



CITY OF KEARNEY, MISSOURI

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

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, 2018

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 30, 2018, on our consideration of the City of Kearney's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing

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

Accounting Solutions Group, LLC

Accounting Solutions Group, LLC

Kansas City, Missouri
August 30, 2018

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, 2018

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Assets			
Cash and Investments	\$ 4,647,519	\$ 1,565,642	\$ 6,213,161
Receivables, net:			
Taxes	280,655	-	280,655
Accounts	38,313	246,544	284,857
Intergovernmental	-	-	-
Note Receivable	446,464	-	446,464
Restricted Cash and Investments	-	-	-
Capital Assets:			
Assets Not Being Depreciated	564,419	351,071	915,490
Assets Being Depreciated, Net of Depreciation	11,315,828	13,417,752	24,733,580
Net Pension Asset	395,512	-	395,512
Deferred Outflows:			
Excess Investment Returns	149,482	-	149,482
Contributions Subsequent to Measurement Date	131,030	-	131,030
Difference in Actuarial Assumptions	264,068	-	264,068
Difference Between Expected and Actual Experience	96,004	-	96,004
Total Assets	18,329,294	15,581,009	33,910,303
Liabilities			
Accounts Payable	230,782	79,951	310,733
Accrued Interest	18,112	7,754	25,866
Customer Deposits	-	214,314	214,314
Long-term Obligations:			
Amounts due in less than one year	732,294	652,879	1,385,173
Amounts due in more than one year	9,093,425	5,111,912	14,205,337
Deferred Inflows:			
Difference in Actuarial Assumptions	132,854	-	132,854
Difference Between Expected and Actual Experience	130,041	-	130,041
Total Liabilities	10,337,508	6,066,810	16,404,318
Net Position			
Net Investment in Capital Assets	2,580,956	8,103,917	10,684,873
Restricted			
Public Safety	14,452	-	14,452
Public Works	1,002,757	-	1,002,757
Capital Outlay	157,314	-	157,314
Debt Service	632,549	-	632,549
Unrestricted	3,603,758	1,410,282	5,014,040
Total Net Position	\$ 7,991,786	\$ 9,514,199	\$ 17,505,985

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Activities
For the Year Ended March 31, 2018

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	\$ 807,646	\$ 180,379	\$ -	\$ -	\$ (627,267)	\$ -	\$ (627,267)
Public Safety	1,837,889	6,010	-	-	(1,831,879)	-	(1,831,879)
Public Works	1,298,234	-	-	215,999	(1,082,235)	-	(1,082,235)
Solid Waste	500,025	479,872	-	-	(20,153)	-	(20,153)
Parks and Recreation	886,561	270,922	-	-	(615,639)	-	(615,639)
Community Development	934,338	74,382	-	108,444	(751,512)	-	(751,512)
Bond Issue Expenses	-	-	-	-	-	-	-
Interest on Long-term Debt	228,180	-	-	-	(228,180)	-	(228,180)
Total Governmental Activities	6,492,873	1,011,565	-	324,443	(5,156,865)	-	(5,156,865)
Business-type Activities:							
Water and Sewer	2,740,155	3,105,041	-	-	-	364,886	364,886
Total Business-type Activities	2,740,155	3,105,041	-	-	-	364,886	364,886
Total Primary Government	\$ 9,233,028	\$ 4,116,606	\$ -	\$ 324,443	(5,156,865)	364,886	(4,791,979)
General Revenue							
Taxes							
Property Taxes					1,560,647	-	1,560,647
Sales Taxes					3,738,254	-	3,738,254
Franchise Taxes					795,305	-	795,305
Interest Income					81,454	24,462	105,916
Miscellaneous					237,228	-	237,228
Pension Income					773,201	-	773,201
Total General Revenues					7,186,089	24,462	7,210,551
Change in Net Position					2,029,224	389,348	2,418,572
Net Position, Beginning of the Year					5,962,562	9,124,851	15,087,413
Net Position, End of the Year					\$ 7,991,786	\$ 9,514,199	\$ 17,505,985

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Balance Sheet - Government Funds
March 31, 2018

	General	Highway Construction	GO Highway Bonds	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Investments	\$ 2,504,357	\$ 309,494	\$ 608,928	\$ 1,224,740	\$ 4,647,519
Receivables, net:					
Taxes	140,493	-	-	140,162	280,655
Accounts	38,313	-	-	-	38,313
Intergovernmental	-	-	-	-	-
Note Receivable		446,464	-	-	446,464
Restricted Cash and Investments	-	-	-	-	-
Total Assets	<u>\$ 2,683,163</u>	<u>\$ 755,958</u>	<u>\$ 608,928</u>	<u>\$ 1,364,902</u>	<u>\$ 5,412,951</u>
Liabilities					
Accounts Payable	<u>\$ 112,702</u>	<u>\$ -</u>	<u>\$ 318</u>	<u>\$ 117,762</u>	<u>\$ 230,782</u>
Total Liabilities	112,702	-	318	117,762	230,782
Deferred Inflows of Resources					
Unavailable Revenues	-	446,464	-	-	446,464
Fund Balances					
Restricted for:					
Public Safety	-	-	-	14,452	14,452
Public Works	-	-	-	1,002,757	1,002,757
Capital Outlay	-	-	-	157,314	157,314
Debt Service	-	-	608,610	23,939	632,549
Committed for:					
Parks and Recreation	155,649	-	-	-	155,649
Assigned for:					
Cemetery	216,864	-	-	-	216,864
Culture and Recreation	189,968	-	-	-	189,968
Capital Outlay	-	309,494	-	48,678	358,172
Unassigned:	<u>2,007,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,007,980</u>
Total Fund Balances	<u>2,570,461</u>	<u>309,494</u>	<u>608,610</u>	<u>1,247,140</u>	<u>4,735,705</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 2,683,163</u>	<u>\$ 755,958</u>	<u>\$ 608,928</u>	<u>\$ 1,364,902</u>	<u>\$ 5,412,951</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, 2018

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

Ending Fund Balances - Total Governmental Funds	\$ 4,735,705
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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.	11,880,247
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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.	446,464
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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	(18,112)
Long-term Liabilities	(9,825,719)

