



CITY OF KEARNEY, MISSOURI

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

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, 2020

MAYOR AND BOARD OF ALDERMAN

Randy Pogue.....	Mayor
Kathy Barger	Alderman
Gerri Spencer.....	Alderman
Dan Holt.....	Alderman
Marie Steiner	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, 2020, 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, 2020, 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 August 31, 2020, 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

August 31, 2020
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, 2020

	Primary Government		
	Governmental	Business-	
	Activities	Type Activities	Total
Assets			
Cash and Investments	\$ 6,970,707	\$ 3,591,609	\$ 10,562,316
Receivables, net:			
Taxes	349,613	-	349,613
Accounts	46,070	282,359	328,429
Intergovernmental	-	-	-
Note Receivable	331,155	-	331,155
Capital Assets:			
Assets Not Being Depreciated	869,058	496,473	1,365,531
Assets Being Depreciated, Net of Depreciation	14,074,686	18,461,923	32,536,609
Net Pension Asset	797,591	-	797,591
Deferred Outflows:			
Contributions Subsequent to Measurement Date	139,375	-	139,375
Difference in Actuarial Assumptions	127,614	-	127,614
Difference Between Expected and Actual Experience	128,072	-	128,072
Total Assets	23,833,941	22,832,364	46,666,305
Liabilities			
Accounts Payable	310,219	104,778	414,997
Accrued Interest	26,753	22,970	49,723
Customer Deposits	-	227,693	227,693
Long-term Obligations:			
Amounts due in less than one year	1,461,061	880,169	2,341,230
Amounts due in more than one year	10,591,711	10,561,931	21,153,642
Deferred Inflows:			
Deficit Investment Returns	187,628	-	187,628
Difference in Actuarial Assumptions	78,942	-	78,942
Difference Between Expected and Actual Experience	172,552	-	172,552
Total Liabilities	12,828,866	11,797,541	24,626,407
Net Position			
Net Investment in Capital Assets	3,424,913	7,627,943	11,052,856
Restricted			
Public Safety	13,846	-	13,846
Public Works	763,718	-	763,718
Capital Outlay	186,875	-	186,875
Debt Service	2,264,636	-	2,264,636
Unrestricted	4,351,087	3,406,880	7,757,967
Total Net Position	<u>\$ 11,005,075</u>	<u>\$ 11,034,823</u>	<u>\$ 22,039,898</u>

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Activities
For the Year Ended March 31, 2020

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	\$ 1,068,267	\$ 193,511	\$ -	\$ -	\$ (874,756)	\$ -	\$ (874,756)
Public Safety	2,025,180	5,819	-	-	(2,019,361)	-	(2,019,361)
Public Works	2,000,127	-	-	16,932	(1,983,195)	-	(1,983,195)
Solid Waste	569,154	547,466	-	-	(21,688)	-	(21,688)
Parks and Recreation	768,319	152,321	-	-	(615,998)	-	(615,998)
Community Development	1,277,902	74,382	-	-	(1,203,520)	-	(1,203,520)
Bond Issue Expenses	-	-	-	-	-	-	-
Interest on Long-term Debt	333,547	-	-	-	(333,547)	-	(333,547)
Total Governmental Activities	8,042,496	973,499	-	16,932	(7,052,065)	-	(7,052,065)
Business-type Activities:							
Water and Sewer	3,000,824	3,914,317	-	-	-	913,493	913,493
Total Business-type Activities	3,000,824	3,914,317	-	-	-	913,493	913,493
Total Primary Government	\$ 11,043,320	\$ 4,887,816	\$ -	\$ 16,932	(7,052,065)	913,493	(6,138,572)
General Revenue							
Taxes							
Property Taxes					1,633,052	-	1,633,052
Sales Taxes					5,525,333	-	5,525,333
Franchise Taxes					814,899	-	814,899
Interest Income					132,483	45,339	177,822
Miscellaneous					74,322	-	74,322
Pension Expense					753,530	-	753,530
Total General Revenues					8,933,619	45,339	8,978,958
Change in Net Position					1,881,554	958,832	2,840,386
Net Position, Beginning of the Year					9,123,521	10,075,991	19,199,512
Net Position, End of the Year					\$ 11,005,075	\$ 11,034,823	\$ 22,039,898

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Balance Sheet - Government Funds
March 31, 2020

	General	Highway Construction	GO Highway Bonds	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Investments	\$ 2,621,781	\$ 1,121,321	\$ 2,303,287	\$ 924,318	\$ 6,970,707
Receivables, net:					
Taxes	152,330	-	-	197,283	349,613
Accounts	46,070	-	-	-	46,070
Intergovernmental	-	-	-	-	-
Note Receivable		331,155	-	-	331,155
Restricted Cash and Investments	-	-	-	-	-
Total Assets	<u>\$ 2,820,181</u>	<u>\$ 1,452,476</u>	<u>\$ 2,303,287</u>	<u>\$ 1,121,601</u>	<u>\$ 7,697,545</u>
Liabilities					
Accounts Payable	\$ 127,234	\$ 10,392	\$ 318	\$ 172,275	\$ 310,219
Total Liabilities	127,234	10,392	318	172,275	310,219
Deferred Inflows of Resources					
Unavailable Revenues	-	331,155	-	-	331,155
Fund Balances					
Restricted for:					
Public Safety	-	-	-	13,846	13,846
Public Works	-	-	-	765,818	765,818
Capital Outlay	-	-	-	186,875	186,875
Debt Service	-	-	2,302,969	(38,333)	2,264,636
Committed for:					
Parks and Recreation	77,272	-	-	-	77,272
Assigned for:					
Cemetery	243,698	-	-	-	243,698
Culture and Recreation	100,114	-	-	-	100,114
Capital Outlay	-	1,110,929	-	21,120	1,132,049
Unassigned:	<u>2,271,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,271,863</u>
Total Fund Balances	<u>2,692,947</u>	<u>1,110,929</u>	<u>2,302,969</u>	<u>949,326</u>	<u>7,056,171</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 2,820,181</u>	<u>\$ 1,452,476</u>	<u>\$ 2,303,287</u>	<u>\$ 1,121,601</u>	<u>\$ 7,697,545</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, 2020

