



CITY OF KEARNEY, MISSOURI

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2022

Accounting Solutions Group, LLC
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CITY OF KEARNEY, MISSOURI

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CITY OF KEARNEY, MISSOURI

LIST OF PRINCIPAL OFFICIALS

MARCH 31, 2022

MAYOR AND BOARD OF ALDERMAN

Randy Pogue	Mayor
Kathy Barger	Alderman
Gerri Spencer	Alderman
Dan Holt.....	Alderman
David Lehman.....	Alderman

CITY ADMINISTRATOR / CLERK

Jim Eldridge



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Kearney, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kearney, as of and for the year ended March 31, 2022, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Kearney, as of March 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kearney's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statement. The combining and individual fund *financial statements and schedules are the responsibility of management and were derived* from and relates 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. In our opinion, the combining and individual fund financial statements and schedules 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 a report dated September 12, 2022, on our consideration of the City of Kearney's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe

the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kearney's internal control over financial reporting and compliance.

Accounting Solutions Group, LLC

Accounting Solutions Group, LLC

September 12, 2022
Gladstone, Missouri

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by GASB. The sets of statements include:

- Government-wide Financial Statements
- Fund Financial Statements
 - Governmental Funds
 - Agency Funds
- Proprietary Funds

In addition, the notes to basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Net Position
March 31, 2022

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Assets			
Cash and Investments	\$ 14,290,518	\$ 3,141,353	\$ 17,431,871
Receivables, net:			
Taxes	327,632	-	327,632
Accounts	51,644	295,121	346,765
Intergovernmental	-	-	-
Note Receivable	206,418	-	206,418
Capital Assets:			
Assets Not Being Depreciated	1,619,373	496,473	2,115,846
Assets Being Depreciated, Net of Depreciation	32,882,323	20,042,443	52,924,766
Net Pension Asset	2,181,683	-	2,181,683
Deferred Outflows:			
Contributions Subsequent to Measurement Date	154,412	-	154,412
Excess Investment Returns	-	-	-
Difference in Actuarial Assumptions	6,678	-	6,678
Difference Between Expected and Actual Experience	53,187	-	53,187
Total Assets	51,773,868	23,975,390	75,749,258
Liabilities			
Accounts Payable	151,240	110,716	261,956
Accrued Interest	75,780	28,364	104,144
Customer Deposits	-	245,733	245,733
Long-term Obligations:			
Amounts due in less than one year	1,653,057	929,388	2,582,445
Amounts due in more than one year	28,896,941	8,881,910	37,778,851
Deferred Inflows:			
Difference in Actuarial Assumptions	98,769	-	98,769
Difference Between Expected and Actual Experience	422,014	-	422,014
Total Liabilities	31,297,801	10,196,111	41,493,912
Net Position			
Net Investment in Capital Assets	3,951,698	10,727,618	14,679,316
Restricted			
Public Safety	22,276	-	22,276
Public Works	1,361,841	-	1,361,841
Capital Outlay	295,691	-	295,691
Debt Service	2,691,488	-	2,691,488
Unrestricted	12,153,073	3,051,661	15,204,734
Total Net Position	\$ 20,476,067	\$ 13,779,279	\$ 34,255,346

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Activities
For the Year Ended March 31, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities							
General Government	\$ 760,286	\$ 180,062	\$ -	\$ 2,368	\$ (577,856)	\$ -	\$ (577,856)
Public Safety	2,034,294	52,881	-	-	(1,981,413)	-	(1,981,413)
Public Works	1,857,507	-	-	256,645	(1,600,862)	-	(1,600,862)
Solid Waste	656,362	626,619	-	-	(29,743)	-	(29,743)
Parks and Recreation	665,188	188,153	-	-	(477,035)	-	(477,035)
Community Development	1,323,370	2,605	-	-	(1,320,765)	-	(1,320,765)
Bond Issue Expenses	-	-	-	-	-	-	-
Interest on Long-term Debt	957,372	-	-	-	(957,372)	-	(957,372)
Total Governmental Activities	8,254,379	1,050,320	-	259,013	(6,945,046)	-	(6,945,046)
Business-type Activities:							
Water and Sewer							
	3,214,136	4,475,193	-	-	-	1,261,057	1,261,057
Total Business-type Activities	3,214,136	4,475,193	-	-	-	1,261,057	1,261,057
Total Primary Government	\$ 11,468,515	\$ 5,525,513	\$ -	\$ 259,013	(6,945,046)	1,261,057	(5,683,989)
General Revenue							
Taxes							
Property Taxes					1,887,635	-	1,887,635
Sales Taxes					6,028,501	-	6,028,501
Franchise Taxes					777,790	-	777,790
Interest Income					15,993	3,053	19,046
Miscellaneous					877,714	-	877,714
CARES Act					1,106,050	-	1,106,050
Pension Expense					1,875,177	-	1,875,177
Total General Revenues					12,568,860	3,053	12,571,913
Change in Net Position					5,623,814	1,264,110	6,887,924
Net Position, Beginning of the Year					14,852,253	12,515,169	27,367,422
Net Position, End of the Year					\$ 20,476,067	\$ 13,779,279	\$ 34,255,346

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Balance Sheet - Government Funds
March 31, 2022

	General	Highway Construction	GO Highway Bonds	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Investments	\$ 3,154,946	\$ 5,831,717	\$ 2,667,277	\$ 2,636,578	\$ 14,290,518
Receivables, net:					
Taxes	165,939	-	-	161,693	327,632
Accounts	51,644	-	-	-	51,644
Intergovernmental	-	-	-	-	-
Note Receivable	-	206,418	-	-	206,418
Restricted Cash and Investments	-	-	-	-	-
Total Assets	<u>\$ 3,372,529</u>	<u>\$ 6,038,135</u>	<u>\$ 2,667,277</u>	<u>\$ 2,798,271</u>	<u>\$ 14,876,212</u>
Liabilities					
Accounts Payable	<u>\$ 126,627</u>	<u>\$ 1,140</u>	<u>\$ -</u>	<u>\$ 23,473</u>	<u>\$ 151,240</u>
Total Liabilities	126,627	1,140	-	23,473	151,240
Deferred Inflows of Resources					
Unavailable Revenues	-	206,418	-	-	206,418
Fund Balances					
Restricted for:					
Public Safety	-	-	-	22,276	22,276
Public Works	-	-	-	1,361,841	1,361,841
Capital Outlay	-	-	-	295,691	295,691
Debt Service	-	-	2,667,277	24,211	2,691,488
Committed for:					
Parks and Recreation	179,446	-	-	-	179,446
Assigned for:					
Cemetery	266,688	-	-	-	266,688
Culture and Recreation	190,356	-	-	-	190,356
Capital Outlay	-	5,830,577	-	1,070,779	6,901,356
Unassigned:	<u>2,609,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,609,412</u>
Total Fund Balances	<u>3,245,902</u>	<u>5,830,577</u>	<u>2,667,277</u>	<u>2,774,798</u>	<u>14,518,554</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 3,372,529</u>	<u>\$ 6,038,135</u>	<u>\$ 2,667,277</u>	<u>\$ 2,798,271</u>	<u>\$ 14,876,212</u>

See accompanying Notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position
March 31, 2022

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

Ending Fund Balances - Total Governmental Funds	\$ 14,518,554
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Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position, the cost of those assets is capitalized and shown at cost, net of accumulated depreciation. This is the amount of net capital assets reported in the Statement of Net Position.	34,501,696
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Certain revenues are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the governmental funds.	206,418
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Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. This amount includes the following long-term liabilities and related items:

Accrued Interest Payable	(75,780)
Long-term Liabilities	(30,549,998)

GASB 68 entries related to recording net pension liability/asset:

Deferred Outflows - Difference in Actuarial Assumptions	6,678
Deferred Outflows - Difference Between Expected and Actual Experience	53,187
Deferred Outflows - Contributions Subsequent to Measurement Date	154,412
Deferred Outflows - Excess Investment Returns	-
Net Pension Asset	2,181,683
Deferred Inflows - Difference in Actuarial Assumptions	(98,769)
Deferred Inflows - Difference Between Expected and Actual Experience	(422,014)

Total Net Position of Governmental Activities	\$ 20,476,067
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See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended March 31, 2022

Revenues	General	Highway Construction	GO Highway Bonds	Non-Major Governmental Funds	Total
Taxes	\$ 3,838,838	\$ -	\$ 1,806,978	\$ 3,048,110	\$ 8,693,926
Intergovernmental	-	2,605	-	-	2,605
Licenses, Permits, Fines and Fees	219,267	-	-	4,732	223,999
Charges for Services	823,716	-	-	-	823,716
CARES Act	-	-	-	1,106,050	1,106,050
Grants/Donations	259,013	-	-	-	259,013
Interest	618	14,225	564	586	15,993
Miscellaneous	810,067	63,581	-	4,066	877,714
Total Revenue	5,951,519	80,411	1,807,542	4,163,544	12,003,016
Expenditures					
Current:					
General Government	2,618,589	-	-	-	2,618,589
Public Safety	1,985,271	-	-	-	1,985,271
Public Works	-	-	-	1,209,139	1,209,139
Solid Waste	656,362	-	-	-	656,362
Parks and Recreation	642,838	-	-	-	642,838
Community Development	235,915	45,407	-	1,079,667	1,360,989
Debt Service:					
Principal	101,074	-	1,290,000	131,000	1,522,074
Interest and Fiscal Charges	31,956	-	913,635	11,781	957,372
Total Expenditures	6,272,005	45,407	2,203,635	2,431,587	10,952,634
Revenues Collected Over (Under) Expenditures Paid	(320,486)	35,004	(396,093)	1,731,957	1,050,383
Bond Transactions					
Bond Proceeds	-	-	-	-	-
Bond Premium	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-
Operating Transfers					
Transfers In	1,381,838	-	670,000	378,777	2,430,615
Transfers Out	(1,626,227)	-	-	(804,388)	(2,430,615)
Total Other Financing Sources (Uses)	(244,389)	-	670,000	(425,611)	(1)
Net Changes in Fund Balances	(564,875)	35,004	273,907	1,306,346	1,050,382
Fund Balance, Beginning of Year	3,810,777	5,795,573	2,393,370	1,468,452	13,468,172
Fund Balance, End of Year	<u>\$ 3,245,902</u>	<u>\$ 5,830,577</u>	<u>\$ 2,667,277</u>	<u>\$ 2,774,798</u>	<u>\$ 14,518,554</u>

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2022

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

Net Change in Fund Balances - Total Governmental Funds	\$ 1,050,382
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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. This is the amount by which
capital outlays exceeded depreciation in the current period.

