

**City of Kearney, Missouri**  
**Financial Statements**  
Together with Independent Auditor's Report  
For the Year Ended March 31, 2013

# CITY OF KEARNEY, MISSOURI

## *Table of Contents*

---

Independent Auditor's Report	1-3
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet – Governmental Funds	6
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	9
Statement of Net position – Proprietary Fund	10
Statement of Revenues, Expenses and Changes in Net position – Proprietary Fund	11
Statement of Cash Flows - Proprietary Fund	12
Statement of Assets and Liabilities – Agency Funds	13
Notes to the Basic Financial Statements	14-30
	<b><u>Page</u></b>
<b>Required Supplementary Information:</b>	
Notes to Required Supplementary Information	31
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	32
Schedule of Funding Progress	33
<b>Other Supplementary Information</b>	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Non-major Governmental Funds	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds	35
Combining Balance Sheet – General Fund	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund	37
Combining Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual –	
Other Funds Reported with the General Fund	38
Nonmajor Special Revenue Funds	39
Nonmajor Capital Project and Debt Service Funds	40
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual –	
Highway Construction Fund	41
GO Highway Bonds	42



COCHRAN HEAD VICK & CO., P.C.

*Certified Public Accountants*

1251 NW Briarcliff Pkwy  
Suite 125  
Kansas City, MO 64116  
(816) 584-9955  
Fax (816) 584-9958

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Aldermen  
City of Kearney, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kearney, Missouri (the City) as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Other Offices

1333 Meadowlark Lane  
Kansas City, KS 66102  
(913) 287-4433  
(913) 287-0010 FAX

6700 Antioch Rd, Suite 460  
Merriam, Kansas 66204  
(913) 378-1100  
(913) 378-1177 FAX

400 Jules Street  
Suite 415  
St. Joseph, MO 64501  
(816) 364-1118  
(816) 364-6144 FAX

## **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 the 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 our opinion, except for the effects of the matter described in the “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, 2013, 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 our 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, 2013, 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.

### ***Change in Basis of Accounting***

As described in Note 12 to the financial statements, the City changed its method of preparing financial statements to be in conformity with accounting principles generally accepted in the United States of America (GAAP). The City previously prepared its financial statements using the modified cash basis, which is a basis of accounting other than GAAP.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that budgetary comparison information, and the schedule of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated January 6, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kansas City, Missouri  
January 6, 2014



**CITY OF KEARNEY, MISSOURI**  
**Statement of Net Position**  
**March 31, 2013**

	<b>Primary Government</b>		
	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 3,622,832	\$ 1,167,386	\$ 4,790,218
Receivables, net:			
Taxes	479,611	-	479,611
Accounts	57,188	318,895	376,083
Intergovernmental	24,749	-	24,749
Note receivable	698,083	-	698,083
Restricted cash and investments	17,521	311,469	328,990
Capital assets:			
Not being depreciated	564,419	632,155	1,196,574
Being depreciated, net of depreciation	5,235,152	9,416,806	14,651,958
	<b>10,699,555</b>	<b>11,846,711</b>	<b>22,546,266</b>
<b>Liabilities</b>			
Accounts payable	146,122	114,807	260,929
Accrued interest	24,095	35,417	59,512
Customer deposits	-	173,545	173,545
Note payable	35,000	-	35,000
Long-term obligations:			
Amounts due in less than one year	904,749	580,000	1,484,749
Amounts due in more than one year	6,392,488	3,431,567	9,824,055
	<b>7,502,454</b>	<b>4,335,336</b>	<b>11,837,790</b>
<b>Net Position</b>			
Net investment in capital assets	4,572,060	6,137,824	10,709,884
Restricted			
Public safety	35,729	-	35,729
Public works	347,207	-	347,207
Capital outlay	142,718	-	142,718
Debt service	443,748	137,924	581,672
Unrestricted (deficit)	(2,344,361)	1,235,627	(1,108,734)
Total net position	<b>\$ 3,197,101</b>	<b>\$ 7,511,375</b>	<b>\$ 10,708,476</b>

See accompanying notes to the basic financial statements.

