

**ANNUAL REPORT OF
CITY OF SEDALIA, MISSOURI
YEAR ENDED MARCH 31, 2016**

CITY OF SEDALIA, MISSOURI

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INDEPENDENT AUDITOR'S REPORT

To The City Council
City of Sedalia, Missouri

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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sedalia, Missouri (the "City") as of and for the year ended March 31, 2016, 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 51 percent, 59 percent, and 91 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
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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note IV-M to the financial statements, in 2016 the City implemented Government Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of contributions, and schedule of changes in net pension liability and related ratios, notes to required supplementary information, schedule of employer contributions on pages 4 through 11 and 103 through 113 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 introductory section, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements* for Federal Awards, 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, 2016, 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.

A handwritten signature in blue ink, appearing to read "Gerding, Korte & Chitwood".

July 13, 2016

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

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2016
(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, 2016. 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 \$197,788,294 (net position). Of this amount, \$36,032,047 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.

The City's total net position increased by \$5,556,738 during the year from its beginning net position, as restated due to prior period adjustments, of \$192,231,556.

As of the close of the current fiscal year, the City of Sedalia's governmental funds reported combined ending fund balances of \$12,824,451. Of this total, 57% is unassigned and available for use within the City's policies, and 33% is assigned to capital projects and special revenue purposes.

At the end of the fiscal year, unassigned fund balance for the general fund was \$7,358,238, which is 52% of the total general fund expenditures.

The City's revenue bonds payable decreased \$370,000 due to scheduled payments.

The City's certificates of participation debt decreased \$1,845,000 due to scheduled payments.

The City's capital lease debt decreased \$147,838 due to scheduled payments of \$441,004 net of additions of \$293,166.

The City's note payable debt decreased \$1,733,145 due to scheduled payments.

The City's other loan payable debt decreased by \$280,592 due to scheduled payments.

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2016
(UNAUDITED)**

Overview of Financial Statements

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

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

The Statement of Net Position presents information on all of the City's assets, deferred outflows, deferred inflows and liabilities, with the difference 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, Wastewater, and Sanitation 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.

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2016
(UNAUDITED)**

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

The City maintains 8 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 7 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, wastewater, and sanitation 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, Wastewater, and Sanitation 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 128-129 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 28-102.

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 pages 103-113 of this report.

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2016
(UNAUDITED)**

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 114-115 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.

Government-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 \$197,788,294 as of March 31, 2016.

The largest portion of the City's net position (75%) 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, 2015 and 2016:

	March 31, 2016			March 31, 2015			Increase (Decrease)	% Change
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total		
Current assets	\$ 15,861,694	\$ 49,305,552	\$ 65,167,246	\$ 15,801,035	\$ 47,802,078	\$ 63,603,113	\$ 1,564,133	2.5%
Restricted assets	956,784	14,303,648	15,260,432	1,034,950	28,579,051	29,614,001	(14,353,569)	(48.5%)
Capital assets	85,139,051	128,741,244	213,880,295	86,587,764	113,652,445	200,240,209	13,640,086	6.8%
Other assets	-	47,024	47,024	-	781,266	781,266	(734,242)	(94.0%)
Total Assets	\$ 101,957,529	\$ 192,397,468	\$ 294,354,997	\$ 103,423,749	\$ 190,814,840	\$ 294,238,589	\$ 116,408	0.0%
Deferred Outflows	\$ 2,050,806	\$ 3,137,341	\$ 5,188,147	\$ 113,971	\$ 393,053	\$ 507,024	\$ 4,681,123	923.3%
Current liabilities	\$ 3,260,503	\$ 16,011,110	\$ 19,271,613	\$ 3,603,220	\$ 17,197,882	\$ 20,801,102	\$ (1,529,489)	(7.4%)
Long-term liabilities	24,202,429	56,178,768	80,381,197	14,583,536	52,450,491	67,034,027	13,347,170	19.9%
Total Liabilities	\$ 27,462,932	\$ 72,189,878	\$ 99,652,810	\$ 18,186,756	\$ 69,648,373	\$ 87,835,129	\$ 11,817,681	13.5%
Deferred Inflows	\$ 920,813	\$ 1,181,227	\$ 2,102,040	\$ 131,998	\$ 76,124	\$ 208,122	\$ 1,893,918	910.0%
Net Position:								
Invested in capital assets, net of related debt	\$ 72,314,643	\$ 76,076,957	\$ 148,391,600	\$ 72,479,150	\$ 76,711,718	\$ 149,190,868	\$ (799,268)	(0.5%)
Restricted for debt service	956,784	3,270,791	4,227,575	1,034,950	3,309,240	4,344,190	(116,615)	(2.7%)
Restricted for other purposes	4,345,012	4,690,446	9,035,458	5,967,801	-	5,967,801	3,067,657	51.4%
Nonexpendable endowments	-	101,614	101,614	-	101,614	101,614	-	-
Unrestricted	(1,991,849)	38,023,896	36,032,047	5,737,065	41,360,824	47,097,889	(11,065,842)	(23.5%)
Total Net Position	\$ 75,624,590	\$ 122,163,704	\$ 197,788,294	\$ 85,218,966	\$ 121,483,396	\$ 206,702,362	\$ (8,914,068)	(4.3%)

As of March 31, 2016, the City is able to report positive balances in all three categories of net position for the government as a whole.

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2016
(UNAUDITED)**

Analysis of the City's Operations: Overall the City had a decrease in net position of \$8,914,068 as of the year ending March 31, 2016 as compared to the previous year end as previously stated. When taking into consideration adjustments to prior periods, the net change to the net position for the City was an increase of \$5,556,738 during the fiscal year ending March 31, 2016.

Governmental Activities: Governmental activities decreased the net position by \$1,476,096 from \$77,100,686 (as restated) to \$75,624,590. This is due primarily to an intentional spend down of excess reserves.

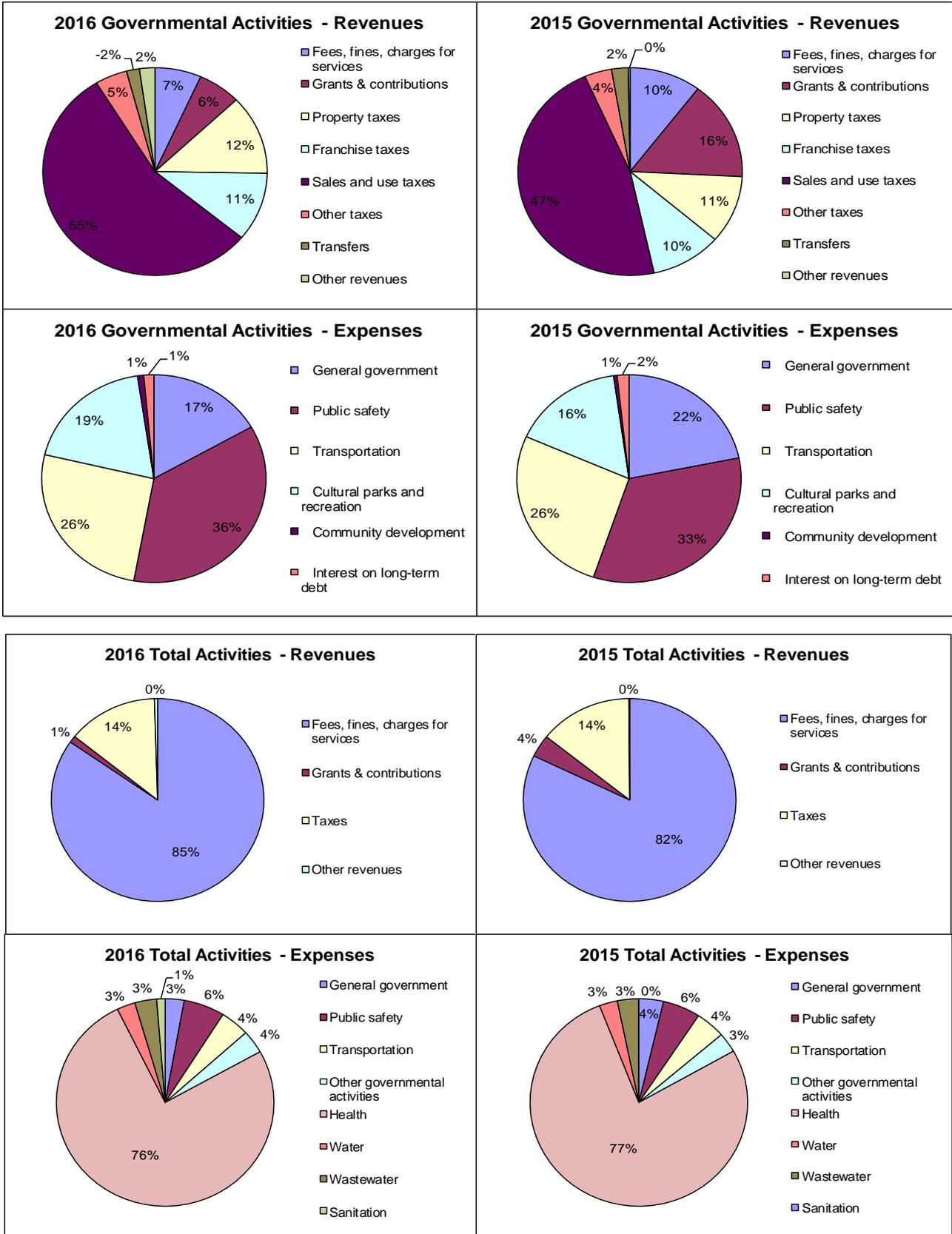
Business-Type Activities: Net position from business-type activities increased by \$7,032,834 from \$115,130,870 (as restated) to \$122,163,704. This increase was primarily due to net position increase from operating revenues exceeding operating expenses for the Bothwell Regional Health Center unit by \$5,368,616.

The following table and charts provide a summary and comparison of the City's operations for years ending March 31, 2015 and 2016.

Changes In Net Position

	March 31, 2016			March 31, 2015			Increase (Decrease)	% Change
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total		
Revenues:								
Program Revenues:								
Fees, fines, charges for services	\$ 1,406,620	\$ 112,291,720	\$ 113,698,340	\$ 2,480,898	\$ 102,810,878	\$ 105,291,776	\$ 8,406,564	8.0%
Operating grants & contributions	72,136	26,497	98,633	87,212	-	87,212	11,421	13.1%
Capital grants and contributions	1,230,671	123,782	1,354,453	3,622,016	829,965	4,451,981	(3,097,528)	(69.6%)
General Revenues:								
Property taxes	2,605,649	-	2,605,649	2,532,058	-	2,532,058	73,591	2.9%
Franchise taxes	2,249,882		2,249,882	2,458,689		2,458,689	(208,807)	(8.5%)
Sales and use taxes	11,630,712	1,009,181	12,639,893	11,248,188	978,061	12,226,249	413,644	3.4%
Motor vehicle and fuel taxes	841,501		841,501	820,117		820,117	21,384	2.6%
Other taxes	133,890		133,890	120,590		120,590	13,300	11.0%
Investment earnings	89,371	178,576	267,947	41,558	95,174	136,732	131,215	96.0%
Transfers	(391,182)	391,182	-	575,000	(575,000)	-	-	N/A
Miscellaneous	380,495	218	380,713	21,723	(3,366)	18,357	362,356	1,973.9%
Total Revenues	\$ 20,249,745	\$ 114,021,156	\$ 134,270,901	\$ 24,008,049	\$ 104,135,712	\$ 128,143,761	\$ 6,127,140	4.8%
Expenses:								
General government	\$ 3,636,407		\$ 3,636,407	\$ 4,772,848		\$ 4,772,848	\$ (1,136,441)	(23.8%)
Public safety	7,850,204		7,850,204	7,293,224		7,293,224	556,980	7.6%
Transportation	5,615,407		5,615,407	5,795,055		5,795,055	(179,648)	(3.1%)
Cultural parks and recreation	4,114,856		4,114,856	3,541,741		3,541,741	573,115	16.2%
Community development	194,625		194,625	109,309		109,309	85,316	78.1%
Interest on long-term debt	314,342		314,342	372,522		372,522	(58,180)	(15.6%)
Health		97,685,800	97,685,800		100,897,134	100,897,134	(3,211,334)	(3.2%)
Water		3,516,778	3,516,778		3,522,182	3,522,182	(5,404)	(0.2%)
Wastewater		4,173,507	4,173,507		4,153,206	4,153,206	20,301	0.5%
Sanitation		1,612,237	1,612,237		-	-	1,612,237	N/A
Total Expenses	\$ 21,725,841	\$ 106,988,322	\$ 128,714,163	\$ 21,884,699	\$ 108,572,522	\$ 130,457,221	\$ (1,743,058)	(1.3%)
Change in Net Position	\$ (1,476,096)	\$ 7,032,834	\$ 5,556,738	\$ 2,123,350	\$ (4,436,810)	\$ (2,313,460)	\$ 7,870,198	(340.2%)
Net Position Beginning 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%)
Prior Period Adjustments	(8,118,280)	(6,352,526)	(14,470,806)	(1,669,263)	(202,365)	(1,871,628)	(12,599,178)	673.2%
Restated Begin Net Position	\$ 77,100,686	\$ 115,130,870	\$ 192,231,556	\$ 83,095,616	\$ 125,920,206	\$ 209,015,822	\$ (16,784,266)	(8.0%)
Net Position End of Year	\$ 75,624,590	\$ 122,163,704	\$ 197,788,294	\$ 85,218,966	\$ 121,483,396	\$ 206,702,362	\$ (8,914,068)	(4.3%)

**CITY OF SEDALIA, MISSOURI
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED MARCH 31, 2016
 (UNAUDITED)**



**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2016
(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 \$12,824,451. This is a decrease of 7% from \$13,719,857.

In the general fund, the City budgeted for a decrease in the fund balance of \$555,312. 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 2016 was \$52,192.

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 - \$32,888,086, Water -\$1,615,241, Wastewater - \$3,515,048, and Sanitation - 5,521. The funds had a net position increase from activities in 2016 as follows: Health - \$5,124,041, Water - \$432,331, Wastewater - \$1,165,007, and Sanitation - \$311,455.

General Fund Budgetary Highlights - The City spent \$447,204 less than the actual budget for the General Fund. The majority of this amount (\$282,353) 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, 2016 amounts to \$213,880,295 (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, 2016			March 31, 2015			Increase (Decrease)	% Change
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total		
Property, Plant and Equipment								
Land, rights, & improvements	\$ 3,322,529	\$ 5,916,202	\$ 9,238,731	\$ 3,398,449	\$ 5,805,265	\$ 9,203,714	\$ 35,017	0.4%
Structures, improvements, & plant equipment	24,930,151	41,820,915	66,751,066	25,516,255	45,203,351	70,719,606	(3,968,540)	(5.6%)
Distribution system		14,045,944	14,045,944		13,814,688	13,814,688	231,256	1.7%
Pumping & purification equipment		18,194,118	18,194,118		17,737,324	17,737,324	456,794	2.6%
Transmission mains		22,043,774	22,043,774		8,425,876	8,425,876	13,617,898	161.6%
General equipment	2,989,757	13,673,886	16,663,643	3,851,094	15,673,125	19,524,219	(2,860,576)	(14.7%)
Construction in progress		13,046,405	13,046,405		6,992,816	6,992,816	6,053,589	86.6%
Infrastructure	53,896,614		53,896,614	53,821,966		53,821,966	74,648	0.1%
Net Capital Assets	\$ 85,139,051	\$ 128,741,244	\$ 213,880,295	\$ 86,587,764	\$ 113,652,445	\$ 200,240,209	\$13,640,086	6.8%

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2016
(UNAUDITED)**

Additional information on the City of Sedalia's capital assets can be found in Note III-E and III-F on pages 51-54 of this report.

Debt Administration

At the end of the current fiscal year, the City of Sedalia had a total bonded debt, certificate of participation debt, note payable, capital lease payable, and a refund of sales taxes due to the State of \$67,288,055. Of this amount, \$5,755,000 comprises revenue bonded debt backed by the revenues of the Water Department; \$44,075,000 represents certificates of participation debt; \$3,519,019 represents capital lease obligations that are expected to be paid so long as the City appropriates funds for payment; \$11,323,596 represents the amount due on notes payable; \$744,687 represents the amount due on loans payable; and \$1,870,753 represents a sales tax refund due the State.

Outstanding Debt at Year End

	March 31, 2016			March 31, 2015			Increase (Decrease)	% Change
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total		
Revenue bonds payable	\$ -	\$ 5,755,000	\$ 5,755,000	\$ -	\$ 6,125,000	\$ 6,125,000	\$ (370,000)	(6.0%)
Certificates of participation	12,030,000	32,045,000	44,075,000	12,922,500	32,997,500	45,920,000	(1,845,000)	(4.0%)
Capital lease obligations	135,016	3,384,003	3,519,019	160,835	3,506,022	3,666,857	(147,838)	(4.0%)
Notes payable		11,323,596	11,323,596		13,056,741	13,056,741	(1,733,145)	(13.3%)
Loans payable	744,687		744,687	1,025,279		1,025,279	(280,592)	(27.4%)
Sales tax refund due to State	1,673,832	196,921	1,870,753	1,770,097	208,247	1,978,344	(107,591)	(5.4%)
Total Outstanding Debt	\$ 14,583,535	\$ 52,704,520	\$ 67,288,055	\$ 15,878,711	\$ 55,893,510	\$ 71,772,221	\$ (4,484,166)	(6.2%)

During the fiscal year, the City's total debt decreased by \$4,484,166. The decrease was due to scheduled payments of \$4,777,332 and additional capital leases added totaling \$293,166.