Capital Outlay	2,538,096
Depreciation Expense	(1,311,014)

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

Change in deferred inflows of resources	(63,582)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial
resources to governmental funds, while the repayment of the principal of long-
term debt consumes the current financial resources of governmental funds.
Neither transaction has any effect on net position. This amount is the net effect
of these differences in the treatment of long-term debt and related items.

Proceeds from Bond Issuances	-
Principal Payments on Bonds and Leases	1,522,074
Change in Accrued Interest Payable	(3,965)

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

Change in accrued compensated absences	16,646
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GASB 68 entries related to recording net pension expense/income:

Current year net pension expense activity	1,875,177
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Change in Net Position of Governmental Activities	\$ <u>5,623,814</u>
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See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Net Position
Proprietary Fund - Water and Sewer
March 31, 2022

Assets

Current Assets

Cash and Investments	\$ 3,141,353
Accounts Receivable	295,121
Total Current Assets	<u>3,436,474</u>

Non Current Assets

Capital Assets:

Assets Not Depreciated	496,473
Assets Being Depreciated, Net of Depreciation	<u>20,042,443</u>
Total Non Current Assets	<u>20,538,916</u>

Total Assets	<u><u>\$ 23,975,390</u></u>
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Liabilities

Current Liabilities

Accounts Payable	\$ 110,716
Accrued Interest	28,364
Customer Deposits	245,733
Long-term Obligations, Due Within One year	<u>929,388</u>
Total Current Liabilities	1,314,201

Non Current Liabilities

Long-term Obligations	<u>8,881,910</u>
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Total Liabilities	10,196,111
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Net Position

Net Investment in Capital Assets	10,727,618
Restricted for Debt Service	-
Unrestricted	<u>3,051,661</u>
Total Net Position	<u>13,779,279</u>

Total Liabilities and Net Position	<u><u>\$ 23,975,390</u></u>
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See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Fund - Water and Sewer
For the Year Ended March 31, 2022

Operating Revenues:

Charges for Services	\$ 4,466,881
Miscellaneous	<u>8,312</u>
Total Revenue	4,475,193

Operating Expenses:

Personnel Services	742,275
Contractual Services	1,005,595
Supplies	637,236
Depreciation	525,648
Other	<u>-</u>
Total Expenses	<u>2,910,754</u>

Operating Income	1,564,439
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Nonoperating Revenues (Expenses)

Intergovernmental	-
Interest Income	3,053
Interest Expense	(303,382)
Bond Issuance Expenses	<u>-</u>
Total Nonoperating Revenues and Expenses	<u>(300,329)</u>

Change in Net Position	1,264,110
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Net Position, Beginning of Year	<u>12,515,169</u>
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Net Position, End of Year	<u><u>\$ 13,779,279</u></u>
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See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Cash Flows -
Proprietary Fund - Water and Sewer
For the Year Ended March 31, 2022

Cash Flows from Operating Activities:

Receipts from Customers	\$ 4,493,193
Payments to Suppliers and Vendors	(2,536,571)
Payments to Employees for Services	<u>(747,477)</u>
Net Cash Provided by Operating Activities	1,209,145

Cash Flows from Capital and Related Financing Activities:

Proceeds from Debt Issuance	-
Purchases of Capital Assets	(843,898)
Payments on Long-term Debt	(803,926)
Interest and Bond Cost paid on Capital Debt	(299,666)
Other Adjustments	<u>841,815</u>
Net Cash Provided by Capital and Related Financing Activities	(1,105,675)

Cash Flows from Investment Activities:

Interest Income	<u>3,053</u>
Net Cash Provided by Investment Activities	<u>3,053</u>

Net Change in Cash and Cash Equivalents	106,523
Cash and Cash Equivalents, Beginning of Year	3,034,830
Cash and Cash Equivalents, End of Year	<u><u>\$ 3,141,353</u></u>

**Reconciliation of operating income to net cash
provided by operating activities**

Operating Income	\$ 1,564,439
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	525,648
Change in Assets and Liabilities:	
Accounts Receivable	18,001
Accounts Payable	(49,825)
Accrued Compensated Absences	(432)
Interest Payable	(3,784)
Deposits	<u>8,130</u>
Net Cash Provided by Operating Activities	<u><u>\$ 2,062,177</u></u>

Cash and Cash Equivalents consists of:

Cash and Investments	<u>\$ 3,141,353</u>
	<u><u>\$ 3,141,353</u></u>

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Assets and Liabilities - Agency Funds
March 31, 2022

	Municipal Court	Road District	Community Improvement Districts	Total
Assets				
Cash - Checking and Savings	\$ 1,309	\$ 213,927	\$ 549,847	\$ 765,083
Total Assets	<u>\$ 1,309</u>	<u>\$ 213,927</u>	<u>\$ 549,847</u>	<u>\$ 765,083</u>
Liabilities				
Due to Others	\$ 1,309	\$ 213,927	\$ 549,847	\$ 765,083
Total Liabilities	<u>\$ 1,309</u>	<u>\$ 213,927</u>	<u>\$ 549,847</u>	<u>\$ 765,083</u>

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements
March 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kearney, Missouri, was incorporated in 1883 and covers an area of approximately twelve square miles in Clay County, Missouri. The City is a city of the fourth class and operates under the Mayor - Administrator - Aldermen form of government. The City Administrator is the chief administrative assistant to the Mayor of the City. The City provides services to more than 10,404 (U.S. Census, April 2020) residents, including law enforcement, parks and recreation, street and storm water maintenance, water and sewer services, community enrichment and development, and various social services. Kearney School District No. 21, a separate governmental entity, provides educational services.

The accounting and reporting policies of the City conform to generally accepted accounting principles (GAAP) in the United States of America applicable to local governments. The following represent the more significant accounting and reporting policies and practices of the City.

Financial Reporting Entity

The City's financial reporting entity is comprised of the following:

Primary Government: City of Kearney, Missouri

The following component unit is blended in the City's basic financial statements:

Tax Increment Financing Commission of Kearney, Missouri (Commission) is governed by an eleven-member board of which six members are appointed by the Board of Aldermen. The remaining members are appointed by the respective taxing districts' boards. Although it is legally separate from the City, the Commission is reported as if it were part of the primary government because its sole function is to review proposed TIF plans and provide recommendations to the City Council for the use of TIF as a method to finance economic activity and infrastructure improvements through payments in lieu of taxes and economic activities taxes. The Commission's activities are reported in TIF Fund.

Basis of Presentation

Governmental-wide Financial Statements

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary funds. An emphasis is placed on major funds within the governmental category. 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 expenditures/expenses of that individual governmental or enterprise fund are at least 10% 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% of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

The following are the City's major governmental funds:

General Fund – Is used to account for the general operations of the City and all unrestricted revenues and expenditures not required to be accounted for in other funds.

Highway Construction Fund – accounts for resources used for the acquisition and/or construction of highway and street capital projects.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

General Obligation Bond Debt Service Fund - accounts for the resources used to pay the debt service requirements of the City's Series 2015, Series 2018 general obligation bonds and Series 2020 general obligation bonds.

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes three agency funds. Since agency funds are custodial in nature, (i.e., assets equal liabilities) they do not involve the measurement of results of operations. The agency fund is as follows:

Kearney Road District	Funds are received from the county and disbursed by the Kearney Road District for road improvements in the District. The Road District contracts with the City of Kearney for street maintenance projects.
Westside Community Improvement District	Funds are received and disbursed in a geographic area designated for improvements.
Shoppes at Kearney Community Improvement District	Funds are received and disbursed in a geographic area designated for improvements.

Capital Project Funds

Capital project funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes the following capital project fund:

Capital Improvements	Accounts for contributions and specific transfers from the General Fund and expenditures for various capital projects as the City Aldermen may designate. This fund is classified as a major fund.
Special Revenue	The Special Revenue Fund of the City receives sales tax for special purposes (Debt Service, General Fund and the Water and Sewer Fund) and then transfers these funds for their designated purposes.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Proprietary Funds

Proprietary 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 following enterprise fund:

Water and Sewer	Accounts for the activities of the public trust in providing water, wastewater and sanitation services to the public.
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Measurement Focus

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

In the government-wide Statement of Net Position and the Statement of Activities governmental activities are presented using the economic resources measurement and the accrual basis of accounting.

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 a period.

Basis of Accounting

Government Funds

All government funds are presented using a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which the fund liability is incurred, if measurable.

Business Activities – Water and Sewer Fund

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrual Basis - Revenue is recognized when earned or billed to the customer. Expenses (including depreciation and amortization) are recorded when the liability was incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange took place.

ASSETS, LIABILITIES AND EQUITY

Cash and Cash Equivalents

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of one year or less.

Investments – Government Securities

Investments classified in the financial statements consist entirely of government securities. Investments are carried at the market value at year end and are held in escrow connected with debt service accounts.

Accounts Receivable

Accounts receivable consist primarily of sales of water, sewer and solid waste services. The City has not set up an allowance for doubtful accounts, as any amounts not collected are not material. An estimated amount has been recorded for services rendered, but not yet billed, as of the close of the fiscal year.