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

Deferred Outflows - Difference in Actuarial Assumptions	264,068
Deferred Outflows - Difference Between Expected and Actual Experience	96,004
Deferred Outflows - Excess Investment Return	149,482
Deferred Outflows - Contributions Subsequent to Measurement Date	131,030
Net Pension Asset	395,512
Deferred Inflows - Difference in Actuarial Assumptions	(132,854)
Deferred Inflows - Difference Between Expected and Actual Experience	(130,041)

Total Net Position of Governmental Activities	\$ 7,991,786
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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, 2018

Revenues	General	Highway Construction	GO Highway Bonds	Non-Major Governmental Funds	Total
Taxes	\$ 3,312,815	\$ -	\$ 79,946	\$ 2,701,445	\$ 6,094,206
Intergovernmental	-	74,382	-	-	74,382
Licenses, Permits, Fines and Fees	175,279	-	-	11,110	186,389
Charges for Services	750,794	-	-	-	750,794
State Grant	215,999	108,444	-	-	324,443
Interest	39,086	7,430	16,974	17,964	81,454
Miscellaneous	237,228	-	-	-	237,228
Total Revenue	4,731,201	190,256	96,920	2,730,519	7,748,896
Expenditures					
Current:					
General Government	777,249	-	-	-	777,249
Public Safety	1,709,482	-	-	6,587	1,716,069
Public Works	-	-	-	1,081,734	1,081,734
Solid Waste	500,025	-	-	-	500,025
Parks and Recreation	767,468	-	-	-	767,468
Community Development	951,008	354,886	-	931,404	2,237,298
Debt Service:					
Principal	82,709	-	520,000	121,000	723,709
Interest and Fiscal Charges	9,799	-	196,481	21,900	228,180
Total Expenditures	4,797,740	354,886	716,481	2,162,625	8,031,732
Revenues Collected Over (Under) Expenditures Paid	(66,539)	(164,630)	(619,561)	567,894	(282,835)
Bond Transactions					
Bond Proceeds		-			-
Bond Premium		-			-
Bond Issue Costs		-			-
Operating Transfers					-
Transfers In	2,173,070	-	698,779	212,980	3,084,829
Transfers Out	(1,880,202)	-	-	(791,625)	(2,671,827)
Total Other Financing Sources (Uses)	292,868	-	698,779	(578,645)	413,001
Net Changes in Fund Balances	226,329	(164,630)	79,218	(10,751)	130,166
Fund Balance, Beginning of Year	2,344,132	474,124	529,392	1,257,891	4,605,539
Fund Balance, End of Year	\$ 2,570,461	\$ 309,494	\$ 608,610	\$ 1,247,140	\$ 4,735,705

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, 2018

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

Net Change in Fund Balances - Total Governmental Funds	\$ 130,166
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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	977,312
Depreciation Expense	(487,810)

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	(54,350)
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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	723,709
Change in Accrued Interest Payable	194

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	(33,198)
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GASB 68 entries related to recording net pension expense/income:

Current year net pension income activity	<u>773,201</u>
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Change in Net Position of Governmental Activities	<u>\$ 2,029,224</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, 2018

Assets

Current Assets

Cash and Investments	\$ 1,565,642
Accounts Receivable	246,544
Restricted Cash and Investments	<u>-</u>
Total Current Assets	1,812,186

Non Current Assets

Capital Assets:

Assets Not Depreciated	351,071
Assets Being Depreciated, Net of Depreciation	<u>13,417,752</u>
Total Non Current Assets	<u>13,768,823</u>

Total Assets	<u><u>\$ 15,581,009</u></u>
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Liabilities

Current Liabilities

Accounts Payable	\$ 79,951
Accrued Interest	7,754
Customer Deposits	214,314
Long-term Obligations, Due Within One year	<u>652,879</u>
Total Current Liabilities	954,898

Non Current Liabilities

Long-term Obligations	<u>5,111,912</u>
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Total Liabilities	6,066,810
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Net Position

Net Investment in Capital Assets	8,103,917
Restricted for Debt Service	-
Unrestricted	<u>1,410,282</u>
Total Net Position	<u>9,514,199</u>

Total Liabilities and Net Position	<u><u>\$ 15,581,009</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, 2018

Operating Revenues:

Charges for Services	\$ 3,094,071
Miscellaneous	<u>10,970</u>
Total Revenue	3,105,041

Operating Expenses:

Personnel Services	626,911
Contractual Services	1,116,807
Supplies	437,763
Depreciation	352,027
Other	<u>(319)</u>
Total Expenses	<u>2,533,189</u>

Operating Income	571,852
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Nonoperating Revenues (Expenses)

Intergovernmental	-
Interest Income	24,462
Interest Expense	<u>(206,966)</u>
Total Nonoperating Revenues and Expenses	<u>(182,504)</u>

Change in Net Position	389,348
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Net Position, Beginning of Year	<u>9,124,851</u>
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Net Position, End of Year	<u><u>\$ 9,514,199</u></u>
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See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Cash Flows -
Proprietary Fund - Water and Sewer
For the Year Ended March 31, 2018

Cash Flows from Operating Activities:

Receipts from Customers	\$ 3,059,667
Payments to Suppliers and Vendors	(1,500,627)
Payments to Employees for Services	<u>(602,059)</u>

Net Cash Provided by Operating Activities 956,981

Cash Flows from Capital and Related Financing Activities:

Lease Agreement Proceeds	-
Purchases of Capital Assets	(47,420)
Payments on Long-term Debt	(710,639)
Interest and Bond Cost paid on Capital Debt	(193,629)
Other Adjustments	<u>1,562</u>

Net Cash Provided by Capital and Related Financing Activities (950,126)

Cash Flows from Investment Activities:

Interest Income	<u>24,462</u>
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Net Cash Provided by Investment Activities 24,462

Net Change in Cash and Cash Equivalents 31,317

Cash and Cash Equivalents, Beginning of Year 1,534,325

Cash and Cash Equivalents, End of Year \$ 1,565,642

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

Operating Income	\$ 571,852
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	352,027
Change in Assets and Liabilities:	
Accounts Receivable	(45,374)
Accounts Payable	35,411
Accrued Compensated Absences	24,852
Interest Payable	(1,562)
Deposits	<u>19,775</u>

Net Cash Provided by Operating Activities \$ 956,981

Cash and Cash Equivalents consists of:

