989, must also attain age 55. The plan also provides death and disability benefits.

Funding Status and Progress

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of April 1, 2014. Significant actuarial assumptions used in determining the pension benefit obligation include 1) a rate of return on the investment or present and future assets of 7.0% per year compounded annually and 2) projected salary increases of 3.0% per year compounded annually, attributable to inflation and 3) no post-retirement benefit increases.

At April 1, 2014, the unfunded pension benefit obligation was \$2,481,335 determined as follows:

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and current active employees	\$ 9,765,898
Net assets available for benefits, at market value	<u>7,284,563</u>
Unfunded Pension Benefit Obligation	<u><u>\$ 2,481,335</u></u>

Contributions Required and Contributions Made

The Plan receives an annual actuarial valuation for the purpose of determining recommended contribution rates. The method of valuation at April 1, 2014, is the individual entry age method. The actuary provides a range of contribution recommendations depending on how rapidly the past service liability is funded. The actuarially determined minimum contribution recommendation, including amortization of past service liability over thirty years amounted to \$331,814 for the 2014 plan year which includes \$133,713 for normal costs and \$186,880 for amortization of the unfunded actuarial liability. Significant actuarial assumptions used to compute actuarially determined contribution requirements are substantially the same as those used to compute the pension benefit obligation.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

IV. OTHER INFORMATION (continued)

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

Total anticipated contributions to the pension plan for the plan year ended April 1, 2014, were \$331,814 of which \$196,814 was made by both the City and employees and \$135,000 was provided from the property tax levy.

Trend Information

Valuation Date	(1) Valuation Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percent Funded (1)/(2)	(4) Under-Funded AAL (2) - (1)	(5) Annual Covered Payroll	Underfunded AAL as a Percent of Covered Payroll (4)/(5)
4/1/2005	\$ 5,145,526	\$ 6,388,856	81%	\$ 1,243,330	\$ 1,451,968	85.6%
4/1/2006	5,576,704	6,548,435	85%	971,731	1,510,556	64.3%
4/1/2007	5,851,469	6,698,403	87%	846,934	1,618,493	52.3%
4/1/2008	6,088,585	6,970,345	87%	881,760	1,664,582	53.0%
4/1/2009	5,018,241	7,632,087	66%	2,613,846	1,649,103	158.5%
4/1/2010	6,065,751	8,084,357	75%	2,018,606	1,816,095	111.2%
4/1/2011	6,436,054	8,545,811	75%	2,109,757	1,870,578	112.8%
4/1/2012	6,468,119	8,773,088	74%	2,304,969	1,879,720	122.6%
4/1/2013	6,659,838	9,328,942	71%	2,669,104	1,936,080	137.9%
4/1/2014	7,284,563	9,765,898	75%	2,481,335	1,645,182	150.8%

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

4. Police Pension Trust Fund

Plan Description

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

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

IV. OTHER INFORMATION (continued)

An actuarial valuation of the Policemen's Retirement Fund of the City of Sedalia, Missouri was performed as of August 1, 2014. The benefits were frozen as of April 1, 2010 and all active participants become 100% vested in their accrued benefits as of that date.

Funding Status and Progress

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of August 1, 2014. Significant actuarial assumptions used in determining the pension benefit obligation include 1) a rate of return on the investment or present and future assets of 6% per year compounded annually and 2) no salary increase and 3) no post-retirement benefit increases.

At August 1, 2014, the unfunded pension benefit obligation was determined as follows:

Pension benefit obligation:		
Active participants	\$	3,019,345
Retired and terminated participants		6,409,362
Total Pension Benefit Obligation		9,428,707
Actuarial value of assets, market value		3,245,071
Unfunded Pension Benefit Obligation	\$	6,183,636
Projected Benefit Obligation Ratio		0.34

Contributions Required and Contributions Made

The Plan receives an annual actuarial valuation for the purpose of determining recommended contribution rates. The method of valuation at August 1, 2014, is the market value cost method. The actuary provides a range of contribution recommendations depending on how rapidly the past service liability is funded.

Trend Information

Valuation Date	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation (PBO)	(3) Percent Funded (1)/(2)	(4) Under-Funded PBO (2) - (1)	(5) Annual Covered Payroll	(6) Underfunded PBO as a Percent of Covered Payroll (4)/(5)	(7) Employer Contributions as a Percent of Covered Payroll
8/1/2004	\$ 3,940,408	\$ 5,119,399	77.0%	\$ 1,178,991	\$ 1,851,420	63.7%	10.8%
8/1/2005	4,103,473	6,166,659	66.5%	2,063,186	1,365,300	151.1%	10.5%**
8/1/2006	4,240,547	7,073,332	60.0%	2,832,785	1,367,302	207.2%	15.2%
8/1/2007	4,521,203	6,742,592	67.1%	2,221,389	1,356,675	163.7%	16.1%
8/1/2008	4,163,737	7,702,179	54.1%	3,538,442	1,474,531	240.0%	15.0%
8/1/2009	3,168,121	8,114,072	39.0%	4,945,951	1,479,620	334.3%	15.0%
8/1/2011	3,448,056	7,720,777	44.7%	4,272,721	n/a	n/a	n/a
8/1/2012	3,157,848	7,800,214	40.5%	4,642,366	n/a	n/a	n/a
8/1/2013	3,153,449	9,382,244	33.6%	6,228,795	n/a	n/a	n/a
8/1/2014	3,245,071	9,428,707	34.4%	6,183,636	n/a	n/a	n/a

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

IV. OTHER INFORMATION (continued)

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

** insufficient information

5. Bothwell Regional Health Center Employee Pension Plan

Defined Contribution Plan

The Health Center sponsors a defined contribution requirement plan covering substantially all employees. Retirement expense is recorded for the amount of the Health Center's required contributions, determined in accordance with the terms of the plan. The plan is administered by the Retirement Committee, appointed by the Board of Trustees. Benefit provisions are contained in the plan document and were established and can be amended by the Retirement Committee. The Health Center's contribution to the plan is dependent on the employee's date of hire and participation in the Health Center's Defined Benefit Pension Plan described below. For employees whose employment date is prior to June 1, 2006, the Health Center contributes at the rate of 20% of the employee's voluntary contribution up to a 4% employee contribution. For those whose employment date is after May 31, 2006, the Health Center contributes an amount equal to the employee's voluntary contribution up to 4% of compensation.

Contributions actually made by plan members totaled \$1,564,049 in 2014. The Health Center's contributions aggregated \$572,135 during 2014.