Capital Assets

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

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-wide Statement of Net Assets. The City elected to use the “modified approach” as defined by GASB Statement No., 34 for

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets - Continued

infrastructure reporting these assets. Infrastructure assets include streets, bridges, storm water system, fire hydrants, street lighting and a portion of the indirect costs of the water-sewer system. The infrastructure assets recorded since GASB Statement No. 34's implementation effective April 1, 2004, were for Highway 33, Bennett Boulevard and Watson Drive. All other capital assets were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The following table presents summary information on the useful lives of all capital assets.

Buildings	40-50 years
Improvements Other than Buildings	10-25 years
Machinery, Furniture and Equipment	3-20 years
Utility Property and Improvements	10-50 years

The City has elected to delay the implementation of the retroactive reporting of infrastructure as provided by GASB No. 34. Because of the City's size, retroactive reporting of infrastructure assets is not required. The City may decide to implement retroactive reporting of these assets, but at this point, because of the systems required implementation is being delayed. Each of the assets that are part of the infrastructure is rated. The City's policy will be to maintain all infrastructure assets at a classification of "Good" or better condition. Accordingly depreciation is not reported for infrastructure assets and all expenditures except for betterments and major improvements made to a subsystem are expensed. The infrastructure assets acquired since implementation were for Highway 33, Bennett Boulevard and Watson Drive.

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.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED
NET POSITION CLASSIFICATIONS

Government-wide Statements

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

- a. Net Investment in 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 improvements of those assets.
- b. Restricted Net Position – Consist of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Position – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Balance Classifications

In the fund financial statements, government funds report the following fund balance classifications:

- a. Nonspendable Fund Balance – consists of amounts that are not in a spendable form or are required to be maintained intact.
- b. Restricted Fund Balance – consists of amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. The Restricted for Debt Service and Restricted for Capital Projects balances reflect amounts that are restricted for debt service and construction or other capital outlay projects.
- c. Committed Fund Balance – consists of amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority (the Board of Aldermen) and do not lapse at year end. The committed fund balance consists of general board reserves.
- d. Assigned Fund Balance – consists of amounts intended for a specific purpose by the Board of Aldermen that has been delegated authority to assign amounts. This fund balance classification reflects funds assigned for capital projects.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- e. Unassigned Fund Balance – consists of any remaining fund balance that has not been reported in any other classification.

Compensated Absences

Under the terms of the City's personnel policy, City employees are granted vacation of varying amounts based upon length of service and may accumulate up to 160 hours that may be carryover to the following year. Sick leave is granted at the rate of one day per month. Upon resignation or dismissal, compensation for any unused sick leave may be paid at the discretion of the City Administrator at 50% of the employee's current salary times the amount of unused sick days.

Vested or accumulation vacation and sick time is accounted for as follows:

Governmental Funds – The accumulated liabilities for employee vacation and sick leave is recorded in the governmental activities column of the government-wide financial statements. At March 31, 2022, the accumulated liability balance was \$507,361.

Proprietary Fund – The costs of vacation and sick leave are accrued in Water and Sewer Fund as earned by City employees and recorded in the proprietary fund financial statements and business-type activities column of the government-wide financial statements. At March 31, 2022, the accumulated liability balance was \$95,794.

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 resource (expense/expenditure) until then. Currently, the City does not have any item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position and balance sheet 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/fund balance that applies to a future period(s) and so will not be recognized as inflow of resources (revenue) until that time. The government has two types of items, which arise under the modified accrual basis of accounting that qualify for reporting in this

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

category. Accordingly, unavailable revenue is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and a note receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Interfund Activity

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

REVENUE, EXPENDITURES AND EXPENSES

Sales Tax

The City presently levies a 2.0% sales tax on taxable sales within the City for general fund purposes. An additional sales tax is collected for transportation 0.5% and capital improvements 0.5%. The sales tax is collected by the State of Missouri and remitted to the City in the month following receipt by the State. The sales tax received is to be recorded as sales tax revenue within the general government funds.

Property Tax

The City levies and collects property taxes as outlined in Note 8.

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General Government	Licenses and Permits
Public Safety	Fine Revenue
Streets and Public Works	Commercial vehicle and gasoline excise tax shared by the State.
Parks and Recreation	Rental income, recreation fees, concession sales and specific donations.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenue and Expenses

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

Expenditures/Expenses

In the government-wide financial statements, expenses are reported on the accrual basis and are classified by department for government funds. For business type activities, the expenses are recorded when they have been incurred and have become a direct obligation of the City.

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

Governmental Funds	Current Capital Outlay Debt Service
Proprietary Fund	Operating and Nonoperating

Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Cash and Cash Investments

A summary of the City's significant policies relating to cash and investments can be found in Note 1. A reconciliation of cash and investments with the Government-wide Statement of Net Position and Agency Funds is as follows:

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deposits and Money Market Accounts	\$11,166,096
Certificates of Deposit	5,671,859
Short-term Investments held in trust (Bond Reserves)	<u>593,916</u>
	<u>\$17,431,871</u>

	Government-wide Statement of Net Position	Proprietary Funds	Total
Cash and Investments	<u>\$14,290,518</u>	<u>\$3,141,353</u>	<u>\$17,431,871</u>
	<u>\$14,290,518</u>	<u>\$3,141,353</u>	<u>\$17,431,871</u>

NOTE 2 – COMMITMENTS

Insurance

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters.

The City manages these various risks of loss as follows:

	<u>Type of Loss</u>	<u>Method Managed</u>	Risk of Loss <u>Retained</u>
a.	Torts, errors and omissions health and life	Purchased commercial insurance	None
b.	Workers Compensation Employee injuries	Purchased commercial insurance	None
c.	Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 3 – LONG-TERM DEBT - BONDS

The City's long-term debt arising from cash transactions is segregated between the amounts to be repaid from governmental activities and the amounts to be repaid from business-type activities.

The following is a summary of bond transactions for the year ended March 31, 2022:

	General Obligation Bonds	Revenue Bonds	Total
Bonds Payable, March 31, 2021	\$29,295,000	\$ 400,000	\$29,695,000
Bonds Issued	-	-	-
Bonds Retired – Regular	<u>(1,290,000)</u>	<u>(195,000)</u>	<u>(1,485,000)</u>
Bonds Payable, March 31, 2022	<u>\$28,005,000</u>	<u>\$ 205,000</u>	<u>\$28,210,000</u>

General Obligation Bonds payable at March 31, 2022, consist of:

General Obligation Bonds, Series 2015 due in varying installments through 2029	\$ 5,555,000
General Obligation Bonds, Series 2018 due in varying installments through 2038	3,100,000
General Obligation Bonds, Series 2020 due in varying installments through 2040	<u>19,350,000</u>
Total General Obligation Bonds	<u>\$28,005,000</u>
Water and Pollution Control Bonds due in varying installments through 2023	<u>205,000</u>
Total Bonds Payable	<u>\$28,210,000</u>

2015 General Obligation Bond Refunding

During fiscal 2016 the City issued \$9,290,000 of new general obligation bonds to finance a new road and improvements to the sewer systems. The proceed of the bond issue were used in part to retire the 2005 general obligation bonds in the amount of \$4,115,000, that were scheduled to mature in 2021. The new bonds involve annual principal payments that vary from \$450,000 beginning in fiscal 2015 to \$895,000 in the final year of maturity (fiscal 2029). The stated interest rates vary from 2% to 2.75%. The effective interest cost

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 3 – LONG-TERM DEBT – BONDS - CONTINUED

to the City as a result of the premium was 2.11%. The net proceeds to the City after retirement of the old bonds and the issue costs was \$5,307,084. Future payments on the bonds are as follows:

2015 General Obligation Bond Refunding - Continued

<u>Due March 1</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 680,000	\$ 138,213
2024	740,000	124,613
2025	765,000	109,813
2026	795,000	90,688
2027	820,000	70,813
2028 – 2029	<u>1,755,000</u>	<u>72,875</u>
	<u>\$5,555,000</u>	<u>\$ 607,012</u>

2018 General Obligation Bonds

During fiscal 2019 the City issued \$3,500,000 of new general obligation bonds to finance the I35/19th Street interchange. The new bonds involve annual principal payments that vary from \$125,000 beginning in fiscal 2020 to \$245,000 in the final year of maturity (fiscal 2038). The stated interest rates vary from 3% to 5%. The effective interest cost to the City as a result of the premium was 3.41%. The net proceeds to the City after the issue costs was \$3,516,159. Future payments on the bonds are as follows:

<u>Due March 1</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 145,000	\$ 108,519
2024	150,000	101,269
2025	155,000	93,769
2026	165,000	86,019
2027	170,000	79,419
2028 – 2032	950,000	316,694
2033 – 2037	1,120,000	157,163
2038	<u>245,000</u>	<u>8,575</u>
	<u>\$3,100,000</u>	<u>\$ 951,425</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 3 – LONG-TERM DEBT – BONDS - CONTINUED

2020 General Obligation Bonds

During fiscal 2020 the City issued \$20,800,000 of new general obligation bonds to finance the I35/19th Street interchange. The new bonds involve annual principal payments that vary from \$920,000 beginning in fiscal 2021 to \$1,450,000 in the final year of maturity (fiscal 2040). The stated interest rate is 1.83%. Future payments on the bonds are as follows:

<u>Due March 1</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 590,000	\$ 618,750
2024	655,000	589,250
2025	720,000	556,500
2026	785,000	520,500
2027	860,000	481,250
2028 – 2032	5,260,000	1,691,750
2033 – 2037	6,260,000	804,900
2038 – 2040	<u>4,220,000</u>	<u>170,500</u>
	<u>\$19,350,000</u>	<u>\$5,433,400</u>

Series 2001 Water and Pollution Control State Revolving Loan Revenue Bonds (SRF)

<u>Due July 1</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 205,000	\$ 3,581
	<u>\$ 205,000</u>	<u>\$ 3,581</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 4 – OTHER LONG-TERM DEBT: CAPITAL LEASES, CERTIFICATES OF PARTICIPATION, AND TAX ANTICIPATION NOTE