**CITY OF KEARNEY, MISSOURI**  
**Statement of Activities**  
**For the year ended March 31, 2013**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Primary government:</b>							
<b>Governmental Activities</b>							
General government	\$ 568,997	\$ 38,965	\$ 7,010	\$ -	\$ (523,022)	\$ -	\$ (523,022)
Public safety	1,291,401	135,596	500	-	(1,155,305)	-	(1,155,305)
Public works	1,226,481	246,233	680,732	1,254,509	954,993	-	954,993
Solid waste	328,368	352,270	-	-	23,902	-	23,902
Parks and recreation	693,038	220,726	-	-	(472,312)	-	(472,312)
Community development	315,442	-	-	-	(315,442)	-	(315,442)
Interest on long-term debt	330,043	-	-	-	(330,043)	-	(330,043)
Total Governmental Activities	<u>4,753,770</u>	<u>993,790</u>	<u>688,242</u>	<u>1,254,509</u>	<u>(1,817,229)</u>	<u>-</u>	<u>(1,817,229)</u>
<b>Business-type Activities</b>							
Water and sewer	2,364,832	2,508,406	26,292	-	-	169,866	169,866
Total Business-type Activities	<u>2,364,832</u>	<u>2,508,406</u>	<u>26,292</u>	<u>-</u>	<u>-</u>	<u>169,866</u>	<u>169,866</u>
Total Primary Government	<u>\$ 7,118,602</u>	<u>\$ 3,502,196</u>	<u>\$ 714,534</u>	<u>\$ 1,254,509</u>	<u>(1,817,229)</u>	<u>169,866</u>	<u>(1,647,363)</u>
<b>General Revenues</b>							
<b>Taxes</b>							
Property taxes					1,168,341	-	1,168,341
Sales taxes					1,887,469	-	1,887,469
Franchise taxes					772,326	-	772,326
Interest income					34,034	60,308	94,342
Miscellaneous					11,611	-	11,611
<b>Transfers</b>							
Total general revenues and transfers					<u>3,773,781</u>	<u>160,308</u>	<u>3,934,089</u>
Change in net position					1,956,552	330,174	2,286,726
Net position, beginning of the year, as restated					1,240,549	7,181,201	8,421,750
Net position, end of year					<u>\$ 3,197,101</u>	<u>\$ 7,511,375</u>	<u>\$ 10,708,476</u>

See accompanying notes to the basic financial statements.

**CITY OF KEARNEY, MISSOURI**  
**Balance Sheet - Governmental Funds**  
**March 31, 2013**

	General	Highway Construction	GO Highway Bonds	Non-major Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 1,679,571	\$ 991,350	\$ 307,722	\$ 644,189	\$ 3,622,832
Receivables, net:					
Taxes	350,956	-	-	128,655	479,611
Accounts	57,188	-	-	-	57,188
Intergovernmental	24,749	-	-	-	24,749
Note receivable	-	698,083	-	-	698,083
Restricted cash and investments	-	-	-	17,521	17,521
Total assets	<u>\$ 2,112,464</u>	<u>\$ 1,689,433</u>	<u>\$ 307,722</u>	<u>\$ 790,365</u>	<u>\$ 4,899,984</u>
<b>Liabilities</b>					
Accounts payable	\$ 145,501	\$ 621	\$ -	\$ -	\$ 146,122
Note payable	-	-	-	35,000	35,000
	<u>145,501</u>	<u>621</u>	<u>-</u>	<u>35,000</u>	<u>181,122</u>
<b>Deferred inflows of resources</b>					
Unavailable revenues	42,531	698,083	-	3,641	744,255
<b>Fund Balances</b>					
Restricted for:					
Public safety	-	-	-	35,729	35,729
Public works	-	-	-	347,207	347,207
Capital outlay	-	-	-	142,718	142,718
Debt service	-	-	307,722	136,026	443,748
Committed for:					
Parks and recreation	117,984	-	-	-	117,984
Assigned for:					
Cemetery	173,612	-	-	-	173,612
Culture and recreation	180,707	-	-	-	180,707
Capital outlay	-	990,729	-	90,044	1,080,773
Unassigned	1,452,129	-	-	-	1,452,129
Total fund balances	<u>1,924,432</u>	<u>990,729</u>	<u>307,722</u>	<u>751,724</u>	<u>3,974,607</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,112,464</u>	<u>\$ 1,689,433</u>	<u>\$ 307,722</u>	<u>\$ 790,365</u>	<u>\$ 4,899,984</u>

See accompanying notes to the basic financial statements.

**CITY OF KEARNEY, MISSOURI**  
**Reconciliation of the Balance Sheet - Governmental**  
**Funds to the Statement of Net Position**  
**March 31, 2013**

Amounts reported for governmental activities in the statement of net position are different because:

Ending fund balances - total governmental funds	\$	3,974,607
<p>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</p>		
		5,799,571
<p>Certain revenues are not available to pay for current period expenditures and therefore are reported as unavailable revenues in the governmental funds.</p>		
		744,255
<p>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:</p>		
Accrued interest payable		(24,095)
Long-term liabilities		(7,297,237)
		(7,321,332)
Total net position of governmental activities	\$	3,197,101

