



CITY OF KEARNEY, MISSOURI

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

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, 2016

MAYOR AND BOARD OF ALDERMAN

Bill Dane	Mayor
Eric Schumate	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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kearney's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statement. The combining and individual fund *financial statements and schedules are the responsibility of management and were derived* from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 19, 2016, 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 grand 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

Kansas City, Missouri
September 19, 2016

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, 2016

	Primary Government		
	Governmental	Business-	
	Activities	Type	Total
	Activities	Activities	
Assets			
Cash and Investments	\$ 6,965,074	\$ 1,355,972	\$ 8,321,046
Receivables, net:			
Taxes	291,828	-	291,828
Accounts	72,385	269,460	341,845
Intergovernmental	-	-	-
Note Receivable	553,073	-	553,073
Restricted Cash and Investments	17,521	126,674	144,195
Capital Assets:			
Assets Not Being Depreciation	564,419	351,071	915,490
Assets Being Depreciated, Net of Depreciation	7,299,998	13,932,826	21,232,824
Deferred Outflows:			
Excess Investment Returns	237,819	-	237,819
Contributions Subsequent to Measurement Date	220,859	-	220,859
Net Pension Asset	843,823	-	843,823
Total Assets	17,066,799	16,036,003	33,102,802
Liabilities			
Accounts Payable	610,226	61,909	672,135
Accrued Interest	23,015	16,774	39,789
Customer Deposits	-	185,514	185,514
Long-term Obligations:			
Amounts due in less than one year	658,575	596,691	1,255,266
Amounts due in more than one year	9,860,095	6,495,950	16,356,045
Total Liabilities	11,151,911	7,356,838	18,508,749
Deferred Inflows:			
Difference Between Expected and Actual Experience	202,853	-	202,853
Net Position			
Net Investment in Capital Assets	1,958,157	6,387,342	8,345,499
Restricted			
Public Safety	16,767	-	16,767
Public Works	826,818	-	826,818
Capital Outlay	142,148	-	142,148
Debt Service	646,390	126,674	773,064
Unrestricted	2,121,755	2,165,149	4,286,904
Total Net Position	\$ 5,712,035	\$ 8,679,165	\$ 14,391,200

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Activities
For the Year Ended March 31, 2016

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	\$ 539,625	\$ 97,485	\$ -	\$ -	\$ (442,140)	\$ -	\$ (442,140)
Public Safety	1,718,339	117,226	-	-	(1,601,113)	-	(1,601,113)
Public Works	1,069,017	-	-	8,655	(1,060,362)	-	(1,060,362)
Solid Waste	425,975	423,670	-	-	(2,305)	-	(2,305)
Parks and Recreation	912,309	220,098	-	-	(692,211)	-	(692,211)
Community Development	2,437,482	293,174	-	23,002	(2,121,306)	-	(2,121,306)
Bond Issue Expenses	-	-	-	-	-	-	-
Interest on Long-term Debt	243,161	-	-	-	(243,161)	-	(243,161)
Total Governmental Activities	7,345,908	1,151,653	-	31,657	(6,162,598)	-	(6,162,598)
Business-type Activities:							
Water and Sewer	2,211,504	2,490,377	-	-	-	278,873	278,873
Total Business-type Activities	2,211,504	2,490,377	-	-	-	278,873	278,873
Total Primary Government	\$ 9,557,412	\$ 3,642,030	\$ -	\$ 31,657	(6,162,598)	278,873	(5,883,725)
General Revenue							
Taxes							
Property Taxes					1,644,807	-	1,644,807
Sales Taxes					3,068,373	-	3,068,373
Franchise Taxes					635,987	-	635,987
Interest Income					48,344	15,089	63,433
Miscellaneous					54,551	-	54,551
Pension Income					486,210	-	486,210
Total General Revenues					5,938,272	15,089	5,953,361
Change in Net Position					(224,326)	293,962	69,636
Net Position, Beginning of the Year, As Restated					5,936,361	8,385,203	14,321,564
Net Position, End of the Year					\$ 5,712,035	\$ 8,679,165	\$ 14,391,200

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Balance Sheet - Government Funds
March 31, 2016

	General	Highway Construction	GO Highway Bonds	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Investments	\$ 2,208,762	\$ 3,127,893	\$ 456,606	\$ 1,171,813	\$ 6,965,074
Receivables, net:					
Taxes	149,349	-	-	142,479	291,828
Accounts	72,385	-	-	-	72,385
Intergovernmental	-	-	-	-	-
Note Receivable		553,073	-	-	553,073
Restricted Cash and Investments	-	-	-	17,521	17,521
Total Assets	<u>\$ 2,430,496</u>	<u>\$ 3,680,966</u>	<u>\$ 456,606</u>	<u>\$ 1,331,813</u>	<u>\$ 7,899,881</u>
Liabilities					
Accounts Payable	\$ 168,705	\$ 399,400	\$ -	\$ 42,122	\$ 610,227
Total Liabilities	168,705	399,400	-	42,122	610,227
Deferred Inflows of Resources					
Unavailable Revenues	-	553,073	-	-	553,073
Fund Balances					
Restricted for:					
Public Safety	-	-	-	16,767	16,767
Public Works	-	-	-	826,818	826,818
Capital Outlay	-	-	-	142,148	142,148
Debt Service	-	-	456,606	189,784	646,390
Committed for:					
Parks and Recreation	129,710	-	-	-	129,710
Assigned for:					
Cemetery	197,834	-	-	-	197,834
Culture and Recreation	161,092	-	-	-	161,092
Capital Outlay	-	2,728,493	-	114,174	2,842,667
Unassigned:	1,773,155	-	-	-	1,773,155
Total Fund Balances	<u>2,261,791</u>	<u>2,728,493</u>	<u>456,606</u>	<u>1,289,691</u>	<u>6,736,581</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 2,430,496</u>	<u>\$ 3,680,966</u>	<u>\$ 456,606</u>	<u>\$ 1,331,813</u>	<u>\$ 7,899,881</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, 2016

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

Ending Fund Balances - Total Governmental Funds	\$ 6,736,582
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Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position, the cost of those assets is capitalized and shown at cost, net of accumulated depreciation. This is the amount of net capital assets reported in the Statement of Net Position.	7,864,417
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Certain revenues are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the governmental funds.	553,073
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Long-term liabilities, including bonds and notes payable,
are not due and payable in the current period and,
therefore, are not reported in the governmental funds. This
amount includes the following long-term liabilities and
related items:

Accrued Interest Payable	(23,015)
Long-term Liabilities	(10,518,670)

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

Deferred Outflows - Excess Investment Return	237,819
Deferred Outflows - Contributions Subsequent to Measurement Date	220,859
Net Pension Asset	843,823
Deferred Inflows - Difference Between Expected and Actual Experience	<u>(202,853)</u>

Total Net Position of Governmental Activities	<u>\$ 5,712,035</u>
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See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended March 31, 2016

Revenues	General	Highway Construction	GO Highway Bonds	Non-Major Governmental Funds	Total
Taxes	\$ 2,887,674	\$ -	\$ -	\$ 2,461,493	\$ 5,349,167
Intergovernmental	-	293,174	-	-	293,174
Licenses, Permits, Fines and Fees	229,665	-	-	15,357	245,022
Charges for Services	615,493	-	-	-	615,493
State Grant	6,619	23,002	-	-	29,621
Interest	12,743	31,821	2,823	957	48,344
Miscellaneous	51,694	-	-	2,857	54,551
Total Revenue	3,803,888	347,997	2,823	2,480,664	6,635,372
Expenditures					
Current:					
General Government	488,341	-	-	-	488,341
Public Safety	1,620,280	-	-	14,322	1,634,602
Public Works	-	-	-	928,735	928,735
Solid Waste	425,975	-	-	-	425,975
Parks and Recreation	805,939	-	-	-	805,939
Community Development	261,133	3,163,376	-	505,230	3,929,739
Debt Service:					
Principal	39,637	-	450,000	245,799	735,436
Interest and Fiscal Charges	10,275	-	221,750	37,545	269,570
Total Expenditures	3,651,580	3,163,376	671,750	1,731,631	9,218,337
Revenues Collected Over (Under) Expenditures Paid	152,308	(2,815,379)	(668,927)	749,033	(2,582,964)
Bond Transactions					
Bond Proceeds		-			-
Bond Premium		-			-
Bond Issue Costs		-			-
Operating Transfers					
Transfers In	1,614,280	-	717,205	131,536	2,463,021
Transfers Out	(1,816,018)	(218,792)	-	(671,752)	(2,706,562)
Total Other Financing Sources (Uses)	(201,738)	(218,793)	717,205	(540,216)	(243,542)
Net Changes in Fund Balances	(49,430)	(3,034,172)	48,278	208,817	(2,826,506)
Fund Balance, Beginning of Year	2,311,222	5,762,664	408,328	1,080,874	9,563,088
Fund Balance, End of Year	\$ 2,261,792	\$ 2,728,492	\$ 456,606	\$ 1,289,691	\$ 6,736,582

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, 2016

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

Net Change in Fund Balances - Total Governmental Funds	\$ (2,826,506)
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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	1,844,920
Depreciation Expense	(339,688)

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	(56,304)
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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.

Principal Payments on Bonds and Leases	735,436
Change in Accrued Interest Payable	(26,409)

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	(41,985)
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GASB 68 entries related to recording net pension expense/income:
Current year net pension income activity

	<u>486,210</u>
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Change in Net Position of Governmental Activities	<u>\$ (224,326)</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, 2016

Assets

Current Assets

Cash and Investments	\$ 1,355,972
Accounts Receivable	269,460
Restricted Cash and Investments	<u>126,674</u>
Total Current Assets	1,752,106

Non Current Assets

Capital Assets:

Assets Not Depreciated	351,071
Assets Being Depreciated, Net of Depreciation	<u>13,932,826</u>
Total Non Current Assets	<u>14,283,897</u>

Total Assets	<u><u>\$ 16,036,003</u></u>
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Liabilities

Current Liabilities

Accounts Payable	\$ 61,909
Accrued Interest	16,774
Customer Deposits	185,514
Long-term Obligations, Due Within One year	<u>651,691</u>
Total Current Liabilities	915,888

Non Current Liabilities

Long-term Obligations	<u>6,440,950</u>
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Total Liabilities	7,356,838
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Net Position

Net Investment in Capital Assets	6,387,342
Restricted for Debt Service	126,674
Unrestricted	<u>2,165,149</u>
Total Net Position	<u>8,679,165</u>

Total Liabilities and Net Position	<u><u>\$ 16,036,003</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, 2016

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Operating Revenues:	
Charges for Services	\$ 2,464,142
Miscellaneous	<u>26,235</u>
Total Revenue	2,490,377
 Operating Expenses:	
Personnel Services	585,943
Contractual Services	719,463
Supplies	351,339
Depreciation	340,318
Other	<u>90</u>
Total Expenses	<u>1,997,153</u>
 Operating Income	 493,224
 Nonoperating Revenues (Expenses)	
Intergovernmental	-
Interest Income	15,089
Interest Expense	<u>(214,351)</u>
Total Nonoperating Revenues and Expenses	<u>(199,262)</u>
 Change in Net Position	 293,962
 Net Position, Beginning of Year	 <u>8,385,203</u>
 Net Position, End of Year	 <u><u>\$ 8,679,165</u></u>

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, 2016

Cash Flows from Operating Activities:

Receipts from Customers	\$ 2,597,786
Payments to Suppliers and Vendors	(1,070,892)
Payments to Employees for Services	(585,942)
Net Cash Provided by Operating Activities	<u>940,952</u>

Cash Flows from Capital and Related Financing Activities:

Lease Agreement Proceeds	-
Purchases of Capital Assets	(577,372)
Prior Year Payables for Capital Assets	-
Payments on Long-term Debt	(623,566)
Interest and Bond Cost paid on Capital Debt	(221,239)
Other Adjustments	(12,264)
Net Cash Provided by Capital and Related Financing Activities	<u>(1,434,441)</u>

Cash Flows from Investment Activities:

Interest Income	<u>15,089</u>
Net Cash Provided by Investment Activities	<u>15,089</u>
Net Change in Cash and Cash Equivalents	(478,400)
Cash and Cash Equivalents, Beginning of Year	1,961,046
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,482,646</u></u>