Cash and Investments	\$ 1,565,642
Restricted Cash	<u>-</u>
	<u><u>\$ 1,565,642</u></u>

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Assets and Liabilities - Agency Funds
March 31, 2018

	Municipal Court	Road District	Community Improvement Districts	Total
Assets				
Cash - Checking and Savings	\$ 3,650	\$ 164,518	\$ 430,800	\$ 598,968
Total Assets	<u>\$ 3,650</u>	<u>\$ 164,518</u>	<u>\$ 430,800</u>	<u>\$ 598,968</u>
Liabilities				
Due to Others	\$ 3,650	\$ 164,518	\$ 430,800	\$ 598,968
Total Liabilities	<u>\$ 3,650</u>	<u>\$ 164,518</u>	<u>\$ 430,800</u>	<u>\$ 598,968</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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kearney, Missouri, was incorporated in 1883 and covers an area of approximately twelve square miles in Clay County, Missouri. The City is a city of the fourth class and operates under the Mayor - Administrator - Aldermen form of government. The City Administrator is the chief administrative assistant to the Mayor of the City. The City provides services to more than 9,790 (U.S. Census Estimate, July 2016) residents, including law enforcement, parks and recreation, street and storm water maintenance, water and sewer services, community enrichment and development, and various social services. Kearney School District No. 21, a separate governmental entity, provides educational services.

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

Financial Reporting Entity

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

Primary Government: City of Kearney, Missouri

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

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

Basis of Presentation

Governmental-wide Financial Statements

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

The following are the City's major governmental funds:

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

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

General Obligation Bond Debt Service Fund - accounts for the resources used to pay the debt service requirements of the City's Series 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.
Shoppes at Kearney Community Improvement District	Funds are received and disbursed in a geographic area designated for improvements.

Capital Project Funds

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

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Proprietary Funds

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund:

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

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

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

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of a period.

Basis of Accounting

Government Funds

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

Business Activities – Water and Sewer Fund

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

ASSETS, LIABILITIES AND EQUITY

Cash and Cash Equivalents

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

Investments – Government Securities

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

Accounts Receivable

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

Capital Assets

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

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets - Continued

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

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

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

Pensions

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

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, 2018

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, 2018, the accumulated liability balance was \$526,428.

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, 2018, the accumulated liability balance was \$99,785.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. Currently, the City does not have any item that qualifies for reporting in this category.

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Interfund Activity

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

REVENUE, EXPENDITURES AND EXPENSES

Sales Tax

The City presently levies a 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.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Operating Revenue and Expenses

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

Expenditures/Expenses

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

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

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

Use of Estimates

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

Cash and Cash Investments

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deposits and Money Market Accounts	\$5,476,947
Certificates of Deposit	736,214
Short-term Investments held in trust (Bond Reserves)	<u>-</u>
	<u><u>\$6,213,161</u></u>

	Government-wide Statement of Net Position	<u>Agency</u>	<u>Total</u>
Cash and Investments	\$4,647,519	\$1,565,642	\$6,213,161
Restricted Cash and Investments	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$4,647,519</u></u>	<u><u>\$1,565,642</u></u>	<u><u>\$6,213,161</u></u>

NOTE 2 – COMMITMENTS

Insurance

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

The City manages these various risks of loss as follows:

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

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

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, 2018:

	General Obligation Bonds	Revenue Bonds	Total
Bonds Payable, March 31, 2017	\$8,370,000	\$1,087,500	\$ 9,457,500
Bonds Retired – Regular	<u>(520,000)</u>	<u>(152,500)</u>	<u>(672,500)</u>
Bonds Payable, March 31, 2018	<u>\$7,850,000</u>	<u>\$ 935,000</u>	<u>\$ 8,785,000</u>

General Obligation Bonds payable at March 31, 2018, consist of:

General Obligation Bonds, Series 2015 due in varying installments through 2029	<u>\$7,850,000</u>
Total General Obligation Bonds	<u>\$7,850,000</u>
Water and Pollution Control Bonds due in varying installments through 2023	<u>935,000</u>
Total Bonds Payable	<u>\$ 8,785,000</u>

2015 General Obligation Bond Refunding

During fiscal 2016 the City issued \$9,290,000 of new general obligation bonds to finance a new road and improvements to the sewer systems. The proceed of the bond issue were used in part to retire the 2005 general obligation bonds in the amount of \$4,115,000, that were scheduled to mature in 2021. The new bonds involve annual principal payments that vary from \$450,000 beginning in fiscal 2015 to \$895,000 in the final year of maturity (fiscal 2029). The stated interest rates vary from 2% to 2.75%. The effective interest cost to the City as a result of the premium was 2.11%. The net proceeds to the City after retirement of the old bonds and the issue costs was \$5,307,084. Future payments on the bonds are as follows:

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 3 – LONG-TERM DEBT – BONDS - CONTINUED

2015 General Obligation Bond Refunding - Continued

<u>Due March 1</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 530,000	\$ 184,112
2020	555,000	173,512
2021	590,000	162,413
2022	620,000	146,613
2023	680,000	138,213
2024 – 2028	3,980,000	444,188
2029	<u>895,000</u>	<u>24,613</u>
	<u>\$7,850,000</u>	<u>\$1,273,664</u>

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

<u>Due July 1</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 170,000	\$ 28,992
2020	180,000	23,581
2021	185,000	17,204
2022	195,000	10,567
2023	<u>205,000</u>	<u>3,581</u>
	<u>\$ 935,000</u>	<u>\$ 83,925</u>

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, 2018:

	<u>Government Activities</u>	<u>Business Activities</u>
Capital Lease Obligations Payable, March 31, 2017	\$ 1,240,000	\$ 5,273,246
Capital Lease Obligation Retired	(203,709)	(543,240)
New Lease	<u>413,000</u>	<u>-</u>
Capital Lease Obligations Payable, March 31, 2018	<u>\$ 1,449,291</u>	<u>\$4,730,006</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