Additional information on the City of Sedalia's long term-debt can be found in footnote III-G on pages 55-71 of this report.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City of Sedalia, Missouri, Attn: 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, 2016

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 11,173,453	\$ 26,836,589	\$ 38,010,042
Short-term investments	-	5,054,071	5,054,071
Internal balances	172,156	(172,156)	-
Accrued interest receivable	16,051	2,498	18,549
Accounts receivable net of allowance for uncollectibles - \$4,237,000	995,563	14,081,588	15,077,151
Taxes receivable - net of allowance for uncollectible - \$10,000	3,198,190	297,896	3,496,086
Estimated third-party payor settlements receivable	-	355,498	355,498
Due from other governmental agencies	78,866	-	78,866
Inventory	75,354	1,558,279	1,633,633
Prepaid expenses and other assets	152,061	1,291,289	1,443,350
Total Current Assets	<u>15,861,694</u>	<u>49,305,552</u>	<u>65,167,246</u>
Restricted assets:			
Cash and cash equivalents	956,784	3,860,016	4,816,800
Noncurrent cash and investments	-	10,443,632	10,443,632
Total Restricted Assets	<u>956,784</u>	<u>14,303,648</u>	<u>15,260,432</u>
Noncurrent Assets:			
Capital Assets			
Land, land rights and land improvements	3,322,529	5,752,371	9,074,900
Structures, improvements and plant equipment	40,999,409	96,614,240	137,613,649
Distribution system	-	18,558,826	18,558,826
Pumping and purification equipment	-	33,706,084	33,706,084
Transmission mains	-	28,776,430	28,776,430
Equipment	11,448,460	75,885,277	87,333,737
Infrastructure	161,577,075	-	161,577,075
Construction in progress	-	13,046,405	13,046,405
Accumulated depreciation	(132,208,422)	(143,598,389)	(275,806,811)
Total Capital Assets, net of accumulated depreciation	<u>85,139,051</u>	<u>128,741,244</u>	<u>213,880,295</u>
Other Assets	-	47,024	47,024
Total Noncurrent Assets	<u>85,139,051</u>	<u>128,788,268</u>	<u>213,927,319</u>
Total Assets	<u>\$ 101,957,529</u>	<u>\$ 192,397,468</u>	<u>\$ 294,354,997</u>
DEFERRED OUTFLOWS			
Deferred outflows related to pension - LAGERS	\$ 1,458,397	\$ 2,766,811	\$ 4,225,208
Deferred outflows related to pension - Police & Fire	488,500	-	488,500
Unamortized issuance cost and deferred loss on debt	103,909	370,530	474,439
Total Deferred Outflows	<u>\$ 2,050,806</u>	<u>\$ 3,137,341</u>	<u>\$ 5,188,147</u>

CITY OF SEDALIA, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET POSITION (Cont'd)
MARCH 31, 2016

LIABILITIES	Governmental Activities	Business-type Activities	Total
Current Liabilities:			
Accounts payable	\$ 679,178	\$ 4,046,683	\$ 4,725,861
Accrued expenses	671,118	4,393,262	5,064,380
Accrued long-term debt interest	-	732,590	732,590
Current maturities of long term debt	1,234,737	2,662,987	3,897,724
Estimated amounts due to third-party payers	-	1,466,490	1,466,490
Estimated self insurance costs	-	1,443,736	1,443,736
Court bonds payable	35,436	-	35,436
Protested taxes payable	3,847	-	3,847
Sales tax overpayment payable	636,187	74,845	711,032
Payable from segregated funds:			
Accrued bond interest	-	7,165	7,165
Current maturities of long term debt	-	591,282	591,282
Customer's deposits	-	592,070	592,070
Total Current Liabilities	<u>3,260,503</u>	<u>16,011,110</u>	<u>19,271,613</u>
Noncurrent Liabilities:			
Accrued expenses	1,611,561	-	1,611,561
Certificates of participation	11,102,500	31,062,500	42,165,000
Energy loans payable	214,095	-	214,095
School loan payable	250,000	-	250,000
Capital lease payable	108,372	3,022,371	3,130,743
Bonded debt due after one year	-	5,380,000	5,380,000
Notes payable to bank	-	9,788,459	9,788,459
Sales tax overpayment payable after one year	1,037,645	122,076	1,159,721
Net pension liability - LAGERS	989,874	6,803,362	7,793,236
Net pension liability - Police & Fire	8,888,382	-	8,888,382
Total Noncurrent Liabilities	<u>24,202,429</u>	<u>56,178,768</u>	<u>80,381,197</u>
Total Liabilities	<u>\$ 27,462,932</u>	<u>\$ 72,189,878</u>	<u>\$ 99,652,810</u>
DEFERRED INFLOWS			
Unavailable revenue - grants and contract services	\$ 839,135	\$ -	\$ 839,135
Deferred inflows related to pension - LAGERS	41,292	1,103,037	1,144,329
Deferred inflows related to pension - Police & Fire	40,386	-	40,386
Unamortized premium on bonds	-	78,190	78,190
Total Deferred Inflows	<u>\$ 920,813</u>	<u>\$ 1,181,227</u>	<u>\$ 2,102,040</u>
NET POSITION			
Net investment in capital assets	\$ 72,314,643	\$ 76,076,957	\$ 148,391,600
Restricted for:			
Expendable for debt service	956,784	3,270,791	4,227,575
Expendable for capital acquisitions	-	4,690,446	4,690,446
Expendable for other purposes	4,345,012	-	4,345,012
Nonexpendable permanent endowments	-	101,614	101,614
Unrestricted	(1,991,849)	38,023,896	36,032,047
Total Net Position	<u>\$ 75,624,590</u>	<u>\$ 122,163,704</u>	<u>\$ 197,788,294</u>

CITY OF SEDALIA, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2016

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	\$ 3,636,407	\$ 484,522	\$ 60,941	\$ -	\$ (3,090,944)	\$ -	\$ (3,090,944)
Sanitation	-	-	-	-	-	-	-
Total General Government	<u>3,636,407</u>	<u>484,522</u>	<u>60,941</u>	<u>-</u>	<u>(3,090,944)</u>	<u>-</u>	<u>(3,090,944)</u>
Public Safety:							
Police	4,436,280	223,877	-	-	(4,212,403)	-	(4,212,403)
Fire	2,929,683	18,000	-	-	(2,911,683)	-	(2,911,683)
Cemetery	320,081	89,085	-	-	(230,996)	-	(230,996)
Animal control	164,160	-	-	-	(164,160)	-	(164,160)
Total Public Safety	<u>7,850,204</u>	<u>330,962</u>	<u>-</u>	<u>-</u>	<u>(7,519,242)</u>	<u>-</u>	<u>(7,519,242)</u>
Transportation:							
Airport	707,539	281,304	-	912,506	486,271	-	486,271
Streets	2,644,708	-	-	-	(2,644,708)	-	(2,644,708)
Infrastructure	2,263,160	-	-	318,165	(1,944,995)	-	(1,944,995)
Total Transportation	<u>5,615,407</u>	<u>281,304</u>	<u>-</u>	<u>1,230,671</u>	<u>(4,103,432)</u>	<u>-</u>	<u>(4,103,432)</u>
Cultural, Parks and Recreation:							
Library	751,805	12,106	11,195	-	(728,504)	-	(728,504)
Park	3,306,072	279,624	-	-	(3,026,448)	-	(3,026,448)
Community center	56,979	18,102	-	-	(38,877)	-	(38,877)
Total Cultural, Parks and Recreation	<u>4,114,856</u>	<u>309,832</u>	<u>11,195</u>	<u>-</u>	<u>(3,793,829)</u>	<u>-</u>	<u>(3,793,829)</u>
Community/Economic Development:							
Planning, building and economic	194,625	-	-	-	(194,625)	-	(194,625)
Total Community/Economic	<u>194,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(194,625)</u>	<u>-</u>	<u>(194,625)</u>
Debt Service							
Interest and fees	314,342	-	-	-	(314,342)	-	(314,342)
Total Debt Service	<u>314,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(314,342)</u>	<u>-</u>	<u>(314,342)</u>
Total Governmental Activities	<u>21,725,841</u>	<u>1,406,620</u>	<u>72,136</u>	<u>1,230,671</u>	<u>(19,016,414)</u>	<u>-</u>	<u>(19,016,414)</u>
Business-Type Activities:							
Health	97,685,800	102,681,694	26,497	53,932	-	5,076,323	5,076,323
Water	3,516,778	3,881,314	-	69,850	-	434,386	434,386
Wastewater	4,173,507	4,492,736	-	-	-	319,229	319,229
Sanitation	1,612,237	1,235,976	-	-	-	(376,261)	(376,261)
Total Business-Type Activities	<u>106,988,322</u>	<u>112,291,720</u>	<u>26,497</u>	<u>123,782</u>	<u>-</u>	<u>5,453,677</u>	<u>5,453,677</u>
Total	<u>\$ 128,714,163</u>	<u>\$ 113,698,340</u>	<u>\$ 98,633</u>	<u>\$ 1,354,453</u>	<u>\$ (19,016,414)</u>	<u>\$ 5,453,677</u>	<u>\$ (13,562,737)</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (Cont'd)
YEAR ENDED MARCH 31, 2016

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
General Revenues:			
Taxes:			
Property taxes, levied for general purposes	2,605,649	-	2,605,649
Franchise taxes	2,249,882	-	2,249,882
Sales and use taxes	11,630,712	1,009,181	12,639,893
Motor vehicle and fuel taxes	841,501	-	841,501
Other taxes	133,890	-	133,890
Unrestricted investment earnings	89,371	178,576	267,947
Transfers	(391,182)	391,182	-
Miscellaneous	380,495	218	380,713
Total general revenues	<u>17,540,318</u>	<u>1,579,157</u>	<u>19,119,475</u>
Change in net position	<u>(1,476,096)</u>	<u>7,032,834</u>	<u>5,556,738</u>
Net position - beginning	85,218,966	121,483,396	206,702,362
Prior Period Adjustment (Note IV-M)	<u>(8,118,280)</u>	<u>(6,352,526)</u>	<u>(14,470,806)</u>
Net Position, Beginning of Year, Restated	<u>77,100,686</u>	<u>115,130,870</u>	<u>192,231,556</u>
Net position - ending	<u>\$ 75,624,590</u>	<u>\$ 122,163,704</u>	<u>\$ 197,788,294</u>

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2016**

ASSETS	General Fund	Other Governmental Funds	Total Governmental Funds
Cash, including time deposits	\$ 7,423,482	\$ 3,749,971	\$ 11,173,453
Taxes receivable - net of allowance for uncollectible - \$10,000	2,382,455	815,735	3,198,190
Accrued interest receivable	10,796	5,255	16,051
Accounts receivable	903,793	91,770	995,563
Due from other governmental agencies	42,691	36,175	78,866
Due from other funds	232,911	-	232,911
Inventory	75,354	-	75,354
Prepaid expenses	136,529	15,532	152,061
Restricted cash	-	956,784	956,784
Total Assets	\$ 11,208,011	\$ 5,671,222	\$ 16,879,233
LIABILITIES			
Accounts payable	\$ 567,266	\$ 111,912	\$ 679,178
Accrued expenses	577,750	93,368	671,118
Court bonds payable	35,436	-	35,436
Due to other funds	-	60,755	60,755
Protested taxes payable	3,847	-	3,847
Sales tax overpayment payable	1,181,529	492,303	1,673,832
Total Liabilities	2,365,828	758,338	3,124,166
DEFERRED INFLOWS			
Unavailable revenue - property taxes, grants and contract services	930,616	-	930,616
Total Deferred Inflows	930,616	-	930,616
FUND EQUITY			
Nonspendable			
Inventory	75,354	-	75,354
Prepaid expenses	136,529	15,532	152,061
Restricted for cemetery	106,327	-	106,327
Restricted for debt service	-	956,784	956,784
Assigned for specific purposes	235,119	-	235,119
Assigned for special revenue purposes	-	2,900,637	2,900,637
Assigned for capital project purposes	-	1,103,020	1,103,020
Unassigned	7,358,238	(63,089)	7,295,149
Total Fund Equity	7,911,567	4,912,884	12,824,451
Total Liabilities, Deferred Inflows and Fund Equity	\$ 11,208,011	\$ 5,671,222	\$ 16,879,233

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
MARCH 31, 2016**

Total fund balance - total governmental funds	\$ 12,824,451
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 \$132,208,422	85,139,051
The deferred outflows related to pension are not available resources and, therefore, are not reported in the funds.	1,946,897
The deferred inflows and net pension liability related to pension are not payable from available resources and, therefore, are not reported in the funds.	(1,071,552)
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.	91,481
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	(1,234,737)
Debt due in more than one year	(11,674,967)
Net pension liability - police & fire fund	(8,888,382)
Accrued compensated absences due in more than one year	(1,611,561)
Unamortized debt issuance costs are not financial resources and therefore are not reported in the funds, net of accumulated amortization.	<u>103,909</u>
Net position of governmental activities	<u><u>\$ 75,624,590</u></u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 11,542,778	\$ 5,111,488	\$ 16,654,266
Licenses and permits	484,522	-	484,522
Intergovernmental	895,914	930,229	1,826,143
Charges for services	471,449	309,730	781,179
Fines and penalties	140,919	-	140,919
Miscellaneous	359,974	109,892	469,866
Total Revenues	13,895,556	6,461,339	20,356,895
EXPENDITURES			
General and administrative	2,750,197	-	2,750,197
Public safety	7,420,030	15,252	7,435,282
Transportation	2,960,862	-	2,960,862
Cultural	46,364	-	46,364
Library	-	631,816	631,816
Park	-	2,690,806	2,690,806
Planning, building and economic development	-	194,625	194,625
Capital outlay	914,068	2,544,683	3,458,751
Debt service	-	1,227,371	1,227,371
Total Expenditures	14,091,521	7,304,553	21,396,074
Excess (Deficit) of Revenues over Expenditures	(195,965)	(843,214)	(1,039,179)
Other Financing Sources (Uses)			
Operating transfers in (out)	143,773	-	143,773
Total Other Financing Sources (Uses)	143,773	-	143,773
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	(52,192)	(843,214)	(895,406)
Fund Balance, beginning of year	7,963,759	5,756,098	13,719,857
Fund Balance, end of year	\$ 7,911,567	\$ 4,912,884	\$ 12,824,451

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, 2016**

Net change in fund balances - total governmental funds \$ (895,406)

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	2,931,332
Disposition of assets	(534,955)
Capital contribution received	318,165
Depreciation expense	<u>(4,163,255)</u>
	<u>(1,448,713)</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>(34,133)</u>
	<u>(34,133)</u>

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:

Net pension expense	(62,434)
Increase in long-term accrued compensated absences	<u>(224,259)</u>
	<u>(286,693)</u>

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

Certificates of participation obligation principal payments	892,500
Note payable principal payments	280,592
Capital lease principal payments	25,819
Amortization expense	<u>(10,062)</u>
	<u>1,188,849</u>

Change in Net Position of Governmental Activities \$ (1,476,096)

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, 2016

	<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	\$ 11,206,811	\$ 11,356,061	\$ 11,542,778	\$ 186,717
Licenses and permits	454,346	476,856	484,522	7,666
Intergovernmental	1,003,738	1,003,738	895,914	(107,824)
Charges for services	545,721	545,721	471,449	(74,272)
Fines and penalties	154,246	154,246	140,919	(13,327)
Miscellaneous	211,856	303,018	359,974	56,956
Total Revenues	<u>13,576,718</u>	<u>13,839,640</u>	<u>13,895,556</u>	<u>55,916</u>
EXPENDITURES				
General and administrative	2,818,901	2,855,113	2,750,197	104,916
Sanitation	-	-	-	-
Public safety	7,138,244	7,272,692	7,420,030	(147,338)
Transportation	3,234,546	3,168,946	2,960,862	208,084
Cultural	33,303	45,553	46,364	(811)
Capital outlay	1,246,728	1,196,421	914,068	282,353
Total Expenditures	<u>14,471,722</u>	<u>14,538,725</u>	<u>14,091,521</u>	<u>447,204</u>
Excess (Deficit) of Revenues over Expenditures	<u>(895,004)</u>	<u>(699,085)</u>	<u>(195,965)</u>	<u>503,120</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	143,773	143,773	143,773	-
Total Other Financing Sources (Uses)	<u>143,773</u>	<u>143,773</u>	<u>143,773</u>	<u>-</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	<u>(751,231)</u>	<u>(555,312)</u>	<u>(52,192)</u>	<u>\$ 503,120</u>
Fund Balance, beginning of year	<u>7,963,759</u>	<u>7,963,759</u>	<u>7,963,759</u>	
Fund Balance, end of year	<u>\$ 7,212,528</u>	<u>\$ 7,408,447</u>	<u>\$ 7,911,567</u>	

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2016

	Business Type Activities - Enterprise Funds				Total
	Health	Water	Wastewater	Sanitation	
ASSETS					
Operating Funds					
Cash and cash equivalents	\$ 23,876,312	\$ 310,796	\$ 2,614,100	\$ 35,381	\$ 26,836,589
Short-term investments	1,796,336	1,542,735	1,715,000	-	5,054,071
Taxes receivable	-	-	297,896	-	297,896
Accounts receivable:					
Consumers	12,619,787	466,380	-	43,169	13,129,336
Other	829,263	122,678	311	-	952,252
Estimated third-party payor settlements receivable	355,498	-	-	-	355,498
Due from other funds	-	(774,856)	652,579	122,277	-
Accrued interest	-	523	1,975	-	2,498
Inventories	1,345,857	212,422	-	-	1,558,279
Prepaid expenses and other assets	1,190,048	65,826	25,954	9,461	1,291,289
	<u>42,013,101</u>	<u>1,946,504</u>	<u>5,307,815</u>	<u>210,288</u>	<u>49,477,708</u>
SEGREGATED FUNDS					
Cash and cash equivalents	101,614	778,199	2,980,203	-	3,860,016
Noncurrent cash and investments	5,600,155	-	4,843,477	-	10,443,632
	<u>5,701,769</u>	<u>778,199</u>	<u>7,823,680</u>	<u>-</u>	<u>14,303,648</u>
Total Current Assets (Including Segregated Funds)	<u>47,714,870</u>	<u>2,724,703</u>	<u>13,131,495</u>	<u>210,288</u>	<u>63,781,356</u>
Noncurrent Assets					
Capital Assets					
Land, land rights and land improvements	3,050,536	176,240	2,409,349	116,246	5,752,371
Structures, improvements and plant equipment	84,772,480	11,799,585	-	42,175	96,614,240
Distribution system	-	18,558,826	-	-	18,558,826
Pumping and purification equipment	-	4,809,133	28,896,951	-	33,706,084
Transmission mains	-	964,302	27,812,128	-	28,776,430
Equipment	69,487,541	2,062,749	3,315,980	1,019,007	75,885,277
Construction in progress	1,655,282	714,859	10,676,264	-	13,046,405
Accumulated depreciation	<u>(107,843,256)</u>	<u>(13,635,893)</u>	<u>(21,463,311)</u>	<u>(655,929)</u>	<u>(143,598,389)</u>
Total Capital Assets, net of accumulated depreciation	51,122,583	25,449,801	51,647,361	521,499	128,741,244
Other assets	47,024	-	-	-	47,024
Total Noncurrent Assets	<u>51,169,607</u>	<u>25,449,801</u>	<u>51,647,361</u>	<u>521,499</u>	<u>128,788,268</u>
Total Assets	<u>98,884,477</u>	<u>28,174,504</u>	<u>64,778,856</u>	<u>731,787</u>	<u>192,569,624</u>
DEFERRED OUTFLOWS					
Deferred outflows related to pension	1,951,472	385,873	243,364	186,102	2,766,811
Unamortized issuance premium on bonds	-	-	370,530	-	370,530
Total Deferred Outflows	<u>1,951,472</u>	<u>385,873</u>	<u>613,894</u>	<u>186,102</u>	<u>3,137,341</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF NET POSITION (CONT'D)
PROPRIETARY FUNDS
MARCH 31, 2016