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, 2013**

	General	Highway Construction	GO Highway Bonds	Non-major Governmental Funds	Total
<b>Revenues</b>					
Taxes	\$ 2,597,194	\$ -	\$ -	\$ 1,245,054	\$ 3,842,248
Intergovernmental	682,321	300,000	-	-	982,321
Licenses, permits and fees	198,485	-	-	210,787	409,272
Charges for services	572,997	-	-	-	572,997
Interest	13,010	4,771	2,907	13,346	34,034
Other	29,052	256,426	-	-	285,478
Total revenues	4,093,059	561,197	2,907	1,469,187	6,126,350
<b>Expenditures</b>					
Current:					
General government	555,739	-	-	-	555,739
Public safety	1,291,276	-	-	-	1,291,276
Public works	1,110,603	-	-	8,280	1,118,883
Solid waste	328,368	-	-	-	328,368
Parks and recreation	636,460	-	-	-	636,460
Community development	247,917	47,196	-	19,800	314,913
Capital outlay	-	980,571	-	-	980,571
Debt service:					
Principal	97,435	-	450,000	383,280	930,715
Interest and fiscal charges	20,853	-	232,153	79,537	332,543
Total expenditures	4,288,651	1,027,767	682,153	490,897	6,489,468
Excess of revenues over (under) expenditures	(195,592)	(466,570)	(679,246)	978,290	(363,118)
Other financing sources and (uses):					
Transfer in	473,500	-	743,012	29,320	1,245,832
Transfer (out)	(342,650)	-	-	(1,003,182)	(1,345,832)
Total other financing sources (uses)	130,850	-	743,012	(973,862)	(100,000)
Net changes in fund balances	(64,742)	(466,570)	63,766	4,428	(463,118)
Fund balance, beginning of year, as restated	1,989,174	1,457,299	243,956	747,296	4,437,725
Fund balance, end of year	\$ 1,924,432	\$ 990,729	\$ 307,722	\$ 751,724	\$ 3,974,607

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, 2013**

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

Net Change in Fund Balances - Total Governmental Funds \$ (463,118)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay	1,083,288
Depreciation expense	(273,081)

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	683,972
---	---------

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	930,715
Change in accrued interest payable	2,500

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	(7,720)
Change in other post employment benefits	(4)

Change in Net Position of Governmental Activities	\$ 1,956,552
---	--------------

See accompanying notes to the basic financial statements.

**CITY OF KEARNEY, MISSOURI**  
**Statement of Net Position**  
**Proprietary Fund**  
**March 31, 2013**

**Assets**

Current Assets

Cash and Investments	\$ 1,167,386
Accounts Receivable	318,895
Restricted Cash and Investments	311,469
Total Current Assets	1,797,750

Non Current Assets

Capital assets:

Not being depreciated	632,155
Being depreciated, net of depreciation	9,416,806
Total Non Current Assets	10,048,961

Total Assets	\$ 11,846,711
--------------	---------------

**Liabilities**

Current Liabilities

Accounts Payable	\$ 114,807
Accrued Interest	35,417
Customer Deposits	173,545
Long-term obligations, Due Within One Year	580,000

Total Current Liabilities	903,769
---------------------------	---------

Non Current Liabilities

Long-term obligations	3,431,567
-----------------------	-----------

Total Liabilities	4,335,336
-------------------	-----------

**Net Position**

Net investment in capital assets	6,137,824
Restricted for debt service	137,924
Unrestricted	1,235,627
Total Net Position	7,511,375

Total Liabilities and Net Position	\$ 11,846,711
------------------------------------	---------------

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, 2013**

<b>Operating Revenues:</b>	
Charges for Services	\$ 2,507,931
Miscellaneous	475
Total Revenues	2,508,406
 <b>Operating Expenses:</b>	
Personnel Services	479,779
Contractual Services	1,103,858
Supplies	262,141
Depreciation	295,456
Total Expenses	2,141,234
Operating Income	367,172
 <b>Nonoperating Revenues (Expenses):</b>	
Intergovernmental	26,292
Interest Income	60,308
Interest Expense	(222,956)
Loss on Sale of Capital Asset	(642)
Total Nonoperating Revenues and Expenses	(136,998)
Income Before Transfers	230,174
 <b>Transfers:</b>	
Transfers In	100,000
Total Transfers	100,000
Change in Net Position	330,174
Net Position, Beginning of Year, as restated	7,181,201
Net Position, End of Year	\$ 7,511,375

See accompanying notes to the basic financial statements.