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

Clear Creek Pedestrian Bridge Lease Purchase

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

	<u>Principal</u>	<u>Interest</u>
2019	\$ 30,294	\$ 11,238
2020	31,166	10,366
2021	32,120	9,412
2022	33,074	8,458
2023	34,057	7,475
2024 – 2028	177,651	-
2029	39,929	-
	<u>\$ 378,291</u>	<u>\$ 46,949</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>
2019	\$ 104,101	\$ 9,679
2020	106,086	7,694
2021	108,108	5,672
2022	110,169	3,611
2023	112,270	1,510
2024	18,919	45
	<u>\$ 559,653</u>	<u>\$ 28,211</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

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>
2019	\$ 340,000	\$ 126,338
2020	345,000	117,838
2021	350,000	108,819
2022	360,000	98,563
2023	475,000	87,688
2024 – 2026	<u>2,015,000</u>	<u>146,538</u>
	<u>\$3,885,000</u>	<u>\$ 685,784</u>

Amphitheater

The City entered into a lease-purchase agreement for construction of an amphitheater in the amount of \$360,000. This agreement was refinanced during 2016, at the time the 2016 Museum/Police Training Room obligations were secured. The new interest rate on the lease is 2.0% with payments under the lease as follows:

	<u>Principal</u>	<u>Interest</u>
2019	\$ 36,000	\$ 1,541
2020	<u>40,000</u>	<u>813</u>
	<u>\$ 76,000</u>	<u>\$ 2,354</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

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

Pavilion

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

	<u>Principal</u>	<u>Interest</u>
2019	\$ 12,000	\$ 730
2020	12,000	488
2021	12,000	243
	<u>\$ 36,000</u>	<u>\$ 1,461</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>
2019	\$ 38,778	\$ 5,532
2020	39,588	4,723
2021	40,414	3,897
2022	41,257	3,054
2023	42,118	2,193
2024-2025	83,198	1,731
	<u>\$ 285,353</u>	<u>\$ 21,130</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

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

Police Station Lease

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

	<u>Principal</u>	<u>Interest</u>
2019	\$ 75,000	\$ 10,930
2020	76,000	9,435
2021	77,000	7,868
2022	79,000	6,306
2023	81,000	4,704
2024 - 2025	151,000	4,469
	<u>\$ 539,000</u>	<u>\$ 43,712</u>

Museum/Police Training Room

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

	<u>Principal</u>	<u>Interest</u>
2019	\$ 49,000	\$ 8,517
2020	50,000	7,544
2021	51,000	6,509
2022	52,000	5,475
2023	53,000	4,421
2024-2026	165,000	6,741
	<u>\$ 420,000</u>	<u>\$ 39,207</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 5 – PENSION PLAN

Plan Description

The City of Kearney defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City of Kearney participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided

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

Employees Covered by Benefit Terms

At June 30, 2017, the following employees were covered by the benefit terms:

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 5 – PENSION PLAN - CONTINUED

Employees covered by benefit terms

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>37</u>
	<u>59</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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2017.

Actuarial Assumptions

The total pension liability in the February 28, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.25%

Salary Increase 3.25% to 6.55% including wage inflation

Investment rate of return 7.25%

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 5 – PENSION PLAN - CONTINUED

The actuarial assumptions used in the February 28, 2017 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	48.50%	5.10%
Fixed Income	25.00%	2.10%
Real Assets	20.00%	3.95%
Strategic Assets	6.50%	5.00%

Discount Rate

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

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 6/30/2016	<u>\$ 5,980,096</u>	<u>\$ 5,950,685</u>	<u>\$ 29,411</u>
Changes for the year:			
Service Cost	175,700	-	175,700
Interest	424,522	-	424,522
Changes in actuarial assumptions	(159,810)	-	(159,810)
Difference between expected and actual experience	38,437	-	38,437
Contributions - employer	-	168,842	(168,842)
Contributions - employee	-	-	-
Net investment income	-	734,655	(734,655)
Benefit payments, including refunds	(109,710)	(109,710)	-
Administrative expense	-	(4,889)	4,889
Other changes	-	5,164	(5,164)
Net changes	<u>369,139</u>	<u>(42,010)</u>	<u>873,234</u>
Balances at 6/30/2017	<u><u>\$ 6,349,235</u></u>	<u><u>\$ 6,744,747</u></u>	<u><u>\$ (395,512)</u></u>

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower 6.25% or one percentage point higher 8.25% than the current rate.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 5 – PENSION PLAN - CONTINUED

	Current Single Discount		
	1% Decrease	Rate Assumption	1% Increase
	6.25%	7.25%	8.25%
Total Pension Liability (TPL)	\$ 7,285,212	\$ 6,349,235	\$ 5,572,204
Plan Fiduciary Net Position	<u>6,744,747</u>	<u>6,744,747</u>	<u>6,744,747</u>
Net Pension Liability/(Asset)(NPL)	<u>\$ 540,465</u>	<u>\$ (395,512)</u>	<u>\$(1,172,543)</u>

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

For the year ended June 30, 2017 the employer recognized general pension expense of \$164,850 and police pension expense of \$118,092. 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	\$ 96,004	\$ (130,041)
Differences in assumptions	264,068	(132,854)
Excess (deficit) investment returns	149,482	-
Contributions subsequent to the measurement date*	<u>131,030</u>	<u>-</u>
Total	<u>\$ 640,584</u>	<u>\$ (262,895)</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, 2017.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

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:

2018 \$116,536

2019 116,535

2020 57,084

2021 (36,687)

2022 (11,164)

Thereafter 4,355

Payable to the Pension Plan

At March 31, 2018 the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended March 31, 2018.

NOTE 6 - DEVELOPER AGREEMENTS

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

As of March 31, 2018, the amount of outstanding developer agreements was \$13,828,572, (of which a total of \$7,176,929 has been certified for reimbursement) and are payable through 2036 to the extent incremental taxes are available. For fiscal year 2018, payments on the developer agreement were \$180,027. Incremental revenues were \$237,359 from City and intergovernmental sales taxes in the funds responsible for these obligations.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Deferred Compensation Plan

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

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

NOTE 8 – PROPERTY TAX REVENUE AND ASSESSMENT

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

The assessed value for property located in the City as of December 31, 2017, on which the 2017 levy was based, was \$165,551,755. In the year ended March 31, 2018, the City collected 1,480,898 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 \$0.5762 for the year ended March 31, 2018. The City's debt service tax levy per \$100 assessed valuation was \$.0506 for the year ended March 31, 2018.