	Business Type Activities - Enterprise Funds				
	Health	Water	Wastewater	Sanitation	Total
LIABILITIES					
Operating Funds:					
Accounts payable	\$ 2,640,560	\$ 70,349	\$ 112,876	\$ 54,599	\$ 2,878,384
Construction accounts payable	-	-	1,168,299	-	1,168,299
Accrued interest	-	23,090	709,500	-	732,590
Accrued payroll and related benefits	4,040,649	75,945	158,709	117,959	4,393,262
Sales tax refund due to state	-	-	74,845	-	74,845
Due to other funds	-	-	-	172,156	172,156
Estimated amounts due to third-party payers	1,466,490	-	-	-	1,466,490
Estimated self-insurance costs	1,443,736	-	-	-	1,443,736
Current maturities of capital lease obligations	-	-	1,072,350	55,500	1,127,850
Current maturities of long-term debt	1,535,137	-	-	-	1,535,137
	<u>11,126,572</u>	<u>169,384</u>	<u>3,296,579</u>	<u>400,214</u>	<u>14,992,749</u>
Segregated Funds:					
Accrued bond interest	-	7,165	-	-	7,165
Current portion of long-term debt due within one year	-	591,282	-	-	591,282
Consumer's deposits	-	592,070	-	-	592,070
	<u>-</u>	<u>1,190,517</u>	<u>-</u>	<u>-</u>	<u>1,190,517</u>
Total Current Liabilities (Including Segregated Funds)	<u>11,126,572</u>	<u>1,359,901</u>	<u>3,296,579</u>	<u>400,214</u>	<u>16,183,266</u>
Long-Term Debt:					
Bonded debt due after one year	-	5,380,000	-	-	5,380,000
Notes payable to bank	9,788,459	-	-	-	9,788,459
Capital lease obligations	526,063	2,335,123	161,185	-	3,022,371
Certificates of participation	-	-	31,062,500	-	31,062,500
Sales tax overpayment payable after one year	-	-	122,076	-	122,076
Net pension liability	6,237,223	477,323	50,329	38,487	6,803,362
Total Noncurrent Liabilities	<u>16,551,745</u>	<u>8,192,446</u>	<u>31,396,090</u>	<u>38,487</u>	<u>56,178,768</u>
Total Liabilities	<u>27,678,317</u>	<u>9,552,347</u>	<u>34,692,669</u>	<u>438,701</u>	<u>72,362,034</u>
DEFERRED INFLOWS					
Unamortized premium on bonds	-	78,190	-	-	78,190
Deferred inflows related to pension	1,051,696	33,645	10,028	7,668	1,103,037
Total Deferred Inflows	<u>1,051,696</u>	<u>111,835</u>	<u>10,028</u>	<u>7,668</u>	<u>1,181,227</u>
NET POSITION					
Net investment in capital assets	39,116,236	17,143,396	19,351,326	465,999	76,076,957
Restricted					
For debt service	-	137,558	3,133,233	-	3,270,791
Expendable for capital acquisitions	-	-	4,690,446	-	4,690,446
Nonexpendable permanent endowments	101,614	-	-	-	101,614
Unrestricted	<u>32,888,086</u>	<u>1,615,241</u>	<u>3,515,048</u>	<u>5,521</u>	<u>38,023,896</u>
Total Net Position	<u>\$ 72,105,936</u>	<u>\$ 18,896,195</u>	<u>\$ 30,690,053</u>	<u>\$ 471,520</u>	<u>\$ 122,163,704</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2016

	Business Type Activities - Enterprise Funds				
	Health	Water	Wastewater	Sanitation	Total
Operating revenues:					
Charges for services	\$ 102,140,246	\$ 3,743,762	\$ 4,432,537	\$ 1,235,976	\$ 111,552,521
Miscellaneous	541,448	137,552	25,533	-	704,533
Total operating revenues	<u>102,681,694</u>	<u>3,881,314</u>	<u>4,458,070</u>	<u>1,235,976</u>	<u>112,257,054</u>
Operating expenses:					
Professional and purchased services	8,988,648	96,517	-	357,755	9,442,920
Personnel services	49,276,577	1,114,502	1,105,857	1,004,836	52,501,772
Transmission and distribution	-	1,375,722	1,406,212	-	2,781,934
Supplies	19,849,067	-	-	3,544	19,852,611
Other expenses	11,960,405	-	-	171,031	12,131,436
Interest expense	-	-	-	-	-
Depreciation and amortization	7,238,381	759,962	1,560,071	74,956	9,633,370
Total operating expenses	<u>97,313,078</u>	<u>3,346,703</u>	<u>4,072,140</u>	<u>1,612,122</u>	<u>106,344,043</u>
Net operating income	<u>5,368,616</u>	<u>534,611</u>	<u>385,930</u>	<u>(376,146)</u>	<u>5,913,011</u>
Nonoperating revenue (expense):					
Taxes	-	-	1,009,181	-	1,009,181
Investment income	47,718	(2,273)	133,131	-	178,576
Interest expense	(372,722)	(170,075)	(101,367)	(115)	(644,279)
Noncapital contributions	26,497	-	-	-	26,497
Gain(loss) on disposal of capital assets	-	218	34,666	-	34,884
Total nonoperating revenue (expense)	<u>(298,507)</u>	<u>(172,130)</u>	<u>1,075,611</u>	<u>(115)</u>	<u>604,859</u>
Net Income before contributions and transfers	5,070,109	362,481	1,461,541	(376,261)	6,517,870
Capital contributions and grants	53,932	69,850	-	-	123,782
Transfers	-	-	(296,534)	687,716	391,182
Total capital contributions and transfers	<u>53,932</u>	<u>69,850</u>	<u>(296,534)</u>	<u>687,716</u>	<u>514,964</u>
Net income	<u>5,124,041</u>	<u>432,331</u>	<u>1,165,007</u>	<u>311,455</u>	<u>7,032,834</u>
Net position - beginning of year	73,420,854	18,746,811	29,315,731	-	121,483,396
Prior Period Adjustment (Note IV-M)	<u>(6,438,959)</u>	<u>(282,947)</u>	<u>209,315</u>	<u>160,065</u>	<u>(6,352,526)</u>
Net Position, Beginning of Year Restated	<u>66,981,895</u>	<u>18,463,864</u>	<u>29,525,046</u>	<u>160,065</u>	<u>115,130,870</u>
Net position - end of year	<u>\$ 72,105,936</u>	<u>\$ 18,896,195</u>	<u>\$30,690,053</u>	<u>\$ 471,520</u>	<u>\$ 122,163,704</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2016

	Business Type Activities - Enterprise Funds				
	Health	Water	Wastewater	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from and on behalf of customers/patients	\$ 101,181,958	\$ 3,879,636	\$ 4,424,279	\$ 1,070,530	\$ 110,556,403
Payments to suppliers and contractors	(40,745,204)	(1,554,080)	(574,958)	(487,192)	(43,361,434)
Payments to and on behalf of employees	(49,569,376)	(1,110,649)	(1,068,176)	(866,759)	(52,614,960)
Other receipts and payments	520,818	-	-	-	520,818
Net cash provided (used) by operating activities	<u>11,388,196</u>	<u>1,214,907</u>	<u>2,781,145</u>	<u>(283,421)</u>	<u>15,100,827</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Taxes	-	-	1,000,872	-	1,000,872
Noncapital contributions	26,497	-	-	-	26,497
Interfund transfer	-	-	(296,534)	859,872	563,338
Net cash provided by noncapital financing activities	<u>26,497</u>	<u>-</u>	<u>704,338</u>	<u>859,872</u>	<u>1,590,707</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital grants and contributions	53,932	69,850	-	-	123,782
Proceeds from sale of assets	15,250	218	34,666	-	50,134
Proceeds from capital debt	-	-	231,666	61,500	293,166
Acquisition of capital assets by transfer from City (net)	-	-	-	(534,955)	(534,955)
Acquisition and construction of capital assets	(3,074,979)	(1,232,389)	(19,879,940)	(61,500)	(24,248,808)
Repayment of long-term debt	(1,889,224)	(578,726)	(996,880)	(6,000)	(3,470,830)
Interest paid on capital debt	(372,722)	(172,289)	(107,146)	(115)	(652,272)
Net cash provided (used) by capital and related financing activities	<u>(5,267,743)</u>	<u>(1,913,336)</u>	<u>(20,717,634)</u>	<u>(541,070)</u>	<u>(28,439,783)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investment assets	4,339,270	1,540,470	16,893,096	-	22,772,836
Purchase of investment assets	(4,357,711)	(1,542,735)	(6,558,477)	-	(12,458,923)
Income from investments	47,718	(2,365)	134,284	-	179,637
Net cash provided by investing activities	<u>29,277</u>	<u>(4,630)</u>	<u>10,468,903</u>	<u>-</u>	<u>10,493,550</u>
Net increase (decrease) in cash and cash equivalents	6,176,227	(703,059)	(6,763,248)	35,381	(1,254,699)
Balances - beginning of year	<u>17,806,501</u>	<u>1,792,054</u>	<u>12,357,551</u>	<u>-</u>	<u>31,956,106</u>
Balances - end of year	<u>\$ 23,982,728</u>	<u>\$ 1,088,995</u>	<u>\$ 5,594,303</u>	<u>\$ 35,381</u>	<u>\$ 30,701,407</u>
Cash and cash equivalents	\$ 23,876,312	\$ 310,796	\$ 2,614,100	\$ 35,381	\$ 26,836,589
Segregated cash and cash equivalents	106,416	778,199	2,980,203	-	3,864,818
Total cash and cash equivalents, end of year	<u>\$ 23,982,728</u>	<u>\$ 1,088,995</u>	<u>\$ 5,594,303</u>	<u>\$ 35,381</u>	<u>\$ 30,701,407</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF CASH FLOWS (CONT'D)
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2016

	Business Type Activities - Enterprise Funds				
	Health	Water	Wastewater	Sanitation	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 5,368,616	\$ 534,611	\$ 385,930	\$ (376,146)	\$ 5,913,011
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Cash flows reported in other categories:					
Depreciation and amortization expense	7,238,381	759,962	1,560,071	74,956	9,633,370
Provision for bad debts	10,492,083	-	-	-	10,492,083
Loss on sale of capital assets	7,873	-	-	-	7,873
Change for restatement (GASB No. 68)	(6,438,959)	-	-	-	(6,438,959)
Change in assets and liabilities:					
Receivables, net	(10,275,851)	(1,678)	(33,791)	(165,446)	(10,476,766)
Estimated third-party payor settlements	(1,174,520)	-	-	-	(1,174,520)
Inventory and other assets	-	15,359	-	-	15,359
Prepaid expenses	-	8,031	(2,442)	(9,461)	(3,872)
Deferred outflows related to pension	-	(236,409)	(34,049)	(26,037)	(296,495)
Deferred inflows related to pension	-	33,645	10,028	7,668	51,341
Accounts payable and accrued expenses	8,494	33,801	833,696	54,599	930,590
Other assets and liabilities	6,084,623	-	61,702	156,446	6,302,771
Estimated self-insurance liabilities	77,456	-	-	-	77,456
Accrued payroll, related taxes and benefits	-	67,585	-	-	67,585
Net cash provided (used) by operating activities	<u>\$ 11,388,196</u>	<u>\$ 1,214,907</u>	<u>\$ 2,781,145</u>	<u>\$ (283,421)</u>	<u>\$ 15,100,827</u>
Noncash investing, capital, and financing activities:					
Capital asset acquisitions included in accounts payable	<u>\$ 156,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,688</u>
Construction accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,168,299</u>	<u>\$ -</u>	<u>\$ 1,168,299</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF FIDUCIARY NET POSITION
MARCH 31, 2016

Cash	\$	806
Receivables:		
Accrued interest and dividends		25,309
Investments, at fair value:		<u>12,207,126</u>
Total assets		<u>12,233,241</u>
Net position - restricted for pension benefits	\$	<u><u>12,233,241</u></u>

CITY OF SEDALIA, MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED MARCH 31, 2016

ADDITIONS

Contributions

Property taxes	\$ 382,152
Employer	588,447
Miscellaneous	3,390
Total contributions	973,989

Investment income (loss)

Investment income	320,413
Net depreciation in fair value of investments	(440,655)
Total investment loss	(120,242)

Investment expenses	(52,690)
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Net loss from investing activities	(172,932)
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Total Additions	801,057
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DEDUCTIONS

Benefits	1,582,448
Disability insurance	32,548
Administrative expense	35,395
Pension refunds	4,615
Miscellaneous	31,875
Total Deductions	1,686,881

Net decrease	(885,824)
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Net position - restricted for pension benefits

Beginning of year, as restated	13,119,065
End of year	\$ 12,233,241

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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, 2016

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, 2016

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, 2016

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, Midtown Special Allocation, and Fire Academy 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, Sewer and Sanitation 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:

- 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, 2016**

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, Wastewater and Sanitation	Accounts for activities in providing health, water, wastewater and sanitation 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.
Fire Academy	Accounts for revenues and expenditures of the fire academy .
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, 2016

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, 2016

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 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.

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 \$863,000 for the year ended May 31, 2015.

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, 2016

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 2015, the Health Center completed the requirements under both the Medicare and Medicaid programs and recorded revenue of \$345,443, which is included in other revenue within operating revenues in the statement of revenues, expenses and changes in net position. The Health Center received notification that the amounts received in 2013 were subject to audit. As a result of the audit performed by the Centers for Medicare and Medicaid Services (CMS), in association with the Electronic Health Records Incentive Program, it was determined that the Health Center owes the incentive payments received in 2013 back to Medicare and Medicaid. The Health Center has an outstanding liability due to Medicare and Medicaid for \$493,490 at May 31, 2015, which is included in the estimated amounts due to third-party payers in the balance sheets.

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".

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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 2016 the City capitalized net interest of \$1,363,969.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. The first is the deferred loss on debt and unamortized insurance cost on the government-wide statement of net position. The second is for excess investment returns and contributions made subsequent to the measurement date, both relating to the City's pension on the government-wide statement of net position.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has four types of deferred inflows. The first, unavailable revenue, is reported for revenue not yet earned in the government-wide statements. The second is reported on the government-wide statement of net position and proprietary funds statement of net position and relates to differences in experience on the City's pension valuation. The third is reported on the government-wide statement of net position and proprietary statement of net position and relates to the unamortized premium on bonds. The fourth is unavailable revenue on the governmental fund statements for revenues deferred and recognized as inflows in the period they become available.

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, 2016

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, 2016, are shown below:

	<u>Maturity Date</u>	<u>Carrying Value</u>
Deposits:		
Demand deposits		\$ 12,795,365
Time deposits	05/18/16	250,000
Time deposits	06/10/16	250,000
Time deposits	08/18/16	245,000
Time deposits	11/07/16	400,000
Time deposits	11/07/16	400,000
Time deposits	11/07/16	200,000
Time deposits	12/15/16	145,000
Time deposits	12/27/16	245,000
Time deposits	12/30/16	245,000
Time deposits	01/17/17	245,000
Time deposits	02/13/17	245,000
Time deposits	03/23/17	245,000
Time deposits	06/18/17	245,000
Time deposits	06/26/17	245,000
Time deposits	06/26/17	245,000
Time deposits	06/27/17	245,000
Time deposits	06/27/17	245,000
Time deposits	06/30/17	245,000
Time deposits	07/13/17	245,000
Time deposits	07/31/17	245,000
Time deposits	08/28/17	245,000
Time deposits	09/15/17	245,000
Time deposits	10/27/17	245,000
Time deposits	12/18/17	245,000
Time deposits	01/12/18	245,000
Time deposits	03/13/18	245,000
Time deposits	03/19/18	245,000
Time deposits	03/28/18	245,000
Time deposits	03/29/18	245,000
Time deposits	08/27/18	245,000
Time deposits	08/27/18	245,000
Time deposits	09/28/18	245,000
Time deposits	09/28/18	245,000
U.S. Treasury Securities		9,625
U.S. Treasury Securities		4,757
Fixed Income	10/28/16	245,211
Fixed Income	10/31/16	150,084
Fixed Income	11/08/16	245,855
Fixed Income	08/15/17	245,735
Fixed Income	10/30/17	247,158
Fixed Income	10/31/17	247,225
Fixed Income	12/06/17	151,479
Fixed Income	08/06/18	152,283
Fixed Income	10/30/18	249,469
Fixed Income	10/30/18	250,402
Fixed Income	11/02/18	247,570
Fixed Income	11/13/18	247,541
Fixed Income	11/27/18	150,266
Fixed Income	03/15/20	149,788
Fixed Income	03/15/20	268,585
Total		<u>24,318,398</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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

	Carrying Value
Water Department deposits and investments	\$ 2,631,730
Health Center deposits and investments	31,374,417
	58,324,545
Reconciliation of Statement of Net Position:	
Current:	
Cash and cash equivalents	\$ 38,010,042
Short-term investments	3,339,071
Total Current	41,349,113
Restricted:	
Cash and cash equivalents	\$ 6,531,800
Noncurrent cash and investments	10,443,632
Total Restricted	16,975,432
Total	\$ 58,324,545

Custodial Credit Risk. Deposits in financial institutions, reported as components of cash and investments had a bank balance of \$15,558,682 at March 31, 2016, 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, 2016, 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, 2016, the City had no concentration of credit risk.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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, 2016 are shown below:

	Maturities	Carrying Value
Deposits:		
Demand deposits		\$ 1,088,995
Time deposit	06/15/16	362,290
Time deposit	01/13/17	1,180,445
Total Deposits		\$ 2,631,730
Reconciliation of Statement of Net Position:		
Current:		
Cash and cash equivalents		\$ 310,796
Investments		1,542,735
Total Current		1,853,531
Segregated:		
Cash and cash equivalents		778,199
Total Segregated		778,199
Total		\$ 2,631,730

Custodial credit risk. Deposits in financial institutions, reported as components of cash and investments had a bank balance of \$2,642,921 at March 31, 2016. All deposits were adequately secured at March 31, 2016.