**CITY OF KEARNEY, MISSOURI**  
**Statement of Cash Flows -**  
**Proprietary Fund**  
**For the year ended March 31, 2013**

<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 2,447,425
Payments to suppliers and vendors	(1,517,675)
Payments to employees for services	(472,175)
Net cash provided by operating activities	<u>457,575</u>
<b>Cash flows from capital and related financing activities:</b>	
Purchases of capital assets	(464,136)
Payments on long-term debt	(506,566)
Interest and bond cost paid on capital debt	(226,580)
Net cash (used) by capital and related financing activities	<u>(1,197,282)</u>
<b>Cash flows from noncapital financing activities:</b>	
Transfers from other funds	100,000
Net cash provided by noncapital financing activities	<u>100,000</u>
<b>Cash flows from investment activities:</b>	
Interest income	60,308
Net cash provided by investing activities	<u>60,308</u>
Net change in cash and cash equivalents	(579,399)
Cash and cash equivalents, beginning of year	<u>2,058,254</u>
Cash and cash equivalents, end of year	<u>\$ 1,478,855</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 367,172
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	295,456
Nonoperating revenues	26,292
Change in assets and liabilities:	
Accounts receivable	(93,334)
Accounts payable	(151,676)
Accrued compensated absences and NPO	7,604
Deposits	6,061
Net cash provided by operating activities	<u>\$ 457,575</u>
<b>Cash and equivalents consists of :</b>	
Cash and investments	\$ 1,167,386
Restricted cash	311,469
	<u>\$ 1,478,855</u>

See accompanying notes to the basic financial statements.

**CITY OF KEARNEY, MISSOURI**  
**Statement of Assets and Liabilities - Agency Funds**  
**March 31, 2013**

	Municipal Court	Contested Taxes	Road District	Community Improvement District	Total
<b>Assets</b>					
Cash - Checking and Savings	\$ 10,484	\$ 4,292	\$ 175,520	\$ 11,262	\$ 201,558
Total Assets	<u>\$ 10,484</u>	<u>\$ 4,292</u>	<u>\$ 175,520</u>	<u>\$ 11,262</u>	<u>\$ 201,558</u>
<b>Liabilities</b>					
Due to Others	\$ 10,484	\$ 4,292	\$ 175,520	\$ 11,262	\$ 201,558
Total Liabilities	<u>\$ 10,484</u>	<u>\$ 4,292</u>	<u>\$ 175,520</u>	<u>\$ 11,262</u>	<u>\$ 201,558</u>

See accompanying notes to the basic financial statements.

**CITY OF KEARNEY, MISSOURI**  
Notes to the Basic Financial Statements  
March 31, 2013

**(1) Summary of Significant Accounting Policies**

The City of Kearney, Missouri, was incorporated in 1883 and covers an area of approximately twelve square miles in Clay County, Missouri. The City is a city of the fourth class and operates under the Mayor - Administrator - Aldermen form of government. The City Administrator is the chief administrative assistant to the Mayor of the City. The City provides services to more than 9,400 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.

**A. Financial Reporting Entity**

The accompanying basic financial statements present the City and the component units over which the City is financially accountable. Financial accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

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 activity taxes. The Commission's activities are reported in TIF Fund.

**B. Basis of Presentation**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds).

*Government-wide financial statements*

The statement of net position and the statement of activities display information about the City, the primary government, as a whole. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the City.

*Fund financial statements*

Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

# CITY OF KEARNEY, MISSOURI

## Notes to the Basic Financial Statements

March 31, 2013

### *Governmental Funds*

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (other than those in Proprietary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination.

The following are the City's major governmental funds:

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

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

*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.

### *Proprietary Funds*

Proprietary Funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position.

The following is the City's major proprietary fund:

*The Water and Sewer Fund* – accounts for the provision of water and sewer utility services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service.

### *Agency Funds*

Agency Funds - are used to account for activities not involving the measurement of results of operations because they are custodial in nature.

## **C. Basis of Accounting**

### *Government-wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or when all eligibility requirements have been satisfied and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, sales tax, and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. This is a similar approach to that used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

### *Governmental Fund Financial Statements*

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

**CITY OF KEARNEY, MISSOURI**  
Notes to the Basic Financial Statements  
March 31, 2013

*Revenue Recognition*

In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available (collectible within the current year or within two months of year-end and available to pay obligations of the current period). This includes property taxes, investment earnings and state-levied locally shared taxes (including motor vehicle fees). The City records property tax receivables at the time the lien attaches to the property. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

*Expenditure Recognition*

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which have not matured are recognized when due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

*Proprietary Fund Financial Statements*

The economic resources measurement focus and the accrual basis of accounting are utilized by the proprietary funds. Under this basis of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred. All assets and liabilities (whether current or noncurrent) associated with a proprietary fund's activities are included on its statement of net position and statement of activities. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. All other revenues and expenses are considered nonoperating.

***D. Cash and Investments***

Missouri State Statutes authorize the City, with certain restrictions, to deposit funds in open accounts, time deposits, investment pools and certificates of deposit. Statutes also require that collateral pledged must have a fair value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the City or an independent third party and must be of the kind prescribed by State Statutes and approved by the State.

