

BRUCE D. CULLEY, C.P.A., P.C.
3000 BROOKTREE LANE, SUITE 210
GLADSTONE, MISSOURI 64119
816-453-1040 FAX: 816-453-0721
bruceculley@sbcglobal.net

Member American Institute of
Certified Public Accountants

Member Missouri Society of
Certified Public Accountants

CITY OF KEARNEY, MISSOURI

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

CITY OF KEARNEY, MISSOURI

Table of Contents

INTRODUCTORY SECTION

Table of Contents 1
List of Principal Officials 2

FINANCIAL SECTION

Independent Auditor’s Report 3
Basic Financial Statements 6
 Government-wide Financial Statements
 Statement of Net Position 7
 Statement of Activities 8
 Fund Financial Statements
 Balance Sheet – Governmental Funds 9
 Reconciliation of the Balance Sheet – Government Funds to the Statement
 of Net Position 10
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Modified Cash Basis 11
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities 12
 Proprietary Financial Statements
 Statement of Net Position – Water and Sewer Fund 13
 Statement of Revenues, Expenses and Changes in
 Net Assets – Water and Sewer Fund 14
 Combined Statement of Cash Flows – All Proprietary Fund Types 15
 Statement of Assets and Liabilities – Agency Funds 16
Notes to Basic Financial Statements 17
Required Supplemental Information Section
 Comparison of Needed-to-Actual Maintenance/Prescrvation
 for New Infrastructure Assets 46
 Notes to Required Supplementary Information: Budgetary Discussion 47
 Schedule of Funding Progress 48
 Combining Balance Sheet – Nonmajor Government Funds 49
 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances -
 Nonmajor Government Funds 50
 Combining Balance Sheet – General Funds 51
 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances -
 General Fund 52
Other Supplemental Information
 Schedule of Revenues, Expenditures and Changes in Fund Balances-General Fund
 Budget and Actual 53
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-
 Budget and Actual – Other Funds Reported with the General Fund 54
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-
 Nonmajor Special Revenue Funds, Budget and Actual 55
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-
 Nonmajor Debt Service and Capital Projects Funds, Budget and Actual 56
 Schedule of Revenues, Expenditures and Changes in Fund Balances-Highway
 Construction Fund -Budget and Actual 57
 Schedule of Revenues, Expenditures and Changes in Fund Balances-GO Hwy Bonds -
 Budget and Actual 58

CITY OF KEARNEY, MISSOURI
LIST OF PRINCIPAL OFFICIALS
MARCH 31, 2015

MAYOR AND BOARD OF ALDERMAN

Bill Dane	Mayor
Eric Shumate.....	Alderman
Gerri Spencer	Alderman
Danial Holt.....	Alderman
Marie Steiner.....	Alderman

CITY ADMINISTRATOR / CLERK

Jim Eldridge

BRUCE D. CULLEY C.P.A., P.C.
3000 Brooktree Lane, Suite 210
Gladstone, MO. 64119
816-453-1040 Fax: 816-453-0721

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Kearney, Missouri

I 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, 2015, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions Basis for Qualified Opinions on Governmental Activities, Business-type Activities, and Water and Sewer Fund

The City has not reported the fair value of capital assets that have been contributed to the City, as is required by accounting principles generally accepted in the United States of America. Recording these contributed capital assets would increase reported assets, net position, revenues, and expenses in the Governmental Activities, Business-type Activities and Water and Sewer Fund. The amount by which this departure would affect the assets, net position, revenues, and expenses of the Governmental Activities, Business-type Activities and Water and Sewer Fund has not been determined.

Qualified Opinion

In my opinion, except for the effects of the matter described in the “Opinions Basis for Qualified Opinions on Governmental Activities, Business-type Activities, and Water and Sewer Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities, Business-type Activities, and Water and Sewer Fund, as of March 31, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the each major fund other than the Water and Sewer Fund, and the aggregate remaining fund information of the City as of March 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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. My opinion on the basic financial statements is not affected by this missing information.

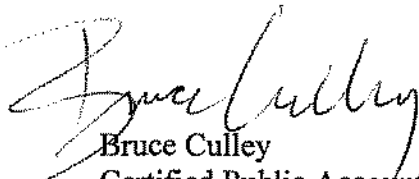
Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’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 related 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 my 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*, I have also issued a report dated October 15, 2015, on my consideration of the City's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grand agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Bruce Culley
Certified Public Accountant

Gladstone, Missouri
October 15, 2015

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, 2015

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Assets			
Cash and Investments	\$ 3,757,989	\$ 1,414,372	\$ 5,172,361
Receivables, net:			
Taxes	550,356	-	550,356
Accounts	63,062	379,716	442,778
Intergovernmental	24,749	-	24,749
Note Receivable	603,324	-	603,324
Restricted Cash and Investments	5,327,933	546,674	5,874,607
Other Assets	30,610		
Capital Assets:			
Assets Not Being Depreciation	1,439,447	351,071	1,790,518
Assets Being Depreciated, Net of Depreciation	<u>4,941,945</u>	<u>13,695,772</u>	<u>18,637,717</u>
Total Assets	16,739,415	16,387,605	33,127,020
Liabilities			
Accounts Payable	154,947	67,170	222,117
Accrued Interest	49,424	24,510	73,934
Customer Deposits	-	180,788	180,788
Long-term Obligations:			
Amounts due in less than one year	650,436	639,816	1,290,252
Amounts due in more than one year	<u>10,561,685</u>	<u>7,090,118</u>	<u>17,651,803</u>
Total Liabilities	11,416,492	8,002,402	19,418,894
Net Position			
Net Investment in Capital Assets	1,335,163	5,563,580	6,898,743
Restricted			
Public Safety	24,344	-	24,344
Public Works	555,737	-	555,737
Capital Outlay	166,509	-	166,509
Debt Service	582,725	192,449	775,174
Unrestricted (Deficit)	<u>2,658,445</u>	<u>2,629,174</u>	<u>5,287,619</u>
Total Net Position	<u>\$ 5,322,923</u>	<u>\$ 8,385,203</u>	<u>\$ 13,708,126</u>

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Activities
For the Year Ended March 31, 2015