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, 2016, 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, 2016, the Department had no concentration of credit risk.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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, 2015, none of the Health Center's bank balances of \$33,137,963 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, 2015.

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>\$ 31,374,417</u>
Included in the following balance sheet captions	
Cash	\$ 23,876,312
Certificates of deposit	1,796,336
Noncurrent cash and deposits	<u>5,701,769</u>
Total	<u>\$ 31,374,417</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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 are reimbursed 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 64% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the year ended May 31, 2015. 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 the 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 the year ended May 31, 2015 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, 2016

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, 2015, consisted of:

Medicare	\$	4,655,717
Medicaid		1,121,397
Other third-party payers		5,491,158
Patients		5,588,515
		16,856,787
Less: Allowance for uncollected accounts		(4,237,000)
	\$	12,619,787

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, 2016, is as follows:

	Governmental Activities	Business- Type Activities	Total
Accounts receivable	\$ 995,563	\$ 18,318,588	\$ 19,314,151
Allowance for doubtful accounts	-	(4,237,000)	(4,237,000)
Net accounts receivable	\$ 995,563	\$ 14,081,588	\$ 15,077,151

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, 2016, was as follows:

	Governmental Activities	Business- Type Activities	Total
Taxes receivable	\$ 3,208,190	\$ 297,896	\$ 3,506,086
Allowance for doubtful accounts	(10,000)	-	(10,000)
Net taxes receivable	\$ 3,198,190	\$ 297,896	\$ 3,496,086

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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

E. Capital Assets - Governmental Activities

Capital asset activity for the year ended March 31, 2016, was as follows:

	Balance at April 1, 2015	Additions	Disposals	Balance at March 31, 2016
Capital assets not being depreciated:				
Land and land rights	\$ 3,398,449	\$ -	\$ (75,920)	\$ 3,322,529
Subtotal	<u>3,398,449</u>	<u>-</u>	<u>(75,920)</u>	<u>3,322,529</u>
Other capital assets being depreciated:				
Structures and improvements	27,289,435	84,987	(42,175)	27,332,247
Other improvements	13,145,733	561,755	(40,326)	13,667,162
General equipment	12,240,732	264,947	(1,057,219)	11,448,460
Infrastructure	159,239,267	2,337,808	-	161,577,075
Subtotal	<u>211,915,167</u>	<u>3,249,497</u>	<u>(1,139,720)</u>	<u>214,024,944</u>
Total capital assets at historical costs	<u>215,313,616</u>	<u>3,249,497</u>	<u>(1,215,640)</u>	<u>217,347,473</u>
Accumulated Depreciation				
Structures and improvements	(10,046,743)	(784,283)	41,430	(10,789,596)
Other improvements	(4,872,170)	(447,818)	40,326	(5,279,662)
General	(8,389,638)	(667,994)	598,929	(8,458,703)
Infrastructures	(105,417,301)	(2,263,160)	-	(107,680,461)
Subtotal	<u>(128,725,852)</u>	<u>(4,163,255)</u>	<u>680,685</u>	<u>(132,208,422)</u>
Net capital assets being depreciated	<u>83,189,315</u>	<u>(913,758)</u>	<u>(459,035)</u>	<u>81,816,522</u>
Governmental activities capital assets	<u>\$ 86,587,764</u>	<u>\$ (913,758)</u>	<u>\$ (534,955)</u>	<u>\$ 85,139,051</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, 2015, was as follows:

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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

Health

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 3,050,536	\$ -	\$ -	\$ 3,050,536
Land improvements	1,253,910	-	(80,982)	1,172,928
Buildings and leasehold improvements	84,620,014	-	(1,020,462)	83,599,552
Equipment	72,394,448	1,619,365	(4,526,272)	69,487,541
Construction in progress	262,728	1,392,554	-	1,655,282
	<u>161,581,636</u>	<u>3,011,919</u>	<u>(5,627,716)</u>	<u>158,965,839</u>
Less Accumulated Depreciation				
Land improvements	(994,474)	(53,430)	80,982	(966,922)
Buildings and leasehold improvements	(46,488,037)	(3,186,379)	1,018,888	(48,655,528)
Equipment	(58,726,957)	(3,998,572)	4,504,723	(58,220,806)
Total Accumulated Depreciation	<u>(106,209,468)</u>	<u>(7,238,381)</u>	<u>5,604,593</u>	<u>(107,843,256)</u>
Capital Assets, Net	<u>\$ 55,372,168</u>	<u>\$ (4,226,462)</u>	<u>\$ (23,123)</u>	<u>\$ 51,122,583</u>

Water

	Balance at April 1, 2015	Additions	Disposals	Balance at March 31, 2016
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 176,240	\$ -	\$ -	\$ 176,240
Construction in progress	43,033	1,188,114	(516,288)	714,859
Total capital assets not being depreciated	<u>219,273</u>	<u>1,188,114</u>	<u>(516,288)</u>	<u>891,099</u>
Other capital assets being depreciated:				
Structures and improvements	11,788,093	11,492	-	11,799,585
Pumping and purification equipment	4,809,133	-	-	4,809,133
Transmission mains	964,302	-	-	964,302
Distribution mains and equipment	18,023,496	548,016	(12,686)	18,558,826
General equipment	2,061,694	1,055	-	2,062,749
Total capital assets being depreciated	<u>37,646,718</u>	<u>560,563</u>	<u>(12,686)</u>	<u>38,194,595</u>
Total capital assets at historical cost	<u>37,865,991</u>	<u>1,748,677</u>	<u>(528,974)</u>	<u>39,085,694</u>
Accumulated Depreciation				
Structures and improvements	(4,716,719)	(207,824)	-	(4,924,543)
Pumping and purification equipment	(1,782,300)	(105,317)	-	(1,887,617)
Transmission mains	(521,972)	-	-	(521,972)
Distribution mains and equipment	(4,208,808)	(316,760)	12,686	(4,512,882)
General equipment	(1,660,884)	(127,995)	-	(1,788,879)
Total accumulated depreciation	<u>(12,890,683)</u>	<u>(757,896)</u>	<u>12,686</u>	<u>(13,635,893)</u>
Other capital assets, net	<u>24,756,035</u>	<u>(197,333)</u>	<u>-</u>	<u>24,558,702</u>
Business-Type Activities Capital Assets	<u>\$ 24,975,308</u>	<u>\$ 990,781</u>	<u>\$ (516,288)</u>	<u>\$ 25,449,801</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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

Wastewater

	Balance at April 1, 2015	Additions	Disposals	Balance at March 31, 2016
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 2,319,053	\$ 90,296	\$ -	\$ 2,409,349
Construction work in process	6,687,055	3,989,209	-	10,676,264
Subtotal	9,006,108	4,079,505	-	13,085,613
Capital assets being depreciated:				
Pumping and purification equipment	27,456,636	1,440,315	-	28,896,951
Transmission mains	13,744,794	14,067,334	-	27,812,128
General equipment	3,262,134	292,786	(238,940)	3,315,980
Subtotal	44,463,564	15,800,435	(238,940)	60,025,059
Total	53,469,672	19,879,940	(238,940)	73,110,672
Less accumulated depreciation and amortization:				
Pumping and purification equipment	(12,746,145)	(878,204)	-	(13,624,349)
Transmission mains	(5,761,248)	(449,436)	-	(6,210,684)
General equipment	(1,657,310)	(209,908)	238,940	(1,628,278)
Subtotal	(20,164,703)	(1,537,548)	238,940	(21,463,311)
Net capital assets being depreciated	24,298,861	14,262,887	-	38,561,748
Business-Type Activities Capital Assets	\$ 33,304,969	\$ 18,342,392	\$ -	\$ 51,647,361

Sanitation

	Balance at April 1, 2015	Additions	Disposals	Balance at March 31, 2016
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 116,246	\$ -	\$ -	\$ 116,246
Construction work in process	-	-	-	-
Subtotal	116,246	-	-	116,246
Capital assets being depreciated:				
Structures and improvements	42,175	-	-	42,175
Transmission mains	-	-	-	-
General equipment	957,507	61,500	-	1,019,007
Subtotal	999,682	61,500	-	1,061,182
Total	1,115,928	61,500	-	1,177,428
Less accumulated depreciation and amortization:				
Land and land rights	(41,430)	(745)	-	(42,175)
Structures and improvements	(40,326)	-	-	(40,326)
General equipment	(499,217)	(74,211)	-	(573,428)
Subtotal	(580,973)	(74,956)	-	(655,929)
Net capital assets being depreciated	418,709	(13,456)	-	405,253
Business-Type Activities Capital Assets	\$ 534,955	\$ (13,456)	\$ -	\$ 521,499

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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	\$ 477,830
Sanitation	-
Total general government	<u>477,830</u>
Public safety:	
Police	112,764
Fire	245,169
Cemetery	11,745
Total public safety	<u>369,678</u>
Transportation:	
Airport	199,224
Streets	232,828
Total transportation	<u>432,052</u>
Cultural, parks and recreation:	
Library	84,987
Park	519,597
Community center	15,951
Total cultural, parks and recreation	<u>620,535</u>
Infrastructure	<u>2,263,160</u>
Total Infrastructure	<u>2,263,160</u>
Total depreciation expense - Governmental activity	<u>\$ 4,163,255</u>
Business-type activities:	
Health	\$ 7,238,381
Water	757,896
Sewer	1,537,548
Sanitation	74,956
Total depreciation expense - Business-type activity	<u>\$ 9,608,781</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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	6,125,000	-	370,000	5,755,000	375,000
Certificates of Participation:					
Series 2010A	3,517,500	-	952,500	2,565,000	982,500
Series 2010B	29,480,000	-	-	29,480,000	-
Other Debt:					
Health Center					
Note payable - Construction	11,251,185	-	649,812	10,601,373	658,620
Note payable - Supplement	1,805,556	-	1,083,333	722,223	722,223
Capital Leases:					
Health Center	682,142	-	156,079	526,063	154,294
Water Department	2,760,131	-	208,726	2,551,405	216,282
Sewer Department	63,749	293,166	50,380	306,535	145,350
Total Business-Type Activities	\$ 55,685,263	\$ 293,166	\$ 3,470,830	\$ 52,507,599	\$ 3,254,269
Governmental Activities:					
Certificates of Participation:					
Series 2007	5,320,000	-	460,000	4,860,000	490,000
Series 2010A	877,500	-	102,500	775,000	102,500
Series 2012A	6,235,000	-	-	6,235,000	175,000
Series 2012B	490,000	-	330,000	160,000	160,000
Sedalia School Loan	750,000	-	250,000	500,000	250,000
DNR Energy Loan	275,279	-	30,592	244,687	30,592
Capital Leases	160,835	-	25,819	135,016	26,645
Total Governmental Activities	\$ 14,108,614	\$ -	\$ 1,198,911	\$ 12,909,703	\$ 1,234,737

1. Certificates of Participation

Certificates of participation for park and public works improvement projects at March 31, 2016, 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, 2016

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.

\$ 4,860,000

The annual debt service requirements to maturity for the 2007 certificates of participation outstanding at March 31, 2016, are as follows:

Year Ending March 31	Governmental Activities	
	Principal	Interest
2017	\$ 490,000	\$ 209,913
2018	520,000	189,822
2019	555,000	167,983
2020	585,000	144,395
2021	620,000	119,240
2022-2023	2,090,000	154,880
	\$ 4,860,000	\$ 986,233

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, 2016

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% \$ 3,340,000

The annual debt service requirements to maturity for the 2010A certificates of participation outstanding at March 31, 2016, are as follows:

Year Ending March 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
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	120,000	11,072	120,000	11,073
2022-2023	217,500	8,189	217,500	8,189
	<u>\$ 775,000</u>	<u>\$ 104,539</u>	<u>\$ 2,565,000</u>	<u>\$ 172,339</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, 2016

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, 2016 are as follows:

Year Ending March 31	Principal Series 2010B	Interest Series 2010B	Debt Service Before Subsidy	BAB Interest Subsidy	Net Payments
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	1,005,000	1,899,703	2,904,703	(664,896)	2,239,807
2022-2026	6,605,000	8,407,781	15,012,781	(2,942,724)	12,070,057
2027-2031	8,815,000	5,705,642	14,520,642	(1,996,975)	12,523,667
2032-2036	11,140,000	2,110,430	13,250,430	(738,651)	12,511,779
	<u>\$ 29,480,000</u>	<u>\$ 26,117,451</u>	<u>\$ 55,597,451</u>	<u>\$ (9,141,108)</u>	<u>\$ 46,456,343</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, 2016

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, 2016, are as follows:

Year Ending March 31	Governmental Activities		
	Principal	Interest	Total
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	360,000	148,348	508,348
2022-2026	1,945,000	588,543	2,533,543
2027-2031	2,245,000	280,975	2,525,975
2032	485,000	15,035	500,035
	<u>\$ 6,235,000</u>	<u>\$ 1,694,841</u>	<u>\$7,929,841</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%. \$ 160,000

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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, 2016, are as follows:

Year Ending March 31	Governmental Activities		
	Principal	Interest	Total
2017	\$ 160,000	\$ 3,200	\$ 163,200
	\$ 160,000	\$ 3,200	\$ 163,200

The Capital Projects #2 Fund has pledged future revenues, net of specified operating expenses, to repay certificates of participation and loans that were issued for the purpose of city improvements. The certificates and loans are payable from Capital Projects #2 net revenues and are payable through 2032. Annual principal and interest payments in 2016 on the leases required 100% of net revenues. The total principal and interest remaining to be paid is \$14,818,813. Principal and interest paid for the current year and total Capital Projects #2 net revenues for the current year were \$1,338,847 and \$(683,022), 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 2016 required 99% of net revenues. The total principal and interest remaining to be paid is \$49,193,682. Principal and interest paid for the current year and total wastewater fund net revenues for the current year were \$3,079,843 and \$3,122,979, respectively.

2. Bonds/Notes Payable - Bothwell Regional Health Center

Notes payable as of May 31, 2015, are as follows:

Note Payable – Construction

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

The agreement allowed 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 2.77% through December, 2019 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 0.7%. 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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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

Note Payable – Supplement

The City acting through the board of trustees of Bothwell Regional Health Center entered into an agreement 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%. 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.

The debt service requirements as of May 31, 2015 are as follows:

Year Ending March 31	Total to be Paid	Principal	Interest
2016	\$ 1,701,223	\$ 1,380,843	\$ 320,380
2017	943,175	667,761	275,414
2018	934,163	677,246	256,917
2019	925,245	687,087	238,158
2020	916,424	697,299	219,125
2021-2025	4,453,503	3,653,643	799,860
2026-2030	3,836,499	3,559,717	276,782
	<u>\$ 13,710,232</u>	<u>\$ 11,323,596</u>	<u>\$ 2,386,636</u>

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, 2015 totaled:

Buildings and leasehold improvements	\$ 870,000
Equipment	465,277
Less accumulated depreciation	<u>(924,682)</u>
Balance, end of year	<u>\$ 410,595</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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

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, 2015:

2016	\$	186,387
2017		98,040
2018		98,040
2019		98,040
2020-2021		147,060
Total minimum lease payments		627,567
Less amount representing interest		(101,504)
	\$	526,063

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, 2016:

	Revenue Bonds	Capital Lease	Total
Balance, April 1, 2015	\$ 6,125,000	\$ 2,760,131	\$ 8,885,131
Bonds issued	-	-	-
Bonds retired	(370,000)	-	(370,000)
Capital lease principal payments	-	(208,726)	(208,726)
Balance, March 31, 2016	\$ 5,755,000	\$ 2,551,405	\$ 8,306,405
 Current portion	 \$ 375,000	 \$ 216,282	 \$ 591,282

Revenue Bonds

Revenue bonded debt as of March 31, 2016 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	\$ 5,755,000
Less amounts due in one year	(375,000)
Long-term portion of debt	\$ 5,380,000

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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

The annual debt service requirements to amortize the revenue bonds outstanding as of March 31, 2016 are as follows:

Year Ending March 31,	Principal	Interest	Total
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	415,000	125,550	540,550
2022-2026	2,230,000	435,600	2,665,600
2027-2029	1,540,000	94,050	1,634,050
	<u>\$ 5,755,000</u>	<u>\$ 1,259,100</u>	<u>\$ 7,014,100</u>

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

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

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

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

Account	Restricted Assets	Restricted Retained Earnings	Liabilities Payable from Restricted Assets
Debt Service	\$ 137,558	\$ 137,558	\$ 7,165
Customer Deposits	640,641	-	592,070
	<u>\$ 778,199</u>	<u>\$ 137,558</u>	<u>\$ 599,235</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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

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	\$ 137,558	\$ -	\$ 598,447
Reserve account	4,848,233	3,270,791	-
Capital acquisition	-	4,690,406	-
Renewal and replacement	-	-	-
Customer Deposits	640,641	-	592,070
Donor-specified purposes	101,614	101,614	-
Construction funds	10,290,602	-	-
Debt service	-	-	-
	<u>\$ 16,018,648</u>	<u>\$ 8,062,811</u>	<u>\$ 1,190,517</u>