The City maintains a cash and investment pool, which is available for use by most funds. Each fund's portion of this pool is displayed as cash and investments or in restricted assets. Interest earned is allocated to the funds on the basis of fund cash and investment balances. Cash and investments are held separately by some of the City's funds. Additionally, certain restricted assets, related to bond ordinances and indentures are held in escrow by financial institutions' trust departments.

For purposes of the statement of cash flows, short-term investments and certificates of deposit with a maturity date within three months of the date acquired by the City, if any, are considered cash equivalents.

***E. Accounts Receivable***

Accounts receivable consist primarily of sales of water, sewer, and solid waste services, net of an allowance for uncollectable accounts of \$22,950 for water and sewer services and \$4,050 for solid waste services. An estimated amount has been recorded for services rendered, but not yet billed, as of the close of the fiscal year.

# CITY OF KEARNEY, MISSOURI

## Notes to the Basic Financial Statements

March 31, 2013

### *F. Capital Assets*

Capital assets, which include property, plant, equipment, infrastructure ( e.g., roads, bridges, sidewalks and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined as assets with an initial individual cost of more than \$1,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. The City capitalizes interest on the construction of business-type capital assets when material.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities for the City's proprietary capital assets with accumulated depreciation reflected in the Statement of Net position and is provided on the straight-line basis over the following estimated useful lives:

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

### *G. 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 the business-type activities column of the government-wide financial statements.

### *H. 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 resources (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 an 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 Basic Financial Statements  
March 31, 2013

***I. Interfund Activity***

***Loans*** – amounts provided with a requirement for 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 statements 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.

***J. Fund Balance Classifications***

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

**Non-Spendable** – This consists of amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

**Restricted** – This consists of amounts where constraints are placed on the use of those resources which are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**Committed** – This consists of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action (ordinance) of the Board of Aldermen.

**Assigned** – This consists of amounts which are constrained by City Administrator's intent to be used for a specific purpose but are neither formally restricted by external sources nor committed by Board of Aldermen action. The Board of Aldermen has the authority to assign amounts for a specific purpose in this category. Likewise, the Board of Aldermen has the authority to take necessary actions to un-assign amounts in this category.

**Unassigned** – This consists of the residual fund balance that does not meet the requirements for the non-spendable, restricted, committed, or assigned classifications. A positive unassigned fund balance is only possible in the general fund.

The City does not have a formal fund balance policy that provides guidance for programs with multiple revenue sources. The City uses restricted resources first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

***K. Net Position Classifications***

In the government-wide statements, equity is shown as net position and classified into three components:

**Net investment in capital assets** – consisting of capital assets including restricted capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

# CITY OF KEARNEY, MISSOURI

## Notes to the Basic Financial Statements

March 31, 2013

Restricted net position – consisting of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The City first utilizes restricted resources to finance qualifying activities.

Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

### **L. Expenditures in Excess of Budgeted Appropriations**

Actual expenditures and transfers out exceeded budgeted appropriations in the City’s General Fund by \$54,312, General Sales Tax Fund by \$824, Capital Improvement Sales Tax Fund by \$45,167, Park Fund by \$165, Water and Sewer Obligation Fund by \$620, and the Downtown Improvement Fund by \$154,703.

### **M. Use of Estimates**

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **(2) Cash and 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	\$	4,465,714		
Certificates of deposits		699,607		
Short-term investments held in trust (bond reserves)		155,445		
		\$ 5,320,766		
<b>Government-wide</b>				
<b>statement</b>				
		<b>of net position</b>	<b>Agency</b>	<b>Total</b>
Cash and investments	\$	4,790,218	\$ 201,558	\$ 4,991,776
Restricted cash and investments		328,990	-	328,990
		\$ 5,119,208	\$ 201,558	\$ 5,320,766

### *Custodial Credit Risk*

The custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is that, in the event of the failure of a counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City’s collateralizes deposits with securities held by the financial institution’s agent and in the City’s name.

As of March 31, 2013, all of the City’s deposits were insured with Federal depository insurance, with the remaining uninsured balance collateralized by securities held in the City’s name by their financial institution’s agent. Accordingly, management has determined that none of the City’s deposits were exposed to custodial credit risk as of March 31, 2013.

**CITY OF KEARNEY, MISSOURI**  
Notes to the Basic Financial Statements  
March 31, 2013

**(3) Tax Revenues and Taxes Receivable**

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 January 1, 2012, on which the 2012 tax levy was based, was \$137,254,526.

The City is permitted by the Missouri State Constitution to levy (without a vote of two-thirds of the voting electorate) taxes up to \$1.00 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt. The City's property tax levies per \$100 of assessed valuation for the year in which the revenues were earned were as follows:

Property taxes are billed by the County 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.