Plan Description: The Health Center sponsors a single-employer defined benefit pension plan (the plan) covering eligible employees. The plan provides retirement and death benefits to plan members and their beneficiaries. The plan is administered by the Retirement Committee, appointed by the Board of Trustees. Benefit provisions are contained in the plan document and were established and can be amended by action of the Health Center's governing body. The Health Center issues a publicly available financial report that includes financial statements and required supplementary information (RSI) for the pension plan. That report may be obtained by writing to Attention: Chief Executive Officer, Bothwell Regional Health Center, P.O. Box 1706, Sedalia, Missouri 65302-1706 or by calling (660) 826-8833.

Effective June 1, 2006, the Plan was amended such that no employee whose employment date is after May 31, 2006, shall become a member of the Plan. The Plan was further amended to place certain restrictions on Plan members as of May 31, 2006.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

IV. OTHER INFORMATION (continued)

Funding Policy: The contributions requirements of participants and the Health Center are established and may be amended by the Health Center. Plan members are not required or permitted to contribute any of their annual covered salary. The Health Center contributes to the Plan at a level that meets the minimum funding requirements. Contribution rates for the Health Center expressed as a percentage of covered payroll were 11.3%. The Health Center's contributions to the plan for 2014 was \$2,263,173, which equaled the required contributions for each year.

Annual Pension Cost and Net Pension Obligation: The Health Center's annual pension cost and net pension asset to the Plan for the year ended May 31, 2014:

Annual required contribution	\$	2,145,553
Interest on net pension obligation		58,501
Adjustment to annual required contribution		69,733
Annual Pension Cost		2,273,787
Contributions made		(2,263,173)
Decrease in net pension asset		10,614
Net pension asset, beginning of year		(741,871)
Net pension asset, end of year	\$	(731,257)

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
5/31/2012	\$ 2,487,850	100%	\$ (750,700)
5/31/2013	2,182,232	100%	(741,871)
5/31/2014	2,273,787	100%	(731,257)

Funding Status and Funding Progress: As of June 1, 2014, the most recent actuarial valuation date, the plan was 91% funded. The actuarial accrued liability for benefits was \$50,094,957 and the actuarial value of assets was \$45,805,333, resulting in an unfunded actuarial accrued liability (AAL) of \$4,289,624. The covered payroll (annual payroll of active employees covered by the plan) was \$19,008,555, and the ratio of the AAL to the covered payroll was 23%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

IV. OTHER INFORMATION (continued)

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 1, 2014 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a salary increase of 4% - 9% depending on the participant's age, an 8% rate of return on investments and a 3% inflation assumption. The IRS Static Mortality table was used and it is estimated that benefit payments will be 50% lump sum and 50% life time annuity. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 1, 2014 was 20 years.

C. Employee Health Claims and Workers' Compensation Self-Insurance

Substantially all of the Health Center's employees and their dependents are eligible to participate in the Health Center's employee health insurance plan. Costs resulting from noninsured losses are charged to expense when incurred. The Health Center has purchased commercial stop-loss insurance coverage that limits its exposure for individual claims up to \$100,000 and limits its aggregate exposure to the greater of \$5,319,602 or 90% of the first month's covered units, times the number of months of coverage times the monthly stop-loss limit factors. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Health Center's estimate will change by a material amount in the near term.

Activity in the Health Center's accrued employee health claims liability during 2014 is summarized as follows:

Balance, beginning of year	\$ 897,122
Current year claims incurred and changes in estimates for claims incurred in prior years	(4,867,865)
Claims and expenses paid	4,874,153
Balance, end of year	<u><u>\$ 903,410</u></u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

IV. OTHER INFORMATION (continued)

The Health Center is self-insured with respect to workers' compensation. Losses from asserted claims are accrued based on estimates that incorporate the Health Center's experience and from unasserted claims that are accrued based on the Health Center's experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that the Health Center's estimate will change by a material amount in the near term. The Health center has purchased commercial stop-loss insurance coverage that limits its exposure for individual claims up to \$400,000 and \$1,112,875 aggregate per policy period, and each incident individually up to \$1,000,000 and \$5,000,000 aggregate per policy period.

Activity in the Health Center's accrued workers compensation liability during 2014 is summarized as follows:

Balance, beginning of year	\$ 295,632
Current year claims incurred and changes in estimates for claims incurred in prior years	(169,065)
Claims and expenses paid	336,303
Balance, end of year	<u><u>\$ 462,870</u></u>

D. Funds Held in Trust by Others

The Health Center is the sole beneficiary of a trust established by John H. Bothwell in 1926. The trust is administered by an independent board of trustees and proceeds from the Trust are restricted for capital acquisitions. Distributions from the Trust during the year ended May 31, 2014, amounted to \$40,983. The proceeds from the trust are held by the Foundation. The assets and liabilities of the Trust are not included in the financial statements of the Health Center.

E. Related Party Transactions

Bothwell Regional Health Center Foundation

The Bothwell Regional Health Center Foundation (the Foundation) is an independent non-profit corporation established in 2005 with a purpose to support the programs and services of charitable non-profit healthcare institutions located in Pettis County and surrounding areas. The Foundation is governed by a Board of Directors that includes several Health Center Board members and members of management. The Board of Directors of the Foundation determines the amount, timing and purpose of the distribution of Foundation funds.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

IV. OTHER INFORMATION (continued)

During the year ending May 31, 2010, the Foundation completed a capital campaign to assist with the raising of funds to complete a medical office building and cancer center. The total amount pledged was \$3.5 million. During the year ended May 31, 2014 \$414,320 was contributed to the Health Center in relation to the pledged contributions. The Foundation is expected to make additional contributions to the Health Center in future years as pledges are received. The Foundation also has funds for the benefit of specific Hospital departments. The Hospital has not recorded an interest in the Foundation due to the lack of control and direction of the funds.

F. Commitments and Contingencies

1. Risk Management

The Health Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than workers compensation and employee health claims. Settled claims have not exceeded commercial coverage in any of the three preceding years.

The Health Center is self-insured for a portion of its exposure to risk of loss from workers compensation claims and employee health claims. Annual estimated provisions are accrued for the self-insured portion of workers compensation and employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

2. Healthcare Legislation & Regulation

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subjected government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Government activity has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties as well as significant repayments of previously billed and collected revenues for patient services. As part of the Health Center's compliance efforts, the Health Center investigates and attempts to resolve and remedy all reported or suspected incidents of material noncompliance with applicable laws, regulations or policies on a timely basis.