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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

Capital Leases

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

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

Future payments as of March 31, 2016 are as follows assuming noncancellation:

Year Ending March 31,	Principal	Interest	Total
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	249,342	59,301	308,643
2022-2026	1,388,815	154,397	1,543,212
	<u>\$ 2,551,405</u>	<u>\$ 535,022</u>	<u>\$ 3,086,427</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at March 31, 2016:

Distribution mains	\$ 3,725,942
Less accumulated amortization	<u>(372,248)</u>
	<u>\$ 3,353,694</u>

Amortization of capital leases was \$92,801 for the fiscal year ending March 31, 2016. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

Pledged Revenues

The Department pledged future revenues, net of specified operating expenses, to repay revenue bonds and capital lease obligations that were issued for the purpose of water improvements. The bonds and leases are payable from water net revenues and are payable through 2029. Annual principal and interest payments in 2016 required 66% of net revenues. The total principal and interest remaining to be paid on the bonds and leases is \$10,100,527. Principal and interest paid for the current year was \$849,043 and total net revenues for the current year were \$1,292,300.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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

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, 2016 are as follows assuming noncancellation:

Year Ending March 31,	Principal	Interest	Total
2017	\$ 11,502	\$ 1,211	\$ 12,713
2018	41,004	947	41,951
	<u>\$ 52,506</u>	<u>\$ 2,158</u>	<u>\$ 54,664</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at March 31, 2016:

Equipment	\$ 100,800
Less accumulated amortization	39,872
	<u>\$ 60,928</u>

Amortization of the capital lease was \$10,080 for the fiscal year ending March 31, 2016. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

On August 1, 2015, the City entered into a lease/purchase agreement to fund the purchase of equipment. The initial term of the lease commenced on August 1, 2015 and will end on August 1, 2016. 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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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

Future payments as of March 31, 2016 are as follows assuming noncancellation:

Year Ending March 31,	Principal	Interest	Total
2017	\$ 22,848	\$ 4,290	\$ 27,138
2018	23,543	3,594	27,137
2019	24,247	2,890	27,137
2020	24,972	2,165	27,137
2021	47,419	1,541	48,960
	<u>\$ 143,029</u>	<u>\$ 14,480</u>	<u>\$ 157,509</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at March 31, 2016:

Equipment	\$ 170,166
Less accumulated amortization	<u>11,161</u>
	<u>\$ 159,005</u>

Amortization of the capital lease was \$11,161 for the fiscal year ending March 31, 2016. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

On August 1, 2015, the City entered into a lease/purchase agreement to fund the purchase of equipment. The initial term of the lease commenced on August 1, 2015 and will end on August 1, 2016. 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, 2016 are as follows assuming noncancellation:

Year Ending March 31,	Principal	Interest	Total
2017	\$ 55,500	\$ 1,721	\$ 57,221
	<u>\$ 55,500</u>	<u>\$ 1,721</u>	<u>\$ 57,221</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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

Property, plant and equipment includes the following amounts for leases which have been capitalized at March 31, 2016:

Equipment	\$	61,500
Less accumulated amortization		4,034
		4,034
	\$	57,466

Amortization of the capital lease was \$4,034 for the fiscal year ending March 31, 2016. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

6. Capital Leases – (Sanitation Fund)

On August 1, 2015, the City entered into a lease/purchase agreement to fund the purchase of equipment. The initial term of the lease commenced on August 1, 2015 and will end on August 1, 2016. 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, 2016 are as follows assuming noncancellation:

Year Ending March 31,	Principal	Interest	Total
2017	\$ 55,500	\$ 1,721	\$ 57,221
	\$ 55,500	\$ 1,721	\$ 57,221
	\$ 55,500	\$ 1,721	\$ 57,221

Property, plant and equipment includes the following amounts for leases which have been capitalized at March 31, 2016:

Equipment	\$	61,500
Less accumulated amortization		4,034
		4,034
	\$	57,466

Amortization of the capital lease was \$4,034 for the fiscal year ending March 31, 2016. 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, 2016

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

7. 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, 2016 are as follows assuming noncancellation:

Year Ending March 31,	Principal	Interest	Total
2017	\$ 26,645	\$ 4,320	\$ 30,965
2018	108,371	3,468	111,839
	<u>\$ 135,016</u>	<u>\$ 7,788</u>	<u>\$ 142,804</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at March 31, 2016:

Equipment	\$ 253,700
Less accumulated amortization	<u>100,352</u>
	<u>\$ 153,348</u>

Amortization of the capital lease was \$25,370 for the fiscal year ending March 31, 2016. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

8. Loans

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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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

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, 2016, are as follows:

Year Ending March 31,	Governmental Funds		
	Principal	Interest	Total
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	30,592	306	30,898
2022-2024	91,727	917	92,644
	<u>\$ 244,687</u>	<u>\$ 2,447</u>	<u>\$ 247,134</u>

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, 2016, are as follows:

Year Ending March 31,	Governmental Funds		
	Principal	Interest	Total
2017	\$ 250,000	\$ -	\$ 250,000
2018	250,000	-	250,000
	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 500,000</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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

9. 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, 2016, based on the total assessed valuation as of December 31, 2015, of \$258,532,034 the constitutional general obligation debt limit was \$51,706,407.

H. Interfund Transfers

Interfund transfers during the year ended March 31, 2016, were as follows:

Disbursing Fund	Receiving Fund	Amount
Wastewater (Major)	General (Major)	\$ 296,534
Capital Projects 2 (Non-Major)	Capital Projects (Non-Major)	60,382
Midtown Special Allocation (Non-Major)	Capital Projects (Non-Major)	127,998
General (Major)	Sanitation (Major)	152,761

The purpose of the \$296,534 transfer from the Wastewater Fund to the General Fund was to cover the general and administrative costs borne by the General Fund related to operating the sewer utilities. This represents services from departments in the General Fund such as Administration, IT, Finance, Personnel, Building Maintenance, Fleet Maintenance, and Public Works.

The purpose of the \$60,382 transfer from the Capital Projects 2 Fund to the Capital Projects Fund was to fund the remaining match portion of grant projects run through the Capital Projects Fund (primarily the airport project).

The purpose of the \$127,998 transfer from the Midtown Special Allocation Fund to the Capital Projects Fund was for the local match portion of the streetscape project. Part of the TIF plan is to construct improvements to the downtown area streets, curbs, and sidewalks, referred to as streetscape. The City was able to obtain grant funds for the majority of the project undertaking for the year, and only had to cover the local match portion from the TIF funds.

The purpose of the \$152,761 transfer from the General Fund to the Sanitation Fund was to transfer the net assets from General Fund Sanitation Department to set up the new enterprise fund and to cover the original budgeted shortfall for the sanitation department.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

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

I. Restricted Net Position

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

Activity	Governmental Activities	
	Restricted By	Amount
Library	Council action	\$ 950,306
Park	Council action	1,879,760
Special Business District	Council action	67,791
Fire Academy	Council action	2,780
Capital Project #2	Council action	2,059,804
Cemetery	Council action	106,327
DARE Program	Council action	87,897
Court Clerk Training	Council action	4,341
Police Seizure	Council action	28,161
Fire Insurance	Council action	14,806
Court Bonds	Council action	35,346
Animal Shelter	Council action	64,477
		\$ 5,301,796

J. Accounts Payable

Payables in the governmental funds are composed of payables to vendors (75%) and accrued salaries and benefits (25%). Payables of Enterprise Funds are composed of payables to vendors (47%) and accrued salaries and benefits (53%).

K. Fund Balance

Classifications of fund balances at March 31, 2016 are as follows:

	General Fund	Other Governmental Funds	Total
Fund Balances:			
Nonspendable			
Inventory	\$ 75,354	\$ -	\$ 75,354
Prepaid expenses	136,529	15,532	152,061
Restricted for debt service	-	956,784	956,784
Restricted for construction	-	-	-
Restricted for cemetery	106,327	-	106,327
Assigned for:			
DARE program	87,897	-	87,897
Court clerk training	4,342	-	4,342
Police seizure	28,161	-	28,161
Fire insurance proceeds	14,806	-	14,806
Court bonds	35,436	-	35,436
Animal shelter	64,477	-	64,477
Assigned for special revenue purposes	-	2,900,637	2,900,637
Assigned for capital project purposes	-	1,103,020	1,103,020
Unassigned	7,358,238	(63,089)	7,295,149
	\$ 7,911,567	\$ 4,912,884	\$ 12,824,451

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

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016**

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

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 is \$1,978,344.13. The agreement reached in August with DOR spread the reduction of future remittances over 36 months which began in September 2015. The refund has been recorded in the March 31, 2016 financial statements as “Sales Tax Overpayment Payable” in several funds. The payable, as reflected in the financial statement, is detailed by fund below:

General Fund	\$ 1,181,529
Capital Projects #2 Fund	196,921
Park Fund	295,382
Wastewater Fund	196,921
Total	\$ 1,870,753

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 \$125,000 to the Corporation for the year ended March 31, 2016.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

B. Pension Plans

1. City Employee Pension Plan

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS 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 is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits provided. LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

	<u>2015 Valuation</u>
Benefit Multiplier:	2.0%
Final Average Salary:	3 years
Member Contributions:	0%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

Employees covered by benefit terms. At June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	93
Inactive employees entitled to but not yet receiving benefits	28
Active employees	192
	313
	313

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 16.2% for general, 13.6% for police, and 23.4% for library.

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2015.

Actuarial assumptions. The total pension liability in the February 28, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5% wage; 3.0% price
Salary Increase	3.5% to 6.8% including inflation
Investment rate of return	7.25%

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 3 years for both males and females.

The actuarial assumptions used in the February 28, 2015 valuation were based on the results of an actuarial experience study for the period March 1, 2005 through February 28, 2010.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	48.50%	5.50%
Fixed Income	25.00%	2.25%
Real Assets	20.00%	4.50%
Strategic Assets	6.50%	7.50%

Discount rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 3/31/15	\$ 23,924,133	\$ 23,950,429	\$ (26,296)
Changes for the year:			
Service Cost	790,153	-	790,153
Interest	1,722,378	-	1,722,378
Difference between expected and actual experience	(17,154)	-	(17,154)
Contributions - employer	-	1,126,448	(1,126,448)
Contributions - employee	-	-	-
Net investment income	-	464,211	(464,211)
Benefit payments, including refunds	(1,130,491)	(1,130,491)	-
Administrative expense	-	(27,868)	27,868
Other changes	-	(172,400)	172,400
Net changes	1,364,886	259,900	1,104,986
Balances at 3/31/16	\$ 25,289,019	\$ 24,210,329	\$ 1,078,690

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability	\$ 28,653,076	\$ 25,289,019	\$ 22,455,825
Plan Fiduciary Net Position	24,210,329	24,210,329	24,210,329
Net Position Liability (Asset)	<u>\$ 4,442,747</u>	<u>\$ 1,078,690</u>	<u>\$ (1,754,504)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended March 31, 2016 the employer recognized pension expense of \$1,293,389. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 58,988
Differences in assumptions	-	-
Excess (deficit) investment returns	220,150	-
Contributions subsequent to the measurement date*	833,857	-
Total	<u>\$ 1,054,007</u>	<u>\$ 58,988</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending March 31, 2016.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

VIII. PENSION PLAN (continued)

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Net Deferred Outflows of Resources</u>
2016	\$ 252,745
2017	252,745
2018	248,777
2019	240,869
2020	(5,356)
Thereafter	5,239

Payable to the Pension Plan

At March 31, 2016, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended March 31, 2016.

2. Water Department Employee Pension Plan

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. The Department's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Department participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS 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 is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

Benefits provided. LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

	2015 Valuation
Benefit Multiplier:	2.0%
Final Average Salary:	3 years
Member Contributions:	0%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees covered by benefit terms. At June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	3
Active employees	23
	49

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 19.6%.

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2015.

Actuarial assumptions. The total pension liability in the February 28, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5% wage; 3.0% price
Salary Increase	3.5% to 6.8% including inflation
Investment rate of return	7.25%

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 3 years for both males and females.

The actuarial assumptions used in the February 28, 2015 valuation were based on the results of an actuarial experience study for the period March 1, 2005 through February 28, 2010.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	48.50%	5.50%
Fixed Income	25.00%	2.25%
Real Assets	20.00%	4.50%
Strategic Assets	6.50%	7.50%

Discount rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 3/31/15	\$ 5,977,424	\$ 5,545,015	\$ 432,409
Changes for the year:			
Service Cost	92,032	-	92,032
Interest	429,548	-	429,548
Difference between expected and actual experience	(43,550)	-	(43,550)
Contributions - employer	-	202,067	(202,067)
Contributions - employee	-	-	-
Net investment income	-	115,738	(115,738)
Benefit payments, including refunds	(199,141)	(199,141)	-
Administrative expense	-	(4,567)	4,567
Other changes	-	119,878	(119,878)
Net changes	<u>278,889</u>	<u>233,975</u>	<u>44,914</u>
Balances at 3/31/16	<u>\$ 6,256,313</u>	<u>\$ 5,778,990</u>	<u>\$ 477,323</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability	\$ 7,041,286	\$ 6,256,313	\$ 5,590,136
Plan Fiduciary Net Position	5,778,990	5,778,990	5,778,990
Net Position Liability (Asset)	\$ 1,262,296	\$ 477,323	\$ (188,854)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions

For the year ended September 30, 2016 the employer recognized pension expense of \$48,236. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 33,645
Differences in assumptions	-	-
Excess (deficit) investment returns	232,390	-
Contributions subsequent to the measurement date*	153,483	-
Total	\$ 385,873	\$ 33,645

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending March 31, 2016.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Net Deferred Outflows of Resources</u>
2016	\$ 48,192
2017	48,192
2018	48,192
2019	54,169
2020	-
Thereafter	-

Payable to the Pension Plan

At March 31, 2016, the Department reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended March 31, 2016.

3. Firemen's Pension Trust Fund

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Firemen's Pension Trust Fund and Police Pension Trust Fund of the City of Sedalia, Missouri (the Funds) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the Funds. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following information is presented in accordance with Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

Benefits provided

The Firemen’s Pension Trust Fund provides retirement, death and disability benefits. 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 twenty-two years of service are entitled to a monthly benefit of 50% of a base amount which increases 3% per year (\$51,350 for the 2015 plan year). Any employee hired after July 1, 1989 must also attain age 55. Participants who become disabled prior to retirement or separation from service are entitled to the greater of his or her accrued benefit payable as a monthly benefit commencing at his or her normal retirement date, of his or her employee contribution benefit. Death benefits are paid at a greater of 75% of the participant’s accrued benefit payable commencing at date of death, or 100% of the participant’s employee contribution benefit payable as a lump sum. If a participant terminates employment prior to their normal retirement date, the participant is entitled to the greater of his or her employee contribution benefit credited with interest, or a deferred payable for life on his or her normal retirement date equal to his or her vested accrued benefits.

Employees covered by benefit terms

At March 31, 2016, the following employees were covered by the benefit terms

Inactive employees or beneficiaries receiving benefits	47
Inactive employees entitled to but not yet receiving benefits	0
Active employees	33
	80
	80

Contributions

As required by City ordinance, each member historically contributed 7.5% of a base compensation amount, which was matched by the City. Effective, April 1, 2012, employee contributions to the plan were discontinued, and all contributions to the plan are now being made by the City. Participants are 100% vested in their contributions and are entitled to withdraw them when they start their retirement benefits. Included in net position are employee contributions totaling \$748,158.

The City makes contributions to the plan based on the recommendation of the independent actuary

In addition, contributions to the plan are made by the City from a \$.0500 per \$100 assessed valuation property tax levy established by City ordinance.

Total City-paid contributions for the year ended March 31, 2016 were \$196,816. Total contributions provided from the property tax levy were \$134,944.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

Net Pension Liability

The employer's net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2015.

Actuarial assumptions

The total pension liability in the April 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.2%
Salary Increase	3%
Investment rate of return	7%

Mortality rates were based on the 1994 Group Annuity Mortality Table.

The plan has not had a formal actuarial experience study performed.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	60.00%	6.00%
Fixed Income	40.00%	3.00%

Discount rate

The discount rate used to measure the total pension liability is 7.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at 3/31/14	\$ 9,765,898	\$ 7,284,563	\$ 2,481,335
Changes for the year:			
Service Cost	133,713	-	133,713
Interest	671,001	-	671,001
Difference between expected and actual experience	291,541	-	291,541
Property tax revenues	-	127,619	(127,619)
City contributions	-	239,610	(239,610)
Net investment income	-	483,075	(483,075)
Benefit payments, including refunds	(627,757)	(627,757)	-
Administrative expense	-	(29,183)	29,183
Net changes	468,498	193,364	275,134
Balances at 3/31/15	\$ 10,234,396	\$ 7,477,927	\$ 2,756,469

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the employer, calculated using the discount rate of 7.0%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Single Discount Rate Assumption (7.0%)	1% Increase (8.0%)
Total Pension Liability	\$ 11,436,470	\$ 10,234,396	\$ 9,244,154
Plan Fiduciary Net Position	7,477,927	7,477,927	7,477,927
Net Position Liability	\$ 3,958,543	\$ 2,756,469	\$ 1,766,227

Pension Plan Fiduciary Net Position

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended March 31, 2016 the City recognized pension expense of \$384,085. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between:		
Expected and actual experience	\$ 248,131	\$ -
Projected and actual earnings on investments	10,147	-
Contributions subsequent to the measurement date*	196,816	-
Total	\$ 455,094	\$ -

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016**

IV. OTHER INFORMATION (continued)

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending March 31, 2017.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending		
2016	\$	45,947
2017		45,947
2018		45,947
2019		45,946
2020		43,410
Thereafter		31,081
Total	\$	258,278

Payable to the Pension Plan

At March 31, 2016, the City did not have a payable to the pension fund for outstanding contributions.

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.