<u>Fund</u>	<u>Levy</u>
General	\$ 0.5800
Debt Service	<u>0.0500</u>
	<u>\$ 0.6300</u>

Tax revenues for the year consisted of the following:

	<u>General Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total</u>
Property taxes	\$ 971,143	\$ 211,310	\$ 1,182,453
Sales and use taxes	986,987	671,479	1,658,466
Franchise taxes	<u>639,064</u>	<u>133,262</u>	<u>772,326</u>
	<u>\$ 2,597,194</u>	<u>\$ 1,016,051</u>	<u>\$ 3,613,245</u>

Taxes receivable consisted of the following at March 31, 2013:

	<u>General Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total</u>
Property taxes	\$ 61,210	\$ 4,980	\$ 66,190
Sales and use taxes	126,296	113,011	239,307
Franchise taxes	<u>163,450</u>	<u>10,495</u>	<u>173,945</u>
	<u>\$ 350,956</u>	<u>\$ 128,486</u>	<u>\$ 479,442</u>

**(4) Intergovernmental Revenue/Receivables**

Intergovernmental revenue during the year consisted of the following:

	<u>General Fund</u>	<u>Highway Construction Fund</u>	<u>Total</u>
Federal, state and local grants	\$ 1,589	\$ -	\$ 1,589
State motor vehicle taxes and fees	299,389	-	299,389
County road and bridge taxes	381,343	-	381,343
Community improvement district	-	300,000	300,000
Total Intergovernmental Revenue	<u>\$ 682,321</u>	<u>\$ 300,000</u>	<u>\$ 982,321</u>

Amounts due from other governments at March 31, 2013, totaled \$24,749.

**CITY OF KEARNEY, MISSOURI**  
Notes to the Basic Financial Statements  
March 31, 2013

**(5) 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, 2013, the total annual amounts due to the City through the agreement are as follows:

Year Ending March 31:	Total
2014	\$ 74,382
2015	74,382
2016	74,382
2017	74,382
2018	74,382
2019-2023	371,910
2024-2025	148,764
	892,584
Less interest	(194,501)
Net present value	\$ 698,083

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.

**(6) Tax Anticipation Promissory Note**

City has issued a tax anticipation promissory note for the purpose of financing a sound system for the amphitheater. The original \$60,000 tax anticipation was paid and an additional \$35,000 was issued in 2013. The noninterest bearing note is due April 5, 2013.

The following is a summary of changes in tax anticipation notes for the year ended March 31, 2013:

Tax Anticipation Note	Beginning Balance	Additions	Payments/ Adjustments	Ending Balance
Sound system	\$ 60,000	\$ 35,000	\$ 60,000	\$ 35,000

# CITY OF KEARNEY, MISSOURI

## Notes to the Basic Financial Statements

March 31, 2013

### (7) Capital Assets

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

	Beginning of			End of
	Year **	Additions	Deletions	
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 564,419	\$ -	\$ -	\$ 564,419
Total capital assets, not being depreciated	<u>564,419</u>	<u>-</u>	<u>-</u>	<u>564,419</u>
Capital assets, being depreciated				
Infrastructure	183,050	936,363	-	1,119,413
Buildings	2,779,637	53,200	-	2,832,837
Improvements	1,448,624	-	-	1,448,624
Machinery and Equipment	1,695,917	93,725	25,020	1,764,622
Total capital assets being depreciated	<u>6,107,228</u>	<u>1,083,288</u>	<u>25,020</u>	<u>7,165,496</u>
Less accumulated depreciation for:				
Infrastructure	-	9,903	-	9,903
Buildings	431,262	92,299	-	523,561
Improvements	947,668	105,734	-	1,053,402
Machinery and Equipment	303,353	65,145	25,020	343,478
Total accumulated depreciation	<u>1,682,283</u>	<u>273,081</u>	<u>25,020</u>	<u>1,930,344</u>
Total capital assets being depreciated, net	<u>4,424,945</u>	<u>810,207</u>	<u>-</u>	<u>5,235,152</u>
Governmental activities capital assets, net	<u>\$ 4,989,364</u>	<u>\$ 810,207</u>	<u>\$ -</u>	<u>\$ 5,799,571</u>
<b>Business-type Activates:</b>				
Capital assets, not being depreciated				
Land	\$ 351,071	\$ -	\$ -	\$ 351,071
Construction in progress	191,706	281,084	191,706	281,084
Total capital assets, not being depreciated	<u>542,777</u>	<u>281,084</u>	<u>191,706</u>	<u>632,155</u>
Capital assets, being depreciated				
Buildings	840,142	-	-	840,142
Machinery and Equipment	596,787	114,052	2,140	708,699
Water and Sewer Lines	12,214,258	260,706	-	12,474,964
Total capital assets being depreciated	<u>13,651,187</u>	<u>374,758</u>	<u>2,140</u>	<u>14,023,805</u>
Less accumulated depreciation for:				
Buildings	151,305	18,955	-	170,260
Machinery and Equipment	542,171	21,063	1,498	561,736
Water and Sewer Lines	3,619,565	255,438	-	3,875,003
Total accumulated depreciation	<u>4,313,041</u>	<u>295,456</u>	<u>1,498</u>	<u>4,606,999</u>
Total capital assets being depreciated, net	<u>9,338,146</u>	<u>79,302</u>	<u>642</u>	<u>9,416,806</u>
Business-type activities capital assets, net	<u>\$ 9,880,923</u>	<u>\$ 360,386</u>	<u>\$ 192,348</u>	<u>\$ 10,048,961</u>