The following is a summary of lease transactions for the year ended March 31, 2022:

	<u>Government Activities</u>	<u>Business Activities</u>
Capital Lease Obligations Payable, March 31, 2021	\$ 2,269,711	\$10,126,931
Capital Lease Obligation Retired	(232,074)	(616,427)
New Lease	<u>-</u>	<u>-</u>
Capital Lease Obligations Payable, March 31, 2022	<u>\$ 2,037,637</u>	<u>\$ 9,510,504</u>

Clear Creek Pedestrian Bridge Lease Purchase

During 2017, the City entered into a 12 year lease purchase agreement with Central Bank of the Midwest in the amount of \$413,000 enabling the City to create a pedestrian bridge over Clear Creek, connecting trails from Jesse James Park to Mack Porter Park. The indebtedness is represented by Certificates of Participation. Under the lease agreement, the City is to make certain lease payments and, at the end of the lease, the City will own the pedestrian bridge. Annual principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 34,057	\$ 7,475
2024	32,772	-
2025	34,112	-
2026	35,482	-
2027	36,906	-
2028 – 2029	<u>78,308</u>	<u>-</u>
	<u>\$ 251,637</u>	<u>\$ 7,475</u>

2013 Water Meter Replacement Lease Payable Obligation

During fiscal year 2013, the City entered into a lease purchase agreement with US Bancorp in the amount of \$1,036,000 enabling the city to replace all water meters (3,248 services) with Sensus AMI fixed base read system. The financing is a 10 year, 1.89% capital equipment lease with monthly principal and interest payments. Annual principal and interest payments are as follows:

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 4 – OTHER LONG-TERM DEBT: CAPITAL LEASES, CERTIFICATES OF PARTICIPATION, AND TAX ANTICIPATION NOTE - CONTINUED

2013 Water Meter Replacement Lease Payable Obligation - Continued

	<u>Principal</u>	<u>Interest</u>
2023	\$ 112,270	\$ 1,510
2024	<u>18,919</u>	<u>45</u>
	<u>\$ 131,188</u>	<u>\$ 1,555</u>

2013 Clarifier COP

During fiscal year 2013, the City issued \$4,800,000 certificates of participation to:

- 1) Refund 2004 W&S Revenue Bond in the amount of \$500,000.
- 2) Refund the KC Water Agreement Contractual Debt in the amount of \$880,000.
- 3) Generate new money in the amount of \$3,420,000 to construct improvements at its sewer plant and a \$300,000 water plant generator and filter wash basin.

During fiscal year 2020, the City refinanced the 2013 Clarifier COP. This refinanced capital lease agreement will run for 6 years with an average coupon note of 0.91%. Annual payments of principal and interest are as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 475,000	\$ 53,750
2024	590,000	37,850
2025	610,000	24,500
2026	<u>765,000</u>	<u>12,250</u>
	<u>\$2,440,000</u>	<u>\$ 128,350</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 4 – OTHER LONG-TERM DEBT: CAPITAL LEASES, CERTIFICATES OF PARTICIPATION, AND TAX ANTICIPATION NOTE - CONTINUED

Amphitheater

The City entered into a lease-purchase agreement for construction of an amphitheater in the amount of \$360,000. This agreement was refinanced during 2016, at the time the 2016 Museum/Police Training Room obligations were secured. The new interest rate on the lease was 2.0% and the lease was paid off during fiscal 2020.

Pavilion

During fiscal 2011, the City entered into a lease purchase of a pavilion for the amphitheater. The principal amount of the lease was \$100,000. This agreement was refinanced during 2016, at the time the 2016 Museum/Police Training Room obligations were secured. The new interest rate on the lease was 2.0% and the lease was paid off during fiscal 2021.

Lease Purchase – Sludge Processing Equipment

During fiscal 2015, the City entered into a new lease with a bank to acquire sludge equipment to be used by the sewer plant. The lease involves monthly payments of \$3,692 for ten years. The financing cost of the lease is 2.07%. The lease is a capital lease and the City will own the equipment at the end of the ten years. Future payments under the lease are as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 42,118	\$ 2,193
2024	42,997	1,314
2025	40,201	417
	<u>\$ 125,316</u>	<u>\$ 3,923</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 4 – OTHER LONG-TERM DEBT: CAPITAL LEASES, CERTIFICATES OF PARTICIPATION, AND TAX ANTICIPATION NOTE - CONTINUED

Police Station Lease

On December 10, 2009, the City entered into a lease purchase of a building including the renovation of the building which is to become the new police station. This agreement was refinanced during 2016, at the time the 2016 Museum/Police Training Room obligations were secured. The new interest rate on the lease is 2.0% with payments under the lease as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 81,000	\$ 4,704
2024	82,000	3,070
2025	69,000	1,399
	<u>\$ 232,000</u>	<u>\$ 9,174</u>

Museum/Police Training Room

During fiscal 2016, the City entered into a new lease with a bank to pay for improvements to the museum and police station. The financing cost of the lease is 2.0%. Future payments under the lease are as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 53,000	\$ 4,421
2024	54,000	3,355
2025	55,000	2,251
2026	56,000	1,135
	<u>\$ 218,000</u>	<u>\$ 11,162</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 4 – OTHER LONG-TERM DEBT: CAPITAL LEASES, CERTIFICATES OF PARTICIPATION, AND TAX ANTICIPATION NOTE - CONTINUED

Westside Booster Pumpstation

During fiscal 2019, the City entered into a lease purchase of the Westside Booster Pumpstation. The interest rate on the lease varies from 3.0% to 3.25% with payments under the lease as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ -	\$ 15,538
2024	-	15,538
2025	-	15,538
2026	-	15,538
2027	10,000	15,538
2028 – 2032	340,000	51,391
2033 – 2034	<u>155,000</u>	<u>5,072</u>
	<u>\$ 505,000</u>	<u>\$ 134,000</u>

West Creek Interceptor

During fiscal 2019, the City entered into a lease purchase of the West Creek Interceptor. The interest rate on the lease varies from 3.0% to 3.25% with payments under the lease as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ -	\$ 74,651
2024	-	74,651
2025	-	74,651
2026	-	74,651
2027	-	74,651
2028 – 2032	1,644,000	258,635
2033 – 2034	<u>780,000</u>	<u>25,272</u>
	<u>\$2,424,000</u>	<u>\$ 657,163</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 4 – OTHER LONG-TERM DEBT: CAPITAL LEASES, CERTIFICATES OF PARTICIPATION, AND TAX ANTICIPATION NOTE - CONTINUED

Sewer Plant Headworks

During fiscal 2019, the City entered into a lease purchase of the Sewer Plant Headworks. The interest rate on the lease varies from 3.0% to 4.0% with payments under the lease as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 95,000	\$ 121,069
2024	100,000	117,169
2025	105,000	113,069
2026	105,000	108,869
2027	270,000	102,719
2028 – 2032	2,255,000	321,984
2033 – 2034	955,000	30,988
	<u>\$3,885,000</u>	<u>\$ 915,866</u>

92 Highway Sidewalk

During fiscal 2019, the City entered into a lease purchase of the 92 Highway Sidewalk. The interest rate on the lease varies from 2.0% to 4.0% with payments under the lease as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 30,000	\$ 9,130
2024	30,000	7,930
2025	35,000	6,630
2026	35,000	5,930
2027	35,000	4,005
2028 – 2030	116,000	5,340
	<u>\$ 281,000</u>	<u>\$ 38,265</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 4 – OTHER LONG-TERM DEBT: CAPITAL LEASES, CERTIFICATES OF PARTICIPATION, AND TAX ANTICIPATION NOTE - CONTINUED

Lion's Park

During fiscal 2022, the City entered into a lease purchase of Lion's Park. The interest rate on the lease varies is 1.65% with payments under the lease as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 40,000	\$ 17,407
2024	45,000	16,746
2025	60,000	13,069
2026	130,000	16,005
2027	190,000	12,870
2028 – 2030	590,000	19,553
	<u>\$1,055,000</u>	<u>\$ 97,596</u>

NOTE 5 – PENSION PLAN

Plan Description

The City of Kearney defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City of Kearney 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) with 5 or more years of

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 5 – PENSION PLAN - CONTINUED

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 receive a reduced allowance.

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, 2021, the following employees were covered by the benefit terms:

Employees covered by benefit terms

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>38</u>
	<u><u>72</u></u>

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 7.7% General, and 8.8% Police of annual covered payroll.

Net Pension Liability

The employer's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2021.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 5 – PENSION PLAN - CONTINUED

Actuarial Assumptions

The total pension liability in the February 28, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.75% wage inflation; 2.25% price inflation

Salary Increase 2.75% to 6.55% including wage inflation

Investment rate of return 7.00%, net of investment expenses

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back 0 years for both males and females.