The Health Center is in various stages of responding to inquiries and investigations. These various inquiries and investigations could result in fines and/or financial penalties, which could be material. At this time, the Health Center is unable to estimate the possible liability, if any, that may be incurred as a result of these inquiries and investigations, but the Health Center does not believe it would materially affect the financial position of the Health Center.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

IV. OTHER INFORMATION (continued)

3. Medical Malpractice Claims

The Health Center purchases medical malpractice insurance under a claims made policy on a fixed-premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Health Center's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

4. Litigation

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

5. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is administered by a third-party administrator, is available to all City employees who qualify under the plan terms and permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets carried in an agency fund, totaling \$2,377,831 at March 31, 2015, to satisfy the claims of general creditors in the future.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

IV. OTHER INFORMATION (continued)

6. Grants

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of March 31, 2015, significant amounts of grant expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

7. Health Center

Medicare and Medicaid laws are very complex in nature and such laws are subject to interpretations. Management believes that they are in compliance with the applicable laws and regulations; however, the possibility of future government review and interpretation exists.

8. Infrastructure Improvement Agreement

The City has entered into an agreement with a developer whereby the developer constructs infrastructure improvements in accordance with City specifications. Upon completion of the project and subject to the City's acceptance, the City will reimburse the developer up to a maximum of \$646,670. This project is currently on hold as the developer has not begun construction.

9. Patient Protection and Affordable Care Act

The *Patient Protection and Affordable Care Act* (PPACA) will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer-provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

The state of Missouri has currently indicated it will not expand the Medicaid program, which may result in revenues from newly covered individuals not offsetting the Health Center's reduced revenue from other Medicare/Medicaid programs.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

IV. OTHER INFORMATION (continued)

G. Postclosure Care Cost

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

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

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

H. Taxes

The City's real estate tax is levied each November 1 on the assessed value as of the prior January 1 for all real property located in the City. Real estate taxes are due on December 31 following the levy date. On January 1, a lien attaches to all property for which taxes are unpaid. Taxes remaining unpaid for two years after that date are submitted to Pettis County for collection through foreclosure proceedings.

Assessed values are established by the Pettis County Assessor subject to review by the County's Board of Equalization and State Tax Commission. The assessed value for property located in the City as of January 1, 2013 on which the fiscal 2013 levy was based, were as follows:

Real estate	\$ 190,017,308
Personal property	<u>61,532,542</u>
	<u>\$ 251,549,850</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

IV. OTHER INFORMATION (continued)

The City is permitted by Missouri State Statutes, which encompass certain limitations, to levy taxes for various general governmental services and in unlimited amounts for the payment of principal and interest on general obligation bonded debt. Property tax levies per \$100 assessed valuation for the year ended March 31, 2015, are as follows:

Fund	Levy
General Fund	\$ 0.4565
Public Library	0.2260
Library - temp	0.0700
Public Parks	0.1588
Firemen's Pension	0.0488
Police Pension	0.0894
Total City-Wide Levy	1.0495
Special Business District	0.8500
Total	\$ 1.8995

I. Risk Management

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

J. Litigation

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

K. Contingent Liabilities

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

IV. OTHER INFORMATION (continued)

L. Missouri Department of Natural Resources Consent Order

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

M. Prior Period Adjustment

Prior period adjustments were recorded in the governmental fund statements on the March 31, 2015 financial statements to only record current accrued compensated absences since the governmental fund statements are stated using the current financial resources measurement focus. A prior period adjustment was also recorded to account for overpayment of sales taxes in prior years that will be repaid to the State of Missouri. The following table illustrates the prior period adjustments recorded:

	General Fund	Library Fund	Park Fund	Capital Projects #2 Fund
Fund Balance, Beginning of year	\$ 8,881,664	\$ 707,697	\$ 1,922,558	\$ 3,524,658
Prior Period Adjustment - Compensated Absences	1,135,504	13,041	45,081	-
Prior Period Adjustment - Sales Tax Overpayment	(1,249,480)	-	(312,370)	(208,247)
Fund Balance, Beginning of year, Restated	<u>\$ 8,767,688</u>	<u>\$ 720,738</u>	<u>\$ 1,655,269</u>	<u>\$ 3,316,411</u>

The wastewater fund and business-type activities recorded a prior period adjustment of \$(202,365) to correct balances of a capital lease and overpayment of prior years' sales taxes.

	Wastewater Fund	Business-Type Activities
Net Position, Beginning of year	\$ 28,775,757	\$ 126,122,571
Prior Period Adjustment - Capital Lease	(5,882)	(5,882)
Prior Period Adjustment - Sales Tax Overpayment	(208,247)	(208,247)
Net Position, Beginning of year, Restated	<u>\$ 28,561,628</u>	<u>\$ 125,908,442</u>

The governmental activities recorded a prior period adjustment of \$(1,669,263) to correct balances of unearned revenues and property taxes and overpayment of prior years' sales taxes.

	Governmental Activities
Net Position, Beginning of year	\$ 84,764,879
Prior Period Adjustment - Property Taxes	100,834
Prior Period Adjustment - Sales Tax Overpayment	(1,770,097)
Net Position, Beginning of year, Restated	<u>\$ 83,095,616</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2015

IV. OTHER INFORMATION (continued)

N. Fines

Fines and penalties revenues as shown on the Statement of Revenues, Expenditures, and Changes in Fund Balances is \$150,144 for the year ended March 31, 2015, which is less than 1% of general fund revenues.

O. Consideration of Subsequent Events

Subsequent events have been evaluated through July 13, 2015, which is the date the financial statements are available to be issued. One notable event has occurred that the readers of these statements should be aware of and is therefore disclosed in Note III-L.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SEDALIA, MISSOURI
PENSION PLAN FUNDING PROGRESS
YEAR ENDED MARCH 31, 2015**

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

UNAUDITED REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

City

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2012	\$ 8,605,727	\$ 12,484,059	\$ 3,878,332	69%	\$ 5,886,063	66%
2/28/2013	9,440,315	13,036,058	3,595,743	72%	6,213,541	58%
2/28/2014	10,031,571	13,292,156	3,260,585	75%	6,357,914	51%

Schedule of Funding Progress

Water Department

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/29/2012	\$ 1,824,772	\$ 3,291,995	\$ 1,467,223	55%	\$ 828,477	177%
2/28/2013	2,199,014	3,591,843	1,392,829	61%	832,872	167%
2/28/2014	2,662,228	3,898,856	1,236,628	68%	880,540	140%

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

Schedule of Funding Progress

Bothwell Regional Health Center

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
6/1/2012	\$ 40,515,740	\$ 45,671,745	\$ 5,156,005	89%	\$21,200,268	24%
6/1/2013	43,331,426	48,386,017	5,054,591	90%	20,498,065	25%
6/1/2014	45,805,333	50,094,957	4,289,624	91%	19,008,555	23%

OTHER SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

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

Special Revenue Funds and Capital Project Funds

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Capital Project Funds

Capital Project Fund	Accounts for resources restricted for the acquisition or construction of specified capital projects or items.
Capital Project Fund #2	Accounts for revenues and expenditures of the capital projects fund #2.