\*\* As restated

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

Governmental activities:	
General government	\$ 7,734
Public safety	77,028
Public works	76,273
Parks and recreation	111,517
Community development	529
	<u>\$ 273,081</u>
Business-type activities:	
Water and sewer	<u>\$ 295,456</u>

**CITY OF KEARNEY, MISSOURI**  
Notes to the Basic Financial Statements  
March 31, 2013

**(8) Long-term Obligations**

A summary of the changes in long-term obligations is as follows:

<b>Governmental Activities:</b>	<b>Beginning of Year **</b>	<b>Adjustments/ Additions</b>	<b>Adjustments/ Retirements</b>	<b>End of Year</b>	<b>Due Within One Year</b>
General obligation bonds	\$ 5,830,000	\$ -	\$ 495,000	\$ 5,335,000	\$ 540,000
Tax increment financing bonds	484,000	-	122,000	362,000	42,000
Certificates of Participation	400,000		89,000	311,000	111,000
Capital leases	1,141,226		224,715	916,511	64,749
Compensated absences *	359,168	7,720	-	366,888	147,000
Net pension obligation*	5,834	4	-	5,838	-
<b>Total</b>	<b>\$ 8,220,228</b>	<b>\$ 7,724</b>	<b>\$ 930,715</b>	<b>\$ 7,297,237</b>	<b>\$ 904,749</b>

\* Compensated absences and net pension obligation are generally liquidated by the General Fund

<b>Business-type Activates:</b>	<b>Beginning of Year **</b>	<b>Adjustments/ Additions</b>	<b>Adjustments/ Retirements</b>	<b>End of Year</b>	<b>Due Within One Year</b>
Water and Sewer Revenue Bonds	\$ 2,710,000	\$ -	\$ 340,000	\$ 2,370,000	\$ 360,000
Certificates of Participation	760,000	-	110,000	650,000	120,000
Contractual agreement	947,703	-	56,566	891,137	60,000
Compensated absences	90,881	7,603	-	98,484	40,000
Net pension obligation	1,945	1	-	1,946	-
<b>Total</b>	<b>\$ 4,510,529</b>	<b>\$ 7,604</b>	<b>\$ 506,566</b>	<b>\$ 4,011,567</b>	<b>\$ 580,000</b>

\*\* as restated

**CITY OF KEARNEY, MISSOURI**  
Notes to the Basic Financial Statements  
March 31, 2013

**Governmental Activities**

2013

<p>\$700,000 Series 1997 General obligation (State Revolving Fund) bonds for the purpose of improving the water and sewer systems. Annual installment of \$25,000 to \$55,000 through 2017; interest at 3.90% to 5.75%. The City receives a subsidy for a portion of the interest.</p>	\$	205,000
<p>\$6,000,000 Series 2005 General Obligation Refunding Bonds (refunding 2001 GO Bonds) for the purpose of infrastructure improvements. Annual installments of \$420,000 to \$805,000 through 2021; interest at 4.005% to 4.25%.</p>		5,130,000
<p>Total General Obligation</p>		5,335,000
<p>\$600,000 Series 2002 Tax Increment Financing Bonds. Annual installments of \$9,000 to \$150,000 through 2019; interest at 5.1%. (Early redemption projected - fiscal year 2017)</p>		362,000
<p>\$360,000 Series 2006 Certificates of Participation for the purpose of the City's amphitheater project. Annual installments of \$20,000 to \$40,000 through 2020; interest at 4.75%.</p>		225,000
<p>\$446,000 Series 2007 Certificates of Participation for the purpose of the City's park improvement project. Annual installments of \$54,000 to \$70,000 through 2015; interest at 4.625%.</p>		86,000
<p>Total Certificates of Participation</p>		311,000
<p>\$1,000,000 lease purchase for the purpose of the City's police station project. Monthly payments of \$7,724 through 2025; interest at 4.25%.</p>		833,746
<p>\$100,000 lease purchase for the purpose of the City's pavilion project. Annual payments of \$12,549 through fiscal 2025; interest at 4.50%.</p>		82,765
<p>Total Capital leases</p>		916,511
<p>Compensated absences</p>		366,888
<p>Net Pension Obligation</p>		5,838
	\$	7,297,237