The actuarial assumptions used in the February 28, 2021 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

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%	5.10%
Fixed Income	25.00%	2.10%
Real Assets	20.00%	3.95%
Strategic Assets	6.50%	5.00%

Discount Rate

The discount rate used to measure the total pension liability is 7.00% General, and 7.00% Police. 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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 5 – PENSION PLAN - CONTINUED

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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/2020	<u>\$ 7,679,461</u>	<u>\$ 7,901,160</u>	<u>\$ (221,699)</u>
Changes for the year:			
Service Cost	191,065	-	191,065
Interest	557,002	-	557,002
Changes in actuarial assumptions	(90,040)	-	(90,040)
Difference between expected and actual experience	(310,036)	-	(310,036)
Contributions - employer	-	180,001	(180,001)
Contributions - employee	-	-	-
Net investment income	-	2,209,536	(2,209,536)
Benefit payments, including refunds	(184,308)	(184,308)	-
Administrative expense	-	(6,990)	6,990
Other changes	-	(74,572)	74,572
Net changes	<u>163,683</u>	<u>2,123,667</u>	<u>(1,959,984)</u>
Balances at 6/30/2021	<u><u>\$ 7,843,144</u></u>	<u><u>\$ 10,024,827</u></u>	<u><u>\$(2,181,683)</u></u>

Sensitivity of the General 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 7.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower 6.00% or one percentage point higher 8.00% than the current rate.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 5 – PENSION PLAN - CONTINUED

	Current Single Discount		
	1% Decrease 6.00%	Rate Assumption 7.00%	1% Increase 8.00%
Total Pension Liability (TPL)	\$ 8,947,541	\$ 7,843,144	\$ 6,926,295
Plan Fiduciary Net Position	<u>10,024,827</u>	<u>10,024,827</u>	<u>10,024,827</u>
Net Pension Liability/(Asset)(NPL)	<u>\$ (1,077,286)</u>	<u>\$ (2,181,683)</u>	<u>\$(3,098,532)</u>

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

For the year ended June 30, 2021 the employer recognized general pension expense of \$71,782 and police pension expense of \$108,268. 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	\$ 53,187	\$ (422,014)
Differences in assumptions	6,678	(98,769)
Excess (deficit) investment returns	-	-
Contributions subsequent to the measurement date*	<u>154,412</u>	<u>-</u>
Total	<u>\$ 214,277</u>	<u>\$ (520,783)</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 June 30, 2021.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 5 – PENSION PLAN - CONTINUED

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

Year ended June 30:

2022 (414,382)

2023 (331,673)

2024 (350,901)

2025 (404,940)

2026 (32,141)

Thereafter -

Payable to the Pension Plan

At March 31, 2022 the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended March 31, 2022.

NOTE 6 - DEVELOPER AGREEMENTS

The City has a development agreement in which developer financed costs will be certified by the City as eligible to be reimbursed from tax increment financing revenues attributable to the Shoppes at Kearney TIF. Under tax increment financing plans, the developer may be reimbursed up to the certified cost amount from incremental taxes during a period not to exceed 23 years. Accordingly, certified project costs in excess of amounts reimbursed to date are reflected as a long-term obligation of the City. TIF revenues have been projected to produce sufficient funds to reimburse the developer for certified costs. These obligations are limited solely to the amount of incremental taxes received attributable to each respective project; any deficiencies are the sole responsibility of the developer and do not constitute an obligation of the City.

As of March 31, 2022, the TIF Plan approves a capped amount of \$13,828,572 reimbursable project costs. The reimbursable project costs are payable through 2036 to the extent incremental taxes are available. For fiscal year 2022 payments on the developer agreement were \$967,969. Incremental revenues were \$758,029 from City and intergovernmental sales taxes in the funds responsible for these obligations.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Deferred Compensation Plan

City employees may defer a portion of their compensation under the City's sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them.

The laws governing deferred compensation plans require plan assets to be held by a trust for the exclusive benefit of plan participants and their beneficiaries. Because the assets held under these plans are not the City's property and are not subject to Board control, they have been excluded from these financial statements.

NOTE 8 – PROPERTY TAX REVENUE AND ASSESSMENT

The City's property tax is levied each November 1 on the assessed value as of the prior January 1 for all real and personal property located in the City. Assessed values are established by the Clay County Assessor subject to review by the County's Board of Equalization.

The assessed value for property located in the City as of December 31, 2021, on which the 2021 levy was based, was \$230,264,141. In the year ended March 31, 2022, the City collected \$1,893,759 of property taxes that were billed in the period.

The City is permitted by Missouri State Statutes to levy taxes up to \$1.00 per \$100 of assessed valuation for general services other than the payment of principal and interest on long-term debt, and in unlimited amounts for the payment of principal and interest on long-term debt. The City's General Fund property tax levy per \$100 assessed valuation was \$0.5041 for the year ended March 31, 2022. The City's debt service tax levy per \$100 assessed valuation was \$0.0500 for the year ended March 31, 2022.

Property taxes are billed by the City on or before December 1 and are considered delinquent after January 1 after which the City may attach a lien to all property on which taxes are unpaid. The City records property tax as revenue at the time the taxes are received.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 9 – COMMITMENTS AND CONTINGENCIES – LAWSUITS

There are two claims for lawsuits to which the City is a part as a result of various other matters and complaints arising in the ordinary course of City activities. Neither claim would have a material effect on the financial position of the City and the City is currently appealing both claims. The City's management and legal counsel anticipate that any unknown potential claims, if any, against the City not covered by insurance would not have a material effect on the financial position of the City.

NOTE 10 – FEDERAL AND STATE GRANTS

In prior years the City has participated in a number of federal and state programs that were 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, 2022, certain 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 governmental funds or the overall financial position of the City.

NOTE 11 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deposits and Investments 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 noted all deposits were fully insured or collateralized.

The City maintains a cash and investment pool, which is available for use by all funds. Each fund's portion of this pool is displayed on the combined balance sheet as part of the checking or savings account. All of the City's deposits at year end were in commercial banks.

At year end the carrying amount of the City's deposits totaled \$11,166,096 and the bank balances totaled \$11,166,096. The City's balances were covered by FDIC insurance or pledged securities as follows:

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 11 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-CONTINUED

Deposits covered by federal depository insurance or by collateral held by the City, or its agent, in the City's name	<u>\$16,837,954</u>
Total Value of Securities Pledged	\$14,319,294
FDIC Insurance	<u>250,000</u>
Total	<u>\$14,569,294</u>
Insurance and Pledged Securities in Deficit of Deposits	<u>\$(2,268,660)</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. It is the City's practice to place operating funds in either money market accounts or savings accounts. All longer-term investments are placed in certificates of deposit having relatively short maturities. These consist of funds whose use is restricted and are unlikely to be needed prior to maturity (e.g. Sewer Debt Reserve).

Credit Risk

Missouri statutes prohibit municipalities from investing in derivative, leveraged, or speculative securities. City agents invest funds for restricted debt reserves and unexpended debt proceeds in money market funds.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. As of March 31, 2022, the carrying amount of the City's deposits was less than pledged securities plus federal deposit insurance. It is City practice to require banks to provide collateral equal to any deposited amounts exceeding federal depository insurance limits.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At March 31, 2022, the City's investments were not exposed to custodial credit risk.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

**NOTE 12- COOPERATIVE AGREEMENT WITH KEARNEY WESTSIDE
COMMUNITY IMPROVEMENT DISTRICT**

The City has funded certain improvements to Bennett Boulevard whereby the Kearney Westside Community District (CID) has agreed to reimburse the City for certain costs in accordance with the agreement. During 2013, the CID reimbursed the City \$300,000 with the remaining amount due in annual payments of \$74,382 over a 12 year period including interest of 4%. As of March 31, 2022, the total annual amounts due to the City through the agreement are as follows:

	<u>Payment</u>
2023	\$ 74,382
2024	74,382
2025	<u>74,382</u>
	223,146
Less Interest	<u>(16,728)</u>
Net Present Value	<u>\$ 206,418</u>

The total present value of the agreement is recorded on the City's fund financial statements as note receivable and deferred inflows in the Highway Construction Fund.

CITY OF KEARNEY, MISSOURI
Notes to the Basic Financial Statements
March 31, 2022

NOTE 14 - CAPITAL ASSETS

A summary of the changes in capital assets for the year is as follows:

	Beginning of Year	Additions	Deletions	End of Year
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 869,058	\$ 750,315	\$ -	\$ 1,619,373
Total Capital Assets, Not Being Depreciated	869,058	750,315	-	1,619,373
Capital Assets, Being Depreciated				
Infrastructure	28,474,207	59,167	-	28,533,374
Buildings	2,871,161	99,772	-	2,970,933
Improvements	3,098,833	1,899,943	-	4,998,776
Machinery and Equipment	3,471,254	141,319	-	3,612,573
Total Capital Assets Being Depreciated	37,915,455	2,200,201	-	40,115,656
Less Accumulated Depreciation for:				
Infrastructure	1,332,616	570,667	-	1,903,283
Buildings	1,268,018	96,509	-	1,364,527
Improvements	1,860,896	365,919	-	2,226,815
Machinery and Equipment	1,460,789	277,919	-	1,738,708
Total Accumulated Depreciation	5,922,319	1,311,014	-	7,233,333
Total Capital Assets Being Depreciated, net	31,993,136	889,187	-	32,882,323
Governmental Activities Capital Assets, Net	<u>\$ 32,862,194</u>	<u>\$ 1,639,502</u>	<u>\$ -</u>	<u>\$ 34,501,696</u>
Business-type Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 496,473	\$ -	\$ -	\$ 496,473
Total Capital Assets, Not Being Depreciated	496,473	-	-	496,473
Capital Assets, Being Depreciated				
Buildings	7,975,120	-	-	7,975,120
Machinery and Equipment	2,321,354	44,694	-	2,366,048
Water and Sewer Lines	17,013,469	799,204	-	17,812,673
Total Capital Assets Being Depreciated	27,309,943	843,898	-	28,153,841
Less Accumulated Depreciation for:				
Buildings	700,418	135,011	-	835,429
Machinery and Equipment	1,024,917	54,126	-	1,079,043
Water and Sewer Lines	5,860,415	336,511	-	6,196,926
Total Accumulated Depreciation	7,585,750	525,648	-	8,111,398
Total Capital Assets Being Depreciated, Net	19,724,193	318,250	-	20,042,443
Business-type Activities Capital Assets, Net	<u>\$ 20,220,666</u>	<u>\$ 318,250</u>	<u>\$ -</u>	<u>\$ 20,538,916</u>

Depreciation expense was charged to governmental and business-type activities as follows:

Governmental Activities:	
General Government	\$ 96,966
Public Safety	126,656
Public Works	738,681
Parks and Recreation	348,711
Community Development	-
	<u>\$ 1,311,014</u>
Business-type Activities	
Water and Sewer	<u>\$ 525,648</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 14– DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

- Level 1 Quoted prices in active markets for identical assets or liabilities
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid money market funds, U.S. Treasuries and exchange traded equities and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include fixed income securities and pooled investments. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and level within the ASC Topic 820 Fair Value Measurement in which the fair measurements fall at March 31, 2022.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 14 – DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES – CONTINUED

		Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Fair Value</u>			
Pooled Government Securities	\$ -	\$ -	\$ -	\$ -

NOTE 15 – INTER-FUND TRANSACTIONS

Inter-fund transfers for the year ended March 31, 2022, consisted of the following:

Transfer from Special Revenue Fund	<u>\$ (1,876,615)</u>
Transfer to General Fund	<u>\$ 937,838</u>
Transfer to TIF Debt	<u>\$ 268,777</u>
Transfer to G.O. Bonds	<u>\$ 670,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 16 – PENDING GASB STATEMENTS – See www.gasb.org for further details

GASB Statement No. 91, Conduit Debt Obligations – The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. The requirements of this Statement are effective for reporting periods after December 15, 2021. Earlier application is encouraged.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 16 – PENDING GASB STATEMENTS – CONTINUED

GASB Statement No. 92, Omnibus 2020 – The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, Replacement of Interbank Offered Rates – The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The requirements of this Statement are effective for reporting periods after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods after June 15, 2022.