Benefits provided

The Police Pension Trust Fund provides retirement, death and disability benefits. The benefits of the plan were frozen as of April 1, 2010 and all active participants became 100% vested in their accrued benefits as of that date. Previously, all employees of the police department earning \$100 or more per calendar year were covered under the plan. Reserve and voluntary police officers were not eligible to participate in the plan. Employees completing twenty-two years of service are entitled to a monthly benefit of 2% of their final three-year average monthly compensation multiplied by total number of years of service.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

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. Participants who become disabled prior to retirement or separation from service are entitled to the greater of his or her accrued benefit payable as a monthly benefit commencing at his or her normal retirement date, of his or her employee contribution benefit. If a participant dies prior to his or her retirement date, the participant's beneficiary will receive a death benefit equal to the participant's employee contribution benefit. If a participant terminates employment prior to their normal retirement date, the participant is entitled to the greater of his or her employee contribution benefit credited with interest, or a deferred monthly benefit commencing on his or her normal retirement date equal to his or her invested accrued benefits.

Employees covered by benefit terms

At March 31, 2016, the following employees were covered by the benefit terms

Inactive employees or beneficiaries receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>32</u>
	<u><u>74</u></u>

Contributions

As required by City ordinance, each member historically contributed \$15 per month of a base compensation amount. When the plan was frozen, employee contributions to the plan were discontinued, and all contributions to the plan are now being made by the City. Participants are 100% vested in their contributions and are entitled to withdraw them when they start their retirement benefits. Included in net position are employee contributions totaling \$73,730.

The City makes contributions to the plan based on the recommendation of the independent actuary

The plan's independent actuary provides an annual recommended contributions. As required by City ordinance, contributions to the plan are made by the City from a \$.0916 per \$100 assessed valuation property tax levy. Any additional contributions required above what property taxes provide are paid from City funds.

Total City-paid contributions for the year ended March 31, 2016 were \$210,000. Total contributions provided from the property tax levy were \$250,537.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

Net Pension Liability

The employer's net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 31, 2015.

Actuarial assumptions

The total pension liability in the July 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	0%
Salary Increase	0%
Investment rate of return	6%

Mortality rates were based on the RP-2000 Mortality Table pre and post retirement.

The plan has not had a formal actuarial experience study performed.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	55 - 80%	9.50%
Fixed Income	20 - 45%	4.50%
Alternatives	0 - 10%	6.50%

Discount rate

The discount rate used to measure the total pension liability is 6.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at 8/1/2014	\$ 9,428,707	\$ 3,245,071	\$ 6,183,636
Changes for the year:			
Interest	550,731	-	550,731
Difference between expected and actual experience	(48,294)	-	(48,294)
Property tax revenues	-	238,165	(238,165)
City contributions	-	210,000	(210,000)
Net investment income	-	150,079	(150,079)
Benefit payments, including refunds	(499,698)	(499,698)	-
Administrative expense	-	(44,084)	44,084
Net changes	2,739	54,462	(51,723)
Balances at 8/1/2015	\$ 9,431,446	\$ 3,299,533	\$ 6,131,913

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the employer, calculated using the discount rate of 6.0%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (5.0%) or one percentage point higher (7.0%) than the current rate.

	1% Decrease (5.0%)	Current Single Discount Rate Assumption (6.0%)	1% Increase (7.0%)
Total Pension Liability	\$ 10,507,196	\$ 9,431,446	\$ 8,470,000
Plan Fiduciary Net Position	3,299,533	3,299,533	3,299,533
Net Position Liability	\$ 7,207,663	\$ 6,131,913	\$ 5,170,467

Pension Plan Fiduciary Net Position

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended March 31, 2016 the employer recognized pension expense of \$403,422. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between:		
Expected and actual experience	\$ -	\$ 40,386
Projected and actual earnings on investments	33,406	-
Contributions subsequent to the measurement date*	-	-
Total	\$ 33,406	\$ 40,386

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending March 31, 2017.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending		
2016	\$	443
2017		443
2018		443
2019		445
2020		(7,908)
Thereafter		(846)
		(846)
Total	\$	(6,980)

Payable to the Pension Plan

At March 31, 2016, the City did not have a payable to the pension fund for outstanding contributions.

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 \$1,507,354 in 2015. The Health Center's contributions aggregated \$590,897 during 2015.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

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 plan does not issue a separate report that includes financial statements and required supplementary information for the plan.

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.

Benefits Provided. The plan provides retirement and death benefits to plan members and their beneficiaries. For members whose age and years of continuous service equal at least 65 as of October 1, 1998, retirement benefits are calculated as 1.35% of employee's final 5-year average salary times the employee's years of service. For members whose age and years of continuous service do not equal at least 65 as of October 1, 1998, retirement benefits are calculated as the sum of: (1) 1.35% of the employee's 5-year average salary as of October 1, 1998 times the employee's years of service and (2) 1.20% of the employee's 5-year average salary times the employee's years of service earned after September 30, 1998 through the employee's retirement date. Death benefits are equal to 50% of the employee's accrued retirement benefit. Disability retirement benefits are determined in a similar manner as retirement benefits. Employees must earn 15 years of credited service to be eligible for the disability benefits described above.

The terms of the Plan provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are based upon section 401(a)(17)(B) of the Internal Revenue Code.

The employees covered by the Plan at May 31, 2015 are:

Active participants	285
Retired participants, beneficiaries and disableds	267
Participants with deferred benefits	309
	861
	861

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

Contributions. The contribution 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 as determined by independent actuarial valuation. Contribution rate for the Health Center expressed as a percentage of covered payroll was 11.3% for 2015. The Health Center's contribution to the plan for 2015 was \$2,145,553, which equaled the required contributions for the year.

Net Pension Liability. The Health Center's net pension liability was measured as of May 31, 2015, for the year then ended, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. Liabilities are then projected to the May 31, 2015 measurement date by using actuarial assumptions to increase the liabilities for interest and a partial year's normal cost and also decreasing the liabilities for benefit payments expected to be made between January 1 and the measurement date.

The total pension liability in the June 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	1.70% - 2.90%
Salary Increase – graded table paged back	4.50% - 3.00%
Investment rate of return	8.00%

Mortality rates were based on the *RP-2014 Mortality Table*, projected generationally with scale based on 2014 Social Security Intermediate assumptions.

The long-term expected rate of return on pension plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	62.00%	4.6% - 7.2%
Fixed Income	25.00%	1.7% - 2.7%
Real Estate	5.00%	3.1% - 6.9%
Tangible Assets	8.00%	0.0% - 0.6%
	<u>100.00%</u>	

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

Discount rate. The discount rate used to measure the total pension liability is 7.75% for the year ended May 31, 2015. The projection of cash flows used to determine the discount rate assumed that employer and employee contributions will be made at the rates equal to the actuarially determined contribution rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the total pension liability, plan fiduciary net position and the net pension liability for 2015 are:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance, beginning of year	\$ 52,991,736	\$ 47,284,034	\$ 5,707,702
Changes for the year:			
Service Cost	1,007,317	-	1,007,317
Interest	4,108,554	-	4,108,554
Difference between expected and actual experience	(890,375)	-	(890,375)
Contributions - employer	-	2,145,553	(2,145,553)
Net investment income	-	1,213,819	(1,213,819)
Benefit payments	(5,284,267)	(5,284,267)	-
Administrative expense	-	-	-
Other changes	(336,603)	-	(336,603)
Net changes	(1,395,374)	(1,924,895)	529,521
Balance, end of year	\$ 51,596,362	\$ 45,359,139	\$ 6,237,223

The net pension liability of the Health Center has been calculated using the discount rate of 7.75%. The following presents the net pension liability using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Hospital's net pension liability	\$ 11,481,380	\$ 6,237,223	\$ 1,773,898

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions

For the year ended May 31, 2015 the Health Center recognized pension expense of \$1,775,298. At May 31, 2015 the Health Center reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 763,179
Changes of assumptions	-	288,517
Net difference between projected and actual earnings on pension plan investments	1,951,472	-
Total	\$ 1,951,472	\$ 1,051,696

Amounts reported as deferred outflows and inflows of resources at May 31, 2015, related to pensions will be recognized in pension expense as follows:

Year Ended May 31		
2016	\$	312,586
2017		312,586
2018		312,586
2019		312,586
2020		(175,282)
Thereafter		(175,282)

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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

Activity in the Health Center's accrued employee health claims liability during 2015 is summarized as follows:

Balance, beginning of year	\$ 903,410
Current year claims incurred and changes in estimates for claims incurred in prior years	(4,732,218)
Claims and expenses paid	<u>4,772,633</u>
Balance, end of year	<u><u>\$ 943,825</u></u>

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 \$1,883,448 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 2015 is summarized as follows:

Balance, beginning of year	\$ 462,870
Current year claims incurred and changes in estimates for claims incurred in prior years	(202,369)
Claims and expenses paid	<u>239,410</u>
Balance, end of year	<u><u>\$ 499,911</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, 2015, amounted to \$32,519. 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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

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.

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, 2015, \$36,692 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 Health Center departments. The Health Center 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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

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 subject to 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.

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 the 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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

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 \$2,169,114 at March 31, 2016, to satisfy the claims of general creditors in the future.

6. Grants

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of March 31, 2016, 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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

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.

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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

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, 2016 on which the fiscal 2016 levy was based, were as follows:

Real estate	\$	196,006,477
Personal property		62,525,557
		258,532,034
	\$	258,532,034

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, 2016, are as follows:

Fund		Levy
General Fund	\$	0.4677
Public Library		0.2350
Library - temp		0.0700
Public Parks		0.1627
Firemen's Pension		0.0500
Police Pension		0.0916
Total City-Wide Levy		1.0770
Special Business District		0.8322
Total	\$	1.9092

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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

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.

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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2016

IV. OTHER INFORMATION (continued)

M. Prior Period Adjustment/Adoption of New Accounting Pronouncement

The City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transactions for Contributions Made Subsequent to the Measurement Date* in fiscal year 2016. Additionally, the City recorded a prior period adjustment to record accrued time off owed as of the beginning of the year. Prior period adjustments were recorded on the March 31, 2016 financial statements as follows:

	Enterprise Funds				Total
	Health Fund	Water Fund	Waste Water Fund	Sanitation Fund	
Fund Equity Per Funds					
Net Position, Beginning of Year	\$ 73,420,854	\$ 18,746,811	\$ 29,315,731	\$ -	\$ 121,483,396
Prior Period Adjustments to Record:					
GASB 68/71	(6,438,959)	(282,947)	209,315	160,065	(6,352,526)
Total Prior Period Adjustments	(6,438,959)	(282,947)	209,315	160,065	(6,352,526)
Net Position, Beginning of Year, Restated	<u>\$ 66,981,895</u>	<u>\$ 18,463,864</u>	<u>\$ 29,525,046</u>	<u>\$ 160,065</u>	<u>\$ 115,130,870</u>
	Governmental Activities	Business-Type Activities	Total		
Net Position, Beginning of Year	\$ 85,218,966	\$ 121,483,396	\$ 206,702,362		
Prior Period Adjustments to Record:					
GASB 68/71	(7,950,604)	(6,352,526)	(14,303,130)		
Accrued time off	(167,676)	-	(167,676)		
Total Prior Period Adjustments	(8,118,280)	(6,352,526)	(14,470,806)		
Net Position, Beginning of Year, Restated	<u>\$ 77,100,686</u>	<u>\$ 115,130,870</u>	<u>\$ 192,231,556</u>		

The City also recorded a prior period adjustment to reclassify the refundable contributions of the police and fire pension plan to be a component of net position rather than a liability. As a result, net position as of March 31, 2015 was restated for each fund as follows:

	Fire Pension	Police Pension	Total
Net position, beginning of year	\$ 5,652,821	\$ 2,987,827	\$ 8,640,648
Prior period adjustment	1,824,913	275,673	2,100,586
Net position, restated	<u>\$ 7,477,734</u>	<u>\$ 3,263,500</u>	<u>\$ 10,741,234</u>

N. Fines

Fines and penalties revenues as shown on the Statement of Revenues, Expenditures, and Changes in Fund Balances is \$140,919 for the year ended March 31, 2016, which is 1% of general fund revenues.

O. Consideration of Subsequent Events

Subsequent events have been evaluated through July 13, 2016, 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
(CITY ONLY)
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS)
YEAR ENDED MARCH 31, 2016

Fiscal Year	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency	Covered Employee Payroll	Contribution as Percentage
2007	\$ 425,597.74	\$ 513,031.55	\$ (87,433.81)	\$3,579,911.77	14.33%
2008	446,641.20	470,867.22	(24,226.02)	3,960,225.09	11.89%
2009	483,666.41	462,144.97	21,521.44	4,098,867.87	11.27%
2010	692,996.71	508,973.03	184,023.68	4,160,793.97	12.23%
2011	693,782.75	551,502.15	142,280.60	4,172,137.02	13.22%
2012	1,047,820.73	874,785.34	173,035.39	6,157,435.68	14.21%
2013	1,073,635.30	944,348.70	129,286.60	6,345,614.28	14.88%
2014	1,060,462.20	1,000,421.54	60,040.66	6,439,018.32	15.54%
2015	1,082,787.24	1,107,128.47	(24,341.23)	6,783,529.61	16.32%
2016	1,125,957.14	1,142,464.06	(16,506.92)	7,159,921.61	15.96%

CITY OF SEDALIA, MISSOURI
(CITY ONLY)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS)
YEAR ENDED MARCH 31, 2016

	Fiscal Year Ending March 31, 2016
Total Pension Liability	
Service Cost	\$ 790,153
Interest on the Total Pension Liability	1,722,378
Benefit Changes	-
Difference between expected and actual experience	(17,154)
Assumption Changes	-
Benefit Payments	(1,130,491)
Refunds	-
Net Change in Total Pension Liability	1,364,886
Total Pension Liability beginning	23,924,133
Total Pension Liability ending	\$ 25,289,019
 Plan Fiduciary Net Position	
Contributions - employer	\$ 1,126,448
Contributions - employee	-
Pension Plan Net Investment Income	464,211
Benefit Payments	(1,130,491)
Refunds	(27,868)
Pension Plan Administrative expense	-
Other	(172,400)
Net Change in Plan Fiduciary Net Position	259,900
Plan Fiduciary Net Position beginning	23,950,429
Plan Fiduciary Net Position ending	\$ 24,210,329
 Employer Net Pension Liability	\$ 1,078,690
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	95.73%
 Covered Employee Payroll	7,159,922
 Employer's Net Pension Liability as a percentage of covered employee payroll	15.07%

Data prior to 2016 is not available.

CITY OF SEDALIA, MISSOURI
 SEDALIA WATER DEPARTMENT
 SCHEDULE OF CONTRIBUTIONS
 LAST 10 FISCAL YEARS (UNAUDITED)
 (MISSOURI LAGERS)
 YEAR ENDED MARCH 31, 2016

Fiscal Year	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency	Covered Employee Payroll	Contribution as Percentage
2007	\$ 103,240.29	\$ 149,341.10	\$ (46,100.81)	\$ 770,449.92	19.38%
2008	146,736.99	153,295.32	(6,558.33)	819,759.72	18.70%
2009	140,016.82	147,429.80	(7,412.98)	823,628.36	17.90%
2010	169,000.73	136,810.12	32,190.61	804,765.36	17.00%
2011	185,515.41	149,743.52	35,771.89	831,907.67	18.00%
2012	193,847.86	157,398.00	36,449.86	828,409.65	19.00%
2013	194,125.02	168,073.49	26,051.53	840,368.06	20.00%
2014	198,168.49	184,957.58	13,210.91	880,748.84	21.00%
2015	190,211.25	203,138.04	(12,926.79)	923,355.60	22.00%
2016	196,082.28	206,086.36	(10,004.08)	1,000,419.79	20.60%

CITY OF SEDALIA, MISSOURI
 SEDALIA WATER DEPARTMENT
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 LAST 10 FISCAL YEARS (UNAUDITED)
 (MISSOURI LAGERS)
 YEAR ENDED MARCH 31, 2016

	Fiscal Year Ending March 31, 2016
Total Pension Liability	
Service Cost	\$ 92,032
Interest on the Total Pension Liability	429,548
Benefit Changes	-
Difference between expected and actual experience	(43,550)
Assumption Changes	-
Benefit Payments	(199,141)
Refunds	-
Net Change in Total Pension Liability	278,889
Total Pension Liability beginning	5,977,424
Total Pension Liability ending	\$ 6,256,313
 Plan Fiduciary Net Position	
Contributions - employer	\$ 202,067
Contributions - employee	-
Pension Plan Net Investment Income	115,738
Benefit Payments	(199,141)
Refunds	(4,567)
Pension Plan Administrative expense	-
Other	119,878
Net Change in Plan Fiduciary Net Position	233,975
Plan Fiduciary Net Position beginning	5,545,015
Plan Fiduciary Net Position ending	\$ 5,778,990
 Employer Net Pension Liability	\$ 477,323
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	92.37%
 Covered Employee Payroll	928,744
 Employer's Net Pension Liability as a percentage of covered employee payroll	51.39%

Data prior to 2016 is not available.

CITY OF SEDALIA, MISSOURI
 BOTHWELL REGIONAL HEALTH CENTER
 SCHEDULE OF CONTRIBUTIONS
 LAST 10 FISCAL YEARS (UNAUDITED)
 (MISSOURI LAGERS)
 FOR THE YEAR ENDED MAY 31, 2015

		2015
Actuarially determined contribution	\$	2,145,553
Contributions in relation to the actuarially determined contribution		2,145,553
Contribution deficiency (excess)		-
Covered-employee payroll	\$	19,008,555
Contributions as a percentage of covered-employee payroll		11.3%

Notes to Schedule

Valuation date: June 1, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal Cost
Amortization method:	Level Dollar Closed Amortization
Remaining amortization period:	20 years
Asset valuation method:	Smoothed Market Value of Assets
Inflation:	1.7% - 2.9%
Salary increases - graded table paged down:	4.5% - 3%
Investment rate of return:	8.0%
Retirement age:	67
Mortality tables:	RP-2014 Mortality Table

CITY OF SEDALIA, MISSOURI
 BOTHWELL REGIONAL HEALTH CENTER
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 LAST 10 FISCAL YEARS (UNAUDITED)
 (MISSOURI LAGERS)
 YEAR ENDED MAY 31, 2015

	2015
Total Pension Liability	
Service Cost	\$ 1,007,317
Interest on the Total Pension Liability	4,108,554
Benefit Changes	-
Difference between expected and actual experience	(890,375)
Assumption Changes	(336,603)
Benefit Payments	(5,284,267)
Refunds	-
Net Change in Total Pension Liability	(1,395,374)
Total Pension Liability beginning	52,991,736
Total Pension Liability ending	\$ 51,596,362
 Plan Fiduciary Net Position	
Contributions - employer	\$ 2,145,553
Net investment income	1,213,819
Benefit payments, including refunds of employee contributions	(5,284,267)
Administrative expense	-
Other	-
Net Change in Plan Fiduciary Net Position	(1,924,895)
Plan Fiduciary Net Position beginning	47,284,034
Plan Fiduciary Net Position ending	\$ 45,359,139
 Employer Net Pension Liability	\$ 6,237,223
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	87.90%
 Covered Employee Payroll	\$ 19,008,555
 Employer's Net Pension Liability as a percentage of covered employee payroll	32.8%

Data prior to 2015 is not available.