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

Operating Income	\$ 493,224
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	340,318
Change in Assets and Liabilities:	
Accounts Receivable	110,256
Accounts Payable	(5,261)
Accrued Compensated Absences	5,425
Interest Payable	(7,736)
Deposits	4,726
Net Cash Provided by Operating Activities	<u><u>\$ 940,952</u></u>

Cash and Cash Equivalents consists of:

Cash and Investments	\$ 1,355,972
Restricted Cash	<u>126,674</u>
	<u><u>\$ 1,482,646</u></u>

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Assets and Liabilities - Agency Funds
March 31, 2016

	Municipal Court	Road District	Community Improvement District	Total
Assets				
Cash - Checking and Savings	\$ 3,000	\$ 142,424	\$ 138,993	\$ 284,417
Total Assets	<u>\$ 3,000</u>	<u>\$ 142,424</u>	<u>\$ 138,993</u>	<u>\$ 284,417</u>
Liabilities				
Due to Others	\$ 3,000	\$ 142,424	\$ 138,993	\$ 284,417
Total Liabilities	<u>\$ 3,000</u>	<u>\$ 142,424</u>	<u>\$ 138,993</u>	<u>\$ 284,417</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, 2016

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 8,846 (U.S. Census Estimate, July 2012) 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.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation

Governmental-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity 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.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

General Obligation Bond Debt Service Fund - accounts for the resources used to pay the debt service requirements of the City's Series 2005 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.
Shoppers 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, 2016

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.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Business Activities – Water and Sewer Fund

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.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets - Continued

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 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 only infrastructure assets recorded since GASB Statement No. 34’s implementation effective April 1, 2004, was for Highway 33 improvements. 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 only infrastructure asset acquired since implementation is for Highway 33 improvements.

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, 2016

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, 2016

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, 2016, the accumulated liability balance was \$421,220.

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, 2016, the accumulated liability balance was \$132,948.

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 category. Accordingly, unavailable revenue is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and a note

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 1.0 % sales tax on taxable sales within the City for general fund purposes. An additional sales tax is collected for transportation (1/2%) and capital improvements (1/2%). 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.

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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:

Deposits and Money Market Accounts	\$7,588,090
Certificates of Deposit	721,706
Short-term Investments held in trust (Bond Reserves)	<u>155,445</u>
	<u>\$8,465,241</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

	Government-wide Statement of Net Position	<u>Agency</u>	<u>Total</u>
Cash and Investments	\$6,965,074	\$1,355,972	\$8,321,046
Restricted Cash and Investments	<u>17,521</u>	<u>126,674</u>	<u>144,195</u>
	<u>\$6,982,595</u>	<u>\$1,482,646</u>	<u>\$8,465,241</u>

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 carried over 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.

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 2 – COMMITMENTS – CONTINUED

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.

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, 2016:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Total</u>
Bonds Payable, March 31, 2015	\$9,395,000	\$1,470,000	\$10,865,000
Bonds Retired – Regular	<u>(500,000)</u>	<u>(225,000)</u>	<u>(725,000)</u>
Bonds Payable, March 31, 2016	<u>\$8,895,000</u>	<u>\$1,245,000</u>	<u>\$10,140,000</u>

General Obligation Bonds payable at March 31, 2016, consist of:

General Obligation Bonds, Series 2015 due in varying installments through 2029	\$8,840,000
General Obligation Bonds, Series 1997, for the purpose of constructing and equipping a sewerage treatment plant due in varying installments through January 1, 2017, at interest ranging from 3.9% to 5.125% per annum	55,000
Total General Obligation Bonds	<u>\$8,895,000</u>
Water and Pollution Control Bonds due in varying installments through 2023	<u>1,245,000</u>
Total Bonds Payable	<u>\$10,140,000</u>

2015 General Obligation Bond Refunding

During fiscal 2016 the City issued \$9,290,000 of new general obligation bonds to finance a new road and improvements to the sewer systems. The proceed of the bond issue were used in part to retire the 2005 general obligation bonds in the amount of \$4,115,000, that were scheduled to mature in 2021. The new bonds involve annual principal payments that

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 3 – LONG-TERM DEBT – BONDS - CONTINUED

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:

<u>Due March 1</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 470,000	\$ 203,912
2018	520,000	194,512
2019	530,000	184,112
2020	555,000	173,512
2021	590,000	162,413
2021 – 2026	3,600,000	613,938
2027 – 2029	<u>2,575,000</u>	<u>143,688</u>
	<u>\$8,840,000</u>	<u>\$1,676,087</u>

NOTE 3 – LONG-TERM DEBT – BONDS - CONTINUED

General Obligation Series 1997 Bonds

<u>Due March 1</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 55,000	\$ 2,819

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

<u>Due July 1</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 150,000	\$ 60,019
2018	160,000	51,687
2019	170,000	42,819
2020	180,000	33,750
2021	185,000	24,625
2022	<u>400,000</u>	<u>20,250</u>
	<u>\$1,245,000</u>	<u>\$ 233,150</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

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, 2016:

	<u>Government Activities</u>	<u>Business Activities</u>
Capital Lease Obligations Payable, March 31, 2015	\$ 1,119,192	\$ 6,135,415
Capital Lease Obligation Retired	(235,436)	(417,718)
New Lease	<u>-</u>	<u>-</u>
Capital Lease Obligations Payable, March 31, 2016	<u>\$ 883,756</u>	<u>\$5,717,697</u>

West Creek Sewer Interceptor

During 2004, the City entered into a lease purchase agreement with a local bank in the amount of \$1,500,000 enabling the City to acquire equipment for the West Creek sewer interceptor lines. 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 sewer lines and equipment. The interest rate on the lease is 4.625% with annual principal payments due of between \$75,000 in the first year and \$140,000 in the final year of the lease. Principal payments due under the lease are as follows:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 135,000	\$ 11,216
2018	<u>140,000</u>	<u>4,856</u>
	<u>\$ 275,000</u>	<u>\$ 16,072</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:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 100,242	\$ 13,537
2018	102,153	11,626
2019	104,101	9,679
2020	106,086	7,694
2021	108,108	5,672
2022 – 2024	<u>241,357</u>	<u>5,164</u>
	<u>\$ 762,047</u>	<u>\$ 53,372</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