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

Ending Fund Balances - Total Governmental Funds	\$ 7,056,171
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.	14,943,744
Certain revenues are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the governmental funds.	331,155
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	(26,753)
Long-term Liabilities	(12,052,772)
GASB 68 entries related to recording net pension liability/asset:	
Deferred Outflows - Difference in Actuarial Assumptions	127,614
Deferred Outflows - Difference Between Expected and Actual Experience	128,072
Deferred Outflows - Contributions Subsequent to Measurement Date	139,375
Net Pension Asset	797,591
Deferred Inflows - Deficit Investment Return	(187,628)
Deferred Inflows - Difference in Actuarial Assumptions	(78,942)
Deferred Inflows - Difference Between Expected and Actual Experience	<u>(172,552)</u>
Total Net Position of Governmental Activities	<u>\$ 11,005,075</u>

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, 2020

Revenues	General	Highway Construction	GO Highway Bonds	Non-Major Governmental Funds	Total
Taxes	\$ 3,538,764	\$ -	\$ 1,630,856	\$ 2,803,662	\$ 7,973,282
Intergovernmental	-	74,382	-	-	74,382
Licenses, Permits, Fines and Fees	214,636	-	-	5,819	220,455
Charges for Services	678,664	-	-	-	678,664
State Grant	16,932	-	-	-	16,932
Interest	48,814	42,050	21,389	20,230	132,483
Miscellaneous	51,138	7,130	-	16,054	74,322
Total Revenue	4,548,948	123,562	1,652,245	2,845,765	9,170,520
Expenditures					
Current:					
General Government	1,030,777	-	-	-	1,030,777
Public Safety	1,896,086	-	-	4,365	1,900,451
Public Works	-	-	-	1,666,313	1,666,313
Solid Waste	569,154	-	-	-	569,154
Parks and Recreation	639,082	-	-	-	639,082
Community Development	195,311	1,279,692	-	897,522	2,372,525
Debt Service:					
Principal	113,460	-	680,000	126,000	919,460
Interest and Fiscal Charges	12,120	-	304,449	16,979	333,548
Total Expenditures	4,455,990	1,279,692	984,449	2,711,179	9,431,310
Revenues Collected Over (Under) Expenditures Paid	92,958	(1,156,130)	667,796	134,586	(260,789)
Bond Transactions					
Bond Proceeds		-			-
Bond Premium		-			-
Bond Issue Costs		-			-
Operating Transfers					
Transfers In	1,871,190	-	630,000	276,579	2,777,769
Transfers Out	(2,078,882)	-	-	(741,291)	(2,820,173)
Total Other Financing Sources (Uses)	(207,692)	-	630,000	(464,712)	(42,405)
Net Changes in Fund Balances	(114,734)	(1,156,130)	1,297,796	(330,126)	(303,194)
Fund Balance, Beginning of Year	2,807,681	2,267,059	1,005,173	1,279,452	7,359,365
Fund Balance, End of Year	\$ 2,692,947	\$ 1,110,929	\$ 2,302,969	\$ 949,326	\$ 7,056,171

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, 2020

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

Net Change in Fund Balances - Total Governmental Funds	\$ (303,194)
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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	1,172,184
Depreciation Expense	(625,277)

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	(58,785)
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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	919,460
Change in Accrued Interest Payable	1,877

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	21,759
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GASB 68 entries related to recording net pension expense/income:

Current year net pension expense activity	753,530
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Change in Net Position of Governmental Activities	\$ <u>1,881,554</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, 2020

Assets

Current Assets

Cash and Investments	\$ 3,591,609
Accounts Receivable	<u>282,359</u>
Total Current Assets	3,873,968

Non Current Assets

Capital Assets:

Assets Not Depreciated	496,473
Assets Being Depreciated, Net of Depreciation	<u>18,461,923</u>
Total Non Current Assets	<u>18,958,396</u>

Total Assets	<u><u>\$ 22,832,364</u></u>
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Liabilities

Current Liabilities

Accounts Payable	\$ 104,778
Accrued Interest	22,970
Customer Deposits	227,693
Long-term Obligations, Due Within One year	<u>880,169</u>
Total Current Liabilities	1,235,610

Non Current Liabilities

Long-term Obligations	<u>10,561,931</u>
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Total Liabilities	11,797,541
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Net Position

Net Investment in Capital Assets	7,627,943
Restricted for Debt Service	-
Unrestricted	<u>3,406,880</u>
Total Net Position	<u>11,034,823</u>

Total Liabilities and Net Position	<u><u>\$ 22,832,364</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, 2020

Operating Revenues:

Charges for Services	\$ 3,903,130
Miscellaneous	<u>11,187</u>
Total Revenue	3,914,317

Operating Expenses:

Personnel Services	754,798
Contractual Services	947,842
Supplies	484,663
Depreciation	468,882
Other	<u>331</u>
Total Expenses	<u>2,656,516</u>

Operating Income	1,257,801
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Nonoperating Revenues (Expenses)

Intergovernmental	42,400
Interest Income	45,339
Interest Expense	(386,708)
Bond Issuance Expenses	<u>-</u>
Total Nonoperating Revenues and Expenses	<u>(298,969)</u>

Change in Net Position	958,832
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Net Position, Beginning of Year	<u>10,075,991</u>
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Net Position, End of Year	<u><u>\$ 11,034,823</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, 2020

Cash Flows from Operating Activities:

Receipts from Customers	\$ 3,904,809
Payments to Suppliers and Vendors	(1,443,620)
Payments to Employees for Services	<u>(753,239)</u>
Net Cash Provided by Operating Activities	1,707,950

Cash Flows from Capital and Related Financing Activities:

Proceeds from Debt Issuance	-
Purchases of Capital Assets	(4,712,207)
Payments on Long-term Debt	(700,656)
Interest and Bond Cost paid on Capital Debt	(388,413)
Other Adjustments	<u>74,087</u>
Net Cash Provided by Capital and Related Financing Activities	(5,727,189)

Cash Flows from Investment Activities:

Interest Income	<u>45,339</u>
Net Cash Provided by Investment Activities	<u>45,339</u>
Net Change in Cash and Cash Equivalents	(3,973,900)
Cash and Cash Equivalents, Beginning of Year	7,565,509
Cash and Cash Equivalents, End of Year	<u><u>\$ 3,591,609</u></u>

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

Operating Income	\$ 1,257,801
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	468,882
Change in Assets and Liabilities:	
Accounts Receivable	(30,884)
Accounts Payable	6,393
Accrued Compensated Absences	1,559
Interest Payable	(1,687)
Deposits	<u>5,886</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,707,950</u></u>

Cash and Cash Equivalents consists of:

Cash and Investments	<u>\$ 3,591,609</u>
	<u><u>\$ 3,591,609</u></u>

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Assets and Liabilities - Agency Funds
March 31, 2020

	Municipal Court	Road District	Community Improvement Districts	Total
Assets				
Cash - Checking and Savings	\$ 2,450	\$ 63,826	\$ 847,881	\$ 914,157
Total Assets	<u>\$ 2,450</u>	<u>\$ 63,826</u>	<u>\$ 847,881</u>	<u>\$ 914,157</u>
Liabilities				
Due to Others	\$ 2,450	\$ 63,826	\$ 847,881	\$ 914,157
Total Liabilities	<u>\$ 2,450</u>	<u>\$ 63,826</u>	<u>\$ 847,881</u>	<u>\$ 914,157</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, 2020

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 9,790 (U.S. Census Estimate, July 2016) 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, 2020

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, 2020

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 and Series 2018 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 Council 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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020, the accumulated liability balance was \$533,941.