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 9 – COMMITMENTS AND CONTINGENCIES – LAWSUITS

There are no claims for lawsuits to which the City is a part as a result of certain injuries and various other matters and complaints arising in the ordinary course of City activities. The City's management and legal counsel anticipate that any unknown potential claims, if any, against the City not covered by insurance would not have a material effect on the financial position of the City.

NOTE 10 – FEDERAL AND STATE GRANTS

In prior years the City has participated in a number of federal and state programs that were fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of March 31, 2018, certain grant expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

NOTE 11 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deposits and Investments Laws and Regulations

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

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

At year end the carrying amount of the City's deposits totaled \$5,476,947 and the bank balances totaled \$5,476,947. The City's balances were covered by FDIC insurance or pledged securities as follows:

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 11 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-CONTINUED

Deposits covered by federal depository insurance or by collateral held by the City, or its agent, in the City's name	<u>\$ 6,213,161</u>
Total Value of Securities Pledged	\$ 8,199,277
FDIC Insurance	<u>250,000</u>
Total	<u>\$ 8,449,277</u>
Insurance and Pledged Securities in Excess of Deposits	<u>\$ 2,236,116</u>

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. As of March 31, 2018, the carrying amount of the City's deposits was less than pledged securities plus federal deposit insurance. It is City practice to require banks to provide collateral equal to any deposited amounts exceeding federal depository insurance limits.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At March 31, 2018, the City's investments were not exposed to custodial credit risk.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

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

The City has funded certain improvements to Bennett Boulevard whereby the Kearney Westside Community District (CID) has agreed to reimburse the City for certain costs in accordance with the agreement. During 2013, the CID reimbursed the City \$300,000 with the remaining amount due in annual payments of \$74,382 over a 12 year period including interest of 4%. As of March 31, 2018, the total annual amounts due to the City through the agreement are as follows:

	<u>Payment</u>
2019	\$ 74,382
2020	74,382
2021	74,382
2022	74,382
2023	74,382
2024 - 2025	<u>148,764</u>
	520,674
Less Interest	<u>(74,210)</u>
Net Present Value	<u>\$ 446,464</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, 2018

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
Total Capital Assets, Not Being Depreciated	564,419	-	-	564,419
Capital Assets, Being Depreciated				
Infrastructure	5,913,945	1,149,433	-	7,063,378
Buildings	2,832,837	-	-	2,832,837
Improvements	2,140,649	381,359	-	2,522,008
Machinery and Equipment	2,400,909	153,548	-	2,554,457
Total Capital Assets Being Depreciated	13,288,340	1,684,340	-	14,972,680
Less Accumulated Depreciation for:				
Infrastructure	237,757	141,267	-	379,024
Buildings	897,808	92,233	-	990,041
Improvements	1,290,997	119,690	-	1,410,687
Machinery and Equipment	742,480	134,620	-	877,100
Total Accumulated Depreciation	3,169,042	487,810	-	3,656,852
Total Capital Assets Being Depreciated, net	10,119,298	1,196,530	-	11,315,828
Governmental Activities Capital Assets, Net	<u>\$ 10,683,717</u>	<u>\$ 1,196,530</u>	<u>\$ -</u>	<u>\$ 11,880,247</u>
Business-type Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 351,071	\$ -	\$ -	\$ 351,071
Total Capital Assets, Not Being Depreciated	351,071	-	-	351,071
Capital Assets, Being Depreciated				
Buildings	4,105,952	-	-	4,105,952
Machinery and Equipment	2,220,336	47,420	-	2,267,756
Water and Sewer Lines	13,284,238	-	-	13,284,238
Total Capital Assets Being Depreciated	19,610,526	47,420	-	19,657,946
Less Accumulated Depreciation for:				
Buildings	315,139	57,628	-	372,767
Machinery and Equipment	838,084	47,046	-	885,130
Water and Sewer Lines	4,734,944	247,353	-	4,982,297
Total Accumulated Depreciation	5,888,167	352,027	-	6,240,194
Total Capital Assets Being Depreciated, Net	13,722,359	(304,607)	-	13,417,752
Business-type Activities Capital Assets, Net	<u>\$ 14,073,430</u>	<u>\$ (304,607)</u>	<u>\$ -</u>	<u>\$ 13,768,823</u>

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

Governmental Activities:	
General Government	\$ 30,397
Public Safety	121,820
Public Works	216,500
Parks and Recreation	119,093
Community Development	-
	<u>\$ 487,810</u>
Business-type Activities	
Water and Sewer	<u>\$ 352,027</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 14– DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

Investments

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

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and level within the ASC Topic 820 Fair Value Measurement in which the fair measurements fall at March 31, 2018.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

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

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

NOTE 15 – INTER-FUND TRANSACTIONS

Inter-fund transfers for the year ended March 31, 2018, consisted of the following:

Transfer from Special Revenue Fund	<u>\$ (709,169)</u>
Transfer from General Fund	<u>\$ (120,132)</u>
Transfer to TIF Debt	<u>\$ 184,980</u>
Transfer to G.O. Bonds	<u>\$ 644,321</u>

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

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

GASB Statement No. 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.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 16 – PENDING GASB STATEMENTS – CONTINUED

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, 2017. Earlier application is encouraged.

GASB Statement No. 83, Certain Asset Retirement Obligations – This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital assets. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, Fiduciary Activities – The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 85, Omnibus 2017 – The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits (pensions and other postemployment benefits (OPEB)). The requirements of this Statement are effective for reporting periods after June 15, 2017. Earlier application is encouraged.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2018

NOTE 16 – PENDING GASB STATEMENTS – CONTINUED

GASB Statement No. 86, Certain Debt Extinguishment Issues – The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods after June 15, 2017. Earlier application is encouraged.