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

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>
2017	\$ 175,000	\$ 140,250
2018	260,000	134,850
2019	340,000	126,338
2020	345,000	117,838
2021	350,000	108,819
2022 – 2026	<u>2,850,000</u>	<u>332,786</u>
	<u>\$4,320,000</u>	<u>\$ 960,881</u>

Amphitheater

The City entered into a lease-purchase agreement for construction of an amphitheater in the amount of \$360,000. The lease is financed at a rate of 4.6% with payments under the lease as follows:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 30,000	\$ 5,937
2018	35,000	4,394
2019	35,000	2,731
2020	<u>40,000</u>	<u>950</u>
	<u>\$ 140,000</u>	<u>\$ 14,012</u>

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. Under the lease agreement, the City is to make annual lease payments of \$12,549 through fiscal 2021 at an interest rate of 4.25%. Future payments under the lease are as follows:

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

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

	<u>Principal</u>	<u>Interest</u>
2017	\$ 10,064	\$ 2,485
2018	10,523	2,026
2019	10,996	1,552
2020	11,492	1,057
2021	12,007	542
	<u>\$ 55,082</u>	<u>\$ 7,662</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>
2017	\$ 37,209	\$ 7,101
2018	37,986	6,325
2019	38,778	5,532
2020	39,588	4,723
2021	40,414	3,897
2022-2025	166,573	6,977
	<u>\$ 360,548</u>	<u>\$ 34,555</u>

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. Under the agreement, the City is to make monthly lease payments of \$7,524 through 2024 at an interest rate of 4.25%.

Future payments due under the lease are as follows:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 63,511	\$ 26,777
2018	66,228	24,060
2019	69,077	21,211
2020	72,004	18,285
2021	75,256	15,032
2022 - 2024	312,600	36,421
	<u>\$ 658,676</u>	<u>\$ 141,786</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

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 and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 5 – PENSION PLAN - CONTINUED

Employees Covered by Benefit Terms

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

Employees covered by benefit terms

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>32</u>
	<u>53</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 7.6% General, and 9.3% Police of annual covered payroll.

Net Pension Liability

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

Actuarial Assumptions

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

Inflation 3.5%

Salary Increase 3.5% to 6.8% including inflation

Investment rate of return 7.25%

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 0 years for both males and females.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 5 – PENSION PLAN - CONTINUED

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	48.50%	5.10%
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%. 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, 2016

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 6/30/2014	<u>\$ 4,971,758</u>	<u>\$ 5,585,196</u>	<u>\$ (613,438)</u>
Changes for the year:			
Service Cost	150,464	-	150,464
Interest	362,375	-	362,375
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(239,259)	-	(239,259)
Contributions - employer	-	179,892	(179,892)
Contributions - employee	-	-	-
Net investment income	-	117,965	(117,965)
Benefit payments, including refunds	96,466	96,466	-
Administrative expense	-	4,661	(4,661)
Other changes	-	210,769	(210,769)
Net changes	<u>177,114</u>	<u>407,499</u>	<u>(230,385)</u>
Balances at 6/30/2015	<u><u>\$ 5,148,872</u></u>	<u><u>\$ 5,992,695</u></u>	<u><u>\$ (843,823)</u></u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 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, 2016

NOTE 5 – PENSION PLAN - CONTINUED

	Current Single Discount		
	1% Decrease	Rate Assumption	1% Increase
	6.25%	7.25%	8.25%
Total Pension Liability (TPL)	\$ 5,869,709	\$ 5,148,872	\$ 4,543,092
Plan Fiduciary Net Position	<u>5,992,695</u>	<u>5,992,695</u>	<u>5,992,695</u>
Net Pension Liability/(Asset)(NPL)	<u>\$ (122,986)</u>	<u>\$ (843,823)</u>	<u>\$ 1,449,603)</u>

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

For the year ended June 30, 2015 the employer recognized pension expense of \$85,459. 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	\$ -	\$ (202,853)
Differences in assumptions	-	-
Excess (deficit) investment returns	237,819	-
Contributions subsequent to the measurement date*	<u>220,859</u>	<u>-</u>
Total	<u>\$ 458,678</u>	<u>\$ (202,853)</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, 2015.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

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:

2016 \$23,049

2017 23,049

2018 23,049

2019 23,048

2020 (36,406)

Thereafter (20,823)

Payable to the Pension Plan

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

NOTE 6 – TAX INCREMENT FINANCING COMMISSION (TIF)

During fiscal 1997, the City of Kearney set up a Tax Increment Financing Commission to operate in the City of Kearney. A special tax levy on property is funding the debt service requirements. A bond issue was sold in fiscal 2002.

The fund was created to track accounting activity concerning the TIF or Tax Increment Financing for the Platte Clay Electric corporate headquarters facility. A \$1,000,000 bond issue was sold to finance public infrastructure improvements related to the Platte Clay project in 1996. In 2001, the City approved an amendment to the TIF authorizing up to \$600,000 TIF Bonds for the development of Phase II of Innovations Business Park.

Revenues, in the form of PILOTS (or Payments In Lieu Of Taxes) paid by Platte Clay Electric Cooperative and are estimated at \$141,043 and interest earnings estimated at \$10.

The following is a summary of bond transactions in the TIF account:

Bonds Payable, March 31, 2015	\$ 165,000
Bonds Retired	<u>(135,000)</u>
Bonds Payable, March 31, 2016	<u>\$ 30,000</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 6 – TAX INCREMENT FINANCING COMMISSION (TIF) - CONTINUED

1996 and 2002 Tax Increment Bonds

<u>Due March 1</u>	<u>Principal</u>	<u>Interest</u>
2017	<u>\$ 30,000</u>	<u>\$ 765</u>

NOTE 7 - 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, 2016, the amount of outstanding developer agreements was \$13,828,572, (of which a total of \$625,671 has been certified for reimbursement) and are payable through 2036 to the extent incremental taxes are available. For fiscal year 2016, payments on the developer agreement were \$470,484. Incremental revenues were \$519,692 from City and intergovernmental sales taxes in the funds responsible for these obligations.

NOTE 8 – 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.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 9 – 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, 2015, on which the 2015 levy was based, was \$150,177,173. In the year ended March 31, 2016, the City collected \$1,441,385 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 \$0.58 for the year ended March 31, 2016. The City's debt service tax levy per \$100 assessed valuation was \$.05 for the year ended March 31, 2016.