CITY OF SEDALIA, MISSOURI
FIREMEN'S PENSION TRUST FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED MARCH 31, 2016

Total Pension Liability	
Service cost	\$ 133,713
Interest cost	671,001
Difference between actual and expected experience	291,541
Benefit payments, including refunds of member contributions	(627,757)
Net Change in Total Pension Liability	<u>468,498</u>
Total Pension Liability beginning	<u>9,765,898</u>
Total Pension Liability ending	<u><u>\$ 10,234,396</u></u>
 Plan Fiduciary Net Position	
Employer contributions	\$ 239,610
Property tax revenues	127,619
Net investment return	483,075
Benefit payments, including refunds of member contributions	(627,757)
Administrative and other expenses	(29,183)
Net Change in Plan Fiduciary Net Position	<u>193,364</u>
Plan Fiduciary Net Position - beginning of year	<u>7,284,563</u>
Plan Fiduciary Net Position - end of year	<u>7,477,927</u>
Net Pension Liability - end of year	<u><u>\$ 2,756,469</u></u>
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	
	73%
Covered Employee Payroll	\$ 1,694,537
 Employer's Net Pension Liability as a percentage of covered employee payroll	
	163%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF SEDALIA, MISSOURI
 FIREMEN'S PENSION TRUST FUND
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary information was determined as part of the most recent actuarial valuation as of April 1, 2015. Additional information as of this actuarial valuation follows.

Actuarial methods and assumptions: The actuarially determined contribution rates in the schedule of employers' contributions are calculated as of April 1 of the respective fiscal year.

The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule as of April 1, 2015.

Actuarially cost method	Entry age normal
Amortization method:	
Level percent or dollar	Level percent of indexed earnings
Closed, open, or layered periods	Open
Amortization period	30 years
Asset valuation method	Market value
Investment rate of return	7%
Inflation	2.2%
Compensation increases	3%
Retirement age	Rates vary by age as shown in Section 4 of the April 1, 2015 Actuarial Valuation Report
Turnover	Rates vary by age as shown in Section 4 of the April 1, 2015 Actuarial Valuation Report
Mortality rates	1994 Group Annuity Mortality Table

CITY OF SEDALIA, MISSOURI
POLICE PENSION TRUST FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED MARCH 31, 2016

Total Pension Liability	
Service cost	\$ -
Interest cost	550,731
Difference between actual and expected experience	(48,294)
Benefit payments, including refunds of member contributions	(499,698)
Net Change in Total Pension Liability	<u>2,739</u>
Total Pension Liability beginning	<u>9,428,707</u>
Total Pension Liability ending	<u><u>\$ 9,431,446</u></u>
 Plan Fiduciary Net Position	
Employer contributions	\$ 210,000
Property tax revenues	238,165
Net investment return	150,079
Benefit payments, including refunds of member contributions	(499,698)
Administrative and other expenses	(44,084)
Net Change in Plan Fiduciary Net Position	<u>54,462</u>
Plan Fiduciary Net Position - beginning of year	<u>3,245,071</u>
Plan Fiduciary Net Position - end of year	<u>3,299,533</u>
Net Pension Liability - end of year	<u><u>\$ 6,131,913</u></u>
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	 35%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF SEDALIA, MISSOURI
POLICE PENSION TRUST FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary information was determined as part of the most recent actuarial valuation as of August 1, 2015. Additional information as of this actuarial valuation follows.

Actuarial methods and assumptions: The actuarially determined contribution rates in the schedule of employers' contributions are calculated as of January 1 of the respective fiscal year. The plan is frozen. The actuary calculated a total contribution based on the assumptions below as of August 1, 2015. That amount is offset by anticipated property taxes to determine the amount the City will contribute.

The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule as of August 1, 2015.

Actuarially cost method	Entry age normal
Amortization method:	
Level percent or dollar	Level percent
Closed, open, or layered periods	Open
Amortization period	25 years
Asset valuation method	Market value
Investment rate of return	6 %
Inflation	0%
Compensation increases	0%
Retirement age	Age 52
Turnover	None assumed
Mortality rates	RP-2000 Mortality Table pre and post retirement

CITY OF SEDALIA PENSION TRUST FUNDS
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Firemen's Pension Trust Fund

<u>Year Ended March 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess/ Deficiency</u>	<u>Actual Covered Employee Payroll</u>	<u>Contribution as a % of Covered Payroll</u>
2015	\$ 331,814	\$ 367,229	\$ 35,415	\$ 1,694,537	21.67%

Note: Employer Contributions in this schedule include both City contributions and property tax revenues. The Actuarially Determined Contribution is the total required amount. The City contributes amounts not covered by the property tax revenue.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Note: As the Police Pension Trust Fund is frozen, pay is not a factor, and the relationship of contributions to covered employee payroll is not determined. Therefore, this schedule is not prepared for it.

OTHER SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

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.
Fire Academy	Accounts for revenues and expenditures of the fire academy.

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, 2016**

	Special Revenue Funds					Capital Project Funds		Totals (Memorandum Only)
	Library	Park	Special Business District	Midtown Special Allocation	Fire Academy	Capital Project	Capital Project #2	
ASSETS								
Cash including time deposits	\$ 975,012	\$ 1,799,147	\$ 67,921	\$ -	\$ 5,791	\$ -	\$ 902,100	\$ 3,749,971
Taxes receivable, net of allowance	-	472,728	-	-	-	-	343,007	815,735
Receivables, net of allowance	-	420	-	-	-	-	91,350	91,770
Due from other governmental agencies	-	-	-	-	-	36,175	-	36,175
Accrued interest receivable	809	1,453	-	-	-	-	2,993	5,255
Due from other funds	-	-	-	-	-	-	-	-
Prepaid expenses	-	15,532	-	-	-	-	-	15,532
Restricted cash	-	-	-	-	-	-	956,784	956,784
Total Assets	975,821	2,289,280	67,921	-	5,791	36,175	2,296,234	5,671,222
LIABILITIES								
Accounts payable	2,954	59,686	130	19,056	1,041	19,453	9,592	111,912
Accrued expenses	22,561	38,920	-	-	1,970	-	29,917	93,368
Sales tax overpayment payable	-	295,382	-	-	-	-	196,921	492,303
Due to other funds	-	-	-	31,151	-	29,604	-	60,755
Total Liabilities	25,515	393,988	130	50,207	3,011	49,057	236,430	758,338
DEFERRED INFLOWS								
Total Deferred Inflows	-	-	-	-	-	-	-	-
FUND EQUITY								
Nonspendable								
Prepaid expenses	-	15,532	-	-	-	-	-	15,532
Restricted for debt service	-	-	-	-	-	-	956,784	956,784
Assigned for special revenue purposes	950,306	1,879,760	67,791	-	2,780	-	-	2,900,637
Assigned for capital project purposes	-	-	-	-	-	-	1,103,020	1,103,020
Unassigned (deficit)	-	-	-	(50,207)	-	(12,882)	-	(63,089)
Total Fund Equity	950,306	1,895,292	67,791	(50,207)	2,780	(12,882)	2,059,804	4,912,884
Total Liabilities, Deferred Inflows and Fund Equity	\$ 975,821	\$ 2,289,280	\$ 67,921	\$ -	\$ 5,791	\$ 36,175	\$ 2,296,234	\$ 5,671,222

**CITY OF SEDALIA, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED MARCH 31, 2016**

	Special Revenue Funds					Capital Project Funds		Totals (Memorandum Only)
	Library	Park	Special Business District	Midtown Special Allocation	Fire Academy	Capital Project	Capital Project #2	
REVENUES								
Taxes	\$ 663,369	\$ 2,349,086	\$ 42,820	\$ 118,543	\$ -	\$ -	\$ 1,937,670	\$ 5,111,488
Intergovernmental	11,195	-	-	-	-	919,034	-	930,229
Charges for services	12,106	279,624	-	-	18,000	-	-	309,730
Miscellaneous	65,670	18,898	136	392	32	-	24,764	109,892
Total Revenues	752,340	2,647,608	42,956	118,935	18,032	919,034	1,962,434	6,461,339
EXPENDITURES								
Library	631,816	-	-	-	-	-	-	631,816
Park	-	2,690,806	-	-	-	-	-	2,690,806
Planning, building and economic development	-	-	32,324	27,135	-	9,271	125,895	194,625
Public safety	-	-	-	-	15,252	-	-	15,252
Capital outlay	-	-	-	312,572	-	1,078,594	1,153,517	2,544,683
Debt service	-	-	-	-	-	-	1,227,371	1,227,371
Total Expenditures	631,816	2,690,806	32,324	339,707	15,252	1,087,865	2,506,783	7,304,553
Excess (Deficit) of Revenues over Expenditures	120,524	(43,198)	10,632	(220,772)	2,780	(168,831)	(544,349)	(843,214)
OTHER FINANCING SOURCES (USES)								
Operating transfers in (out)	-	-	-	(127,998)	-	188,380	(60,382)	-
Total Other Financing Sources (Uses)	-	-	-	(127,998)	-	188,380	(60,382)	-
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	120,524	(43,198)	10,632	(348,770)	2,780	19,549	(604,731)	(843,214)
Fund Balance, beginning of year	829,782	1,938,490	57,159	298,563	-	(32,431)	2,664,535	5,756,098
Fund Balance, end of year (deficit)	\$ 950,306	\$ 1,895,292	\$ 67,791	\$ (50,207)	\$ 2,780	\$ (12,882)	\$ 2,059,804	\$ 4,912,884

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

Special Revenue Funds and Capital Project Funds

**CITY OF SEDALIA, MISSOURI
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 621,394	\$ 621,394	\$ 625,052	\$ 3,658
Payment in-lieu-of	415	415	693	278
Financial institution	3,197	3,197	4,038	841
Railroad and utilities	28,500	28,500	33,586	5,086
Total Taxes	<u>653,506</u>	<u>653,506</u>	<u>663,369</u>	<u>9,863</u>
Intergovernmental				
State and federal grants	13,209	13,209	11,195	(2,014)
Total Intergovernmental	<u>13,209</u>	<u>13,209</u>	<u>11,195</u>	<u>(2,014)</u>
Charges for Services				
Library fees	10,500	10,500	12,106	1,606
Total Charges for Services	<u>10,500</u>	<u>10,500</u>	<u>12,106</u>	<u>1,606</u>
Miscellaneous				
Interest	3,000	3,000	4,517	1,517
Miscellaneous	1,000	1,000	61,153	60,153
Total Miscellaneous	<u>4,000</u>	<u>4,000</u>	<u>65,670</u>	<u>61,670</u>
TOTAL REVENUES	<u>681,215</u>	<u>681,215</u>	<u>752,340</u>	<u>71,125</u>
EXPENDITURES				
Personnel services	373,876	373,876	358,719	15,157
Other charges and services	68,501	68,501	62,863	5,638
Operating supplies	100,967	100,967	91,417	9,550
Capital outlay	29,759	29,759	10,821	18,938
Debt service	108,112	108,112	107,996	116
TOTAL EXPENDITURES	<u>681,215</u>	<u>681,215</u>	<u>631,816</u>	<u>49,399</u>
Excess (Deficit) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>120,524</u>	<u>120,524</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>120,524</u>	<u>\$ 120,524</u>
Fund Balance, beginning of year	<u>829,782</u>	<u>829,782</u>	<u>829,782</u>	
Fund Balance, end of year	<u>\$ 829,782</u>	<u>\$ 829,782</u>	<u>\$ 950,306</u>	

**CITY OF SEDALIA, MISSOURI
PARK FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 419,437	\$ 419,437	\$ 420,980	\$ 1,543
Payment in-lieu-of	-	-	370	370
Railroad and utility	16,432	16,432	17,802	1,370
General sales and use	1,817,538	1,854,838	1,909,934	55,096
Total Taxes	<u>2,253,407</u>	<u>2,290,707</u>	<u>2,349,086</u>	<u>58,379</u>
Charges for Services				
Park and recreation fees	240,658	260,558	279,624	19,066
Total Charges for Services	<u>240,658</u>	<u>260,558</u>	<u>279,624</u>	<u>19,066</u>
Miscellaneous				
Interest	3,262	3,262	11,838	8,576
Miscellaneous	1,723	1,723	7,060	5,337
Total Miscellaneous	<u>4,985</u>	<u>4,985</u>	<u>18,898</u>	<u>13,913</u>
TOTAL REVENUES	<u>2,499,050</u>	<u>2,556,250</u>	<u>2,647,608</u>	<u>91,358</u>
EXPENDITURES				
Personnel services	1,099,693	1,099,693	960,614	139,079
Other charges and services	451,200	484,600	479,195	5,405
Operating supplies	299,000	325,802	302,390	23,412
Capital outlay	649,157	960,242	948,607	11,635
TOTAL EXPENDITURES	<u>2,499,050</u>	<u>2,870,337</u>	<u>2,690,806</u>	<u>179,531</u>
Excess (Deficit) of Revenues over Expenditures	<u>-</u>	<u>(314,087)</u>	<u>(43,198)</u>	<u>(88,173)</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>(314,087)</u>	<u>(43,198)</u>	<u>\$ (88,173)</u>
Fund Balance, beginning of year	<u>1,938,490</u>	<u>1,938,490</u>	<u>1,938,490</u>	
Fund Balance, end of year	<u>\$ 1,938,490</u>	<u>\$ 1,624,403</u>	<u>\$ 1,895,292</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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 40,889	\$ 40,889	\$ 40,616	\$ (273)
Financial institution	2,270	2,270	2,204	(66)
Total Taxes	<u>43,159</u>	<u>43,159</u>	<u>42,820</u>	<u>(339)</u>
Intergovernmental				
State and federal grants	-	-	-	-
Total Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Miscellaneous				
Interest	38	38	136	98
Miscellaneous	-	-	-	-
Total Miscellaneous	<u>38</u>	<u>38</u>	<u>136</u>	<u>98</u>
TOTAL REVENUES	<u>43,197</u>	<u>43,197</u>	<u>42,956</u>	<u>(241)</u>
EXPENDITURES				
Other charges and services	34,300	34,300	27,022	7,278
Operating supplies	-	-	99	(99)
Capital outlay	13,500	13,500	5,203	8,297
TOTAL EXPENDITURES	<u>47,800</u>	<u>47,800</u>	<u>32,324</u>	<u>15,476</u>
Excess (Deficit) of Revenues over Expenditures	(4,603)	(4,603)	10,632	<u>\$ 15,235</u>
Fund Balance, beginning of year	<u>57,159</u>	<u>57,159</u>	<u>57,159</u>	
Fund Balance, end of year	<u>\$ 52,556</u>	<u>\$ 52,556</u>	<u>\$ 67,791</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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 120,165	\$ 120,165	\$ 118,543	\$ (1,622)
Total Taxes	<u>120,165</u>	<u>120,165</u>	<u>118,543</u>	<u>(1,622)</u>
Miscellaneous				
Interest income	280	280	392	112
Total Miscellaneous	<u>280</u>	<u>280</u>	<u>392</u>	<u>112</u>
Total Revenues	<u>120,445</u>	<u>120,445</u>	<u>118,935</u>	<u>(1,510)</u>
EXPENDITURES				
Other charges and services	20,000	20,000	27,135	(7,135)
Capital outlay	<u>196,355</u>	<u>471,355</u>	<u>312,572</u>	<u>158,783</u>
Total Expenditures	<u>216,355</u>	<u>491,355</u>	<u>339,707</u>	<u>151,648</u>
Excess (Deficit) of Revenues over Expenditures	<u>(95,910)</u>	<u>(370,910)</u>	<u>(220,772)</u>	<u>150,138</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>(134,000)</u>	<u>(127,998)</u>	<u>(127,998)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(134,000)</u>	<u>(127,998)</u>	<u>(127,998)</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	<u>(229,910)</u>	<u>(498,908)</u>	<u>(348,770)</u>	<u>\$ 150,138</u>
Fund Balance, beginning of year	<u>298,563</u>	<u>298,563</u>	<u>298,563</u>	
Fund Balance, end of year	<u>\$ 68,653</u>	<u>\$ (200,345)</u>	<u>\$ (50,207)</u>	

**CITY OF SEDALIA, MISSOURI
FIRE ACADEMY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for Services				
Tuition and fees	-	18,000	18,000	-
Total Charges for Services	-	18,000	18,000	-
Miscellaneous				
Interest income	-	-	32	32
Total Miscellaneous	-	-	32	32
Total Revenues	-	18,000	18,032	32
EXPENDITURES				
Personnel services	-	10,586	10,266	320
Other charges and services	-	2,950	2,158	
Operating supplies	-	3,375	2,828	547
Total Expenditures	-	16,911	15,252	867
Excess (Deficit) of Revenues over Expenditures	-	1,089	2,780	899
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	-	1,089	2,780	<u>\$ 899</u>
Fund Balance, beginning of year	-	-	-	
Fund Balance, end of year	<u>\$ -</u>	<u>\$ 1,089</u>	<u>\$ 2,780</u>	