NOTE 17 – SUBSEQUENT EVENTS

Government Accounting Standards provide guidance on management's assessment of subsequent events and clarifies that management must evaluate, as of each reporting period, events or transactions that occur after the Statement of Net Position date through the date that the financial statements are issued, or are available to be issued. Management has evaluated events and transactions for subsequent events disclosures occurring after March 31, 2018, through August 30, 2018, the date the financial statements were available to be issued and there are no material events requiring recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

**CITY OF KEARNEY, MISSOURI
COMPARISON OF NEEDED-TO-ACTUAL
MAINTENANCE/PRESERVATION
FOR NEW INFRASTRUCTURE ASSETS
MARCH 31, 2018**

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, 2018

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, 2018

	18	19	11,61	16	71,73	40	12	65
	Special Revenue Funds			Debt Service Funds			Capital Project Funds	
	Capital Improvement Sales Tax			Tax Increment Financing			Downtown Improvements	Wireless Capital Improvement
Transportation Sales Tax								
Cash and Investments	\$ 1,038,092	\$ 102,410	\$ 10,673	\$ 3,779	\$ 23,939	\$ -	\$ -	\$ 45,847
Receivables, net:								
Taxes	82,427	54,904	-	-	-	-	-	2,831
Restricted Cash and Investments	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 1,120,519</u>	<u>\$ 157,314</u>	<u>\$ 10,673</u>	<u>\$ 3,779</u>	<u>\$ 23,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,678</u>
								<u>\$ 1,364,902</u>
								-
								-
Liabilities								
Accounts Payable	\$ 117,762	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,762
	<u>117,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,762</u>
Deferred Inflows of Resources								
Unavailable Revenues	-	-	-	-	-	-	-	-
Fund Balances								
Restricted For:								
Public Safety	-	-	10,673	3,779	-	-	-	-
Public Works	1,002,757	-	-	-	-	-	-	-
Capital Outlay	-	157,314	-	-	-	-	-	-
Debt Service	-	-	-	-	23,939	-	-	-
Assigned								
Capital Outlay	-	-	-	-	-	-	-	48,678
Total Fund Balances	<u>1,002,757</u>	<u>157,314</u>	<u>10,673</u>	<u>3,779</u>	<u>23,939</u>	<u>-</u>	<u>-</u>	<u>48,678</u>
								<u>1,247,140</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 1,120,519</u>	<u>\$ 157,314</u>	<u>\$ 10,673</u>	<u>\$ 3,779</u>	<u>\$ 23,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,678</u>
								<u>\$ 1,364,902</u>

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

March 31, 2018

	18	Special Revenue Funds			Debt Service Funds		Capital Project Funds		
		19	11, 61	16	71, 73	40	12	65	

CITY OF KEARNEY, MISSOURI
Combining Balance Sheet -
General Funds

March 31, 2018

	10	13	14	15	17	Total
	General	Sales Tax	Park Capital	Cemetery	Park	General
	Funds		Funds			Funds
Assets						
Cash and Investments	\$ 1,711,962	\$ 224,837	\$ 155,649	\$ 216,864	\$ 195,045	\$ 2,504,357
Receivables, net:						
Taxes	18,859	118,172	-	-	3,462	140,493
Accounts	38,313	-	-	-	-	38,313
Intergovernmental	-	-	-	-	-	-
Total Assets	\$ 1,769,134	\$ 343,009	\$ 155,649	\$ 216,864	\$ 198,507	\$ 2,683,163
Liabilities						
Accounts Payable	\$ 104,163	\$ -	\$ -	\$ -	\$ 8,539	\$ 112,702
Note Payable	-	-	-	-	-	-
	104,163	-	-	-	8,539	112,702
Deferred Inflows of Resources						
Unavailable Revenues	-	-	-	-	-	-
Fund Balances						
Restricted for:						
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Committed for:						
Parks and Recreation	-	-	155,649	-	-	155,649
Assigned for:						
Cemetery	-	-	-	216,864	-	216,864
Culture and Recreation	-	-	-	-	189,968	189,968
Capital Outlay	-	-	-	-	-	-
Unassigned:	1,664,971	343,009	-	-	-	2,007,980
Total Fund Balances	1,664,971	343,009	155,649	216,864	189,968	2,570,461
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 1,769,134	\$ 343,009	\$ 155,649	\$ 216,864	\$ 198,507	\$ 2,683,163

CITY OF KEARNEY, MISSOURI
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - General Fund
For the Year Ended March 31, 2018

	10	13	14	15	17	Total
	General	Sales Tax	Park Capital	Cemetery	Park	Actual
Revenues						
Taxes: Property, Sales, Franchise and Other	\$ 1,745,669	\$ 1,500,841	\$ -	\$ -	\$ 66,305	\$ 3,312,815
Licenses, Permits, and Fees	122,890	-	47,124	5,265	-	175,279
Interest	31,588	3,479	538	2,826	655	39,086
Utilities/Trash	479,872	-	-	-	-	479,872
Fines	-	-	-	-	-	-
Miscellaneous	205,571	-	-	-	13,007	218,578
Amphitheater Revenue	-	-	-	-	188,522	188,522
Billboard Lease	-	-	-	-	18,650	18,650
Recreation Program	-	-	-	-	82,400	82,400
Grants/Donations	4,000	199,999	-	-	12,000	215,999
Total Revenues	2,589,590	1,704,319	47,662	8,091	381,539	4,731,201
Expenditures						
Personnel	1,829,149	-	-	-	233,290	2,062,439
Contractual Services	1,379,895	656,654	-	-	492,056	2,528,605
Commodities/Supplies	82,937	-	-	-	30,955	113,892
Capital	-	-	-	-	-	-
Principal	-	34,709	37,000	-	11,000	82,709
Interest	-	6,555	2,291	-	953	9,799
Miscellaneous	296	-	-	-	-	296
Total Expenditures	3,292,277	697,918	39,291	-	768,254	4,797,740
Revenues Collected Over (Under) Expenditures Paid	(702,687)	1,006,401	8,371	8,091	(386,715)	(66,539)
Operating Transfers and Financing Transactions						
Transfer In	1,337,174	-	19,896	-	403,000	1,760,070
Transfer Out	(430,896)	(1,429,306)	(20,000)	-	-	(1,880,202)
Loan Proceeds	-	413,000	-	-	-	413,000
	906,278	(1,016,306)	(104)	-	403,000	292,868
Revenues Collected and Operating Transfers Over (Under) Expenditures Paid	203,591	(9,905)	8,267	8,091	16,285	226,329
Fund Balance, Beginning of Year	1,461,380	352,914	147,382	208,773	173,683	2,344,132
Fund Balance, End of Year	1,664,971	343,009	155,649	216,864	189,968	2,570,461

CITY OF KEARNEY, MISSOURI
Schedule of Revenues, Expenditures and Changes in Fund Balances-
General Fund - Budget and Actual
For the Year Ended March 31, 2018