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.

NOTE 10 – 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 11 – 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, 2016, certain grant

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 11 – FEDERAL AND STATE GRANTS - CONTINUED

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 12 – 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 \$7,588,090 and the bank balances totaled \$7,588,090. The City's balances were covered by FDIC insurance or pledged securities as follows:

Deposits covered by federal depository insurance or by collateral held by the City, or its agent, in the City's name	<u>\$ 8,309,796</u>
Total Value of Securities Pledged	\$11,699,627
FDIC Insurance	250,000
Total	<u>\$11,949,627</u>
Insurance and Pledged Securities in Excess of Deposits	<u>\$ 3,639,831</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 12 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-CONTINUED

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, 2016, 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.

NOTE 12 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-CONTINUED

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, 2016, the City's investments were not exposed to custodial credit risk.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

**NOTE 13- 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, 2016, the total annual amounts due to the City through the agreement are as follows:

	<u>Payment</u>
2017	\$ 74,382
2018	74,382
2019	74,382
2020	74,382
2021	74,382
2022 - 2025	<u>297,528</u>
	669,438
Less Interest	<u>(116,365)</u>
Net Present Value	<u>\$ 553,073</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, 2016

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	\$ 564,419	\$ -	\$ -	\$ 564,419
Construction - Work in Process	875,028	-	875,028	-
Total Capital Assets, Not Being Depreciated	1,439,447	-	875,028	564,419
Capital Assets, Being Depreciated				
Infrastructure	1,119,413	2,341,080	-	3,460,493
Buildings	2,832,837	-	-	2,832,837
Improvements	1,490,461	142,519	-	1,632,980
Machinery and Equipment	1,886,383	214,143	-	2,100,526
Total Capital Assets Being Depreciated	7,329,094	2,697,742	-	10,026,836
Less Accumulated Depreciation for:				
Infrastructure	50,268	69,210	-	119,478
Buildings	713,015	92,561	-	805,576
Improvements	1,115,874	75,928	-	1,191,802
Machinery and Equipment	507,992	101,990	-	609,982
Total Accumulated Depreciation	2,387,149	339,689	-	2,726,838
Total Capital Assets Being Depreciated, net	4,941,945	2,358,053	-	7,299,998
Governmental Activities Capital Assets, Net	\$ 6,381,392	\$ 2,358,053	\$ 875,028	\$ 7,864,417
Business-type Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 351,071	\$ -	\$ -	\$ 351,071
Construction in Progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	351,071	-	-	351,071
Capital Assets, Being Depreciated				
Buildings	4,105,952	-	-	4,105,952
Machinery and Equipment	2,020,275	60,470	-	2,080,745
Water and Sewer Lines	12,767,336	516,902	-	13,284,238
Total Capital Assets Being Depreciated	18,893,563	577,372	-	19,470,935
Less Accumulated Depreciation for:				
Buildings	199,881	57,629	-	257,510
Machinery and Equipment	757,817	35,189	-	793,006
Water and Sewer Lines	4,240,093	247,500	-	4,487,593
Total Accumulated Depreciation	5,197,791	340,318	-	5,538,109
Total Capital Assets Being Depreciated, Net	13,695,772	237,054	-	13,932,826
Business-type Activities Capital Assets, Net	\$ 14,046,843	\$ 237,054	\$ -	\$ 14,283,897

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

Governmental Activities:	
General Government	\$ 9,299
Public Safety	83,737
Public Works	140,282
Parks and Recreation	106,370
Community Development	-
	<u>\$ 339,688</u>
Business-type Activities	
Water and Sewer	<u>\$ 340,318</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 15– 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, 2016.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

**NOTE 15 – DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES –
CONTINUED**

		<u>Fair Value Measurements Using</u>		
		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>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Pooled Government Securities	\$ 155,445	\$ 155,445	\$ -	\$ -

NOTE 16 – INTER-FUND TRANSACTIONS

Inter-fund transfers for the year ended March 31, 2016, consisted of the following:

Transfer from Special Revenue Fund	<u>\$ (492,832)</u>
Transfer from General Fund	<u>\$ (196,989)</u>
Transfer to TIF Debt	<u>\$ 272,616</u>
Transfer to G.O. Bonds	<u>\$ 717,205</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 17 – PENDING GASB STATEMENTS – See www.gasb.org for further details

GASB Statement No. 72, Fair Value Measurement and Application – this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 17 – PENDING GASB STATEMENTS – CONTINUED

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 – this will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The requirements of this statement are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans – The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB (other postemployment benefits) plans that are administered through trusts that met the specified criteria. The new information will enhance the decision-usefulness of the financial reports of those OPEB plans, their value for assessing accountability, and their transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. This statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments – The requirements in this Statement improve financial reporting by raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 17 – PENDING GASB STATEMENTS – CONTINUED

accountability and enhance the comparability of financial statement information among governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015 and should be applied retroactively. Earlier application is permitted.

GASB Statement No. 77, Tax Abatement Disclosures – The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand how tax abatements affect a government's future ability to raise resources and meet its financial obligations and the impact those abatements have on a government's financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 78, Pensions Provide through Certain Multiple-Employer Defined Benefit Pension Plans – This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that is not a state or local governmental pension plan, is used to provide defined benefits pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and has no predominant state or local governmental employer. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants – This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

NOTE 17 – PENDING GASB STATEMENTS – CONTINUED

GASB Statement No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14 – The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. It also amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 81, Irrevocable Split-Interest Agreements – The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

GASB Statement No. 82, Pension Issues – an amendment of GASB Statements Nov. 67, No. 68, and No. 73 – This Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

NOTE 18 – 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, 2016, through September 19, 2016, the date the financial statements were available to be issued and there are no material events requiring recognition or disclosure.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2016

**NOTE 19 – PRIOR PERIOD GOVERNMENTAL ACTIVITIES NET POSITION
RESTATEMENT**

Prior to recording current year deferred inflows, deferred outflow and net pension (liability)/asset, GASB 68 requires that the beginning of year net position be restated to include the net pension (liability)/asset at that point in time. As of March 31, 2015, the City of Kearney had a net pension asset of \$613,438. The restatement of the beginning of the year net position is as follows:

Net Position, Beginning of the Year	\$5,322,923
GASB 68 Entries Related to Recording	
Beginning Net Position Asset	<u>613,438</u>
Net Position, Beginning of the Year, as Restated	<u><u>\$5,936,361</u></u>

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, 2016**

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, 2016

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, 2016

	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
Assets								
Cash and Investments	\$ 787,535	\$ 90,730	\$ 3,746	\$ 13,451	\$ 92,863	\$ 79,449	\$ 32,670	\$ 71,369
Receivables, net:								\$ 1,171,813
Taxes	80,237	51,418	-	-	-	689	-	10,135
Restricted Cash and Investments	-	-	-	-	-	17,521	-	-
Total Assets	\$ 867,772	\$ 142,148	\$ 3,746	\$ 13,451	\$ 92,863	\$ 97,659	\$ 32,670	\$ 81,504
								\$ 1,331,813
								-
								-
Liabilities								
Accounts Payable	\$ 40,954	-	\$ -	\$ 430	\$ 738	\$ -	\$ -	\$ -
	40,954	-	-	430	738	-	-	42,122
								42,122
								-
								-
Deferred Inflows of Resources								
Unavailable Revenues	-	-	-	-	-	-	-	-
Fund Balances								
Restricted For:								
Public Safety	-	-	3,746	13,021	-	-	-	-
Public Works	826,818	-	-	-	-	-	-	-
Capital Outlay	-	142,148	-	-	-	-	-	-
Debt Service	-	-	-	-	92,125	97,659	-	-
Assigned								
Capital Outlay	-	-	-	-	-	-	32,670	81,504
Total Fund Balances	826,818	142,148	3,746	13,021	92,125	97,659	32,670	81,504
								114,174
								1,289,691
Total Liabilities, Deferred Inflows and Fund Balances	\$ 867,772	\$ 142,148	\$ 3,746	\$ 13,451	\$ 92,863	\$ 97,659	\$ 32,670	\$ 81,504
								\$ 1,331,813

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

March 31, 2016

	18	Special Revenue Funds			Debt Service Funds		Capital Project Funds		
		19	11 , 61	16	71 , 73	40	12	65	
		Capital Improvement		Police Training	Tax Increment Financing	Water and Sewer Obligation	Downtown Improvements	Wireless Capital Improvement	
		Sales Tax	DWI Drug & Inmate Security						

CITY OF KEARNEY, MISSOURI
Combining Balance Sheet -
General Funds
March 31, 2016

	10	13	14	15	17	Total
	General	Sales Tx	Park Capital	Cemetery	Park	General
	Funds	Funds	Funds			Funds
Assets						
Cash and Investments	\$ 1,467,979	\$ 181,200	\$ 129,710	\$ 197,834	\$ 232,039	\$ 2,208,762
Receivables, net:						
Taxes	22,044	112,035	-	-	15,270	149,349
Accounts	72,385	-	-	-	-	72,385
Intergovernmental	-	-	-	-	-	-
Total Assets	\$ 1,562,408	\$ 293,235	\$ 129,710	\$ 197,834	\$ 247,309	\$ 2,430,496
Liabilities						
Accounts Payable	\$ 82,488	\$ -	\$ -	\$ -	\$ 86,217	\$ 168,705
Note Payable	-	-	-	-	-	-
Deferred Inflows of Resources						
Unavailable Revenues	-	-	-	-	-	-
Fund Balances						
Restricted for:						
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Committed for:						
Parks and Recreation	-	-	129,710	-	-	129,710
Assigned for:						
Cemetery	-	-	-	197,834	-	197,834
Culture and Recreation	-	-	-	-	161,092	161,092
Capital Outlay	-	-	-	-	-	-
Unassigned:	1,479,920	293,235	-	-	-	1,773,155
Total Fund Balances	1,479,920	293,235	129,710	197,834	161,092	2,261,791
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 1,562,408	\$ 293,235	\$ 129,710	\$ 197,834	\$ 247,309	\$ 2,430,496

CITY OF KEARNEY, MISSOURI
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - General Fund
For the Year Ended March 31, 2016

	10	13	14	15	17	Total
	General	Sales Tax	Park Capital	Cemetery	Park	Actual
Revenues						
Taxes: Property, Sales, Franchise and Other	\$ 1,495,680	\$ 1,330,737	\$ -	\$ -	\$ 61,257	\$ 2,887,674
Licenses, Permits, and Fees	197,565	-	28,275	3,825	-	229,665
Interest	10,162	1,249	113	1,094	125	12,743
Utilities/Trash	423,670	-	-	-	191,823	615,493
Fines	-	-	-	-	-	-
Miscellaneous	16,894	-	-	-	34,800	51,694
Amphitheater Revenue	-	-	-	-	-	-
Billboard Lease	-	-	-	-	-	-
Recreation Program	-	-	-	-	-	-
Grants/Donations	6,619	-	-	-	-	6,619
Total Revenues	2,150,590	1,331,986	28,388	4,919	288,005	3,803,888
Expenditures						
Personnel	1,692,162	-	-	-	196,415	1,888,577
Contractual Services	1,121,921	-	-	-	511,510	1,633,431
Commodities/Supplies	55,649	-	-	-	23,248	78,897
Capital	-	-	-	-	-	-
Principal	-	-	30,000	-	9,637	39,637
Interest	-	-	7,363	-	2,912	10,275
Miscellaneous	563	-	-	-	200	763
Total Expenditures	2,870,295	-	37,363	-	743,922	3,651,580
Revenues Collected Over (Under) Expenditures Paid	(719,705)	1,331,986	(8,975)	4,919	(455,917)	152,308
Operating Transfers and Financing Transactions						
Transfer In	1,156,400	-	21,113	-	436,767	1,614,280
Transfer Out	(370,380)	(1,445,638)	-	-	-	(1,816,018)
Loan Proceeds	-	-	-	-	-	-
	786,020	(1,445,638)	21,113	-	436,767	(201,738)
Revenues Collected and Operating Transfers Over (Under) Expenditures Paid	66,315	(113,652)	12,138	4,919	(19,150)	(49,430)
Fund Balance, Beginning of Year	1,413,605	406,887	117,572	192,915	180,242	2,311,221
Fund Balance, End of Year	\$ 1,479,920	\$ 293,235	\$ 129,710	\$ 197,834	\$ 161,092	\$ 2,261,791