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	\$ 540,998	\$ 123,072	\$ -	\$ -	\$ (417,926)	\$ -	\$ (417,926)
Public Safety	1,406,506	189,623	-	-	(1,216,883)	-	(1,216,883)
Public Works	1,002,703	-	-	1,613,541	610,838	-	610,838
Solid Waste	399,028	396,419	-	-	(2,609)	-	(2,609)
Parks and Recreation	616,905	202,532	-	-	(414,373)	-	(414,373)
Community Development	541,531	-	-	-	(541,531)	-	(541,531)
Bond Issue Expenses	158,313	-	-	-	(158,313)	-	(158,313)
Interest on Long-term Debt	268,788	-	-	-	(268,788)	-	(268,788)
Total Governmental Activities	4,934,772	911,646	-	1,613,541	(2,409,585)	-	(2,409,585)
Business-type Activities:							
Water and Sewer	2,120,561	2,534,016	3,529	-	-	416,984	416,984
Total Business-type Activities	2,120,561	2,534,016	3,529	-	-	416,984	416,984
Total Primary Government	\$ 7,055,333	\$ 3,445,662	\$ 3,529	\$ 1,613,541	(2,409,585)	416,984	(1,992,601)
General Revenue							
Taxes							
Property Taxes					1,194,817	-	1,194,817
Sales Taxes					1,771,740	-	1,771,740
Franchise Taxes					838,051	-	838,051
Interest Income					44,034	61,930	105,964
Miscellaneous					100,333	-	100,333
Total General Revenues					3,948,975	61,930	4,010,905
Change in Net Position					1,539,390	478,914	2,018,304
Net Position, Beginning of the Year					3,783,533	7,906,289	11,689,822
Net Position, End of the Year					\$ 5,322,923	\$ 8,385,203	\$ 13,708,126

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Balance Sheet - Government Funds
March 31, 2015

	General	Highway Construction	GO Highway Bonds	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Investments	\$ 1,972,432	\$ 5,764,142	\$ 408,328	\$ 923,500	\$ 9,068,401
Receivables, net:					
Taxes	356,466	-	-	193,890	550,356
Accounts	63,062	-	-	-	63,062
Intergovernmental	24,749	-	-	-	24,749
Note Receivable	-	603,323	-	-	603,323
Restricted Cash and Investments	-	-	-	17,521	17,521
	\$ 2,416,709	\$ 6,367,465	\$ 408,328	\$ 1,134,910	\$ 10,327,412
Liabilities					
Accounts Payable	\$ 99,433	\$ 1,477	\$ -	\$ 54,037	\$ 154,947
	99,433	1,477	-	54,037	154,947
Deferred Inflows of Resources					
Unavailable Revenues	6,054	603,323	-	-	609,377
Fund Balances					
Restricted for:					
Public Safety	-	-	-	24,344	24,344
Public Works	-	-	-	555,737	555,737
Capital Outlay	-	-	-	166,509	166,509
Debt Service	-	-	408,328	174,397	582,725
Committed for:					
Parks and Recreation	117,512	-	-	-	117,512
Assigned for:					
Cemetery	192,975	-	-	-	192,975
Culture and Recreation	180,242	-	-	-	180,242
Capital Outlay	-	5,762,665	-	159,887	5,922,551
Unassigned:	1,820,493	-	-	-	1,820,493
Total Fund Balances	2,311,222	5,762,665	408,328	1,080,874	9,563,088
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 2,416,709	\$ 6,367,465	\$ 408,328	\$ 1,134,910	\$ 10,327,412

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, 2015

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

Ending Fund Balances - Total Governmental Funds	\$ 9,563,089
---	--------------

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.	6,381,392
---	-----------

Certain revenues are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the governmental funds.	609,377
---	---------

Other adjustments to Revenues and Expenses	30,610
--	--------

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	(49,424)
Long-term Liabilities	<u>(11,212,121)</u>

Total Net Position of Governmental Activities	<u>\$ 5,322,923</u>
---	---------------------

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended March 31, 2015

Revenues	General	Highway Construction	GO Highway Bonds	Non-Major Governmental Funds	Total
Taxes	\$ 2,909,868	\$ -	\$ -	\$ 2,021,481	\$ 4,931,349
Intergovernmental	6,209	74,382	-	2,445	83,037
Licenses, Permits, Fines and Fees	305,083	-	-	7,612	312,695
Charges for Services	598,951	-	-	-	598,951
State Grant	-	486,804	-	-	486,804
Interest	13,601	2,724	1,210	420	17,956
Miscellaneous	85,245	-	-	21,668	106,913
Total Revenue	<u>3,918,957</u>	<u>563,910</u>	<u>1,210</u>	<u>2,053,627</u>	<u>6,537,704</u>
Expenditures					
Current:					
General Government	540,735	-	-	4,800	545,535
Public Safety	1,338,490	-	-	11,711	1,350,201
Public Works	-	-	-	941,349	941,349
Solid Waste	399,028	-	-	-	399,028
Parks and Recreation	584,836	-	-	-	584,836
Community Development	264,282	1,085,772	-	61,099	1,411,152
Debt Service:					
Principal	55,222	-	4,640,000	238,348	4,933,569
Interest and Fiscal Charges	12,485	-	193,385	45,641	251,511
Total Expenditures	<u>3,195,077</u>	<u>1,085,772</u>	<u>4,833,385</u>	<u>1,302,948</u>	<u>10,417,181</u>
Revenues Collected Over (Under) Expenditures Paid	723,880	(521,862)	(4,832,174)	750,679	(3,879,476)
Bond Transactions					
Bond Proceeds	-	9,290,000	-	-	9,290,000
Bond Premium	-	293,724	-	-	293,724
Bond Issue Costs	-	(158,313)	-	-	(158,313)
Operating Transfers					
Transfers In	1,154,998	-	4,914,497	26,423	6,095,918
Transfers Out	(1,404,591)	(4,115,000)	-	(576,327)	(6,095,918)
Total Other Financing Sources (Uses)	<u>(249,593)</u>	<u>5,310,411</u>	<u>4,914,497</u>	<u>(549,904)</u>	<u>9,425,411</u>
Net Changes in Fund Balances	474,287	4,788,549	82,323	200,775	5,545,935
Fund Balance, Beginning of Year	1,836,935	974,115	326,005	880,099	4,017,154
Fund Balance, End of Year	<u>\$ 2,311,222</u>	<u>\$ 5,762,664</u>	<u>\$ 408,328</u>	<u>\$ 1,080,874</u>	<u>\$ 9,563,089</u>

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2015

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

Net Change in Fund Balances - Total Governmental Funds \$ 5,545,935

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	960,748
Depreciation Expense	(263,707)

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	85,754
---	--------

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	4,803,601
Proceeds from Bond Issue	(9,583,724)
Change in Accrued Interest Payable	(17,277)

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	<u>8,060</u>
--	--------------

Change in Net Position of Governmental Activities	<u>\$ 1,539,390</u>
---	---------------------

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Net Position
Proprietary Fund
March 31, 2015

Assets	
Current Assets	
Cash and Investments	\$ 1,414,372
Accounts Receivable	379,716
Restricted Cash and Investments	<u>546,674</u>
Total Current Assets	2,340,762
Non Current Assets	
Capital Assets:	
Assets Not Depreciated	351,071
Assets Being Depreciated, Net of Depreciation	<u>13,695,772</u>
Total Non Current Assets	<u>14,046,843</u>
Total Assets	<u>\$ 16,387,605</u>
 Liabilities	
Current Liabilities	
Accounts Payable	\$ 67,170
Accrued Interest	24,510
Customer Deposits	180,788
Long-term Obligations, Due Within One year	<u>639,816</u>
Total Current Liabilities	912,284
Non Current Liabilities	
Long-term Obligations	<u>7,090,118</u>
Total Liabilities	8,002,402
 Net Position	
Net Investment in Capital Assets	5,563,580
Restricted for Debt Service	192,449
Unrestricted	<u>2,629,174</u>
Total Net Position	<u>8,385,203</u>
Total Liabilities and Net Position	<u>\$ 16,387,605</u>