	General Fund			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues				
Taxes	\$ 1,715,120	\$ 1,715,120	\$ 1,745,669	\$ 30,549
Licenses, Permits and Fees	84,500	84,500	122,890	38,390
Grants	5,000	5,000	4,000	(1,000)
Charges for Services	460,500	460,500	485,068	24,568
Interest	11,000	11,000	31,588	20,588
Other	88,500	88,500	205,571	117,071
Total Revenues	2,364,620	2,364,620	2,594,786	230,166
Expenditures				
Current:				
General Government	650,640	650,640	757,893	107,253
Public Safety	1,816,300	1,816,300	1,709,482	(106,818)
Solid Waste	484,500	484,500	500,025	15,525
Parks and Recreation	-	-	-	-
Community Development	301,569	301,569	294,354	(7,215)
Debt Service				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	3,253,009	3,253,009	3,261,754	8,745
Excess of Revenues Over (Under) Expenditures	(888,389)	(888,389)	(666,968)	238,911
Other Financing Sources and (Uses):				
Transfers In	1,337,000	1,337,000	1,337,174	174
Transfers (Out)	(420,948)	(420,948)	(430,896)	(9,948)
Total Other Financing Sources and (Uses)	916,052	916,052	906,278	(9,774)
Change in Fund Balances, Budget Basis	\$ 27,663	\$ 27,663	\$ 239,310	\$ 229,137

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, 2018

	13 Sales Tax Fund				15 Cemetery Fund				14 Park Capital Fund				17 Park Fund			
	Final Budget	Actual	Variance Positive (Negative)		Final Budget	Actual	Variance Positive (Negative)		Final Budget	Actual	Variance Positive (Negative)		Final Budget	Actual	Variance Positive (Negative)	
Revenues																
Taxes	\$ 1,490,000	\$ 1,501,952	\$ 11,952	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,000	\$ 66,559	\$ 3,559	
Charges for Services	-	-	-	-	-	-	-	-	29,250	47,125	17,875	-	335,800	302,579	(33,221)	
Interest	1,400	3,479	2,079	1,600	2,826	1,226	-	100	538	438	-	125	655	530		
Grant	200,000	199,999	-	-	-	-	-	-	-	-	-	-	12,000	12,000	-	
Other	-	-	-	-	5,000	5,265	265	-	-	-	-	-	-	-	-	
Total Revenues	1,691,400	1,705,430	14,031	15,000	6,600	8,091	1,491	29,350	47,663	18,313	-	410,925	381,793	(29,132)		
Expenditures																
Current:																
Parks and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	799,756	767,468	(32,288)	
Community Development	1,524,241	656,654	(867,587)	-	-	-	(15,000)	-	-	-	-	-	-	-	-	
Debt Service	-	-	-	-	-	-	-	-	37,000	37,000	-	-	11,116	11,000	(116)	
Principal	-	34,709	34,709	-	-	-	-	2,291	2,291	2,291	-	-	963	953	(10)	
Interest and Fiscal Charges	-	6,555	6,555	-	-	-	-	39,291	39,291	39,291	-	-	811,835	779,421	(32,414)	
Total Expenditures	1,524,241	697,918	(826,323)	15,000	15,000	-	(15,000)	(9,941)	(9,941)	8,372	18,313	(400,910)	(397,628)	(61,546)		
Excess of Revenues Over (Under) Expenditures	167,159	1,007,512	(812,292)	(8,400)	(8,400)	8,091	(13,509)									
Other Financing Sources and (Uses):																
Transfers In	1,200,000	413,000	(787,000)	-	-	-	-	9,948	19,896	9,948	-	-	403,000	403,000	-	
Transfers (Out)	(1,410,100)	(1,429,306)	(19,206)	-	-	-	-	(20,000)	(20,000)	(20,000)	-	-	-	-	-	
Total Other Financing Sources and (Uses)	(210,100)	(1,016,306)	(806,206)	-	-	-	-	(10,052)	(104)	9,948	-	-	403,000	403,000	-	
Change in Fund Balances, Budget Basis	\$ (42,941)	\$ (8,794)	\$ (1,618,498)	\$ (8,400)	\$ (8,400)	\$ 8,091	\$ (13,509)	\$ (19,993)	\$ 8,268	\$ 28,261	\$ 2,090	\$ 5,372	\$ (61,546)			
Fund Balance, Beginning of Year, Budget Basis		233,629				208,773			147,383				189,672			
Fund Balance, End of Year, Budget Basis		\$ 224,835				\$ 216,864			\$ 155,651				\$ 195,044			

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, 2018

	18			19			11, 61			16		
	Transport Sales Tax			Capital Improvement Sales Tax			DWI Drug & Inmate Security Fund			Police Training Fund		
	Final	Actual	Variance	Final	Actual	Variance	Final	Actual	Variance	Final	Actual	Variance
	Budget		Positive	Budget		(Negative)	Budget		(Negative)	Budget		Positive
			(Negative)									(Negative)
Revenues												
Taxes	\$ 1,225,000	\$ 1,269,799	\$ 44,799	\$ 690,000	\$ 704,109	\$ 14,109	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Permits and Fees	-	5,100	5,100	-	-	-	2,900	3,684	784	2,600	2,326	(274)
Interest	2,800	14,378	11,578	-	1,972	1,972	11	26	15	40	75	35
Total Revenues	1,227,800	1,289,277	61,477	690,000	706,081	16,081	2,911	3,710	799	2,640	2,401	(239)
Expenditures												
Current:												
Public Safety	-	-	-	-	-	-	-	-	-	9,000	6,677	(2,323)
Public Works	1,204,919	1,110,967	(93,952)	-	-	-	-	-	-	-	-	-
Other	-	-	-	24,621	24,621	-	-	-	-	-	-	-
Total Expenditures	1,204,919	1,110,967	(93,952)	24,621	24,621	-	-	-	-	9,000	6,677	(2,323)
Excess of Revenues Over (Under) Expenditures	22,881	178,310	(32,475)	665,379	681,460	16,081	2,911	3,710	799	(6,360)	(4,276)	(2,562)
Other Financing Sources and (Uses):												
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-
Transfers (Out)	(36,500)	(46,337)	(9,837)	(690,000)	(699,836)	(9,836)	-	-	-	-	-	-
Total Other Financing Sources and (Uses)	(36,500)	(46,337)	(9,837)	(690,000)	(699,836)	(9,836)	-	-	-	-	-	-
Change in Fund Balances, Budget Basis	\$ (13,619)	\$ 131,973	\$ (42,312)	\$ (24,621)	\$ (18,376)	\$ 6,245	\$ 2,911	\$ 3,710	\$ 799	\$ (6,360)	\$ (4,276)	\$ (2,562)
Fund Balance, Beginning of Year, Budget Basis		807,674			120,787			5,163			8,055	
Fund Balance, End of Year, Budget Basis		\$ 939,647			\$ 102,411			\$ 8,873			\$ 3,779	