**CITY OF SEDALIA, MISSOURI
CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2016**

	<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	\$ 678,851	\$ 986,209	\$ 919,034	\$ (67,175)
Total Intergovernmental	<u>678,851</u>	<u>986,209</u>	<u>919,034</u>	<u>(67,175)</u>
Miscellaneous				
Miscellaneous	240,000	234,498	-	(234,498)
Total Miscellaneous	<u>240,000</u>	<u>234,498</u>	<u>-</u>	<u>(234,498)</u>
Total Revenues	<u>918,851</u>	<u>1,220,707</u>	<u>919,034</u>	<u>(301,673)</u>
EXPENDITURES				
Other charges and services	560	8,815	9,271	(456)
Capital outlay	1,070,257	1,373,557	1,078,594	294,963
Total Expenditures	<u>1,070,817</u>	<u>1,382,372</u>	<u>1,087,865</u>	<u>294,507</u>
Excess (Deficit) of Revenues over Expenditures	<u>(151,966)</u>	<u>(161,665)</u>	<u>(168,831)</u>	<u>(7,166)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	151,966	188,380	188,380	-
Total Other Financing Sources (Uses)	<u>151,966</u>	<u>188,380</u>	<u>188,380</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	-	26,715	19,549	<u>\$ (7,166)</u>
Fund Balance, beginning of year (Deficit)	<u>(32,431)</u>	<u>(32,431)</u>	<u>(32,431)</u>	
Fund Balance, end of year (Deficit)	<u>\$ (32,431)</u>	<u>\$ (5,716)</u>	<u>\$ (12,882)</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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Sales and use	\$ 1,850,817	\$ 1,900,567	\$ 1,937,670	\$ 37,103
Franchise	46,350	46,350	-	(46,350)
Total Taxes	<u>1,897,167</u>	<u>1,946,917</u>	<u>1,937,670</u>	<u>(9,247)</u>
Miscellaneous				
Rental income	4,000	4,000	-	(4,000)
Interest income	10,881	10,881	24,764	13,883
Total Miscellaneous	<u>14,881</u>	<u>14,881</u>	<u>24,764</u>	<u>9,883</u>
Total Revenues	<u>1,912,048</u>	<u>1,961,798</u>	<u>1,962,434</u>	<u>636</u>
EXPENDITURES				
Other charges and services	59,500	127,472	125,895	1,577
Capital outlay	1,229,080	1,196,108	1,153,517	42,591
Debt service	1,225,835	1,227,635	1,227,371	264
Total Expenditures	<u>2,514,415</u>	<u>2,551,215</u>	<u>2,506,783</u>	<u>44,432</u>
Excess (Deficit) of Revenues over Expenditures	<u>(602,367)</u>	<u>(589,417)</u>	<u>(544,349)</u>	<u>45,068</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(17,966)	(60,382)	(60,382)	-
Total Other Financing Sources (Uses)	<u>(17,966)</u>	<u>(60,382)</u>	<u>(60,382)</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	<u>(620,333)</u>	<u>(649,799)</u>	<u>(604,731)</u>	<u>\$ 45,068</u>
Fund Balance, beginning of year	<u>2,664,535</u>	<u>2,664,535</u>	<u>2,664,535</u>	
Fund Balance, end of year	<u>\$ 2,044,202</u>	<u>\$ 2,014,736</u>	<u>\$ 2,059,804</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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 1,211,083	\$ 1,211,083	\$ 1,287,631	\$ 76,548
Interest and penalties	36,000	36,000	35,767	(233)
Payment-in-lieu-of taxes	600	600	7,555	6,955
Railroad and utilities	47,715	47,715	51,187	3,472
Financial institution	11,335	11,335	12,935	1,600
General sales	7,478,915	7,628,165	7,783,108	154,943
Franchise	2,321,315	2,321,315	2,249,882	(71,433)
Cigarette	99,848	99,848	114,713	14,865
Total Taxes	<u>11,206,811</u>	<u>11,356,061</u>	<u>11,542,778</u>	<u>186,717</u>
Licenses and Permits				
Occupational	328,331	328,331	330,666	2,335
Building	85,652	135,652	146,762	11,110
Street cuts	4,000	4,000	3,075	(925)
Other licenses	36,363	8,873	4,019	(4,854)
Total Licenses and Permits	<u>454,346</u>	<u>476,856</u>	<u>484,522</u>	<u>7,666</u>
Intergovernmental				
State gasoline tax	564,159	564,159	569,096	4,937
Motor vehicle sales tax	262,906	262,906	272,405	9,499
State and federal grants	176,673	176,673	54,413	(122,260)
Total Intergovernmental	<u>1,003,738</u>	<u>1,003,738</u>	<u>895,914</u>	<u>(107,824)</u>
Charges for Services				
Sanitation fees				-
Community center fees	19,540	19,540	18,102	(1,438)
Cemetery fees and lot sales	108,748	108,748	89,085	(19,663)
Airport fees	417,433	417,433	281,304	(136,129)
Dispatch fees	-	-	82,958	82,958
Total Charges for Services	<u>545,721</u>	<u>545,721</u>	<u>471,449</u>	<u>(74,272)</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, 2016**

	<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	154,246	154,246	140,919	(13,327)
Total Fines and Forfeitures	<u>154,246</u>	<u>154,246</u>	<u>140,919</u>	<u>(13,327)</u>
Miscellaneous				
Interest income	28,333	28,333	47,692	19,359
Rental income	64,770	64,770	68,520	3,750
Miscellaneous	118,753	209,915	243,762	33,847
Total Miscellaneous	<u>211,856</u>	<u>303,018</u>	<u>359,974</u>	<u>56,956</u>
TOTAL REVENUES	<u>13,576,718</u>	<u>13,839,640</u>	<u>13,895,556</u>	<u>55,916</u>
EXPENDITURES				
General and Administrative				
Administrative				
Personnel services	593,251	593,251	570,196	23,055
Other charges and services	248,683	263,733	251,886	11,847
Operating supplies	14,250	14,250	4,762	9,488
Total Administrative	<u>856,184</u>	<u>871,234</u>	<u>826,844</u>	<u>44,390</u>
Finance				
Personnel services	411,235	411,235	399,316	11,919
Other charges and services	133,083	136,083	131,491	4,592
Operating supplies	2,200	2,200	2,245	(45)
Total Finance	<u>546,518</u>	<u>549,518</u>	<u>533,052</u>	<u>16,466</u>
Records				
Personnel services	144,358	144,358	144,571	(213)
Other charges and services	55,433	62,595	59,236	3,359
Repairs and maintenance	1,000	1,000	1,119	(119)
Total Records	<u>200,791</u>	<u>207,953</u>	<u>204,926</u>	<u>3,027</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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (cont'd)				
Code Enforcement				
Personnel services	506,371	506,371	508,627	(2,256)
Other charges and services	49,079	52,379	44,847	7,532
Repairs and maintenance	13,750	15,150	11,409	3,741
Total Code Enforcement	<u>569,200</u>	<u>573,900</u>	<u>564,883</u>	<u>9,017</u>
Building Maintenance				
Personnel services	278,742	278,742	268,563	10,179
Other charges and services	45,117	49,617	45,530	4,087
Operating supplies	8,400	8,400	7,578	822
Total Building Maintenance	<u>332,259</u>	<u>336,759</u>	<u>321,671</u>	<u>15,088</u>
Information Solutions				
Personnel services	121,083	121,083	120,439	644
Other charges and services	192,366	194,166	177,604	16,562
Operating supplies	500	500	778	(278)
Total Information Solutions	<u>313,949</u>	<u>315,749</u>	<u>298,821</u>	<u>16,928</u>
Total General and Administrative	<u>2,818,901</u>	<u>2,855,113</u>	<u>2,750,197</u>	<u>104,916</u>
Public Safety				
Police				
Personnel services	3,721,321	3,634,222	3,937,734	(303,512)
Other charges and services	286,789	335,055	321,108	13,947
Operating supplies	178,000	131,175	117,142	14,033
Total Police	<u>4,186,110</u>	<u>4,100,452</u>	<u>4,375,984</u>	<u>(275,532)</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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (cont'd)				
Fire				
Personnel services	2,481,291	2,515,391	2,427,386	88,005
Other charges and services	119,356	125,356	109,478	15,878
Operating supplies	38,300	39,650	32,668	6,982
Total Fire	<u>2,638,947</u>	<u>2,680,397</u>	<u>2,569,532</u>	<u>110,865</u>
Cemetery				
Personnel services	280,356	280,356	281,425	(1,069)
Other charges and services	20,916	22,293	20,323	1,970
Operating supplies	11,915	11,915	10,154	1,761
Total Cemetery	<u>313,187</u>	<u>314,564</u>	<u>311,902</u>	<u>2,662</u>
Animal Control				
Personnel services	-	71,028	75,245	(4,217)
Other charges and services	-	42,566	27,596	14,970
Operating supplies	-	17,685	11,285	6,400
Capital outlay	-	46,000	48,486	(2,486)
Total Animal Control	<u>-</u>	<u>177,279</u>	<u>162,612</u>	<u>14,667</u>
Total Public Safety	<u>7,138,244</u>	<u>7,272,692</u>	<u>7,420,030</u>	<u>(147,338)</u>
Transportation				
Streets and Alleys				
Personnel services	1,462,990	1,462,990	1,380,579	82,411
Other charges and services	735,208	761,708	721,798	39,910
Operating supplies	397,400	419,900	359,649	60,251
Total Streets and Alleys	<u>2,595,598</u>	<u>2,644,598</u>	<u>2,462,026</u>	<u>182,572</u>
Airport				
Personnel services	189,097	193,397	194,884	(1,487)
Other charges and services	39,251	50,351	48,902	1,449
Operating supplies	410,600	280,600	255,050	25,550
Total Airport	<u>638,948</u>	<u>524,348</u>	<u>498,836</u>	<u>25,512</u>
Total Transportation	<u>3,234,546</u>	<u>3,168,946</u>	<u>2,960,862</u>	<u>208,084</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, 2016**

	<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	31,603	43,853	43,919	(66)
Operating supplies	1,700	1,700	2,445	(745)
Total Community Center	<u>33,303</u>	<u>45,553</u>	<u>46,364</u>	<u>(811)</u>
Capital Expenditures				
Capital outlay	1,246,728	1,196,421	914,068	282,353
Total Capital Expenditures	<u>1,246,728</u>	<u>1,196,421</u>	<u>914,068</u>	<u>282,353</u>
Debt Service				
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>14,471,722</u>	<u>14,538,725</u>	<u>14,091,521</u>	<u>461,871</u>
Excess (Deficit) of Revenues over Expenditures	(895,004)	(699,085)	(195,965)	517,787
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	143,773	143,773	143,773	-
Total Other Financing Sources (Uses)	<u>143,773</u>	<u>143,773</u>	<u>143,773</u>	<u>-</u>
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	(751,231)	(555,312)	(52,192)	<u>\$ 517,787</u>
Fund Balance, beginning of year	<u>7,963,759</u>	<u>7,963,759</u>	<u>7,963,759</u>	
Fund Balance, end of year	<u>\$ 7,212,528</u>	<u>\$ 7,408,447</u>	<u>\$ 7,911,567</u>	

COMBINING FINANCIAL STATEMENTS

Fiduciary Funds

CITY OF SEDALIA, MISSOURI
COMBINING STATEMENT OF FIDUCIARY NET POSITION
YEAR ENDED MARCH 31, 2016

	<u>Pension Trust</u>		<u>Agency Fund</u>	<u>Total</u>
	<u>Firemen's Pension</u>	<u>Police Pension</u>	<u>Deferred Compensation</u>	
ASSETS				
Cash	\$ 114	\$ 692	\$ -	\$ 806
Receivables:				
Accrued interest and dividends	21,967	3,342	-	25,309
Investments, at fair value	6,964,217	3,073,795	2,169,114	12,207,126
Total Assets	<u>6,986,298</u>	<u>3,077,829</u>	<u>2,169,114</u>	<u>12,233,241</u>
Net Position	<u>\$ 6,986,298</u>	<u>\$ 3,077,829</u>	<u>\$ 2,169,114</u>	<u>\$ 12,233,241</u>

CITY OF SEDALIA, MISSOURI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED MARCH 31, 2016

	<u>Pension Trust Fund</u>		<u>Agency Fund</u>	<u>Total</u>
	<u>Firemen's</u>	<u>Police</u>	<u>Deferred Compensation</u>	
ADDITIONS				
Contributions				
Taxes	\$ 134,944	\$ 247,208	\$ -	\$ 382,152
Employer/employee	196,816	210,000	181,631	588,447
Miscellaneous	63	3,327	-	3,390
Total contributions	<u>331,823</u>	<u>460,535</u>	<u>181,631</u>	<u>973,989</u>
Investment earnings				
Investment income	205,586	52,676	62,151	320,413
Net depreciation in fair value of investments	(285,490)	(155,165)	-	(440,655)
Total investment loss	<u>(79,904)</u>	<u>(102,489)</u>	<u>62,151</u>	<u>(120,242)</u>
Investment expenses	<u>(37,665)</u>	<u>(15,025)</u>	<u>-</u>	<u>(52,690)</u>
Net gain/(loss) from investing activities	<u>(117,569)</u>	<u>(117,514)</u>	<u>62,151</u>	<u>(172,932)</u>
Total Additions	<u>214,254</u>	<u>343,021</u>	<u>243,782</u>	<u>801,057</u>
DEDUCTIONS				
Benefits	644,540	512,688	425,220	1,582,448
Disability insurance	32,548	-	-	32,548
Administrative expense	11,304	8,905	15,186	35,395
Pension refunds	4,615	-	-	4,615
Miscellaneous	12,683	7,099	12,093	31,875
Total Deductions	<u>705,690</u>	<u>528,692</u>	<u>452,499</u>	<u>1,686,881</u>
Net decrease	(491,436)	(185,671)	(208,717)	(885,824)
Net position - restricted for pension benefits				
Beginning of year, as restated	<u>7,477,734</u>	<u>3,263,500</u>	<u>2,377,831</u>	<u>13,119,065</u>
End of year	<u>\$ 6,986,298</u>	<u>\$ 3,077,829</u>	<u>\$ 2,169,114</u>	<u>\$ 12,233,241</u>

COMPLIANCE AND INTERNAL CONTROL



GERDING, KORTE & CHITWOOD CPAS
Professional Corporation
Certified Public Accountants

**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**

723 Main St.
Boonville, MO 65233
(660) 882-7000
Fax: (660) 882-7765

www.gkccpas.com

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

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, 2016, 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, 2016.

PARTNERS

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

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.



July 13, 2016

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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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 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, 2016. 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

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

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the uniform guidance 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, 2016.

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 the uniform guidance, 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, 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 the uniform guidance. Accordingly, this report is not suitable for any other purpose.



July 13, 2016

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

CITY OF SEDALIA, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2016

Grantor Agency	Program Title	CFDA Number	Grant Number	Expenditures
U.S. Department of Justice				
Direct Funding	Crime Forfeiture	16.922		\$ 1,615
Direct Funding	Edward Byrne Justice Assistance Grant	16.738	2014-DJ-BX-0361	\$ 1,105
Direct Funding	Edward Byrne Justice Assistance Grant	16.738	15-KCD-256-AFF	8,361
Direct Funding	Edward Byrne Justice Assistance Grant	16.738	16-KCD-256-AFF	5,983
Direct Funding	Edward Byrne Justice Assistance Grant	16.738	WC-KS-181	4,458
			Subtotal Direct Funding	<u>19,907</u>
Passed through Missouri Department of Public Safety	Local Law Enforcement Block Grant	16.738	2015-LLEBG-091	<u>2,021</u>
			Subtotal Justice Assistance Grant	<u>2,021</u>
			Subtotal U.S. Department of Justice	<u>23,543</u>
U.S. Department of Transportation				
Passed through Missouri Highway and Transportation Department	Airport Improvement Program	20.106	AIRE-09-020A-1, 2	260,632
	Hazardous Moving Violation	20.600	15-PT-02-063	1,247
	DWI Enforcement	20.600	15-PT-02-122	681
	DWI Enforcement	20.600	15-154-AL-058	1,367
			Subtotal Highway Safety Cluster	<u>3,295</u>
	Tranportation Enhancement, Streetscape Phase IIIa	20.205	STP 5700 (509)	625,819
	Safe Routes to School	20.205	TEAP 5700 (510)	6,528
			Subtotal Highway Planning and Construction	<u>632,347</u>
			Subtotal U.S. Department of Transportation	<u>635,642</u>
Institute of Museum & Library Services				
Passed through Missouri State Library	Library Services & Technology Act	45.310	2015-LFL4-RTRC4CN4-7862	2,000
	Library Services & Technology Act	45.310	2015-LFL4-RTRC4CN4-7862	225
				<u>2,225</u>
U.S. Department of Housing & Urban Development				
Passed through Missouri Housing Development & Commission	Community Development Block Grant	14.228	2014-PF-07	13,100
U.S. Department of Homeland security				
Passed through Missouri Department of Emergency Management Agency	Public Assistance Disaster Grant	97.036	FEMA-4238-DR-MO	26,483
U.S. Department of Labor				
Passed through Missouri Department of Economic Development	On-The-Job training program	17.278		<u>884</u>
TOTAL EXPENDITURES				<u>\$ 960,894</u>

CITY OF SEDALIA, MISSOURI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
MARCH 31, 2016

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City under programs of the federal government for the year ended March 31, 2016. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City. The Uniform Guidance 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.

OMB Compliance Supplement 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.

CITY OF SEDALIA, MISSOURI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT'D)
MARCH 31, 2016

B. Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which recognizes expenditures in the period the liabilities are incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

D. The City of Sedalia has elected not to use the 10% *de minimis* indirect cost rate as allowed under the uniform guidance.

2. Subrecipients

The City provided \$13,100 in federal awards to subrecipients during the year ended March 31, 2016.

CITY OF SEDALIA, MISSOURI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 AND SUMMARY OF AUDITOR'S RESULTS - FEDERAL REQUIREMENTS
 MARCH 31, 2016

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 2 CFR
 200.516(a) Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Transportation Enhancement Funds, Streetscape Phase IIIa

Dollar threshold used to distinguish between type A and type B programs: \$750,000

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, 2016

Section II: Financial Statement Findings

None

Section III: Federal Award Findings and Questioned Costs

None