**CITY OF SEDALIA, MISSOURI
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
MARCH 31, 2015**

	<u>Special Revenue Funds</u>				<u>Capital Project</u>	<u>Capital Project #2</u>	<u>Totals (Memorandum Only)</u>
	<u>Library</u>	<u>Park</u>	<u>Special Business District</u>	<u>Midtown Special Allocation</u>			
ASSETS							
Cash including time deposits	\$ 848,865	\$ 1,856,763	\$ 57,159	\$ 299,313	\$ -	\$ 1,467,254	\$ 4,529,354
Taxes receivable, net of allowance	-	451,371	-	-	-	413,434	864,805
Receivables, net of allowance	-	-	-	-	-	-	-
Due from other governmental agencies	-	-	-	-	2,611	-	2,611
Accrued interest receivable	1,283	961	-	-	-	1,183	3,427
Due from other funds	-	-	-	-	-	-	-
Prepaid expenses	-	16,014	-	-	-	-	16,014
Restricted cash	-	-	-	-	-	1,034,950	1,034,950
Total Assets	<u>850,148</u>	<u>2,325,109</u>	<u>57,159</u>	<u>299,313</u>	<u>2,611</u>	<u>2,916,821</u>	<u>6,451,161</u>
LIABILITIES							
LIABILITIES							
Accounts payable	-	37,474	-	750	5,562	11,897	55,683
Accrued expenses	20,366	36,775	-	-	-	32,142	89,283
Sales tax overpayment payable	-	312,370	-	-	-	208,247	520,617
Due to other funds	-	-	-	-	2,480	-	2,480
Total Liabilities	<u>20,366</u>	<u>386,619</u>	<u>-</u>	<u>750</u>	<u>8,042</u>	<u>252,286</u>	<u>668,063</u>
DEFERRED INFLOWS							
Total Deferred Inflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,000</u>	<u>-</u>	<u>27,000</u>
FUND EQUITY							
Nonspendable							
Prepaid expenses	-	16,014	-	-	-	-	16,014
Restricted for debt service	-	-	-	-	-	1,034,950	1,034,950
Assigned for special revenue purposes	829,782	1,922,476	57,159	298,563	-	-	3,107,980
Assigned for capital project purposes	-	-	-	-	-	1,629,585	1,629,585
Unassigned (deficit)	-	-	-	-	(32,431)	-	(32,431)
Total Fund Equity	<u>829,782</u>	<u>1,938,490</u>	<u>57,159</u>	<u>298,563</u>	<u>(32,431)</u>	<u>2,664,535</u>	<u>5,756,098</u>
Total Liabilities, Deferred Inflows and Fund Equity	<u>\$ 850,148</u>	<u>\$ 2,325,109</u>	<u>\$ 57,159</u>	<u>\$ 299,313</u>	<u>\$ 2,611</u>	<u>\$ 2,916,821</u>	<u>\$ 6,451,161</u>

CITY OF SEDALIA, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2015

	<u>Special Revenue Funds</u>				<u>Capital Project</u>	<u>Capital Project #2</u>	<u>Totals (Memorandum Only)</u>
	<u>Library</u>	<u>Park</u>	<u>Special Business District</u>	<u>Midtown Special Allocation</u>			
REVENUES							
Taxes	\$ 729,137	\$ 2,245,030	\$ 42,522	\$ 118,389	\$ -	\$ 1,926,011	\$ 5,061,089
Intergovernmental	14,575	-	-	-	3,374,972	-	3,389,547
Charges for services	11,458	251,284	-	-	-	-	262,742
Miscellaneous	4,314	10,462	41	302	179	8,037	23,335
Total Revenues	<u>759,484</u>	<u>2,506,776</u>	<u>42,563</u>	<u>118,691</u>	<u>3,375,151</u>	<u>1,934,048</u>	<u>8,736,713</u>
EXPENDITURES							
Library	675,400	-	-	-	-	-	675,400
Park	-	2,223,555	-	-	-	-	2,223,555
Planning, building and economic development	-	-	25,599	23,106	553	60,051	109,309
Capital outlay	-	-	-	-	3,612,809	1,655,913	5,268,722
Debt service	-	-	-	-	-	1,209,960	1,209,960
Total Expenditures	<u>675,400</u>	<u>2,223,555</u>	<u>25,599</u>	<u>23,106</u>	<u>3,613,362</u>	<u>2,925,924</u>	<u>9,486,946</u>
Excess (Deficit) of Revenues over Expenditures	<u>84,084</u>	<u>283,221</u>	<u>16,964</u>	<u>95,585</u>	<u>(238,211)</u>	<u>(991,876)</u>	<u>(750,233)</u>
OTHER FINANCING SOURCES (USES)							
Operating transfers in (out)	24,960	-	-	-	(40,000)	340,000	324,960
Total Other Financing Sources (Uses)	<u>24,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>	<u>340,000</u>	<u>324,960</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	<u>109,044</u>	<u>283,221</u>	<u>16,964</u>	<u>95,585</u>	<u>(278,211)</u>	<u>(651,876)</u>	<u>(425,273)</u>
Fund Balance, beginning of year	707,697	1,922,558	40,195	202,978	245,780	3,524,658	6,643,866
Prior Period Adjustment	13,041	(267,289)	-	-	-	(208,247)	(462,495)
Fund Balance, beginning of year, restated	<u>720,738</u>	<u>1,655,269</u>	<u>40,195</u>	<u>202,978</u>	<u>245,780</u>	<u>3,316,411</u>	<u>6,181,371</u>
Fund Balance, end of year (deficit)	<u>\$ 829,782</u>	<u>\$ 1,938,490</u>	<u>\$ 57,159</u>	<u>\$ 298,563</u>	<u>\$ (32,431)</u>	<u>\$ 2,664,535</u>	<u>\$ 5,756,098</u>