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, 2020, the accumulated liability balance was \$111,647.

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, 2020

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, 2020

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, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deposits and Money Market Accounts	\$8,420,211
Certificates of Deposit	748,111
Short-term Investments held in trust (Bond Reserves)	<u>1,393,994</u>
	<u>\$10,562,316</u>

	Government-wide Statement of Net Position	Proprietary Funds	Total
Cash and Investments	<u>\$6,970,707</u>	<u>\$3,591,609</u>	<u>\$10,562,316</u>
	<u>\$6,970,707</u>	<u>\$3,591,609</u>	<u>\$10,562,316</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, 2020

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, 2020:

	General Obligation Bonds	Revenue Bonds	Total
Bonds Payable, March 31, 2019	\$10,820,000	\$ 765,000	\$11,585,000
Bonds Issued	-	-	-
Bonds Retired – Regular	(680,000)	(180,000)	(860,000)
Bonds Payable, March 31, 2020	<u>\$10,140,000</u>	<u>\$ 585,000</u>	<u>\$10,725,000</u>

General Obligation Bonds payable at March 31, 2020, consist of:

General Obligation Bonds, Series 2015 due in varying installments through 2029	\$ 6,765,000
General Obligation Bonds, Series 2018 due in varying installments through 2038	<u>3,375,000</u>
Total General Obligation Bonds	<u>\$10,140,000</u>
Water and Pollution Control Bonds due in varying installments through 2023	<u>585,000</u>
Total Bonds Payable	<u>\$10,725,000</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 proceeds 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 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:

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2020

NOTE 3 – LONG-TERM DEBT – BONDS - CONTINUED

2015 General Obligation Bond Refunding - Continued

<u>Due March 1</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 590,000	\$ 162,413
2022	620,000	146,613
2023	680,000	138,213
2024	740,000	124,613
2025	765,000	109,813
2026 – 2029	<u>3,370,000</u>	<u>234,373</u>
	<u>\$6,765,000</u>	<u>\$ 916,038</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>
2021	\$ 135,000	\$ 122,269
2022	140,000	115,519
2023	145,000	108,519
2024	150,000	101,269
2025	155,000	93,769
2026 – 2030	885,000	372,344
2031 – 2035	1,050,000	225,837
2036 – 2038	<u>715,000</u>	<u>49,687</u>
	<u>\$3,375,000</u>	<u>\$1,189,213</u>

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

<u>Due July 1</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 185,000	\$ 17,204
2022	195,000	10,567
2023	<u>205,000</u>	<u>3,581</u>
	<u>\$ 585,000</u>	<u>\$ 31,352</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2020

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, 2020:

	<u>Government Activities</u>	<u>Business Activities</u>
Capital Lease Obligations Payable, March 31, 2019	\$ 1,617,997	\$11,236,127
Capital Lease Obligation Retired	(239,166)	(490,674)
New Lease	-	-
Capital Lease Obligations Payable, March 31, 2020	<u>\$ 1,378,831</u>	<u>\$10,745,453</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>
2021	\$ 32,120	\$ 9,412
2022	33,074	8,458
2023	34,057	7,475
2024	32,772	-
2025	34,112	-
2026 – 2029	<u>150,696</u>	<u>-</u>
	<u>\$ 316,831</u>	<u>\$ 25,345</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, 2020

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>
2021	\$ 108,108	\$ 5,672
2022	110,169	3,611
2023	112,270	1,510
2024	<u>18,919</u>	<u>45</u>
	<u>\$ 349,466</u>	<u>\$ 10,838</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.

This capital lease agreement will run for 13 years with an average coupon note of 3.395%. Annual payments of principal and interest are as follows:

	<u>Principal</u>	<u>Interest</u>
2021	\$ 350,000	\$ 108,819
2022	360,000	98,563
2023	475,000	87,688
2024	595,000	70,688
2025	620,000	50,050
2026	<u>800,000</u>	<u>25,800</u>
	<u>\$3,200,000</u>	<u>\$ 441,608</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2020

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 is 2.0% with payments under the lease as follows:

	<u>Principal</u>	<u>Interest</u>
2021	\$ 12,000	\$ 243
	<u>\$ 12,000</u>	<u>\$ 243</u>

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>
2021	\$ 40,414	\$ 3,897
2022	41,257	3,054
2023	42,118	2,193
2024	42,997	1,314
2025	40,201	417
	<u>\$ 206,987</u>	<u>\$ 10,875</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2020

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>
2021	\$ 77,000	\$ 7,868
2022	79,000	6,306
2023	81,000	4,704
2024	82,000	3,070
2025	69,000	1,399
	<u>\$ 388,000</u>	<u>\$ 23,347</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>
2021	\$ 51,000	\$ 6,509
2022	52,000	5,475
2023	53,000	4,421
2024	54,000	3,355
2025	55,000	2,251
2026	56,000	1,135
	<u>\$ 321,000</u>	<u>\$ 23,146</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2020

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>
2021	\$ -	\$ 15,538
2022	-	15,538
2023	-	15,538
2024	-	15,538
2025	-	15,538
2026 – 2030	205,000	67,860
2031 – 2034	<u>300,000</u>	<u>19,525</u>
	<u>\$ 505,000</u>	<u>\$ 165,075</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>
2021	\$ -	\$ 74,651
2022	-	74,651
2023	-	74,651
2024	-	74,651
2025	-	74,651
2026 – 2030	914,000	335,458
2031 – 2034	<u>1,510,000</u>	<u>97,753</u>
	<u>\$2,424,000</u>	<u>\$ 806,466</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2020

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>
2021	\$ 85,000	\$ 128,269
2022	90,000	124,769
2023	95,000	121,069
2024	100,000	117,169
2025	105,000	113,069
2026 – 2030	1,730,000	444,667
2031 – 2034	<u>1,855,000</u>	<u>119,891</u>
	<u>\$4,060,000</u>	<u>\$1,168,903</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>
2021	\$ 30,000	\$ 11,530
2022	30,000	10,330
2023	30,000	9,130
2024	30,000	7,930
2025	35,000	6,630
2026 – 2030	<u>186,000</u>	<u>14,575</u>
	<u>\$ 341,000</u>	<u>\$ 60,125</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2020

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 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, 2019, the following employees were covered by the benefit terms:

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2020

NOTE 5 – PENSION PLAN - CONTINUED

Employees covered by benefit terms

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	14
Active employees	<u>35</u>
	<u><u>65</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 7.4% General, and 9.1% Police of annual covered payroll.