CITY OF KEARNEY, MISSOURI
Schedule of Revenues, Expenditures and Changes in Fund Balances-
General Fund - Budget and Actual
For the Year Ended March 31, 2016

	General Fund			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues				
Taxes	\$ 4,079,697	\$ 4,079,697	\$ 2,887,574	\$ (1,192,123)
Licenses, Permits and Fees	225,250	225,250	229,665	4,415
Grants	12,000	12,000	6,619	
Charges for Services	673,400	673,400	615,493	(57,907)
Interest	13,895	11,785	12,743	958
Other	274,800	274,800	51,694	(223,106)
Total Revenues	5,279,042	5,276,932	3,803,788	(1,467,763)
Expenditures				
Current:				
General Government	550,784	593,238	488,341	(104,897)
Public Safety	1,670,087	1,670,087	1,620,280	(49,807)
Solid Waste	425,000	425,000	425,975	975
Parks and Recreation	461,000	461,000	805,939	344,939
Community Development	275,187	275,187	261,133	(14,054)
Debt Service				
Principal	55,222	55,222	39,637	(15,585)
Interest and Fiscal Charges	12,485	12,485	10,275	(2,210)
Total Expenditures	3,449,765	3,492,219	3,651,580	159,361
Excess of Revenues Over (Under) Expenditures	1,829,277	1,784,713	152,208	(1,308,402)
Other Financing Sources and (Uses):				
Transfers In	1,189,998	1,189,998	1,614,280	424,282
Transfers (Out)	(1,428,880)	(1,428,880)	(1,816,018)	3,244,898
Total Other Financing Sources and (Uses)	(238,882)	(238,882)	(201,738)	3,669,180
Change in Fund Balances, Budget Basis	\$ 1,590,395	\$ 1,545,831	\$ (49,530)	\$ 2,360,778

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, 2016

	13			15			14			17		
	Sales Tax Fund			Cemetery Fund			Park Capital Fund			Park Fund		
	Final	Actual	Variance	Final	Actual	Variance	Final	Actual	Variance	Final	Actual	Variance
	Budget		Positive (Negative)	Budget		Positive (Negative)	Budget		Positive (Negative)	Budget		Positive (Negative)
Revenues												
Taxes	\$ 1,307,000	\$ 1,372,858	\$ 65,858	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ 60,564	\$ 564
Charges for Services	-	-	-	-	-	-	16,250	28,575	12,325	244,800	214,623	(30,177)
Interest	1,000	1,249	249	950	1,094	144	60	113	53	100	125	25
Grant	-	-	-	-	-	-	-	-	-	12,000	12,000	-
Other	-	-	-	5,000	3,825	(1,175)	-	-	-	-	-	-
Total Revenues	1,308,000	1,374,107	66,107	5,950	4,919	(1,031)	16,310	28,688	12,378	316,900	287,312	(29,588)
Expenditures												
Current:												
Park and Recreation	-	-	-	-	-	-	-	-	-	712,674	665,392	(47,282)
Debt Service												
Principal	-	-	-	-	-	-	30,000	(30,000)	(60,000)	9,637	9,637	-
Interest and Fiscal Charges	-	-	-	-	-	-	7,363	(7,362)	(14,725)	2,912	2,912	-
Total Expenditures	-	-	-	-	-	-	37,363	(37,362)	(74,725)	725,223	677,941	(47,282)
Excess of Revenues Over (Under) Expenditures	1,308,000	1,374,107	66,107	5,950	4,919	(1,031)	(21,053)	66,050	(62,347)	(408,323)	(390,629)	(76,870)
Other Financing Sources and (Uses):												
Transfers In	-	-	-	-	-	-	21,113	21,113	-	414,267	436,767	22,500
Transfers (Out)	(1,417,000)	(1,445,638)	(28,638)	(5,000)	-	5,000	-	-	-	-	-	-
Total Other Financing Sources and (Uses)	(1,417,000)	(1,445,638)	(28,638)	(5,000)	-	5,000	21,113	21,113	-	414,267	436,767	22,500
Change in Fund Balances, Budget Basis	\$ (109,000)	\$ (71,531)	\$ 37,469	\$ 950	\$ 4,919	\$ 3,969	\$ 60	\$ 87,163	\$ (62,347)	\$ 5,944	\$ 46,138	\$ (54,370)
Fund Balance, Beginning of Year, Budget Basis		406,887			192,915			117,572			180,242	
Fund Balance, End of Year, Budget Basis		\$ 335,356			\$ 197,834			\$ 204,735			\$ 226,380	

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, 2016

	18			19			11, 61			16		
	Transport Sales Tax			Capital Improvement Sales Tax			DWI Drug & Inmate Security Fund			Police Training Fund		
	Final	Actual	Variance	Final	Actual	Variance	Final	Actual	Variance	Final	Actual	Variance
	Budget		(Positive)	Budget		(Negative)	Budget		(Negative)	Budget		(Positive)
												(Negative)
Revenues												
Taxes	\$ 1,059,800	\$ 1,155,263	\$ 95,463	\$ 560,000	\$ 634,111	\$ 74,111	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Permits and Fees	-	8,655	8,655	-	-	-	4,800	3,855	(945)	2,700	2,848	148
Interest	1,000	2,857	1,857	-	-	-	-	12	12	20	31	11
Total Revenues	1,060,800	1,166,775	105,975	560,000	634,111	74,111	4,800	3,867	(933)	2,720	2,879	159
Expenditures												
Current:												
Public Safety	-	-	-	-	-	-	17,516	7,972	(9,544)	9,000	5,920	(3,080)
Public Works	1,042,004	863,759	(178,245)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	1,042,004	863,759	(178,245)	-	-	-	17,516	7,972	(9,544)	9,000	5,920	(3,080)
Excess of Revenues Over (Under) Expenditures	18,796	303,016	(72,270)	560,000	634,111	74,111	(12,716)	(4,105)	(10,477)	(6,280)	(3,041)	(2,921)
Other Financing Sources and (Uses):												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Transfers (Out)	(18,750)	(33,069)	(14,319)	(560,000)	(618,683)	(58,683)	-	-	-	-	-	-
Total Other Financing Sources and (Uses)	(18,750)	(33,069)	(14,319)	(560,000)	(618,683)	(58,683)	-	-	-	-	-	-
Change in Fund Balances, Budget Basis	\$ 46	\$ 269,947	\$ (86,589)	\$ -	\$ 15,428	\$ 15,428	\$ (12,716)	\$ (4,105)	\$ (10,477)	\$ (6,280)	\$ (3,041)	\$ (2,921)
Fund Balance, Beginning of Year, Budget Basis		555,737			166,509			7,852			16,492	
Fund Balance, End of Year, Budget Basis		\$ 825,684			\$ 181,937			\$ 3,747			\$ 13,451	