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Fund
For the Year Ended March 31, 2015

Operating Revenues:	
Charges for Services	\$ 2,506,700
Miscellaneous	<u>27,316</u>
Total Revenue	2,534,016
 Operating Expenses:	
Personnel Services	561,322
Contractual Services	597,579
Supplies	372,213
Depreciation	301,319
Other	<u>1,084</u>
Total Expenses	<u>1,833,517</u>
Operating Income	700,499
 Nonoperating Revenues (Expenses)	
Intergovernmental	3,529
Interest Income	61,930
Interest Expense	<u>(287,044)</u>
Total Nonoperating Revenues and Expenses	<u>(221,585)</u>
Change in Net Position	478,914
Net Position, Beginning of Year	<u>7,906,289</u>
Net Position, End of Year	<u><u>\$ 8,385,203</u></u>

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Cash Flows -
Proprietary Fund
For the Year Ended March 31, 2015

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 2,474,048
Payments to Suppliers and Vendors	(967,860)
Payments to Employees for Services	(561,322)
Net Cash Provided by Operating Activities	<u>944,866</u>
Cash Flows from Capital and Related Financing Activities:	
Lease Agreement Proceeds	400,000
Purchases of Capital Assets	(1,042,640)
Prior Year Payables for Capital Assets	(392,400)
Payments on Long-term Debt	(553,795)
Interest and Bond Cost paid on Capital Debt	(283,544)
Other Adjustments	46,265
Net Cash Provided by Capital and Related Financing Activities	<u>(1,826,114)</u>
Cash Flows from Investment Activities:	
Interest Income	61,930
Net Cash Provided by Investment Activities	<u>61,930</u>
Net Change in Cash and Cash Equivalents	(819,318)
Cash and Cash Equivalents, Beginning of Year	2,780,364
Cash and Cash Equivalents, End of Year	<u>\$ 1,961,046</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating Income	\$ 700,499
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	301,319
Change in Assets and Liabilities:	
Accounts Receivable	(49,468)
Accounts Payable	(21,391)
Accrued Compensated Absences	10,573
Interest Payable	3,500
Deposits	(166)
Net Cash Provided by Operating Activities	<u>\$ 944,866</u>
Cash and Cash Equivalents consists of:	
Cash and Investments	\$ 1,414,372
Restricted Cash	546,674
	<u>\$ 1,961,046</u>

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Statement of Assets and Liabilities - Agency Funds
March 31, 2015

	Municipal Court	Road District	Community Improvement District	Total
Assets				
Cash - Checking and Savings	<u>\$ 5,450</u>	<u>\$ 124,843</u>	<u>\$ 27,395</u>	<u>\$ 157,688</u>
Total Assets	<u><u>\$ 5,450</u></u>	<u><u>\$ 124,843</u></u>	<u><u>\$ 27,395</u></u>	<u><u>\$ 157,688</u></u>
Liabilities				
Due to Others	<u>\$ 5,450</u>	<u>\$ 124,843</u>	<u>\$ 27,395</u>	<u>\$ 157,688</u>
Total Liabilities	<u><u>\$ 5,450</u></u>	<u><u>\$ 124,843</u></u>	<u><u>\$ 27,395</u></u>	<u><u>\$ 157,688</u></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, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kearney, Missouri, was incorporated in 1883 and covers an area of approximately twelve square miles in Clay County, Missouri. The City is a city of the fourth class and operates under the Mayor - Administrator - Aldermen form of government. The City Administrator is the chief administrative assistant to the Mayor of the City. The City provides services to more than 8,846 (U.S. Census Estimate, July 2012) residents, including law enforcement, parks and recreation, street and storm water maintenance, water and sewer services, community enrichment and development, and various social services. Kearney School District No. 21, a separate governmental entity, provides educational services.

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

Financial Reporting Entity

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

Primary Government: City of Kearney, Missouri

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

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation

Governmental-wide Financial Statements

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

Fund Financial Statements

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

The following are the City's major governmental funds:

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

General Obligation Bond Debt Service Fund - accounts for the resources used to pay the debt service requirements of the City’s Series 2005 general obligation bonds.

Agency Funds

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

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

Capital Project Funds

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

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

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.
-----------------	---

Measurement Focus

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

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

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

Basis of Accounting

Government Funds

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Business Activities – Water and Sewer Fund

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

ASSETS, LIABILITIES AND EQUITY

Cash and Cash Equivalents

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

Investments – Government Securities

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

Accounts Receivable

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

Capital Assets

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets - Continued

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-wide Statement of Net Assets. The City elected to use the “modified approach” as defined by GASB Statement No., 34 for infrastructure reporting these assets. Infrastructure assets include streets, bridges, storm water system, fire hydrants, street lighting and a portion of the indirect costs of the water-sewer system. The only infrastructure assets recorded since GASB Statement No. 34’s implementation effective April 1, 2004, was for Highway 33 improvements. All other capital assets were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The following table presents summary information on the useful lives of all capital assets.

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

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

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.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as inflow of resources (revenue) until that time. The government has two types of items, which arise under the modified accrual basis of accounting that qualify for reporting in this category. Accordingly, unavailable revenue is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and a note receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Interfund Activity

Loans – amounts provided with a requirement of repayment. Interfund loans are reported as interfund receivables (i.e., due from other funds) in lender funds and interfund payables (i.e., due to other funds) in borrower funds.

Services provided and used – sales and purchases of goods and services between funds for a price approximating their fair value. Interfund services provided and used are reported as revenues in funds providing the good or service and expenditures or expenses in the fund purchasing the good or service. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statement of net position.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

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.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Program Revenues

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

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

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

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 cash 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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

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

Cash and Cash Investments

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

Deposits and Money Market Accounts	\$10,186,625
Certificates of Deposit	713,669
Short-term Investments held in trust (Bond Reserves)	<u>1,46,674</u>
	<u>\$11,046,968</u>

	Government-wide Statement of Net Position	<u>Agency</u>	<u>Total</u>
Cash and Investments	\$ 5,172,361	\$ 157,688	\$ 5,330,049
Restricted Cash and Investments	<u>5,874,607</u>	<u>-</u>	<u>5,874,607</u>
	<u>\$11,046,968</u>	<u>\$ 157,688</u>	<u>\$11,204,656</u>

Compensated Absences

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

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>	<u>Risk of Loss 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.