Net Pension Liability

The employer's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2019.

Actuarial Assumptions

The total pension liability in the February 28, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.25% wage inflation; 2.50% price inflation

Salary Increase 3.25% to 6.55% including wage inflation

Investment rate of return 7.25%, 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.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2020

NOTE 5 – PENSION PLAN - CONTINUED

The actuarial assumptions used in the February 28, 2019 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 7.25% General, and 7.25% 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 these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2020

NOTE 5 – PENSION PLAN - CONTINUED

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/2018	<u>\$ 6,944,024</u>	<u>\$ 7,618,065</u>	<u>\$ (674,041)</u>
Changes for the year:			
Service Cost	179,753	-	179,753
Interest	505,019	-	505,019
Changes in actuarial assumptions	-	-	-
Difference between expected and actual experience	(137,758)	-	(137,758)
Contributions - employer	-	175,063	(175,063)
Contributions - employee	-	-	-
Net investment income	-	495,462	(495,462)
Benefit payments, including refunds	(135,471)	(135,471)	-
Administrative expense	-	(7,128)	7,128
Other changes	-	7,167	(7,167)
Net changes	<u>411,543</u>	<u>535,093</u>	<u>(123,550)</u>
Balances at 6/30/2019	<u><u>\$ 7,355,567</u></u>	<u><u>\$ 8,153,158</u></u>	<u><u>\$ (797,591)</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 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower 6.25% or one percentage point higher 8.25% than the current rate.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2020

NOTE 5 – PENSION PLAN - CONTINUED

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability (TPL)	\$ 8,407,076	\$ 7,355,567	\$ 6,482,231
Plan Fiduciary Net Position	<u>8,153,158</u>	<u>8,153,158</u>	<u>8,153,158</u>
Net Pension Liability/(Asset)(NPL)	<u>\$ 253,918</u>	<u>\$ (797,591)</u>	<u>\$(1,670,927)</u>

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

For the year ended June 30, 2019 the employer recognized general pension expense of \$92,241 and police pension expense of \$93,703. 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	\$ 128,072	\$ (172,552)
Differences in assumptions	127,614	(78,942)
Excess (deficit) investment returns	-	(187,628)
Contributions subsequent to the measurement date*	<u>139,375</u>	<u>-</u>
Total	<u>\$ 395,061</u>	<u>\$ (439,122)</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, 2019.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2020

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:

2020 \$(4,519)

2021 (98,290)

2022 (72,769)

2023 9,940

2024 (14,650)

Thereafter (3,148)

Payable to the Pension Plan

At March 31, 2020 the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended March 31, 2020.

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, 2019, the amount of outstanding developer agreements was \$13,828,572, (of which a total of \$7,176,929 has been certified for reimbursement) and are payable through 2036 to the extent incremental taxes are available. For fiscal year 2020, payments on the developer agreement were \$866,039. Incremental revenues were \$652,610 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, 2020

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, 2019, on which the 2019 levy was based, was \$172,995,011. In the year ended March 31, 2020, the City collected 1,633,052 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 \$0.5515 for the year ended March 31, 2020. The City's debt service tax levy per \$100 assessed valuation was \$.0500 for the year ended March 31, 2020.

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, 2020

NOTE 9 – COMMITMENTS AND CONTINGENCIES – LAWSUITS

There are no claims for lawsuits to which the City is a part as a result of certain injuries and various other matters and complaints arising in the ordinary course of City activities. 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, 2020, 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 \$8,420,211 and the bank balances totaled \$8,420,211. 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, 2020

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>\$ 9,168,322</u>
Total Value of Securities Pledged	\$11,427,327
FDIC Insurance	<u>250,000</u>
Total	<u>\$11,677,327</u>
Insurance and Pledged Securities in Excess of Deposits	<u>\$ 2,509,005</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, 2020, 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, 2020, the City's investments were not exposed to custodial credit risk.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2020

**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, 2020, the total annual amounts due to the City through the agreement are as follows:

	<u>Payment</u>
2021	\$ 74,382
2022	74,382
2023	74,382
2024	74,382
2025	<u>74,382</u>
	371,910
Less Interest	<u>(40,755)</u>
Net Present Value	<u>\$ 331,155</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, 2020

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	\$ 758,931	\$ 110,127	\$ -	\$ 869,058
Total Capital Assets, Not Being Depreciated	758,931	110,127	-	869,058
Capital Assets, Being Depreciated				
Infrastructure	8,984,886	1,235,752	-	10,220,638
Buildings	2,832,837	-	-	2,832,837
Improvements	2,578,550	131,538	-	2,710,088
Machinery and Equipment	2,681,337	449,805	-	3,131,142
Total Capital Assets Being Depreciated	17,077,610	1,817,095	-	18,894,705
Less Accumulated Depreciation for:				
Infrastructure	558,721	204,412	-	763,133
Buildings	1,082,274	92,233	-	1,174,507
Improvements	1,535,994	138,193	-	1,674,187
Machinery and Equipment	1,017,753	190,439	-	1,208,192
Total Accumulated Depreciation	4,194,742	625,277	-	4,820,019
Total Capital Assets Being Depreciated, net	12,882,868	1,191,818	-	14,074,686
Governmental Activities Capital Assets, Net	<u>\$ 13,641,799</u>	<u>\$ 1,301,945</u>	<u>\$ -</u>	<u>\$ 14,943,744</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	4,105,952	3,869,168	-	7,975,120
Machinery and Equipment	2,278,347	43,007	-	2,321,354
Water and Sewer Lines	14,449,601	800,032	-	15,249,633
Total Capital Assets Being Depreciated	20,833,900	4,712,207	-	25,546,107
Less Accumulated Depreciation for:				
Buildings	430,395	135,012	-	565,407
Machinery and Equipment	931,950	47,780	-	979,730
Water and Sewer Lines	5,252,957	286,090	-	5,539,047
Total Accumulated Depreciation	6,615,302	468,882	-	7,084,184
Total Capital Assets Being Depreciated, Net	14,218,598	4,243,325	-	18,461,923
Business-type Activities Capital Assets, Net	<u>\$ 14,715,071</u>	<u>\$ 4,243,325</u>	<u>\$ -</u>	<u>\$ 18,958,396</u>