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance – The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The requirements of this Statement are effective immediately.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods after June 15, 2022.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – The primary objective of the Statement is to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. The requirements of this Statement are effective for reporting periods after June 15, 2021.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2022

NOTE 16 – PENDING GASB STATEMENTS – CONTINUED

GASB Statement No. 98, The Annual Comprehensive Financial Report – This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for reporting periods after December 15, 2021.

GASB Statement No. 99, Omnibus 2022 – The primary objective of the Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for reporting periods after June 15, 2022.

NOTE 17 – SUBSEQUENT EVENTS

Government Accounting Standards provide guidance on management's assessment of subsequent events and clarifies that management must evaluate, as of each reporting period, events or transactions that occur after the Statement of Net Position date through the date that the financial statements are issued, or are available to be issued. Management has evaluated events and transactions for subsequent events disclosures occurring after March 31, 2022, through September 12, 2022, the date the financial statements were available to be issued and there are no material events requiring recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information (RSI) includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
 - Special Revenue Funds
 - Debt Service Funds
 - Highway Construction
 - G.O. Highway Bonds

**CITY OF KEARNEY, MISSOURI
COMPARISON OF NEEDED-TO-ACTUAL
MAINTENANCE/PRESERVATION
FOR NEW INFRASTRUCTURE ASSETS
MARCH 31, 2022**

The City has elected to use the Modified Approach as defined by GASB 34 for all infrastructure assets. Under GASB 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amounts to maintain and preserve at the established condition assessment level.

The City has not implemented the retroactive restatement of infrastructure assets owned by the City prior to March 31, 2004. The City's revenue is less than prescribed by accounting standards to be required to implement retroactive reporting of infrastructure assets. The City may at some point in the future implement the recording of the assets. All of the new infrastructure assets which have been recorded are new and a condition assessment is not necessary because the assets are new. A comparison of actual to budgeted expenditures is not necessary.

The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level. It is the City's policy to maintain all infrastructure assets at or above the 70% level (100% being new construction).

CITY OF KEARNEY, MISSOURI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY DISCUSSION
FOR THE YEAR ENDED MARCH 31, 2022

Budgetary Accounting

The City prepares its budget for the General Fund on the cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the General Fund in the basic financial statements. All unexpended appropriations lapse at year end.

Through the budget, the Board of Aldermen sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The Annual Budget covers the period from April 1, to March 31, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City's budget is prepared and based on various expenditure categories; personnel, supplies and services, minor capital outlay and capital improvement programs. The first three listed are considered operational in nature or known as recurring costs. Capital improvement projects are asset acquisitions, facilities, systems, and infrastructure improvements typically over \$1,000 and/or those items 'outside' of the normal operational budget. These are known as one-time costs.

The City collects and records revenue and expenditures within the Governmental Activities. The Governmental Funds include the General Fund and Capital Projects. All funding sources are kept separate for both reporting and use of the money. The General Fund is where most City services are funded that are not required to be segregated.

The budget process begins as a team effort in January of each year. Then the individual departments use projected revenue assumptions to prioritize and recommend the next fiscal year's objectives. The City Administrator's Office review all budget proposals and revenue assumptions, as well as all current financial obligations before preparing the document that is proposed to the Board of Aldermen. The Board of Aldermen reviews the Proposed Budget and the final adoption of the budget is scheduled for approval in March.

CITY OF KEARNEY, MISSOURI
Combining Balance Sheet - Nonmajor Governmental Funds
March 31, 2022

[illegible]

CITY OF KEARNEY, MISSOURI
Combining Schedule of Revenues and Changes in Fund Balances -
Nonmajor Governmental Funds
March 31, 2022

	18	Special Revenue Funds			19	11, 61	71, 73	Debt Service Funds		40	66	Capital Project Funds		65
		Capital						Tax				CARES	Wireless	
	Transportation	Improvement	DWI Drug &	Police				Increment	Water and			Act	Capital	
	Sales Tax	Sales Tax	Inmate Security	Training				Financing	Sewer				Improvement	Total
Revenues														
Taxes	\$ 1,459,768	\$ 793,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 758,029	\$ -	\$ -	\$ -	\$ -	\$ 36,328	\$ 3,048,110
Licenses, Permits and Fees	-	-	3,473	2,259	-	-	-	-	-	-	-	-	-	5,732
Interest on Investment	168	34	1	1	7	-	-	-	-	-	371	4	4	586
CARES Act	-	-	-	-	-	-	-	-	-	-	1,106,050	-	-	1,106,050
Other	4,066	-	-	-	-	-	-	-	-	-	-	-	-	4,066
Total Revenues	1,464,002	794,019	3,474	2,260	758,036	-	-	758,036	-	-	1,106,421	36,332	4,164,544	
Expenditures														
Current														
Public Works	1,205,889	3,250	-	-	-	-	-	-	-	-	-	-	-	1,209,139
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Development	-	-	-	-	957,365	-	-	-	-	-	65,051	-	-	1,022,416
Other	-	-	-	-	57,251	-	-	-	-	-	-	-	-	57,251
Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	1,205,889	3,250	-	-	1,014,616	-	-	1,014,616	-	-	65,051	142,781	131,000	131,000
														11,781
														2,431,587
Revenues Collected Over														
(Under) Expenditures Paid	258,113	790,769	3,474	2,260	(256,580)	-	-	(256,580)	-	-	1,041,370	(106,449)	1,732,957	
Operating Transfers and														
Financing Transactions														
Transfers In	-	-	-	-	268,777	-	-	-	-	-	-	110,000	378,777	
Transfers Out	(67,194)	(737,194)	-	-	-	-	-	-	-	-	-	-	(804,388)	
Total Other Financing	(67,194)	(737,194)	-	-	268,777	-	-	268,777	-	-	-	110,000	(425,611)	
Sources (Uses)														
Net Changes in Fund Balances	190,919	53,575	3,474	2,260	12,197	-	-	12,197	-	-	1,041,370	3,551	1,307,346	
Fund Balance, Beginning of Year	1,170,922	242,116	15,537	2,005	12,014	-	-	12,014	-	-	(1,145)	27,003	1,468,452	
Fund Balance, End of Year	\$ 1,361,841	\$ 295,691	\$ 19,011	\$ 4,265	\$ 24,211	\$ -	\$ -	\$ 24,211	\$ -	\$ -	\$ 1,040,225	\$ 30,554	\$ 2,775,798	

CITY OF KEARNEY, MISSOURI
Combining Balance Sheet -
General Funds

	10	13	14	15	17	Total
	General	Sales Tax	Park Capital	Cemetery	Park	General
	Funds		Funds			Funds
Assets						
Cash and Investments	\$ 2,248,382	\$ 253,135	\$ 179,446	\$ 266,688	\$ 207,295	\$ 3,154,946
Receivables, net:						
Taxes	20,433	143,559	-	-	1,947	165,939
Accounts	51,644	-	-	-	-	51,644
Intergovernmental	-	-	-	-	-	-
Total Assets	<u>\$ 2,320,459</u>	<u>\$ 396,694</u>	<u>\$ 179,446</u>	<u>\$ 266,688</u>	<u>\$ 209,242</u>	<u>\$ 3,372,529</u>
Liabilities						
Accounts Payable	\$ 107,741	\$ -	\$ -	\$ -	\$ 18,886	\$ 126,627
Note Payable	-	-	-	-	-	-
	107,741	-	-	-	18,886	126,627
Deferred Inflows of Resources						
Unavailable Revenues	-	-	-	-	-	-
Fund Balances						
Restricted for:						
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Committed for:						
Parks and Recreation	-	-	179,446	-	-	179,446
Assigned for:						
Cemetery	-	-	-	266,688	-	266,688
Culture and Recreation	-	-	-	-	190,356	190,356
Capital Outlay	-	-	-	-	-	-
Unassigned:	2,212,718	396,694	-	-	-	2,609,412
Total Fund Balances	<u>2,212,718</u>	<u>396,694</u>	<u>179,446</u>	<u>266,688</u>	<u>190,356</u>	<u>3,245,902</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 2,320,459</u>	<u>\$ 396,694</u>	<u>\$ 179,446</u>	<u>\$ 266,688</u>	<u>\$ 209,242</u>	<u>\$ 3,372,529</u>

CITY OF KEARNEY, MISSOURI
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - General Fund
For the Year Ended March 31, 2022