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, 2015:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Total</u>
Bonds Payable, March 31, 2014	\$4,795,000	\$1,680,000	\$6,475,000
Bonds Issued	9,290,000	-	9,290,000
Bonds Retired – Regular	(575,000)	(210,000)	(785,000)
Bonds Retired – Refunding	<u>(4,115,000)</u>	<u>-</u>	<u>(4,115,000)</u>
Bonds Payable, March 31, 2015	<u>\$9,395,000</u>	<u>\$1,470,000</u>	<u>\$10,865,000</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

NOTE 3 – LONG-TERM DEBT – BONDS - CONTINUED

General Obligation Bonds payable at March 31, 2015, consist of:

General Obligation Bonds, Series 2015 due in varying installments through 2029	\$9,290,000
General Obligation Bonds, Series 1997, for the purpose of constructing and equipping a sewerage treatment plant due in varying installments through January 1, 2017, at interest ranging from 3.9% to 5.125% per annum	<u>105,000</u>
Total General Obligation Bonds	<u>\$9,395,000</u>
Combined Waterworks and Sewerage System Revenue Bonds, due in varying installments from January 1, 1996, to January 1, 2016, at interest rates varying from 3.6% to 5.9%	\$ 80,000
Water and Pollution Control Bonds due in varying installments through 2023	<u>1,390,000</u>
Total Revenue Bonds	<u>\$ 1,470,000</u>
Total Bonds Payable	<u>\$10,865,000</u>

2015 General Obligation Bond Refunding

During fiscal 2015 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:

<u>Due July 1</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 450,000	\$ 220,601
2017	470,000	203,912
2018	520,000	194,512
2019	530,000	184,112
2020	555,000	173,512
2021 – 2025	3,395,000	475,897
2026 – 2029	<u>3,370,000</u>	<u>234,375</u>
	<u>\$9,290,000</u>	<u>\$1,686,921</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

NOTE 3 – LONG-TERM DEBT – BONDS - CONTINUED

General Obligation Series 1997 Bonds

Due <u>March 1</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 50,000	\$ 5,380
2017	<u>55,000</u>	<u>2,819</u>
	<u>\$ 105,000</u>	<u>\$ 8,199</u>

1996 Combined Waterworks and Sewerage System Revenue Bonds (SRF)

Due <u>January 1</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 80,000	\$ 4,720

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

Due <u>July 1</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 145,000	\$ 67,947
2017	150,000	60,019
2018	160,000	51,687
2019	170,000	42,819
2020	180,000	33,758
2021 – 2022	<u>585,000</u>	<u>30,240</u>
	<u>\$1,390,000</u>	<u>\$ 286,470</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, 2015:

	<u>Government Activities</u>	<u>Business Activities</u>
Capital Lease Obligations Payable, March 31, 2014	\$ 1,092,762	\$ 5,371,942
Capital Lease Obligation Retired New Lease	(113,600)	(329,530)
	<u>-</u>	<u>400,000</u>
Capital Lease Obligations Payable, March 31, 2015	<u>\$ 979,162</u>	<u>\$5,442,412</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

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

West Creek Sewer Interceptor

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

	<u>Principal</u>	<u>Interest</u>
2016	\$ 130,000	\$ 17,228
2017	135,000	11,216
2018	140,000	4,856
	<u>\$ 405,000</u>	<u>\$ 33,300</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>
2016	\$ 98,367	\$ 15,413
2017	100,242	13,537
2018	102,153	11,626
2019	104,101	9,679
2020	106,086	7,694
2021 – 2024	349,466	11,536
	<u>\$ 860,415</u>	<u>\$ 69,485</u>

2013 Clarifier COP

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

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

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

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>
2016	\$ 150,000	144,850
2017	175,000	140,250
2018	260,000	134,850
2019	340,000	126,338
2020	350,000	113,412
2021 – 2026	<u>3,195,000</u>	<u>445,531</u>
	<u>\$ 4,470,000</u>	<u>\$1,105,231</u>

Amphitheater

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

	<u>Principal</u>	<u>Interest</u>
2016	\$ 30,000	\$ 7,363
2017	30,000	5,937
2018	35,000	4,394
2019	35,000	2,731
2020	<u>40,000</u>	<u>950</u>
	<u>\$ 170,000</u>	<u>\$ 21,375</u>

Pavilion

During fiscal 2011, the City entered into a lease purchase of a pavilion for the amphitheater. The principal amount of the lease was \$100,000. Under the lease agreement, the City is to make annual lease payments of \$12,549 through fiscal 2021 at an interest rate of 4.25%. Future payments under the lease are as follows:

	<u>Principal</u>	<u>Interest</u>
2016	\$ 9,637	\$ 2,912
2017	10,064	2,485
2018	10,523	2,026
2019	10,996	1,552
2020	11,492	1,057
2021	<u>12,007</u>	<u>542</u>
	<u>\$ 64,719</u>	<u>\$ 10,574</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

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

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>
2016	\$ 36,449	\$ 7,862
2017	37,209	7,101
2018	37,986	6,325
2019	38,778	5,532
2020	39,588	4,723
2021-2025	<u>206,987</u>	<u>10,874</u>
	<u>\$ 396,997</u>	<u>\$ 42,417</u>

Police Station Lease

On December 10, 2009, the City entered into a lease purchase of a building including the renovation of the building which is to become the new police station. Under the agreement, the City is to make monthly lease payments of \$7,524 through 2024 at an interest rate of 4.25%.

Future payments due under the lease are as follows:

	<u>Principal</u>	<u>Interest</u>
2016	\$ 60,799	\$ 29,489
2017	63,511	26,777
2018	66,228	24,060
2019	69,077	21,211
2020	72,004	18,285
2021 - 2024	<u>387,856</u>	<u>51,453</u>
	<u>\$ 719,475</u>	<u>\$ 171,275</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

NOTE 5 – PENSION PLAN

Plan Description

The City of Kearney participates in the Missouri Local Government, Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's 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 it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or calling 1-800-447-4334.

Funding Status

Full-time employees of the City of Kearney do not contribute to the pension plan. The June 30th statutorily required contribution rates are 8.6% (General) and 10.3% (Police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

The subdivision's annual pension cost and net pension obligation for the current year were as follows:

Annual Required Contribution	\$ 108,305
Interest on Net Pension Obligation	563
Adjustment to Annual Required Contribution	<u>(580)</u>
Annual Pension Cost	180,288
Actual Contributions	<u>182,212</u>
Increase (Decrease) in NPO	(1,924)
NPO Beginning of Year	<u>7,767</u>
NPO End of the Year	<u>\$ 5,843</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

NOTE 5 – PENSION PLAN-CONTINUED

The annual required contribution (ARC) was determined as part of the February 28, 2013, and February 28, 2014, annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2015, included (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women, and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period as of February 28, 2013, was 19 years for the General division and 20 years for the Police division. The amortization period as of February 28, 2014, was 18 years for the General division and 17 years for the Police division.