CITY OF SEDALIA, MISSOURI
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 587,100	\$ 587,100	\$ 694,611	\$ 107,511
Payment in-lieu-of	320	320	636	316
Financial institution	3,640	3,640	3,197	(443)
Railroad and utilities	43,160	43,160	30,693	(12,467)
Total Taxes	<u>634,220</u>	<u>634,220</u>	<u>729,137</u>	<u>94,917</u>
Intergovernmental				
State and federal grants	17,555	17,555	14,575	(2,980)
Total Intergovernmental	<u>17,555</u>	<u>17,555</u>	<u>14,575</u>	<u>(2,980)</u>
Charges for Services				
Library fees	10,500	10,500	11,458	958
Total Charges for Services	<u>10,500</u>	<u>10,500</u>	<u>11,458</u>	<u>958</u>
Miscellaneous				
Interest	3,500	3,500	2,358	(1,142)
Miscellaneous			1,956	1,956
Total Miscellaneous	<u>3,500</u>	<u>3,500</u>	<u>4,314</u>	<u>814</u>
TOTAL REVENUES	<u>665,775</u>	<u>665,775</u>	<u>759,484</u>	<u>93,709</u>
EXPENDITURES				
Personnel services	334,286	334,286	320,794	13,492
Other charges and services	63,925	63,925	66,689	(2,764)
Operating supplies	91,800	106,535	101,176	5,359
Capital outlay	71,351	56,616	79,153	(22,537)
Debt service	104,413	104,413	107,588	(3,175)
TOTAL EXPENDITURES	<u>665,775</u>	<u>665,775</u>	<u>675,400</u>	<u>(9,625)</u>
Excess (Deficit) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>84,084</u>	<u>84,084</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	24,960	24,960
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>24,960</u>	<u>24,960</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>109,044</u>	<u>\$ 109,044</u>
Fund Balance, beginning of year	707,697	707,697	707,697	
Prior Period Adjustment	13,041	13,041	13,041	
Fund Balance, beginning of year, restated	<u>720,738</u>	<u>720,738</u>	<u>720,738</u>	
Fund Balance, end of year	<u>\$ 720,738</u>	<u>\$ 720,738</u>	<u>\$ 829,782</u>	

CITY OF SEDALIA, MISSOURI
PARK FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 420,000	\$ 420,000	\$ 400,557	\$ (19,443)
Payment in-lieu-of	-	-	341	341
Railroad and utility	18,000	18,000	16,269	(1,731)
General sales	1,654,750	1,654,750	1,827,863	173,113
Total Taxes	<u>2,092,750</u>	<u>2,092,750</u>	<u>2,245,030</u>	<u>152,280</u>
Charges for Services				
Park and recreation fees	245,000	245,000	251,284	6,284
Total Charges for Services	<u>245,000</u>	<u>245,000</u>	<u>251,284</u>	<u>6,284</u>
Miscellaneous				
Interest	4,000	4,000	4,067	67
Miscellaneous	3,700	3,700	6,395	2,695
Total Miscellaneous	<u>7,700</u>	<u>7,700</u>	<u>10,462</u>	<u>2,762</u>
TOTAL REVENUES	<u>2,345,450</u>	<u>2,345,450</u>	<u>2,506,776</u>	<u>161,326</u>
EXPENDITURES				
Personnel services	1,092,300	1,092,300	956,997	135,303
Other charges and services	442,650	442,650	419,787	22,863
Operating supplies	301,500	301,500	311,615	(10,115)
Capital outlay	509,000	509,000	535,156	(26,156)
TOTAL EXPENDITURES	<u>2,345,450</u>	<u>2,345,450</u>	<u>2,223,555</u>	<u>121,895</u>
Excess (Deficit) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>283,221</u>	<u>39,431</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>283,221</u>	<u>\$ 39,431</u>
Fund Balance, beginning of year	1,922,558	1,922,558	1,922,558	
Prior Period Adjustment	(267,289)	(267,289)	(267,289)	
Fund Balance, beginning of year, restated	<u>1,655,269</u>	<u>1,655,269</u>	<u>1,655,269</u>	
Fund Balance, end of year	<u>\$ 1,655,269</u>	<u>\$ 1,655,269</u>	<u>\$ 1,938,490</u>	

**CITY OF SEDALIA, MISSOURI
SPECIAL BUSINESS DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 39,500	\$ 39,500	\$ 40,285	\$ 785
Financial institution	250	250	2,237	1,987
Total Taxes	<u>39,750</u>	<u>39,750</u>	<u>42,522</u>	<u>2,772</u>
Intergovernmental				
State and federal grants	-	-	-	-
Total Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Miscellaneous				
Interest	25	25	41	16
Miscellaneous	3,075	3,075	-	(3,075)
Total Miscellaneous	<u>3,100</u>	<u>3,100</u>	<u>41</u>	<u>(3,059)</u>
TOTAL REVENUES	<u>42,850</u>	<u>42,850</u>	<u>42,563</u>	<u>(287)</u>
EXPENDITURES				
Other charges and services	36,030	36,030	23,349	12,681
Operating supplies	-	-	-	-
Capital outlay	7,500	7,500	2,250	5,250
TOTAL EXPENDITURES	<u>43,530</u>	<u>43,530</u>	<u>25,599</u>	<u>17,931</u>
Excess (Deficit) of Revenues over Expenditures	(680)	(680)	16,964	<u>\$ 17,644</u>
Fund Balance, beginning of year	<u>40,195</u>	<u>40,195</u>	<u>40,195</u>	
Fund Balance, end of year	<u>\$ 39,515</u>	<u>\$ 39,515</u>	<u>\$ 57,159</u>	

**CITY OF SEDALIA, MISSOURI
MIDTOWN SPECIAL ALLOCATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 91,000	\$ 91,000	\$ 118,389	\$ 27,389
Total Taxes	<u>91,000</u>	<u>91,000</u>	<u>118,389</u>	<u>27,389</u>
Miscellaneous				
Interest income	100	100	302	202
Total Miscellaneous	<u>100</u>	<u>100</u>	<u>302</u>	<u>202</u>
Total Revenues	<u>91,100</u>	<u>91,100</u>	<u>118,691</u>	<u>27,591</u>
EXPENDITURES				
Other charges and services	-	19,500	19,461	39
Capital outlay	134,000	114,500	3,645	110,855
Total Expenditures	<u>134,000</u>	<u>134,000</u>	<u>23,106</u>	<u>110,894</u>
Excess (Deficit) of Revenues over Expenditures	<u>(42,900)</u>	<u>(42,900)</u>	<u>95,585</u>	<u>138,485</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	(42,900)	(42,900)	95,585	<u>\$ 138,485</u>
Fund Balance, beginning of year	<u>202,978</u>	<u>202,978</u>	<u>202,978</u>	
Fund Balance, end of year	<u>\$ 160,078</u>	<u>\$ 160,078</u>	<u>\$ 298,563</u>	