	10	13	14	15	17	
	General	Sales Tax	Park Capital	Cemetery	Park	Total Actual
Revenues						
Taxes: Property, Sales, Franchise and Other	\$ 2,074,947	\$ 1,703,512	\$ -	\$ -	\$ 60,379	\$ 3,838,838
Licenses, Permits, and Fees	180,062	-	26,975	12,230	-	219,267
Interest	512	4	27	40	35	618
Utilities/Trash	626,619	-	-	-	-	626,619
Fines	48,149	-	-	-	-	48,149
Miscellaneous	781,428	1,369	-	-	4,470	787,267
Amphitheater Revenue	-	-	-	-	39,862	39,862
Billboard Lease	-	-	-	-	22,800	22,800
Recreation Program	-	-	-	-	109,086	109,086
CARES Act	-	-	-	-	-	-
Grants/Donations	2,368	-	256,645	-	-	259,013
Total Revenues	3,714,085	1,704,885	283,647	12,270	236,632	5,951,519
Expenditures						
Personnel	2,149,842	-	-	-	273,055	2,422,897
Contractual Services	2,389,760	-	-	-	337,359	2,727,119
Commodities/Supplies	77,241	-	-	-	32,423	109,664
Capital	-	-	877,753	-	-	877,753
Principal	-	63,074	38,000	-	-	101,074
Interest	-	13,922	18,034	-	-	31,956
Miscellaneous	1,542	-	-	-	-	1,542
Total Expenditures	4,618,385	76,996	933,787	-	642,837	6,272,005
Revenues Collected Over (Under) Expenditures Paid	(904,300)	1,627,889	(650,140)	12,270	(406,205)	(320,486)
Operating Transfers and Financing Transactions						
Transfer In	937,838	-	60,000	-	384,000	1,381,838
Transfer Out	-	(1,626,227)	-	-	-	(1,626,227)
Loan Proceeds	-	-	-	-	-	-
	937,838	(1,626,227)	60,000	-	384,000	(244,389)
Revenues Collected and Operating Transfers Over (Under) Expenditures Paid	33,538	1,662	(590,140)	12,270	(22,205)	(564,875)
Fund Balance, Beginning of Year	2,179,180	395,032	769,586	254,418	212,561	3,810,777
Fund Balance, End of Year	\$ 2,212,718	\$ 396,694	\$ 179,446	\$ 266,688	\$ 190,356	\$ 3,245,902

CITY OF KEARNEY, MISSOURI
Schedule of Revenues, Expenditures and Changes in Fund Balances-
General Fund - Budget and Actual
For the Year Ended March 31, 2022

	General Fund			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues				
Taxes	\$ 2,168,520	\$ 2,168,520	\$ 2,080,483	\$ (88,037)
Licenses, Permits and Fees	145,000	145,000	180,062	35,062
Grants	5,000	5,000	2,368	(2,632)
Charges for Services	606,600	606,600	625,937	19,337
Interest	500	500	512	12
Other	61,000	811,000	829,927	18,927
Total Revenues	2,986,620	3,736,620	3,719,289	(17,331)
Expenditures				
Current:				
General Government	998,880	1,843,880	1,293,979	(549,901)
Public Safety	2,011,434	2,067,507	1,985,271	(82,236)
Solid Waste	624,600	624,600	656,362	31,762
Parks and Recreation	-	-	-	-
Community Development	248,114	248,114	235,915	(12,199)
Debt Service				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	3,883,028	4,784,101	4,171,527	(612,574)
Excess of Revenues Over (Under) Expenditures	(896,408)	(1,047,481)	(452,238)	(629,905)
Other Financing Sources and (Uses):				
Transfers In	1,442,500	1,491,838	1,491,838	-
Transfers (Out)	(524,000)	(554,000)	(554,000)	-
Total Other Financing Sources and (Uses)	918,500	937,838	937,838	-
Change in Fund Balances, Budget Basis	\$ 22,092	\$ (109,643)	\$ 485,600	\$ (629,905)

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-
Other Funds Reported with the General Fund - Budget and Actual
For the Year Ended March 31, 2022

	13 Sales Tax Fund			15 Cemetery Fund			14 Park Capital Fund			17 Park Fund		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues												
Taxes	\$ 1,687,838	\$ 1,710,662	\$ 22,824	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	-	-	26,000	26,975	975	22,800	22,800	-
Interest	-	4	4	-	39	39	-	27	27	-	35	35
Grant	-	-	-	-	-	-	250,000	250,000	-	-	-	-
Other	-	1,369	1,369	5,000	12,230	7,230	-	6,645	6,645	84,000	211,749	127,749
Total Revenues	1,687,838	1,712,035	24,197	5,000	12,269	7,269	276,000	283,647	7,647	106,800	234,584	127,784
Expenditures												
Current:												
Parks and Recreation	-	-	-	30,000	-	(30,000)	-	-	-	576,814	631,948	55,134
Community Development	88,363	-	(88,363)	-	-	-	1,230,000	1,089,652	(140,348)	-	-	-
Debt Service												
Principal	63,074	63,074	-	-	-	-	38,000	38,000	-	-	-	-
Interest and Fiscal Charges	18,788	13,923	(4,865)	-	-	-	18,035	18,035	-	-	-	-
Total Expenditures	170,225	76,997	(93,228)	30,000	-	(30,000)	1,286,035	1,145,687	(140,348)	576,814	631,948	55,134
Excess of Revenues Over (Under) Expenditures	1,517,613	1,635,038	(69,031)	(25,000)	12,269	(22,731)	(1,010,035)	(862,040)	(132,701)	(470,014)	(397,364)	182,918
Other Financing Sources and (Uses):												
Transfers In	-	-	-	-	-	-	60,000	60,000	-	384,000	384,000	-
Transfers Out	(1,605,838)	(1,626,227)	(20,389)	-	-	-	-	-	-	-	-	-
Total Other Financing Sources and (Uses)	(1,605,838)	(1,626,227)	(20,389)	-	-	-	60,000	60,000	-	384,000	384,000	-
Change in Fund Balances, Budget Basis	\$ (88,225)	\$ 8,811	\$ (89,420)	\$ (25,000)	\$ 12,269	\$ (22,731)	\$ (950,035)	\$ (802,040)	\$ (132,701)	\$ (86,014)	\$ (13,364)	\$ 182,918
Fund Balance, Beginning of Year, Budget Basis		233,191			254,418			917,420			232,727	
Fund Balance, End of Year, Budget Basis		\$ 242,002			\$ 266,687			\$ 115,380			\$ 219,363	

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-
Nonmajor Special Revenue Funds
Budget and Actual
For the Year Ended March 31, 2022

	18			19			11, 61			16		
	Transport Sales Tax			Capital Improvement Sales Tax			DWI Drug & Inmate Security Fund			Police Training Fund		
	Final	Actual	Variance	Final	Actual	Variance	Final	Actual	Variance	Final	Actual	Variance
	Budget		Positive	Budget		(Negative)	Budget		(Negative)	Budget		Positive
			(Negative)									(Negative)
Revenues												
Taxes	\$ 1,357,000	\$ 1,459,831	\$ 102,831	\$ 747,500	\$ 796,153	\$ 48,653	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Permits and Fees	-	4,066	4,066	-	-	-	2,100	2,474	374	1,500	2,259	759
Interest	-	168	168	-	35	35	-	-	-	-	1	1
Total Revenues	1,357,000	1,464,065	107,065	747,500	796,188	48,688	2,100	2,474	374	1,500	2,260	760
Expenditures												
Current:												
Public Safety	-	-	-	-	-	-	15,500	-	(15,500)	1,800	-	(1,800)
Public Works	1,368,302	1,208,306	(159,996)	577,200	3,250	(573,950)	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	1,368,302	1,208,306	(159,996)	577,200	3,250	(573,950)	15,500	-	(15,500)	1,800	-	(1,800)
Excess of Revenues Over (Under) Expenditures	(11,302)	255,759	(52,931)	170,300	792,938	(523,262)	(13,400)	2,474	(15,126)	(300)	2,260	(1,040)
Other Financing Sources and (Uses):												
Transfers In	-	-	-	442,200	-	(442,200)	-	-	-	-	-	-
Transfers (Out)	(55,600)	(67,194)	(11,594)	(725,600)	(737,194)	(11,594)	-	-	-	-	-	-
Total Other Financing Sources and (Uses)	(55,600)	(67,194)	(11,594)	(283,400)	(737,194)	(453,794)	-	-	-	-	-	-
Change in Fund Balances, Budget Basis	\$ (66,902)	\$ 188,565	\$ (64,525)	\$ (113,100)	\$ 55,744	\$ (979,056)	\$ (13,400)	\$ 2,474	\$ (15,126)	\$ (300)	\$ 2,260	\$ (1,040)
Fund Balance, Beginning of Year, Budget Basis		1,049,285			175,550			13,764			2,006	
Fund Balance, End of Year, Budget Basis		\$ 1,237,850			\$ 231,294			\$ 16,238			\$ 4,266	

CITY OF KEARNEY, MISSOURI
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Debt Service and Capital Projects Funds -
Budget and Actual

For the Year Ended March 31, 2022

	71,73	Debt Service		Water and Sewer Obligation Fund		Downtown Improvement Fund		Capital Projects Funds		65
		Tax Incremental Financing Fund		Debt Service		Wireless Capital Improvement Fund				
		Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues										
Taxes	\$ 698,631	\$ 758,029	\$ 59,398	\$ -	\$ -	\$ -	\$ -	\$ 39,360	\$ 36,589	\$ (2,771)
Licenses, Permits and Fees	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Interest	-	7	7	-	-	-	-	-	4	4
Total Revenues	698,631	758,036	59,405	-	-	-	-	39,360	36,593	(2,767)
Expenditures										
Current:										
Capital Purchase	-	-	-	-	-	-	-	-	-	-
Community Development	943,485	1,025,220	81,735	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	131,000	131,000	-
Principal	-	-	-	-	-	-	-	11,781	11,781	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	142,781	142,781	-
Total Expenditures	943,485	1,025,220	81,735	-	-	-	-	(103,421)	(106,188)	(2,767)
Excess of Revenues Over (Under) Expenditures	(244,854)	(267,184)	141,140	-	-	-	-			
Other Financing Sources and (Uses):										
Transfers In	225,200	268,777	43,577	-	-	-	-	110,000	110,000	-
Transfers (Out)	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources and (Uses)	225,200	268,777	43,577	-	-	-	-	110,000	110,000	-
Change in Fund Balances, Budget Basis	\$ (19,654)	\$ 1,593	\$ 184,717	\$ -	\$ -	\$ -	\$ -	\$ 6,579	\$ 3,812	\$ (2,767)
Fund Balance, Beginning of Year, Budget Basis		112,299	17,522						23,643	
Fund Balance, End of Year, Budget Basis		\$ 113,892	\$ 17,522						\$ 27,455	