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

Governmental Activities:	
General Government	\$ 37,497
Public Safety	124,729
Public Works	333,813
Parks and Recreation	129,238
Community Development	-
	<u>\$ 625,277</u>
Business-type Activities	
Water and Sewer	<u>\$ 468,882</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2020

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, 2020.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2020

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, 2020, consisted of the following:

Transfer from Special Revenue Fund	<u>\$ (644,887)</u>
Transfer to General Fund	<u>\$ (207,692)</u>
Transfer to TIF Debt	<u>\$ 222,579</u>
Transfer to G.O. Bonds	<u>\$ 630,000</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. 87, Leases – The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2020

NOTE 16 – PENDING GASB STATEMENTS – CONTINUED

GASB Statement No. 87, Leases – Continued – Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods after June 15, 2021.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement – The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods after June 15, 2019. Earlier application is encouraged.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period – The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest costs incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 90, Majority Equity Interests (an amendment of GASB Statements No. 14 and No. 61) – The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods after December 15, 2019. Earlier application is encouraged.

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, 2020

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.

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, 2020, through August 31, 2020, 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, 2020**

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, 2020

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, 2020

	18	19	11 , 61	16	71 , 73	40	12	65	
	Special Revenue Funds				Debt Service Funds		Capital Project Funds		
	Transportation Sales Tax	Capital Improvement Sales Tax	DWI Drug & Inmate Security	Police Training	Tax Increment Financing	Water and Sewer Obligation	Downtown Improvements	Wireless Capital Improvement	Total
Assets									
Cash and Investments	\$ 728,889	\$ 132,195	\$ 13,108	\$ 738	\$ 33,495	\$ -	\$ -	\$ 15,893	\$ 924,318
Receivables, net:									
Taxes	137,376	54,680	-	-	-	-	-	5,227	197,283
Restricted Cash and Investments	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 866,265</u>	<u>\$ 186,875</u>	<u>\$ 13,108</u>	<u>\$ 738</u>	<u>\$ 33,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,120</u>	<u>\$ 1,121,601</u>
Liabilities									
Accounts Payable	\$ 100,447	\$ -	\$ -	\$ -	\$ 71,828	\$ -	\$ -	\$ -	\$ 172,275
	100,447	-	-	-	71,828	-	-	-	172,275
Deferred Inflows of Resources									
Unavailable Revenues	-	-	-	-	-	-	-	-	-
Fund Balances									
Restricted For:									
Public Safety	-	-	13,108	738	-	-	-	-	13,846
Public Works	765,818	-	-	-	-	-	-	-	765,818
Capital Outlay	-	186,875	-	-	-	-	-	-	186,875
Debt Service	-	-	-	-	(38,333)	-	-	-	(38,333)
Assigned									
Capital Outlay	-	-	-	-	-	-	-	21,120	21,120
Total Fund Balances	<u>765,818</u>	<u>186,875</u>	<u>13,108</u>	<u>738</u>	<u>(38,333)</u>	<u>-</u>	<u>-</u>	<u>21,120</u>	<u>949,326</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 866,265</u>	<u>\$ 186,875</u>	<u>\$ 13,108</u>	<u>\$ 738</u>	<u>\$ 33,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,120</u>	<u>\$ 1,121,601</u>

CITY OF KEARNEY, MISSOURI
Combining Schedule of Revenues and Changes in Fund Balances -
Nonmajor Governmental Funds
March 31, 2020

	18	19	11 , 61	16	71 , 73	40	12	65	
	Special Revenue Funds				Debt Service Funds		Capital Project Funds		
	Transportation Sales Tax	Capital Improvement Sales Tax	DWI Drug & Inmate Security	Police Training	Tax Increment Financing	Water and Sewer Obligation	Downtown Improvements	Wireless Capital Improvement	Total
Revenues									
Taxes	\$ 1,365,572	\$ 718,161	\$ -	\$ -	\$ 652,610	\$ -	\$ -	\$ 67,319	\$ 2,803,662
Licenses, Permits and Fees	-	-	3,285	2,534	-	-	-	-	5,819
Interest on Investment	16,041	2,336	160	93	667	-	-	933	20,230
Other	16,054	-	-	-	-	-	-	-	16,054
Total Revenues	1,397,667	720,497	3,445	2,627	653,277	-	-	68,252	2,845,765
Expenditures									
Current									
Public Works	1,666,313	-	-	-	-	-	-	-	1,666,313
Public Safety	-	-	4,000	365	-	-	-	-	4,365
Community Development	-	-	-	-	850,949	-	-	-	850,949
Other	-	-	-	-	46,573	-	-	-	46,573
Debt Service									
Principal	-	-	-	-	-	-	-	126,000	126,000
Interest and Fiscal Changes	-	-	-	-	-	-	-	16,979	16,979
Total Expenditures	1,666,313	-	4,000	365	897,522	-	-	142,979	2,711,179
Revenues Collected Over									
(Under) Expenditures Paid	(268,646)	720,497	(555)	2,262	(244,245)	-	-	(74,727)	134,586
Operating Transfers and Financing Transactions									
Transfers In	-	-	-	-	222,579	-	-	54,000	276,579
Transfers Out	(55,645)	(685,646)	-	-	-	-	-	-	(741,291)
Total Other Financing Sources (Uses)	(55,645)	(685,646)	-	-	222,579	-	-	54,000	(464,712)
Net Changes in Fund Balances	(324,291)	34,851	(555)	2,262	(21,666)	-	-	(20,727)	(330,126)
Fund Balance, Beginning of Year	1,090,109	152,024	13,663	(1,524)	(16,667)	-	-	41,847	1,279,452
Fund Balance, End of Year	\$ 765,818	\$ 186,875	\$ 13,108	\$ 738	\$ (38,333)	\$ -	\$ -	\$ 21,120	\$ 949,326