**CITY OF SEDALIA, MISSOURI
CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
State and federal grants	\$ 4,030,635	\$ 4,030,635	\$ 3,374,972	\$ (655,663)
Total Intergovernmental	<u>4,030,635</u>	<u>4,030,635</u>	<u>3,374,972</u>	<u>(655,663)</u>
Miscellaneous				
Interest income	300	-	179	179
Miscellaneous	240,000	240,000	-	(240,000)
Total Miscellaneous	<u>240,300</u>	<u>240,000</u>	<u>179</u>	<u>(239,821)</u>
Total Revenues	<u>4,270,935</u>	<u>4,270,635</u>	<u>3,375,151</u>	<u>(895,484)</u>
EXPENDITURES				
Other charges and services	3,000	3,000	553	2,447
Capital outlay	1,313,000	4,363,000	3,612,809	750,191
Total Expenditures	<u>1,316,000</u>	<u>4,366,000</u>	<u>3,613,362</u>	<u>752,638</u>
Excess (Deficit) of Revenues over Expenditures	<u>2,954,935</u>	<u>(95,365)</u>	<u>(238,211)</u>	<u>(142,846)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(40,000)	(40,000)	(40,000)	-
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	2,914,935	(135,365)	(278,211)	<u>\$ (142,846)</u>
Fund Balance, beginning of year	<u>245,780</u>	<u>245,780</u>	<u>245,780</u>	
Fund Balance, end of year	<u>\$ 3,160,715</u>	<u>\$ 110,415</u>	<u>\$ (32,431)</u>	

**CITY OF SEDALIA, MISSOURI
CAPITAL PROJECT FUND #2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Taxes				
Sales	\$ 1,735,500	\$ 1,735,500	\$ 1,881,011	\$ 145,511
Franchise	45,000	45,000	45,000	-
Total Taxes	<u>1,780,500</u>	<u>1,780,500</u>	<u>1,926,011</u>	<u>145,511</u>
Miscellaneous				
Rental income	4,000	4,000	3,100	(900)
Interest income	5,615	5,615	4,937	(678)
Total Miscellaneous	<u>9,615</u>	<u>9,615</u>	<u>8,037</u>	<u>(1,578)</u>
Total Revenues	<u>1,790,115</u>	<u>1,790,115</u>	<u>1,934,048</u>	<u>143,933</u>
EXPENDITURES				
Other charges and services	63,100	63,100	60,051	3,049
Capital outlay	1,262,000	1,802,528	1,655,913	146,615
Debt service	808,435	1,213,435	1,209,960	3,475
Total Expenditures	<u>2,133,535</u>	<u>3,079,063</u>	<u>2,925,924</u>	<u>153,139</u>
Excess (Deficit) of Revenues over Expenditures	<u>(343,420)</u>	<u>(1,288,948)</u>	<u>(991,876)</u>	<u>297,072</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	340,000	340,000	340,000	-
Total Other Financing Sources (Uses)	<u>340,000</u>	<u>340,000</u>	<u>340,000</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	<u>(3,420)</u>	<u>(948,948)</u>	<u>(651,876)</u>	<u>\$ 297,072</u>
Fund Balance, beginning of year	3,524,658	3,524,658	3,524,658	
Prior Period Adjustment	<u>(208,247)</u>	<u>(208,247)</u>	<u>(208,247)</u>	
Fund Balance, beginning of year, restated	<u>3,316,411</u>	<u>3,316,411</u>	<u>3,316,411</u>	
Fund Balance, end of year	<u>\$ 3,312,991</u>	<u>\$ 2,367,463</u>	<u>\$ 2,664,535</u>	

SUPPLEMENTARY INDIVIDUAL FUND
FINANCIAL SCHEDULE

General Fund

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

**CITY OF SEDALIA, MISSOURI
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 1,206,000	\$ 1,206,000	\$ 1,128,407	\$ (77,593)
Interest and penalties	40,000	40,000	23,642	(16,358)
Payment-in-lieu-of taxes	600	600	6,669	6,069
Railroad and utilities	55,000	55,000	46,779	(8,221)
Financial institution	12,000	12,000	11,338	(662)
General sales	6,801,450	6,801,450	7,539,314	737,864
Franchise	2,405,000	2,405,000	2,413,689	8,689
Cigarette	113,000	113,000	103,818	(9,182)
Total Taxes	<u>10,633,050</u>	<u>10,633,050</u>	<u>11,273,656</u>	<u>640,606</u>
Licenses and Permits				
Occupational	319,000	319,000	327,124	8,124
Building	126,000	126,000	118,786	(7,214)
Street cuts	10,000	10,000	3,300	(6,700)
Other licenses	5,000	5,000	3,644	(1,356)
Total Licenses and Permits	<u>460,000</u>	<u>460,000</u>	<u>452,854</u>	<u>(7,146)</u>
Intergovernmental				
State gasoline tax	550,000	550,000	561,215	11,215
Motor vehicle sales tax	237,000	237,000	258,902	21,902
State and federal grants	46,500	89,623	118,345	28,722
Total Intergovernmental	<u>833,500</u>	<u>876,623</u>	<u>938,462</u>	<u>61,839</u>
Charges for Services				
Sanitation fees	1,200,000	1,200,000	1,232,749	32,749
Community center fees	17,000	17,000	19,603	2,603
Cemetery fees and lot sales	105,000	105,000	111,397	6,397
Airport fees	388,200	388,200	237,565	(150,635)
Dispatch fees	-	-	13,844	13,844
Total Charges for Services	<u>1,710,200</u>	<u>1,710,200</u>	<u>1,615,158</u>	<u>(95,042)</u>