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
03/31/13	\$198,037	100.0%	\$ 7,784
03/31/14	\$191,181	100.0%	\$ 7,767
03/31/15	\$180,288	100.0%	\$ 5,843

NOTE 6 – TAX INCREMENT FINANCING COMMISSION (TIF)

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

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

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

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

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

Bonds Payable, March 31, 2014	\$ 295,000
Bonds Retired	<u>(130,000)</u>
Bonds Payable, March 31, 2015	<u>\$ 165,000</u>

1996 and 2002 Tax Increment Bonds

<u>Due March 1</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 50,000	\$ 8,417
2017	75,000	5,865
2018	<u>40,000</u>	<u>2,040</u>
	<u>\$ 165,000</u>	<u>\$ 16,322</u>

NOTE 7 - DEVELOPER AGREEMENTS

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

As of March 31, 2015, the amount of outstanding developer agreements was \$13,828,572, (of which a total of \$625,671 has been certified for reimbursement) and are payable through 2036 to the extent incremental taxes are available. For fiscal year 2015, payments on the developer agreement were \$47,532. Incremental revenues were \$48,092 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, 2015

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Deferred Compensation Plan

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

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

NOTE 9 – PROPERTY TAX REVENUE AND ASSESSMENT

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

The assessed value for property located in the City as of December 31, 2014, on which the 2014 levy was based, was \$139,701,548. In the year ended March 31, 2015, the City collected \$1,148,966 of property taxes that were billed in the period.

The City is permitted by Missouri State Statutes to levy taxes up to \$1.00 per \$100 of assessed valuation for general services other than the payment of principal and interest on long-term debt, and in unlimited amounts for the payment of principal and interest on long-term debt. The City's General Fund property tax levy per \$100 assessed valuation was \$0.58 for the year ended March 31, 2015. The City's debt service tax levy per \$100 assessed valuation was \$.05 for the year ended March 31, 2015.

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, 2015

NOTE 10 – COMMITMENTS AND CONTINGENCIES – LAWSUITS

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

NOTE 11 – FEDERAL AND STATE GRANTS

In prior years the City has participated in a number of federal and state programs that were fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of March 31, 2015, 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 12 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deposits and Investments Laws and Regulations

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

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

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

NOTE 12 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-CONTINUED

At year end the carrying amount of the City’s deposits totaled \$9,763,655 and the bank balances totaled \$9,762,629. The difference of \$1,026 represented reconciling items in the bank account. The City’s balances were covered by FDIC insurance or pledged securities as follows:

Deposits covered by federal depository insurance or by collateral held by the City, or its agent, in the City’s name	<u>\$10,900,294</u>
Total Value of Securities Pledged	\$11,699,627
FDIC Insurance	250,000
Total	<u>\$11,949,627</u>
Insurance and Pledged Securities in Excess of Deposits	<u>\$ 1,049,333</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, 2015, 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.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

NOTE 12 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-CONTINUED

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At March 31, 2015, the City's investments were not exposed to custodial credit risk.

**NOTE 13- COOPERATIVE AGREEMENT WITH KEARNEY WESTSIDE
COMMUNITY IMPROVEMENT DISTRICT**

The City has funded certain improvements to Bennett Boulevard whereby the Kearney Westside Community District (CID) has agreed to reimburse the City for certain costs in accordance with the agreement. During 2013, the CID reimbursed the City \$300,000 with the remaining amount due in annual payments of \$74,382 over a 12 year period including interest of 4%. As of March 31, 2015, the total annual amounts due to the City through the agreement are as follows:

	<u>Payment</u>
2016	\$ 74,382
2017	74,382
2018	74,382
2019	74,382
2020	74,382
2021 - 2025	<u>371,910</u>
	743,828
Less Interest	<u>(140,505)</u>
Net Present Value	<u>\$ 603,323</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, 2015

NOTE 14 - CAPITAL ASSETS

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

	Beginning of Year	Additions	Deletions	End of Year
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 564,419	\$ -	\$ -	\$ 564,419
Construction - Work in Process	-	875,028	-	875,028
Total Capital Assets, Not Being Depreciated	564,419	875,028	-	1,439,447
Capital Assets, Being Depreciated				
Infrastructure	1,119,413	-	-	1,119,413
Buildings	2,832,837	-	-	2,832,837
Improvements	1,451,269	39,192	-	1,490,461
Machinery and Equipment	1,839,855	46,528	-	1,886,383
Total Capital Assets Being Depreciated	7,243,374	85,720	-	7,329,094
Less Accumulated Depreciation for:				
Infrastructure	29,710	20,558	-	50,268
Buildings	619,147	93,868	-	713,015
Improvements	1,115,874	-	-	1,115,874
Machinery and Equipment	358,711	149,281	-	507,992
Total Accumulated Depreciation	2,123,442	263,707	-	2,387,149
Total Capital Assets Being Depreciated, net	5,119,932	(177,987)	-	4,941,945
Governmental Activities Capital Assets, Net	\$ 5,684,351	\$ 697,041	\$ -	\$ 6,381,392
Business-type Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 351,071	\$ -	\$ -	\$ 351,071
Construction in Progress	2,411,716	-	2,411,716	-
Total Capital Assets, Not Being Depreciated	2,762,787	-	2,411,716	351,071
Capital Assets, Being Depreciated				
Buildings	840,142	3,265,810	-	4,105,952
Machinery and Equipment	1,831,729	188,546	-	2,020,275
Water and Sewer Lines	12,767,336	-	-	12,767,336
Total Capital Assets Being Depreciated	15,439,207	3,454,356	-	18,893,563
Less Accumulated Depreciation for:				
Buildings	189,215	10,666	-	199,881
Machinery and Equipment	598,660	159,157	-	757,817
Water and Sewer Lines	4,108,597	131,496	-	4,240,093
Total Accumulated Depreciation	4,896,472	301,319	-	5,197,791
Total Capital Assets Being Depreciated, Net	10,542,735	3,153,037	-	13,695,772
Business-type Activities Capital Assets, Net	\$ 13,305,522	\$ 3,153,037	\$ 2,411,716	\$ 14,046,843

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

Governmental Activities:	
General Government	\$ 9,149
Public Safety	61,789
Public Works	78,502
Parks and Recreation	108,860
Community Development	5,407
	<u>\$ 263,707</u>
Business-type Activities	
Water and Sewer	<u>\$ 301,319</u>

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

NOTE 15– DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

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

- Level 1 Quoted prices in active markets for identical assets or liabilities

- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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

Investments

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

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and level within the ASC Topic 820 Fair Value Measurement in which the fair measurements fall at March 31, 2015.