CITY OF KEARNEY, MISSOURI

Combining Balance Sheet -

General Funds

March 31, 2020

	10	13	14	15	17	Total
	General	Sales Tax	Park Capital Funds	Cemetery	Park	General Funds
Assets						
Cash and Investments	\$ 1,949,354	\$ 237,605	\$ 91,822	\$ 243,698	\$ 99,302	\$ 2,621,781
Receivables, net:						
Taxes	15,727	123,032	-	-	13,571	152,330
Accounts	46,070	-	-	-	-	46,070
Intergovernmental	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 2,011,151</u>	<u>\$ 360,637</u>	<u>\$ 91,822</u>	<u>\$ 243,698</u>	<u>\$ 112,873</u>	<u>\$ 2,820,181</u>
Liabilities						
Accounts Payable	\$ 99,925	\$ -	\$ 14,550	\$ -	\$ 12,759	\$ 127,234
Note Payable	-	-	-	-	-	-
	<u>99,925</u>	<u>-</u>	<u>14,550</u>	<u>-</u>	<u>12,759</u>	<u>127,234</u>
Deferred Inflows of Resources						
Unavailable Revenues	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances						
Restricted for:						
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Committed for:						
Parks and Recreation	-	-	77,272	-	-	77,272
Assigned for:						
Cemetery	-	-	-	243,698	-	243,698
Culture and Recreation	-	-	-	-	100,114	100,114
Capital Outlay	-	-	-	-	-	-
Unassigned:	<u>1,911,226</u>	<u>360,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,271,863</u>
Total Fund Balances	<u>1,911,226</u>	<u>360,637</u>	<u>77,272</u>	<u>243,698</u>	<u>100,114</u>	<u>2,692,947</u>
 Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 2,011,151</u>	<u>\$ 360,637</u>	<u>\$ 91,822</u>	<u>\$ 243,698</u>	<u>\$ 112,873</u>	<u>\$ 2,820,181</u>

CITY OF KEARNEY, MISSOURI
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - General Fund
For the Year Ended March 31, 2020

	10	13	14	15	17	
	General	Sales Tax	Park Capital	Cemetery	Park	Total Actual
Revenues						
Taxes: Property, Sales, Franchise and Other	\$ 1,919,995	\$ 1,540,190	\$ -	\$ -	\$ 78,579	\$ 3,538,764
Licenses, Permits, and Fees	100,816	-	21,125	8,755	-	130,696
Interest	28,137	10,012	3,350	3,824	3,491	48,814
Utilities/Trash	547,466	-	-	-	-	547,466
Fines	83,940	-	-	-	-	83,940
Miscellaneous	19,860	-	-	-	8,478	28,338
Amphitheater Revenue	-	-	-	-	55,927	55,927
Billboard Lease	-	-	-	-	22,800	22,800
Recreation Program	-	-	-	-	75,271	75,271
Grants/Donations	4,932	-	-	-	12,000	16,932
Total Revenues	2,705,146	1,550,202	24,475	12,579	256,546	4,548,948
Expenditures						
Personnel	1,938,607	-	-	-	244,901	2,183,508
Contractual Services	1,584,594	-	-	-	402,171	1,986,765
Commodities/Supplies	63,868	-	-	-	31,533	95,401
Capital	-	-	63,907	-	-	63,907
Principal	-	61,460	40,000	-	12,000	113,460
Interest	-	10,819	813	-	488	12,120
Miscellaneous	587	-	-	-	242	829
Total Expenditures	3,587,656	72,279	104,720	-	691,335	4,455,990
Revenues Collected Over (Under) Expenditures Paid	(882,510)	1,477,923	(80,245)	12,579	(434,789)	92,958
Operating Transfers and Financing Transactions						
Transfer In	1,420,500	-	-	-	450,690	1,871,190
Transfer Out	(504,690)	(1,574,192)	-	-	-	(2,078,882)
Loan Proceeds	-	-	-	-	-	-
	915,810	(1,574,192)	-	-	450,690	(207,692)
Revenues Collected and Operating Transfers Over (Under) Expenditures Paid	33,300	(96,269)	(80,245)	12,579	15,901	(114,734)
Fund Balance, Beginning of Year	1,877,926	456,906	157,517	231,119	84,213	2,807,681
Fund Balance, End of Year	\$ 1,911,226	\$ 360,637	\$ 77,272	\$ 243,698	\$ 100,114	\$ 2,692,947

CITY OF KEARNEY, MISSOURI
Schedule of Revenues, Expenditures and Changes in Fund Balances-
General Fund - Budget and Actual
For the Year Ended March 31, 2020

	General Fund			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues				
Taxes	\$ 1,849,340	\$ 1,849,340	\$ 1,922,721	\$ 73,381
Licenses, Permits and Fees	134,500	134,500	100,816	(33,684)
Grants	5,000	5,000	4,932	(68)
Charges for Services	538,400	538,400	546,288	7,888
Interest	27,000	27,000	28,130	1,130
Other	102,000	114,953	103,800	(11,153)
Total Revenues	<u>2,656,240</u>	<u>2,669,193</u>	<u>2,706,687</u>	<u>37,494</u>
Expenditures				
Current:				
General Government	835,327	958,280	847,559	(110,721)
Public Safety	2,256,988	2,314,988	1,999,634	(315,354)
Solid Waste	566,500	566,500	569,154	2,654
Parks and Recreation	-	-	-	-
Community Development	263,956	263,956	195,311	(68,645)
Debt Service				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>3,922,771</u>	<u>4,103,724</u>	<u>3,611,658</u>	<u>(492,066)</u>
Excess of Revenues Over (Under) Expenditures	(1,266,531)	(1,434,531)	(904,971)	(454,572)
Other Financing Sources and (Uses):				
Transfers In	1,420,500	1,420,500	1,420,500	-
Transfers (Out)	(504,690)	(504,690)	(504,690)	-
Total Other Financing Sources and (Uses)	<u>915,810</u>	<u>915,810</u>	<u>915,810</u>	<u>-</u>
Change in Fund Balances, Budget Basis	<u>\$ (350,721)</u>	<u>\$ (518,721)</u>	<u>\$ 10,839</u>	<u>\$ (454,572)</u>