**CITY OF SEDALIA, MISSOURI
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONT'D)
YEAR ENDED MARCH 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES (cont'd)				
Fines and Forfeitures	206,000	206,000	150,144	(55,856)
Total Fines and Forfeitures	<u>206,000</u>	<u>206,000</u>	<u>150,144</u>	<u>(55,856)</u>
Miscellaneous				
Interest income	30,400	30,400	29,674	(726)
Rental income	46,500	46,500	68,050	21,550
Miscellaneous	153,650	153,650	175,093	21,443
Total Miscellaneous	<u>230,550</u>	<u>230,550</u>	<u>272,817</u>	<u>42,267</u>
TOTAL REVENUES	<u>14,073,300</u>	<u>14,116,423</u>	<u>14,703,091</u>	<u>586,668</u>
EXPENDITURES				
General and Administrative				
Administrative				
Personnel services	591,020	591,020	593,875	(2,855)
Other charges and services	246,465	251,465	235,294	16,171
Operating supplies	14,550	14,550	10,970	3,580
Total Administrative	<u>852,035</u>	<u>857,035</u>	<u>840,139</u>	<u>16,896</u>
Finance				
Personnel services	421,220	421,240	404,883	16,357
Other charges and services	125,985	127,685	123,284	4,401
Operating supplies	2,300	2,300	1,336	964
Total Finance	<u>549,505</u>	<u>551,225</u>	<u>529,503</u>	<u>21,722</u>

**CITY OF SEDALIA, MISSOURI
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONT'D)
YEAR ENDED MARCH 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (cont'd)				
Records				
Personnel services	141,065	141,065	141,554	(489)
Other charges and services	33,320	34,275	32,059	2,216
Repairs and maintenance	1,000	1,000	127	873
Total Records	<u>175,385</u>	<u>176,340</u>	<u>173,740</u>	<u>2,600</u>
Code Enforcement				
Personnel services	494,365	494,365	506,083	(11,718)
Other charges and services	48,720	51,470	44,898	6,572
Repairs and maintenance	14,250	14,250	10,701	3,549
Total Code Enforcement	<u>557,335</u>	<u>560,085</u>	<u>561,682</u>	<u>(1,597)</u>
Building Maintenance				
Personnel services	280,135	280,135	270,596	9,539
Other charges and services	52,450	52,450	45,868	6,582
Operating supplies	8,150	8,150	7,471	679
Repairs and maintenance	-	-	-	-
Total Building Maintenance	<u>340,735</u>	<u>340,735</u>	<u>323,935</u>	<u>16,800</u>
Information Solutions				
Personnel services	117,885	117,885	118,203	(318)
Other charges and services	192,700	192,700	136,090	56,610
Operating supplies	2,350	2,350	1,247	1,103
Total Information Solutions	<u>312,935</u>	<u>312,935</u>	<u>255,540</u>	<u>57,395</u>
Total General and Administrative	<u>2,787,930</u>	<u>2,798,355</u>	<u>2,684,539</u>	<u>113,816</u>
Sanitation				
Personnel services	890,055	898,055	888,918	9,137
Other charges and services	66,400	66,400	75,692	(9,292)
Operating supplies	414,850	414,850	430,433	(15,583)
Total Sanitation	<u>1,371,305</u>	<u>1,379,305</u>	<u>1,395,043</u>	<u>(15,738)</u>

**CITY OF SEDALIA, MISSOURI
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONT'D)
YEAR ENDED MARCH 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (cont'd)				
Public Safety				
Police				
Personnel services	3,514,750	3,514,750	3,503,176	11,574
Other charges and services	312,300	325,820	322,573	3,247
Operating supplies	186,000	229,123	191,467	37,656
Total Police	<u>4,013,050</u>	<u>4,069,693</u>	<u>4,017,216</u>	<u>52,477</u>
Fire				
Personnel services	2,425,855	2,429,755	2,427,134	2,621
Other charges and services	105,210	107,210	105,158	2,052
Operating supplies	41,369	41,369	31,287	10,082
Total Fire	<u>2,572,434</u>	<u>2,578,334</u>	<u>2,563,579</u>	<u>14,755</u>
Cemetery				
Personnel services	262,580	262,580	260,957	1,623
Other charges and services	21,190	23,790	24,297	(507)
Operating supplies	12,800	12,800	11,204	1,596
Total Cemetery	<u>296,570</u>	<u>299,170</u>	<u>296,458</u>	<u>2,712</u>
Total Public Safety	<u>6,882,054</u>	<u>6,947,197</u>	<u>6,877,253</u>	<u>69,944</u>
Transportation				
Streets and Alleys				
Personnel services	1,450,595	1,450,595	1,397,238	53,357
Other charges and services	742,190	742,190	712,103	30,087
Operating supplies	446,500	455,000	454,809	191
Total Streets and Alleys	<u>2,639,285</u>	<u>2,647,785</u>	<u>2,564,150</u>	<u>83,635</u>
Airport				
Personnel services	187,920	187,920	188,945	(1,025)
Other charges and services	38,140	38,140	44,995	(6,855)
Operating supplies	309,600	309,600	267,799	41,801
Total Airport	<u>535,660</u>	<u>535,660</u>	<u>501,739</u>	<u>33,921</u>
Total Transportation	<u>3,174,945</u>	<u>3,183,445</u>	<u>3,065,889</u>	<u>117,556</u>

**CITY OF SEDALIA, MISSOURI
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONT'D)
YEAR ENDED MARCH 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Cultural Parks and Recreation Community Center				
Other charges and services	24,850	48,350	45,784	2,566
Operating supplies	1,700	2,700	2,691	9
Total Community Center	<u>26,550</u>	<u>51,050</u>	<u>48,475</u>	<u>2,575</u>
Capital Expenditures				
Capital outlay	1,907,530	2,245,665	1,735,861	509,804
Total Capital Expenditures	<u>1,907,530</u>	<u>2,245,665</u>	<u>1,735,861</u>	<u>509,804</u>
Debt Service				
Total Debt Service	-	-	-	-
TOTAL EXPENDITURES	<u>16,150,314</u>	<u>16,605,017</u>	<u>15,807,060</u>	<u>797,957</u>
Excess (Deficit) of Revenues over Expenditures	(2,077,014)	(2,488,594)	(1,103,969)	1,384,625
OTHER FINANCING SOURCES (USES)				
Loan proceeds		50,000	50,000	-
Operating transfers in (out)	275,000	275,000	250,040	(24,960)
Total Other Financing Sources (Uses)	<u>275,000</u>	<u>325,000</u>	<u>300,040</u>	<u>(24,960)</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	<u>(1,802,014)</u>	<u>(2,163,594)</u>	<u>(803,929)</u>	<u>\$ 1,359,665</u>
Fund Balance, beginning of year	8,881,664	8,881,664	8,881,664	
Prior Period Adjustment	<u>(113,976)</u>	<u>(113,976)</u>	<u>(113,976)</u>	
Fund Balance, beginning of year, Restated	<u>8,767,688</u>	<u>8,767,688</u>	<u>8,767,688</u>	
Fund Balance, end of year	<u>\$ 6,965,674</u>	<u>\$ 6,604,094</u>	<u>\$ 7,963,759</u>	