CITY OF KEARNEY, MISSOURI
Notes to the Financial Statements – Continued
March 31, 2015

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

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Pooled Government Securities	\$ 146,674	\$ 146,674	\$ -	\$ -

NOTE 16 – INTER-FUND TRANSACTIONS

Inter-fund transfers for the year ended March 31, 2015, consisted of the following:

Transfer from Special Revenue Fund	<u>\$ (577,996)</u>
Transfer from General Fund	<u>\$ (249,593)</u>
Transfer to TIF Debt	<u>\$ 48,091</u>
Transfer to G.O. Bonds	<u>\$ 4,914,497</u>
Transfer from Highway Construction	<u>\$ 4,115,000</u>

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

NOTE 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, 2015, through October 15, 2015, 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, 2015**

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, 2015

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.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]	
	Actuarial	Entry Age	Unfunded		Annual	[(b-a)/c]	
	Valuation	Actuarial	Accrued	Funded	Covered	UAL as a	
	Date	Liability	Liability	Ratio	Payroll	Covered	
	of Assets	Liability	(UAL)			Payroll	
	02/28/13	\$3,178,543	\$3,630,237	\$451,694	88%	\$1,576,907	29%
	02/28/14	\$3,887,539	\$4,020,086	\$132,547	97%	\$1,742,266	8%
	02/28/15	\$4,529,499	\$4,212,332	\$(317,167)	108%	\$1,696,976	-

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011, annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

CITY OF KEARNEY, MISSOURI
Combining Balance Sheet - Nonmajor Governmental Funds
March 31, 2015

	18	19	11	16	72	40			65
	Special Revenue Funds				Debt Service Funds		Capital Project Funds		
	Transportation Sales Tax	Capital Improvement Sales Tax	DWI Drug & Inmate Security	Police Training	Tax Increment Financing	Water and Sewer Obligation	Downtown Improvements	Wireless Capital Improvement	Total
Assets									
Cash and Investments	\$ 517,588	\$ 75,301	\$ 7,852	\$ 16,492	\$ 80,365	\$ 76,511	\$ 32,669	\$ 116,722	\$ 923,500
Receivables, net:									
Taxes	92,186	91,208	-	-	-	-	-	10,496	193,890
Restricted Cash and Investments	-	-	-	-	-	17,521	-	-	17,521
Total Assets	<u>\$ 609,774</u>	<u>\$ 166,509</u>	<u>\$ 7,852</u>	<u>\$ 16,492</u>	<u>\$ 80,365</u>	<u>\$ 94,032</u>	<u>\$ 32,669</u>	<u>\$ 127,218</u>	<u>\$ 1,134,910</u>
									-
Liabilities									
Accounts Payable	\$ 54,037	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,037
	54,037	-	-	-	-	-	-	-	54,037
Deferred Inflows of Resources									
Unavailable Revenues	-	-	-	-	-	-	-	-	-
Fund Balances									
Restricted For:									
Public Safety	-	-	7,852	16,492	-	-	-	-	24,344
Public Works	555,737	-	-	-	-	-	-	-	555,737
Capital Outlay	-	166,509	-	-	-	-	-	-	166,509
Debt Service	-	-	-	-	80,365	94,032	-	-	174,397
Assigned									
Capital Outlay	-	-	-	-	-	-	32,669	127,218	159,887
Total Fund Balances	<u>555,737</u>	<u>166,509</u>	<u>7,852</u>	<u>16,492</u>	<u>80,365</u>	<u>94,032</u>	<u>32,669</u>	<u>127,218</u>	<u>1,080,874</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 609,774</u>	<u>\$ 166,509</u>	<u>\$ 7,852</u>	<u>\$ 16,492</u>	<u>\$ 80,365</u>	<u>\$ 94,032</u>	<u>\$ 32,669</u>	<u>\$ 127,218</u>	<u>\$ 1,134,910</u>

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

March 31, 2015

	18	19	11, 61	16	71,73	40	12	65	
	Special Revenue Funds				Debt Service Funds		Capital Project Funds		
	Transportation Sales Tax	Capital Improvement Sales Tax	DWI Drug & Inmate Security	Police Training	Tax Increment Financing	Water and Sewer Obligation	Downtown Improvements	Wireless Capital Improvement	Total
Revenues									
Taxes	\$ 1,111,790	\$ 561,511	\$ -	\$ -	\$ 160,265	\$ 71,345	\$ -	\$ 138,237	\$ 2,043,149
Licenses, Permits and Fees	-	-	5,041	2,571	-	-	-	-	7,612
Interest on Investment	-	-	-	29	5	258	1	127	420
Other	2,445	-	-	-	-	-	-	-	2,445
Total Revenues	1,114,235	561,511	5,041	2,600	160,270	71,603	1	138,364	2,053,626
Expenditures									
Current									
Public Works	923,176	1,075	-	-	-	-	-	-	924,251
Public Safety	-	-	-	11,711	-	-	-	-	11,711
Community Development	-	-	-	-	61,099	-	4,800	-	65,899
Other	15,548	-	-	-	-	1,550	-	1	17,098
Debt Service									
Principal	-	-	-	-	130,000	50,000	-	58,348	238,348
Interest and Fiscal Changes	-	-	-	-	12,878	823	-	31,940	45,641
Total Expenditures	938,724	1,075	-	11,711	203,976	52,373	4,800	90,289	1,302,948
Revenues Collected Over									
(Under) Expenditures Paid	175,511	560,436	5,041	(9,111)	(43,706)	19,231	(4,799)	48,076	750,678
Operating Transfers and Financing Transactions									
Transfers In	-	-	-	-	26,423	-	-	-	26,423
Transfers Out	(6,606)	(549,721)	-	-	-	(20,000)	-	-	(576,327)
Total Other Financing Sources (Uses)	(6,606)	(549,721)	-	-	26,423	(20,000)	-	-	(549,904)
Net Changes in Fund Balances	168,905	10,715	5,041	(9,111)	(17,283)	(769)	(4,799)	48,076	200,774
Fund Balance, Beginning of Year	386,832	155,794	2,811	25,603	97,648	94,801	37,468	79,142	880,099
Fund Balance, End of Year	<u>\$ 555,737</u>	<u>\$ 166,509</u>	<u>\$ 7,852</u>	<u>\$ 16,492</u>	<u>\$ 80,365</u>	<u>\$ 94,032</u>	<u>\$ 32,669</u>	<u>\$ 127,218</u>	<u>\$ 1,080,873</u>

CITY OF KEARNEY, MISSOURI
Combining Balance Sheet -
General Funds
March 31, 2015

	General	Sales Tx	Park Capital Funds	Cemetery	Park	Total General Funds
Assets						
Cash and Investments	\$ 1,223,313	\$ 252,732	\$ 117,572	\$ 192,915	\$ 185,900	\$ 1,972,432
Receivables, net:						
Taxes	187,733	154,155	-	-	14,578	356,466
Accounts	63,062	-	-	-	-	63,062
Intergovernmental	24,749	-	-	-	-	24,749
Total Assets	\$ 1,498,857	\$ 406,887	\$ 117,572	\$ 192,915	\$ 200,478	\$ 2,416,709
Liabilities						
Accounts Payable	\$ 79,197	\$ -	\$ -	\$ -	\$ 20,236	\$ 99,433
Note Payable	-	-	-	-	-	-
	79,197	-	-	-	20,236	99,433
Deferred Inflows of Resources						
Unavailable Revenues	6,054	-	-	-	-	6,054
Fund Balances						
Restricted for:						
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Committed for:						
Parks and Recreation	-	-	117,572	-	180,242	297,815
Assigned for:						
Cemetery	-	-	-	192,915	-	192,915
Culture and Recreation	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Unassigned:	1,413,605	406,887	-	-	-	1,820,492
Total Fund Balances	1,413,605	406,887	117,572	192,915	180,242	2,311,222
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 1,498,857	\$ 406,887	\$ 117,572	\$ 192,915	\$ 200,478	\$ 2,416,709