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Schedule of Revenues, Expenditures and Changes in Fund Balances-
Highway Construction Fund - Budget and Actual -
For the Year Ended March 31, 2022

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
MODOT Grant	\$ -	\$ 2,605	\$ 2,605
Intergovernmental	74,382	74,382	-
Interest	2,000	3,425	1,425
Other	-	-	-
Total Revenues	76,382	80,412	4,030
Expenditures			
Current:			
Contractual Services	-	-	-
I35 & 19th Street Interchange Project	5,660,285	28,003	(5,632,282)
Way Finding Signs	50,000	-	(50,000)
Dogwood Sidewalk Project	-	2,416	2,416
I35 Landscaping Project	15,000	14,960	(40)
19th Brookhaven Sidewalk Crossing	-	-	-
Total Expenditures	5,725,285	45,379	(5,679,906)
Other Financial Sources and Uses			
Bond Proceeds	-	-	-
Bond Premium	-	-	-
Bond Issue Expense	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
Total Bond Transactions	-	-	-
Excess of Revenues Over (Under) Expenditures	(5,648,903)	35,033	(5,675,876)
Change in Fund Balances, Budget Basis	<u>\$ (5,648,903)</u>	35,033	<u>\$ (5,675,876)</u>
Fund Balance, Beginning of year, Budget Basis		<u>7,238,269</u>	
Fund Balance, End of Year, Budget Basis		<u>\$ 7,273,302</u>	

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Schedule of Revenues, Expenditures and Changes in Fund Balances-
GO Hwy Bonds - Budget and Actual
For the Year Ended March 31, 2022

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property Taxes	\$ 99,121	\$ 100,053	\$ 932
Sales Taxes	1,625,000	1,706,925	81,925
Interest	<u>-</u>	<u>158</u>	<u>158</u>
Total Revenues	1,724,121	1,807,136	83,015
Expenditures			
Debt Service			
Principal	1,290,000	12,900,000	11,610,000
Interest and Fiscal Charges	<u>925,882</u>	<u>913,635</u>	<u>(12,247)</u>
Total Expenditures	2,215,882	13,813,635	11,597,753
Other Financing Sources and (Uses):			
Transfers In	<u>670,000</u>	<u>670,000</u>	<u>-</u>
Total Other Financing Sources and (Uses)	<u>670,000</u>	<u>670,000</u>	<u>-</u>
Change in Fund Balances, Budget Basis	<u>\$ 178,239</u>	(11,336,499)	<u>\$(11,514,738)</u>
Fund Balance, Beginning of Year, Budget Basis		<u>3,878,773</u>	
Fund Balance, End of Year, Budget Basis		<u>\$ (7,457,726)</u>	

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
SCHEDULE OF PENSION CONTRIBUTIONS
Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$212,491	\$176,042	\$184,730	\$172,814	\$173,083	\$166,843	\$170,763	\$186,144	\$191,718	\$201,462
Contributions in relation to the actuarially determined contribution	201,592	176,042	184,730	172,814	173,083	166,843	170,763	186,144	191,719	201,462
Contribution deficiency (excess)	\$10,899	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$1)	\$0
Covered-employee payroll	\$2,461,112	\$2,333,260	\$2,261,499	\$2,105,778	\$2,085,670	\$1,990,387	\$1,816,633	\$1,713,168	\$1,676,071	\$1,620,534
Contributions as a percentage of covered-employee payroll	8.19%	7.54%	8.17%	8.21%	8.30%	8.38%	9.40%	10.87%	11.44%	12.43%

CITY OF KEARNEY, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
Last 10 Fiscal Years

Fiscal year ending June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total Pension Liability										
Service Cost	\$191,065	\$181,882	\$179,753	\$176,591	\$175,700	\$152,941	\$150,464	N/A	N/A	N/A
Interest on Total Pension Liability	557,002	531,846	505,019	461,143	424,522	371,974	362,375	N/A	N/A	N/A
Changes of Benefit Terms	0	0	0	0	0	0	0	N/A	N/A	N/A
Difference Between Expected and Actual Experience	(310,036)	(167,727)	(137,758)	110,520	38,437	95,778	(239,259)	N/A	N/A	N/A
Changes of Assumptions	(90,040)	0	0	0	(159,810)	400,522	0	N/A	N/A	N/A
Benefit Payments, Including Refunds	(184,308)	(222,107)	(135,471)	(153,465)	(109,710)	(189,991)	(96,466)	N/A	N/A	N/A
Net Change in Total Pension Liability	163,683	323,894	411,543	594,789	369,139	831,224	177,114	N/A	N/A	N/A
Total Pension Liability - Beginning	7,679,461	7,355,567	6,944,024	6,349,235	5,980,096	5,148,872	4,971,758	N/A	N/A	N/A
Total Pension Liability - Ending (A)	\$7,843,144	\$7,679,461	\$7,355,567	\$6,944,024	\$6,349,235	\$5,980,096	\$5,148,872	N/A	N/A	N/A
Plan Fiduciary Net Position										
Contributions - Employer	\$180,001	\$182,596	\$175,063	\$174,136	\$168,842	\$171,458	\$179,892	N/A	N/A	N/A
Contributions - Employee	0	0	0	0	0	0	0	N/A	N/A	N/A
Net Investment Income	2,209,536	105,892	495,462	830,969	734,655	(18,794)	117,965	N/A	N/A	N/A
Benefit Payments, Including Refunds	(184,308)	(222,107)	(135,471)	(153,465)	(109,710)	(189,991)	(96,466)	N/A	N/A	N/A
Pension Plan Administrative Expense	(6,990)	(9,011)	(7,128)	(5,208)	(4,889)	(4,629)	(4,661)	N/A	N/A	N/A
Other (Net Transfer)	(74,572)	(309,368)	7,167	26,886	5,164	(54)	210,769	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	2,123,667	(251,998)	535,093	873,318	794,062	(42,010)	407,499	N/A	N/A	N/A
Plan Fiduciary Net Position - Beginning	7,901,160	8,153,158	7,618,065	6,744,747	5,950,685	5,992,695	5,585,196	N/A	N/A	N/A
Plan Fiduciary Net Position - Ending (B)	\$10,024,827	\$7,901,160	\$8,153,158	\$7,618,065	\$6,744,747	\$5,950,685	\$5,992,695	N/A	N/A	N/A
Net Pension Liability/(Asset) - Ending (A) - (B)	(\$2,181,683)	(\$221,699)	(\$797,591)	(\$674,041)	(\$395,512)	\$29,411	(\$843,823)	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		102.89%	110.84%	109.71%	106.23%	99.51%	116.39%	N/A	N/A	N/A
Covered - Employee Payroll		\$2,286,315	\$2,071,945	\$2,123,402	\$2,003,794	\$1,889,737	\$1,696,976	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll		-9.70%	-38.49%	-31.74%	-19.74%	1.56%	-49.73%	N/A	N/A	N/A

N/A = Not Applicable

CITY OF KEARNEY, MISSOURI
COMPLIANCE REPORT
March 31, 2022

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

Honorable Mayor and Board of Alderman
City of Kearney, 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, each major fund, and the aggregate remaining fund information of the City of Kearney, Missouri, as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Kearney's basic financial statements and have issued our report thereon dated September 12, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Kearney'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 of Kearney's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kearney'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

CITY OF KEARNEY, MISSOURI
COMPLIANCE REPORT
March 31, 2022

Compliance and Other Matters

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

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accounting Solutions Group, LLC

Accounting Solutions Group, LLC

September 12, 2022
Gladstone, Missouri



September 12, 2022

Honorable Mayor and Board of Alderman
City of Kearney, Missouri
Kearney, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Kearney, Missouri, for the year ended March 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated September 12, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Kearney, Missouri, are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal 2022. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We made certain adjustments to the financial statement to convert to the accrual basis of accounting.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 12, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In our professional judgement, we have identified no issues that we have deemed relevant to those charged with governance in overseeing the financial reporting process.

Other Matters

In planning and performing our audit of the financial statements of the City of Kearney, Missouri, as of and for the year ended March 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kearney, Missouri'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. We did not identify any deficiencies in internal control that we consider to be material weaknesses. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-01 and 2022-02.

Our consideration of internal control was for the limited purpose described in the second paragraph of this section and was designed to identify all deficiencies in internal control that might be material weaknesses. 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.

Restriction on Use

This information is intended solely for the use of the City of Kearney, Missouri and management of the City of Kearney, Missouri and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Signature Nathaniel E. Thomas

Title Partner

Date 09/12/22

Schedule of Findings and Responses
March 31, 2022

Audit Report Unmodified

Internal Control Over Financial Reporting

Material Weakness Identified – None

Significant Deficiencies Identified

- | | |
|---------|---|
| 2022-01 | Current staff does not provide financial statements and related notes. The City of Kearney, Missouri provides a detailed and summary general ledger containing receipts and expenditures. |
| 2022-02 | Due to the size of the City of Kearney, Missouri, the organization lacks the proper separation of duties over recording transfers, cash receipts and cash disbursements. |

Noncompliance material to financial statements noted – None

Client Response

- | | |
|---------|---|
| 2022-01 | The City of Kearney, Missouri has enlisted the auditors assistance in preparing the financial statements and related notes based on the information provided to the auditor. Per conversations with the auditor, we believe we have provided the information to the best of our ability and the auditor feels that their independence is not affected by this issue. No change is expected. |
| 2022-02 | The City of Kearney, Missouri has a small number of employees working at City Hall. As such, the organization is unable to perform proper separation of duties. No change is expected. |