COMBINING FINANCIAL STATEMENTS

Fiduciary Funds

CITY OF SEDALIA, MISSOURI
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED MARCH 31, 2015

	Pension Trust		Agency Fund	Total
	Firemen's Pension	Police Pension	Deferred Compensation	
ASSETS				
Cash and cash equivalents	\$ 161,518	\$ 237,644	\$ -	\$ 399,162
Investments				
U.S. Government securities	918,041	-	-	918,041
Corporate debt and equity	6,374,058	3,024,061	2,377,831	11,775,950
Other investments	24,117	1,795	-	25,912
Total investments	7,316,216	3,025,856	2,377,831	12,719,903
Total Assets	7,477,734	3,263,500	2,377,831	13,119,065
LIABILITIES				
Refundable contributions	1,824,913	275,673	-	2,100,586
Total Liabilities	1,824,913	275,673	-	2,100,586
NET POSITION				
Held in trust for pension benefits and other purposes	\$ 5,652,821	\$ 2,987,827	\$ 2,377,831	\$ 11,018,479

CITY OF SEDALIA, MISSOURI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED MARCH 31, 2015

	Firemen's Pension Trust	Police Pension Trust	Agency Fund Deferred Compensation	Total
ADDITIONS				
Contributions				
Taxes	\$ 128,183	\$ 234,827	\$ -	\$ 363,010
Employer/employee	238,763	100,000	230,767	569,530
Miscellaneous	2,576	3,266	-	5,842
Total contributions	<u>369,522</u>	<u>338,093</u>	<u>230,767</u>	<u>938,382</u>
Investment earnings				
Investment income	200,658	66,829	307,783	575,270
Net increase (decrease) in fair value of investments	343,283	143,721	-	487,004
Net investment earnings	<u>543,941</u>	<u>210,550</u>	<u>307,783</u>	<u>1,062,274</u>
Total Additions	<u>913,463</u>	<u>548,643</u>	<u>538,550</u>	<u>2,000,656</u>
DEDUCTIONS				
Pension expense	614,141	519,417	388,714	1,522,272
Insurance	31,633	-	-	31,633
Administrative fees	50,347	24,580	16,483	91,410
Pension refunds	11,167	-	-	11,167
Miscellaneous	13,094	6,809	-	19,903
Total Deductions	<u>720,382</u>	<u>550,806</u>	<u>405,197</u>	<u>1,676,385</u>
Change in net position	193,081	(2,163)	133,353	324,271
Net position, beginning of year	<u>5,459,740</u>	<u>2,989,990</u>	<u>2,244,478</u>	<u>10,694,208</u>
Net position, end of year	<u>\$ 5,652,821</u>	<u>\$ 2,987,827</u>	<u>\$ 2,377,831</u>	<u>\$ 11,018,479</u>

COMPLIANCE AND INTERNAL CONTROL



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

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

PARTNERS

Robert A. Gerding
Fred W. Korte, Jr.
Joseph E. Chitwood
James R. McGinnis
Travis W. Hundley
Jeffrey A. Chitwood
Amy L. Watson
Heidi N. Ross

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sedalia, Missouri (the "City"), as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 13, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink, likely belonging to a representative of Gerding, Korte & Chitwood, P.C.

July 13, 2015

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



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Sedalia, Missouri's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended March 31, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

PARTNERS

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Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



July 13, 2015

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

**CITY OF SEDALIA, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2015**

<u>Grantor Agency</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
U.S. Department of Justice				
Direct Funding	Crime Forfeiture	16.922		\$ 16,621
	Edward Byrne Justice Assistance Grant	16.738	2014-DJ-BX-0361	10,359
	Edward Byrne Justice Assistance Grant	16.738	2013-DJ-BX-0791	4,077
	Edward Byrne Justice Assistance Grant	16.738	14-KCD-256-AFF	15,658
	Edward Byrne Justice Assistance Grant	16.738	WC-MOW-0275	5,408
	Edward Byrne Justice Assistance Grant	16.738	WC-MOW-0293	<u>4,341</u>
				<u>56,464</u>
U.S. Department of Transportation				
Passed through Missouri Highway and Transportation Department	Airport Improvement Program	20.106	AIRE-09-020A-1, 2	2,992,476
	Hazardous Moving Violation	20.600	14-PT-02-091	1,555
	DWI Enforcement	20.600	14-K8-03-072	1,479
	DWI Enforcement	20.600	15-154-AL-058	<u>423</u>
				<u>3,457</u>
	Streetscape Phase IIIa	20.205	STP 5700 (509)	1,870
	Safe Routes to School	20.205	SRTS H32C (103)	134,699
	Non-Infrastructure Outreach & Education	20.205	SRTS H32C (502)	2,032
	Non-Infrastructure Outreach & Education	20.205	SRTS H32C (503)	<u>3,688</u>
				<u>142,289</u>
Institute of Museum & Library Services				
Passed through Missouri State Library	Library Services & Technology Act	45.310	2014-LT03-TMGC3CN3-7160	281
U.S. Department of Housing & Urban Development				
Passed through Missouri Housing Development & Commission	Home Repair Opportunity (HERO)	14.239	M-08-SG-29-0100	<u>88,000</u>
TOTAL EXPENDITURES				<u><u>\$ 3,282,967</u></u>

CITY OF SEDALIA, MISSOURI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
MARCH 31, 2015

1. Summary of Significant Accounting Policies

A. Purpose of Schedule of Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

The schedule is presented on the accrual basis of accounting, which recognizes expenditures in the period the liabilities are incurred.

2. Subrecipients

The City provided no federal awards to subrecipients during the year ended March 31, 2015.

CITY OF SEDALIA, MISSOURI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 AND SUMMARY OF AUDITOR'S RESULTS - FEDERAL REQUIREMENTS
 MARCH 31, 2015

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are
not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statement noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that
are not considered to be material weaknesses? Yes None Reported

Type of auditor's reports issued on compliance for major programs: unmodified

Any audit findings disclosed that are required
to be reported in accordance with section 510(a)
of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

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

Auditee qualified as low-risk auditee? Yes No

CITY OF SEDALIA, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND
SUMMARY OF AUDITOR'S RESULTS - FEDERAL REQUIREMENTS (CONT'D)
MARCH 31, 2015

Section II: Financial Statement Findings

None

Section III: Federal Award Findings and Questioned Costs

None