CITY OF KEARNEY, MISSOURI
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances - General Fund
For the Year Ended March 31, 2015

	General	Sales Tax	Park Capital	Cemetery	Park	Total Actual
Revenues						
Taxes: Property, Sales, Franchise and Other	\$ 1,627,747	\$ 1,223,155	\$ -	\$ -	\$ 58,966	\$ 2,909,868
Licenses, Permits, and Fees	296,353	-	-	8,730	-	305,083
Interest	11,709	674	105	996	117	13,601
Utilities/Trash	396,419	-	-	-	202,532	598,951
Fines	-	-	-	-	-	-
Miscellaneous	12,789	-	-	-	78,665	91,454
Amphitheater Revenue	-	-	-	-	-	-
Billboard Lease	-	-	-	-	-	-
Recreation Program	-	-	-	-	-	-
Grants/Donations	-	-	-	-	-	-
Total Revenues	2,345,017	1,223,829	105	9,726	340,279	3,918,957
Expenditures						
Personnel	1,527,205	-	-	-	181,350	1,708,554
Contractual Services	943,140	-	-	-	332,495	1,275,635
Commodities/Supplies	57,291	-	-	-	8,359	65,650
Capital	58,031	-	-	-	8,827	66,858
Principal	-	-	46,000	-	9,222	55,222
Interest	-	-	9,158	-	3,327	12,485
Miscellaneous	3,031	-	-	-	7,643	10,674
Total Expenditures	2,588,698	-	55,158	-	551,222	3,195,077
Revenues Collected Over (Under) Expenditures Paid	(243,681)	1,223,829	(55,052)	9,726	(210,943)	723,880
Operating Transfers and Financing Transactions						
Transfer In	784,618	-	55,100	-	315,280	1,154,998
Transfer Out	(370,380)	(1,034,211)	-	-	-	(1,404,591)
Loan Proceeds	-	-	-	-	-	-
	414,238	(1,034,211)	55,100	-	315,280	(249,593)
Revenues Collected and Operating Transfers Over (Under) Expenditures Paid	170,557	189,618	48	9,726	104,337	474,287
Fund Balance, Beginning of Year	1,243,048	217,269	117,524	183,189	75,905	1,836,935
Fund Balance, End of Year	\$ 1,413,605	\$ 406,887	\$ 117,572	\$ 192,915	\$ 180,242	\$ 2,311,222

CITY OF KEARNEY, MISSOURI
Schedule of Revenues, Expenditures and Changes in Fund Balances-
General Fund - Budget and Actual
For the Year Ended March 31, 2015

	General Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Taxes	\$ 2,712,697	\$ 2,712,697	\$ 2,909,868	\$ 197,171
Licenses, Permits and Fees	209,000	209,000	305,083	96,083
Charges for Services	673,400	673,400	598,951	(74,449)
Interest	11,785	11,785	13,601	1,816
Other	25,000	25,000	85,247	60,247
Total Revenues	<u>3,631,882</u>	<u>3,631,882</u>	<u>3,912,750</u>	<u>280,868</u>
Expenditures				
Current:				
General Government	550,784	593,238	540,735	(52,503)
Public Safety	1,402,027	1,402,027	1,338,490	(63,537)
Solid Waste	395,000	395,000	399,028	4,028
Parks and Recreation	461,000	461,000	584,836	123,836
Community Development	275,187	275,187	264,282	(10,905)
Debt Service				
Principal	55,222	55,222	55,222	-
Interest and Fiscal Charges	12,485	12,485	12,485	-
Total Expenditures	<u>3,151,705</u>	<u>3,194,159</u>	<u>3,195,078</u>	<u>919</u>
Excess of Revenues Over (Under) Expenditures	480,177	437,723	717,672	281,787
Other Financing Sources and (Uses):				
Transfers In	1,189,998	1,189,998	1,154,998	(35,000)
Transfers (Out)	(1,428,880)	(1,428,880)	(1,404,591)	2,833,471
Total Other Financing Sources and (Uses)	<u>(238,882)</u>	<u>(238,882)</u>	<u>(249,593)</u>	<u>2,798,471</u>
Change in Fund Balances, Budget Basis	<u>\$ 241,295</u>	<u>\$ 198,841</u>	<u>\$ 468,079</u>	<u>\$ 3,080,258</u>

See accompanying notes to the basic financial statements.

CITY OF KEARNEY, MISSOURI
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-
Other Funds Reported with the General Fund - Budget and Actual
For the Year Ended March 31, 2015

	13			15			14			17		
	Sales Tax Fund			Cemetery Fund			Park Capital Fund			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	\$ 1,057,500	\$ 1,223,155	\$ 165,655	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ 58,966	\$ (1,034)
Charges for Services	-	-	-	-	-	-	-	-	-	281,800	202,532	(79,268)
Interest	1,000	674	(326)	950	996	46	60	105	45	75	117	42
Other	-	-	-	5,000	8,730	3,730	-	-	-	-	78,665	78,665
Total Revenues	1,058,500	1,223,829	165,329	5,950	9,726	3,776	60	105	45	341,875	340,279	(1,596)
Expenditures												
Current:												
Park and Recreation	-	-	-	-	-	-	-	-	-	644,587	538,673	(105,914)
Debt Service												
Principal	-	-	-	-	-	-	46,000	46,000	-	9,222	9,222	(0)
Interest and Fiscal Charges	-	-	-	-	-	-	9,158	9,158	(1)	3,327	3,327	0
Total Expenditures	-	-	-	-	-	-	55,158	55,158	(1)	657,136	551,222	(105,914)
Excess of Revenues Over (Under) Expenditures	1,058,500	1,223,829	165,329	5,950	9,726	3,776	(55,098)	(55,052)	45	(315,261)	(210,943)	(107,510)
Other Financing Sources and (Uses):												
Transfers In	-	-	-	-	-	-	55,100	55,100	-	315,280	315,280	-
Transfers (Out)	(1,058,500)	(1,034,211)	24,289	(5,000)	-	5,000	-	-	-	-	-	-
Total Other Financing Sources and (Uses)	(1,058,500)	(1,034,211)	24,289	(5,000)	-	5,000	55,100	55,100	-	315,280	315,280	-
Change in Fund Balances, Budget Basis	\$ -	\$ 189,618	\$ 189,618	\$ 950	\$ 9,726	\$ 8,776	\$ 2	\$ 48	\$ 45	\$ 19	\$ 104,337	\$ (107,510)
Fund Balance, Beginning of Year, Budget Basis		217,269			183,189			117,524			75,905	
Fund Balance, End of Year, Budget Basis		\$ 406,887			\$ 192,915			\$ 117,572			\$ 180,242	