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, 2020

	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	\$ 1,591,100	\$ 1,550,432	\$ (40,668)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,000	\$ 67,758	\$ 758
Charges for Services	-	-	-	-	-	-	32,500	21,125	(11,375)	235,800	153,998	(81,802)
Interest	8,000	10,012	2,012	4,000	3,824	(176)	500	3,350	2,850	3,000	3,491	491
Grant	-	-	-	-	-	-	-	-	-	12,000	12,000	-
Other	-	-	-	5,000	8,755	3,755	-	-	-	-	8,478	8,478
Total Revenues	1,599,100	1,560,444	(38,656)	9,000	12,579	3,579	33,000	24,475	(8,525)	317,800	245,725	(72,075)
Expenditures												
Current:												
Parks and Recreation	-	-	-	15,000	-	(15,000)	19,530	19,530	-	742,828	681,980	(60,848)
Community Development	88,363	-	(88,363)	-	-	-	70,470	29,826	(40,644)	-	-	-
Debt Service												
Principal	31,166	61,460	30,294	-	-	-	40,000	40,000	-	12,000	12,000	-
Interest and Fiscal Charges	10,366	10,820	454	-	-	-	813	813	-	488	488	-
Total Expenditures	129,895	72,280	(57,615)	15,000	-	(15,000)	130,813	90,169	(40,644)	755,316	694,468	(60,848)
Excess of Revenues Over (Under) Expenditures	1,469,205	1,488,164	(96,271)	(6,000)	12,579	(11,421)	(97,813)	(65,694)	(49,169)	(437,516)	(448,743)	(132,923)
Other Financing Sources and (Uses):												
Transfers In	-	-	-	-	-	-	-	-	-	450,690	450,690	-
Transfers (Out)	(1,557,400)	(1,574,190)	(16,790)	-	-	-	-	-	-	-	-	-
Total Other Financing Sources and (Uses)	(1,557,400)	(1,574,190)	(16,790)	-	-	-	-	-	-	450,690	450,690	-
Change in Fund Balances, Budget Basis	\$ (88,195)	\$ (86,026)	\$ (113,061)	\$ (6,000)	\$ 12,579	\$ (11,421)	\$ (97,813)	\$ (65,694)	\$ (49,169)	\$ 13,174	\$ 1,947	\$ (132,923)
Fund Balance, Beginning of Year, Budget Basis:		312,501			231,119			157,518			97,355	
Fund Balance, End of Year, Budget Basis		\$ 226,475			\$ 243,698			\$ 91,824			\$ 99,302	

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, 2020

	18 Transport Sales Tax			19 Capital Improvement Sales Tax			11, 61 DWI Drug & Inmate Security Fund			16 Police Training 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	\$ 1,345,800	\$ 1,312,935	\$ (32,865)	\$ 730,800	\$ 721,598	\$ (9,202)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Permits and Fees	-	16,054	16,054	-	-	-	3,600	3,285	(315)	2,600	2,534	(66)
Interest	16,060	16,041	(19)	2,200	2,336	136	100	160	60	100	93	(7)
Total Revenues	1,361,860	1,345,030	(16,830)	733,000	723,934	(9,066)	3,700	3,445	(255)	2,700	2,627	(73)
Expenditures												
Current:												
Public Safety	-	-	-	-	-	-	13,500	4,000	(9,500)	1,400	365	(1,035)
Public Works	1,810,693	1,679,881	(130,812)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	1,810,693	1,679,881	(130,812)	-	-	-	13,500	4,000	(9,500)	1,400	365	(1,035)
Excess of Revenues Over (Under) Expenditures	(448,833)	(334,851)	(147,642)	733,000	723,934	(9,066)	(9,800)	(555)	(9,755)	1,300	2,262	(1,108)
Other Financing Sources and (Uses):												
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-
Transfers (Out)	(47,250)	(55,645)	(8,395)	(677,250)	(685,645)	(8,395)	-	-	-	-	-	-
Total Other Financing Sources and (Uses)	(47,250)	(55,645)	(8,395)	(677,250)	(685,645)	(8,395)	-	-	-	-	-	-
Change in Fund Balances, Budget Basis	\$ (496,083)	\$ (390,496)	\$ (156,037)	\$ 55,750	\$ 38,289	\$ (17,461)	\$ (9,800)	\$ (555)	\$ (9,755)	\$ 1,300	\$ 2,262	\$ (1,108)
Fund Balance, Beginning of Year, Budget Basis:		1,039,037			93,908			11,890			(1,523)	
Fund Balance, End of Year, Budget Basis		\$ 648,541			\$ 132,197			\$ 11,335			\$ 739	

See accompanying notes to the basic financial statements.

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, 2020

	71,73			40			12			65		
	Debt Service						Capital Projects Funds					
	Tax Increment Financing Fund			Water and Sewer Obligation Fund			Downtown Improvement Fund			Wireless Capital Improvement 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	\$ 612,550	\$ 652,610	\$ 40,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,650	\$ 65,168	\$ (24,482)
Licenses, Permits and Fees	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Interest	500	667	167	-	-	-	-	-	-	1,000	933	(67)
Total Revenues	613,050	653,277	40,227	-	-	-	-	-	-	90,650	66,101	(24,549)
Expenditures												
Current:												
Capital Purchase	-	-	-	-	-	-	-	-	-	-	-	-
Community Development	749,220	866,039	116,819	-	-	-	-	-	-	-	-	-
Other	52,590	44,764	(7,826)	-	-	-	-	-	-	-	-	-
Debt Service												
Principal	-	-	-	-	-	-	-	-	-	126,000	126,000	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	16,978	16,978	-
Total Expenditures	801,810	910,803	108,993	-	-	-	-	-	-	142,978	142,978	-
Excess of Revenues Over (Under) Expenditures	(188,760)	(257,526)	149,220	-	-	-	-	-	-	(52,328)	(76,877)	(24,549)
Other Financing Sources and (Uses):												
Transfers In	189,000	222,579	33,579	-	-	-	-	-	-	54,000	54,000	-
Transfers (Out)	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources and (Uses)	189,000	222,579	33,579	-	-	-	-	-	-	54,000	54,000	-
Change in Fund Balances, Budget Basis	\$ 240	\$ (34,947)	\$ 182,799	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,672	\$ (22,877)	\$ (24,549)
Fund Balance, Beginning of Year, Budget Basis		68,442			17,522			-			38,768	
Fund Balance, End of Year, Budget Basis		\$ 33,495			\$ 17,522			\$ -			\$ 15,891	

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, 2020

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
MODOT Grant	\$ 2,500,000	\$ 7,130	\$ (2,492,870)
Intergovernmental	74,382	74,382	-
Interest	22,400	42,050	19,650
Other	-	-	-
Total Revenues	2,596,782	123,562	(2,473,220)
Expenditures			
Current:			
Contractual Services	19,544,811	1,166,415	(18,378,396)
I35 & 19th Street Interchange Project	9,000	14,300	5,300
Way Finding Signs	83,000	2,000	(81,000)
Dogwood Sidewalk Project	98,000	72,559	(25,441)
Mill and Overlay Street	65,000	65,000	-
Sam Barr Round-About Flag Pole	35,000	30,251	(4,749)
Watson Drive & 19th Street Widening	-	1,012	1,012
19th Brookhaven Sidewalk Crossing	52,000	-	(52,000)
Total Expenditures	19,886,811	1,351,537	(18,535,274)
Other Financial Sources and Uses			
Bond Proceeds	20,800,000	-	(20,800,000)
Bond Premium	-	-	-
Bond Issue Expense	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
Total Bond Transactions	20,800,000	-	(20,800,000)
Excess of Revenues Over (Under) Expenditures	3,509,971	(1,227,975)	(21,008,494)
Change in Fund Balances, Budget Basis	<u>\$ 3,509,971</u>	(1,227,975)	<u>\$ (21,008,494)</u>
Fund Balance, Beginning of year, Budget Basis		<u>3,840,881</u>	
Fund Balance, End of Year, Budget Basis		<u>\$ 2,612,906</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, 2020