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, 2016

	71,73	Debt Service				40	12	Capital Projects Funds				65
		Tax Incremental Financing Fund		Water and Sewer Obligation Fund				Downtown Improvement Fund		Wireless Capital Improvement Fund		
		Final Budget	Actual	Final Budget	Actual	Variance Positive (Negative)		Final Budget	Actual	Final Budget	Actual	Variance Positive (Negative)
Revenues												
Taxes	\$ 333,589	\$ 385,121	\$ 51,532	\$ 73,665	\$ 74,469	\$ 804	\$ -	\$ -	\$ -	\$ 139,000	\$ 122,858	\$ (16,142)
Licenses, Permits and Fees	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Interest	205	501	296	225	276	51	-	-	-	-	136	136
Total Revenues	333,794	385,622	51,828	73,890	74,745	855	-	-	-	139,000	122,994	(16,006)
Expenditures												
Current:												
Capital Purchase	-	-	-	-	-	-	-	-	-	-	-	-
Community Development	34,900	28,477	(6,423)	-	-	-	25,000	-	-	80,000	78,059	(1,941)
Other	343,000	476,015	133,015	-	-	-	7,500	-	-	-	-	-
Debt Service												
Principle	135,000	135,000	-	50,000	51,250	1,250	-	-	-	60,799	60,799	-
Interest and Fiscal Charges	7,207	6,248	(959)	3,890	558	(3,332)	-	-	-	29,489	29,489	-
Total Expenditures	520,107	645,740	125,633	53,890	51,808	(2,082)	32,500	-	-	170,288	168,347	(1,941)
Excess of Revenues Over (Under) Expenditures	(186,313)	(260,118)	177,461	20,000	22,937	(1,227)	(32,500)	1	(24,999)	(31,288)	(45,353)	(17,947)
Other Financing Sources and (Uses):												
Transfers In	187,500	272,616	85,116	-	-	-	-	-	-	-	-	-
Transfers (Out)	-	-	-	(20,000)	(20,000)	-	-	-	-	-	-	-
Total Other Financing Sources and (Uses)	187,500	272,616	85,116	(20,000)	(20,000)	-	-	-	-	-	-	-
Change in Fund Balances, Budget Basis	\$ 1,187	\$ 12,498	\$ 262,577	\$ -	\$ 2,937	\$ (1,227)	\$ (32,500)	\$ 1	\$ (24,999)	\$ (31,288)	\$ (45,353)	\$ (17,947)
Fund Balance, Beginning of Year, Budget Basis		80,366		94,032					32,669		127,218	
Fund Balance, End of Year, Budget Basis		\$ 92,864		\$ 96,969					\$ 32,670		\$ 81,865	

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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
MODOT Grant	\$ 40,000	\$ 23,002	\$ (16,998)
Intergovernmental	74,382	97,384	23,002
Interest	6,000	31,821	25,821
Other	-	-	-
Total Revenues	120,382	152,207	31,825
Expenditures			
Current:			
Personal Services	61,277	82,734	21,457
Contractual Services	313,500	239,671	(73,829)
St Light Dec	52,500	40,465	(12,035)
19th St Box	50,000	42,324	(7,676)
Mill and Overlay Street	175,000	175,000	-
Watson Dr Eng	4,858,084	2,200,061	(2,658,023)
Total Expenditures	5,510,361	2,780,255	(2,730,106)
Other Financial Sources and Uses			
Bond Proceeds	-	-	-
Bond Premium	-	-	-
Bond Issue Expense	-	-	-
Transfers In	218,792	218,792	
Transfers Out	5,307,084	-	(5,307,084)
Total Bond Transactions	-	218,791	(8,037,190)
Excess of Revenues Over (Under) Expenditures	(5,389,979)	(2,409,257)	(2,698,281)
Change in Fund Balances, Budget Basis	\$ (5,389,979)	(2,409,257)	\$ (2,698,281)
Fund Balance, Beginning of year, Budget Basis		5,762,664	
Fund Balance, End of Year, Budget Basis		\$ 3,353,407	

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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Interest	\$ 1,000	\$ 2,823	\$ 1,823
Total Revenues	1,000	2,823	1,823
Expenditures			
Debt Service			
Principle	450,000	450,000	-
Interest and Fiscal Charges	222,101	221,401	(700)
Total Expenditures	672,101	671,401	(700)
Other Financing Sources and (Uses):			
Transfers In	672,101	717,205	45,104
Total Other Financing Sources and (Uses)	672,101	717,205	45,104
Change in Fund Balances, Budget Basis	<u>\$ 1,000</u>	48,627	<u>\$ 47,627</u>
Fund Balance, Beginning of Year, Budget Basis		<u>408,328</u>	
Fund Balance, End of Year, Budget Basis		<u>\$ 456,955</u>	

See accompanying notes to the basic financial statements.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$152,597	\$160,253	\$182,312	\$184,236	\$192,776	\$188,811	\$195,555	\$169,705	\$161,739	\$144,541
Contributions in relation to the										
actuarially determined contribution	170,763	186,144	191,719	201,462	190,873	175,597	163,986	174,212	161,656	154,171
Contribution deficiency (excess)	(\$18,166)	(\$25,891)	(\$9,407)	(\$17,226)	\$1,903	\$13,214	\$31,568	(\$4,507)	\$84	(\$9,630)
Covered-employee payroll	\$1,816,633	\$1,713,168	\$1,676,071	\$1,620,534	\$1,554,059	\$1,525,041	\$1,560,022	\$1,613,502	\$1,495,284	\$1,335,985
Contributions as a percentage of										
covered-employee payroll	9.40%	10.87%	11.44%	12.43%	12.28%	11.51%	10.51%	10.80%	10.81%	11.54%