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, 2015

	18			19			11, 61			16		
	Transport Sales Tax			Capital Improvement Sales Tax			DWI Drug & Inmate Security Fund			Police Training Fund		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues												
Taxes	\$ 963,503	\$ 1,111,790	\$ 148,287	\$ 479,750	\$ 561,511	\$ 81,761	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Permits and Fees	-	-	-	-	-	-	2,000	5,041	3,041	2,540	2,571	31
Interest	1,000	2,445	1,445	350	-	(350)	-	-	-	20	29	9
Total Revenues	964,503	1,114,235	149,732	480,100	561,511	81,411	2,000	5,041	3,041	2,560	2,600	40
Expenditures												
Current:												
Public Safety	-	-	-	-	-	-	3,900	-	(3,900)	9,000	11,711	2,711
Public Works	941,331	923,176	(18,155)	-	1,075	1,075	-	-	-	-	-	-
Other	-	15,548	15,548	-	-	-	-	-	-	-	-	-
Total Expenditures	941,331	938,724	(2,607)	-	1,075	1,075	3,900	-	(3,900)	9,000	11,711	2,711
Excess of Revenues Over (Under) Expenditures	23,172	175,511	147,125	480,100	560,436	82,486	(1,900)	5,041	(859)	(6,440)	(9,111)	2,752
Other Financing Sources and (Uses):												
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-
Transfers (Out)	(18,750)	(6,606)	12,144	(479,750)	(549,721)	(69,971)	-	-	-	-	-	-
Total Other Financing Sources and (Uses)	(18,750)	(6,606)	12,144	(479,750)	(549,721)	(69,971)	-	-	-	-	-	-
Change in Fund Balances, Budget Basis	\$ 4,422	\$ 168,905	\$ 159,269	\$ 350	\$ 10,715	\$ 12,515	\$ (1,900)	\$ 5,041	\$ (859)	\$ (6,440)	\$ (9,111)	\$ 2,752
Fund Balance, Beginning of Year, Budget Basis		386,832			155,794			2,811			25,603	
Fund Balance, End of Year, Budget Basis		\$ 555,737			\$ 166,509			\$ 7,852			\$ 16,492	

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, 2015

	71,73			40			12			65		
	Debt Service						Capital Projects Funds					
	Tax Increment Financing Fund			Water and Sewer Obligation Fund			Downtown Improvement Fund			Wireless Capital Improvement Fund		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
Revenues												
Taxes	\$ 141,043	\$ 138,597	\$ (2,446)	\$ 72,913	\$ 71,345	\$ (1,568)	\$ -	\$ -	\$ -	\$ 147,200	\$ 138,237	\$ (8,963)
Licenses, Permits and Fees	-	-	-	250	-	(250)	-	-	-	-	-	-
Other	-	21,668	21,668	-	-	-	-	-	-	-	-	-
Interest	10	5	(5)	-	258	258	-	1	1	100	127	27
Total Revenues	141,053	160,271	19,218	73,163	71,603	(1,560)	-	1	1	147,300	138,364	(8,936)
Expenditures												
Current:												
Capital Purchase	-	-	-	-	-	-	-	-	-	12,000	-	(12,000)
Community Development	-	61,099	61,099	-	-	-	4,800	4,800	-	45,000	-	(45,000)
Other	-	-	-	-	1,550	-	-	-	-	-	-	-
Debt Service												
Principle	125,000	130,000	5,000	50,000	50,000	0	-	-	-	58,348	58,348	(0)
Interest and Fiscal Charges	15,045	12,878	(2,168)	3,100	823	(2,277)	(30,000)	-	30,000	31,940	31,940	0
Total Expenditures	140,045	203,976	63,931	53,100	52,373	(2,277)	(25,200)	4,800	30,000	147,288	90,288	(57,000)
Excess of Revenues Over (Under) Expenditures	1,008	(43,705)	83,149	20,063	19,231	(3,836)	25,200	(4,799)	30,001	12	48,076	(65,936)
Other Financing Sources and (Uses):												
Transfers In	187,500	26,423	(161,077)	-	-	-	-	-	-	-	-	-
Transfers (Out)	-	-	-	(20,000)	(20,000)	-	-	-	-	-	-	-
Total Other Financing Sources and (Uses)	187,500	26,423	(161,077)	(20,000)	(20,000)	-	-	-	-	-	-	-
Change in Fund Balances, Budget Basis	\$ 188,508	\$ (17,282)	\$ (77,928)	\$ 63	\$ (769)	\$ (3,836)	\$ 25,200	\$ (4,799)	\$ 30,001	\$ 12	\$ 48,076	\$ (65,936)
Fund Balance, Beginning of Year, Budget Basis		97,648			94,801			37,468			79,142	
Fund Balance, End of Year, Budget Basis		\$ 80,366			\$ 94,032			\$ 32,669			\$ 127,218	

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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
MODOT Grant	\$ 572,000	\$ -	\$ (572,000)
Intergovernmental	74,382	74,382	0
Interest	2,000	2,724	724
Other	-	486,804	486,804
Total Revenues	<u>648,382</u>	<u>563,910</u>	<u>(84,472)</u>
Expenditures			
Current:			
St Light Dec	82,500	30,293	(52,207)
19th St Box	720,000	600,745	(119,256)
Sam Barr Dr	175,000	125,002	(49,998)
Watson Dr Eng	449,000	218,792	(230,208)
I-35 Landscape	16,500	10,746	(5,754)
Inspection	<u>67,097</u>	<u>100,194</u>	<u>33,097</u>
Total Expenditures	1,510,097	1,085,772	(424,325)
Other Financial Sources and Uses			
Bond Proceeds	-	9,290,000	9,290,000
Bond Premium	-	293,724	293,724
Bond Issue Expense	-	(158,313)	-
Transfers Out	<u>-</u>	<u>(4,115,000)</u>	<u>(4,115,000)</u>
Total Bond Transactions	-	5,310,411	5,044,399
Excess of Revenues Over (Under) Expenditures	<u>(861,715)</u>	<u>4,788,549</u>	<u>(508,797)</u>
Change in Fund Balances, Budget Basis	<u>\$ (861,715)</u>	4,788,549	<u>\$ (508,797)</u>
Fund Balance, Beginning of year, Budget Basis		<u>974,115</u>	
Fund Balance, End of Year, Budget Basis		<u>\$ 5,762,664</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest	\$ 1,000	\$ 1,210	\$ 210
Total Revenues	1,000	1,210	210
 Expenditures			
Debt Service			
Principle	525,000	4,640,000	4,115,000
Interest and Fiscal Charges	193,381	193,385	4
Total Expenditures	718,381	4,833,385	4,115,004
 Other Financing Sources and (Uses):			
Transfers In	717,382	4,914,497	4,197,115
Total Other Financing Sources and (Uses)	717,382	4,914,497	4,197,115
Change in Fund Balances, Budget Basis	<u>\$ 1</u>	82,323	<u>\$ 82,322</u>
Fund Balance, Beginning of Year, Budget Basis		<u>326,005</u>	
Fund Balance, End of Year, Budget Basis		<u>\$ 408,328</u>	

See accompanying notes to the basic financial statements.