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property Taxes	\$ 87,000	\$ 91,085	\$ 4,085
Sales Taxes	1,600,000	1,539,770	(60,230)
Interest	19,745	21,389	1,644
Total Revenues	1,706,745	1,652,244	(54,501)
Expenditures			
Debt Service			
Principal	1,365,000	680,000	(685,000)
Interest and Fiscal Charges	970,531	304,449	(666,082)
Total Expenditures	2,335,531	984,449	(1,351,082)
Other Financing Sources and (Uses):			
Transfers In	630,000	630,000	-
Total Other Financing Sources and (Uses)	630,000	630,000	-
Change in Fund Balances, Budget Basis	<u>\$ 1,214</u>	1,297,795	<u>\$ 1,296,581</u>
Fund Balance, Beginning of Year, Budget Basis		<u>1,020,965</u>	
Fund Balance, End of Year, Budget Basis		<u>\$ 2,318,760</u>	

See accompanying notes to the basic financial statements.

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$184,730	\$172,814	\$173,083	\$166,843	\$170,763	\$186,144	\$191,718	\$201,462	\$192,752	\$191,280
Contributions in relation to the actuarially determined contribution	184,730	172,814	173,083	166,843	170,763	186,144	191,719	201,462	190,873	175,597
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	(\$1)	\$0	\$1,879	\$15,683
Covered-employee payroll	\$2,261,499	\$2,105,778	\$2,085,670	\$1,990,387	\$1,816,633	\$1,713,168	\$1,676,071	\$1,620,534	\$1,554,059	\$1,525,041
Contributions as a percentage of covered-employee payroll	8.17%	8.21%	8.30%	8.38%	9.40%	10.87%	11.44%	12.43%	12.28%	11.51%

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

Fiscal year ending June 30,	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Pension Liability										
Service Cost	\$179,753	\$176,591	\$175,700	\$152,941	\$150,464	N/A	N/A	N/A	N/A	N/A
Interest on Total Pension Liability	505,019	461,143	424,522	371,974	362,375	N/A	N/A	N/A	N/A	N/A
Changes of Benefit Terms	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A
Difference Between Expected and Actual Experience	(137,758)	110,520	38,437	95,778	(239,259)	N/A	N/A	N/A	N/A	N/A
Changes of Assumptions	0	0	(159,810)	400,522	0	N/A	N/A	N/A	N/A	N/A
Benefit Payments, Including Refunds	(135,471)	(153,465)	(109,710)	(189,991)	(96,466)	N/A	N/A	N/A	N/A	N/A
Net Change in Total Pension Liability	411,543	594,789	369,139	831,224	177,114	N/A	N/A	N/A	N/A	N/A
Total Pension Liability - Beginning	6,944,024	6,349,235	5,980,096	5,148,872	4,971,758	N/A	N/A	N/A	N/A	N/A
Total Pension Liability - Ending (A)	\$7,355,567	\$6,944,024	\$6,349,235	\$5,980,096	\$5,148,872	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position										
Contributions - Employer	\$175,063	\$174,136	\$168,842	\$171,458	\$179,892	N/A	N/A	N/A	N/A	N/A
Contributions - Employee	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A
Net Investment Income	495,462	830,969	734,655	(18,794)	117,965	N/A	N/A	N/A	N/A	N/A
Benefit Payments, Including Refunds	(135,471)	(153,465)	(109,710)	(189,991)	(96,466)	N/A	N/A	N/A	N/A	N/A
Pension Plan Administrative Expense	(7,128)	(5,208)	(4,889)	(4,629)	(4,661)	N/A	N/A	N/A	N/A	N/A
Other (Net Transfer)	7,167	26,886	5,164	(54)	210,769	N/A	N/A	N/A	N/A	N/A
Net Change in Plan Fiduciary Net Position	535,093	873,318	794,062	(42,010)	407,499	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position - Beginning	7,618,065	6,744,747	5,950,685	5,992,695	5,585,196	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position - Ending (B)	\$8,153,158	\$7,618,065	\$6,744,747	\$5,950,685	\$5,992,695	N/A	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) - Ending (A) - (B)	(\$797,591)	(\$674,041)	(\$395,512)	\$29,411	(\$843,823)	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	110.84%	109.71%	106.23%	99.51%	116.39%	N/A	N/A	N/A	N/A	N/A
Covered - Employee Payroll	\$2,071,945	\$2,123,402	\$2,003,794	\$1,889,737	\$1,696,976	N/A	N/A	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	-38.49%	-31.74%	-19.74%	1.56%	-49.73%	N/A	N/A	N/A	N/A	N/A

N/A = Not Applicable



August 31, 2020

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, 2020. 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 March 31, 2020. 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 2020. 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 August 31, 2020.

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, 2020, 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 2020-01 and 2020-02.

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 08/31/20

Schedule of Findings and Responses
March 31, 2020

Audit Report Unmodified

Internal Control Over Financial Reporting

Material Weakness Identified – None

Significant Deficiencies Identified

- | | |
|---------|---|
| 2020-01 | 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. |
| 2020-02 | 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

- | | |
|---------|---|
| 2020-01 | 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. |
| 2020-02 | 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. |

CITY OF KEARNEY, MISSOURI

100 E. Washington St.

Kearney, MO 64060

August 31, 2020

Accounting Solutions Group, LLC
7001 N. Locust Street, Suite B-206
Gladstone, MO 64118

This representation letter is provided in connection with your audit of the financial statements of City of Kearney, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of March 31, 2020, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of August 31, 2020, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.

- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the City of Kearney is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the City of Kearney from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Board of Aldermen or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the City of Kearney and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.

- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the City of Kearney's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the City of Kearney's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) The City of Kearney has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 22) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 23) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 24) The City of Kearney has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 25) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 26) Components of net position, and components of fund balance are properly classified.
- 27) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 28) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

29) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of RSI.

Management signature: _____

Title: _____

Mayor signature: _____

Title: _____

[Handwritten signature]

City Administrator 9-8-20

[Handwritten signature]

Mayor