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, 2018

	71,73			40			12			65		
	Debt Service			Water and Sewer			Downtown			Capital Projects Funds		
	Tax Incremental			Obligation Fund			Improvement Fund			Wireless Capital		
	Financing Fund									Improvement Fund		
	Final	Actual	Variance	Final	Actual	Variance	Final	Actual	Variance	Final	Actual	Variance
	Budget		(Negative)	Budget		(Negative)	Budget		(Negative)	Budget		(Negative)
Revenues												
Taxes	\$ 458,027	\$ 640,333	\$ 182,306	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,800	\$ 93,517	\$ (21,283)
Licenses, Permits and Fees	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	770	765	-	189	189	-	2	2	100	552	452
Total Revenues	458,032	641,103	183,071	-	189	189	-	2	2	114,900	94,069	(20,831)
Expenditures												
Current:												
Capital Purchase	-	-	-	-	-	-	-	-	-	-	-	-
Community Development	620,100	682,588	62,488	-	-	-	-	-	-	-	95,256	95,256
Other	327,797	330,213	2,416	-	-	-	7,500	7,500	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	121,000	121,000	-
Principal	-	-	-	-	-	-	-	-	-	21,900	21,900	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	947,897	1,012,801	64,904	-	-	-	7,500	7,500	-	142,900	238,156	95,256
Excess of Revenues Over (Under) Expenditures	(489,865)	(371,698)	247,975	-	189	189	(7,500)	(7,498)	2	(28,000)	(144,087)	74,425
Other Financing Sources and (Uses):												
Transfers In	300,100	184,980	(115,120)	-	-	-	-	-	-	28,000	28,000	-
Transfers (Out)	-	-	-	(45,090)	(45,279)	(189)	-	(173)	-	-	-	-
Total Other Financing Sources and (Uses)	300,100	184,980	(115,120)	(45,090)	(45,279)	(189)	-	(173)	-	28,000	28,000	-
Change in Fund Balances, Budget Basis	\$ (189,765)	\$ (186,718)	\$ 132,855	\$ (45,090)	\$ (45,090)	\$ -	\$ (7,500)	\$ (7,671)	2	\$ -	\$ (116,087)	\$ 74,425
Fund Balance, Beginning of Year, Budget Basis		210,657			62,612			7,671			161,934	
Fund Balance, End of Year, Budget Basis		\$ 23,939			\$ 17,522			\$ -			\$ 45,847	

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, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
MODOT Grant	\$ -	\$ 108,444	\$ 108,444
Intergovernmental	74,382	74,382	-
Interest	4,000	7,430	3,430
Other	-	-	-
Total Revenues	78,382	190,256	111,874
Expenditures			
Current:			
Personal Services	-	-	-
Contractual Services	214,000	71,660	(142,340)
Street Lights	172,100	135,280	(36,820)
New Sidewalk	35,000	102,953	67,953
Mill and Overlay Street	65,000	65,000	-
Watson Dr Eng	-	-	-
Total Expenditures	486,100	374,893	(111,207)
Other Financial Sources and Uses			
Bond Proceeds	-	-	-
Bond Premium	-	-	-
Bond Issue Expense	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
Total Bond Transactions	-	-	(111,207)
Excess of Revenues Over (Under) Expenditures	(407,718)	(184,637)	667
Change in Fund Balances, Budget Basis	<u>\$ (407,718)</u>	(184,637)	<u>\$ 667</u>
Fund Balance, Beginning of year, Budget Basis		494,131	
Fund Balance, End of Year, Budget Basis		<u>\$ 309,494</u>	

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Schedule of Revenues, Expenditures and Changes in Fund Balances-
GO Hwy Bonds - Budget and Actual
For the Year Ended March 31, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Property Taxes	\$ 78,900	\$ 79,946	\$ 1,046
Interest	<u>2,800</u>	<u>16,974</u>	<u>14,174</u>
Total Revenues	81,700	96,920	15,220
Expenditures			
Debt Service			
Principle	520,000	520,000	-
Interest and Fiscal Charges	<u>196,013</u>	<u>196,163</u>	<u>150</u>
Total Expenditures	716,013	716,163	150
Other Financing Sources and (Uses):			
Transfers In	<u>698,590</u>	<u>644,321</u>	<u>(54,269)</u>
Total Other Financing Sources and (Uses)	<u>698,590</u>	<u>644,321</u>	<u>(54,269)</u>
Change in Fund Balances, Budget Basis	<u>\$ 64,277</u>	25,078	<u>\$ (39,199)</u>
Fund Balance, Beginning of Year, Budget Basis		<u>529,710</u>	
Fund Balance, End of Year, Budget Basis		<u>\$ 554,788</u>	

See accompanying notes to the basic financial statements.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$173,083	\$166,843	\$170,763	\$186,144	\$191,718	\$201,462	\$192,752	\$191,280	\$163,986	\$174,545
Contributions in relation to the										
actuarially determined contribution	173,083	166,843	170,763	186,144	191,719	201,462	190,873	175,597	163,986	174,546
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	(\$1)	\$0	\$1,879	\$15,683	\$0	(\$1)
Covered-employee payroll	\$2,085,670	\$1,990,387	\$1,816,633	\$1,713,168	\$1,676,071	\$1,620,534	\$1,554,059	\$1,525,041	\$1,560,022	\$1,613,502
Contributions as a percentage of	8.30%	8.38%	9.40%	10.87%	11.44%	12.43%	12.28%	11.51%	10.51%	10.82%
covered-employee payroll										