**CITY OF KEARNEY, MISSOURI**  
Notes to the Basic Financial Statements  
March 31, 2013

<b>Business-type Activities</b>	<u>2013</u>
\$990,000 Series 1996B Revenue Bonds, State Environmental Improvement and Energy Resources Authority, State Revolving Fund Program for the purpose of water pollution control improvements. Annual installments of \$25,000 to \$80,000 through 2016; interest at 3.6% to 5.9%. The City receives a subsidy for a portion of the interest.	\$ 225,000
\$2,645,000 Series 2001C Revenue Bonds, State Environmental Improvement and Energy Resources Authority, State Revolving Fund Program for the purpose of water pollution control improvements. Annual installments of \$80,000 to \$205,000 through 2023; interest at 3.0% to 5.375. The City receives a subsidy for a portion of the interest.	1,655,000
\$1,115,000 Series 2004 Combined Waterworks and Sewerage System Refunding Revenue Bonds. Annual installments of \$20,000 to \$170,000 through 2016; interest at 1.375 to 4.1%.	<u>490,000</u>
Total water and sewer revenue bonds	<u>2,370,000</u>
\$1,500,000 Series 2004 Certificates of Participation for sewer system improvements. Semi-annual installment of \$35,000 to \$70,000 through 2018; interest at 4.625% .	<u>650,000</u>
Water purchase agreement	891,137
Compensated absences	98,484
Net Pension Obligation	<u>1,946</u>
	<u>\$ 4,011,567</u>

Water Purchase Agreement with the City of Kansas City, Missouri

The City has entered into a water purchase agreement with the City of Kansas City, Missouri, (Kansas City) to purchase water for a period of twenty-five years after its effective date of November 2003. Under the agreement, the City is to share certain capital costs funded by Kansas City that were incurred in the construction and installation of a water main and related improvements for the transmission and sale of water from Kansas City. The City's portion of the capital costs due to Kansas City totaled \$1,339,964 which is to be paid in monthly installments of \$9,270 over a twenty-year period including interest at 5.65%. The City has agreed to purchase 28.7% of the capacity of the water line. For the year ended March 31, 2013, water purchases from Kansas City totaled \$237,650.

**CITY OF KEARNEY, MISSOURI**  
Notes to the Basic Financial Statements  
March 31, 2013

***Future Debt Service Requirements***

The annual debt service requirements to amortize all debt outstanding as of March 31, 2013 exclusive of contractual obligation, compensated absences, and net pension obligations are as follows:

Governmental Activities								
	GO Series 1997		GO Series 2005		TIF Series 2002		COPS Series 2006	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 50,000	\$ 10,506	\$ 490,000	\$ 213,098	\$ 42,000	\$ 17,391	\$ 25,000	\$ 10,093
2015	50,000	7,944	525,000	192,881	45,000	15,173	30,000	8,787
2016	50,000	5,380	570,000	171,225	50,000	12,750	30,000	7,362
2017	55,000	2,819	615,000	147,000	75,000	9,563	30,000	5,937
2018	-	-	660,000	120,862	150,000	3,825	35,000	5,225
2019 - 2023	-	-	2,270,000	218,638	-	-	75,000	2,851
2024 - 2025	-	-	-	-	-	-	-	-
	<u>\$ 205,000</u>	<u>\$ 26,649</u>	<u>\$ 5,130,000</u>	<u>\$1,063,704</u>	<u>\$ 362,000</u>	<u>\$ 58,702</u>	<u>\$ 225,000</u>	<u>\$ 40,255</u>

	Police				Pavilion		Total	
	COPS Series 2007		Lease Purchase		Lease Purchase		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2014	\$ 70,000	\$ 3,977	\$55,924	\$34,364	\$8,825	\$3,724	\$ 741,749	\$ 293,153
2015	16,000	740	58,347	31,940	9,222	3,327	733,569	260,792
2016	-	-	60,799	29,489	9,637	2,912	770,436	229,118
2017	-	-	63,511	26,777	10,064	2,485	848,575	194,581
2018	-	-	66,228	24,024	10,523	2,026	921,751	155,962
2019 - 2023	-	-	376,914	74,526	34,494	3,151	2,756,408	299,166
2024 - 2025	-	-	152,023	6,016	-	-	152,023	6,016
	<u>\$ 86,000</u>	<u>\$ 4,717</u>	<u>\$ 833,746</u>	<u>\$ 227,136</u>	<u>\$ 82,765</u>	<u>\$ 17,625</u>	<u>\$ 6,924,511</u>	<u>\$1,438,788</u>

Business-type Activities										
Water and Sewer Revenue Bonds										
	1996B		2001C		2004 Revenue Bonds		Lease Purchase		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2014	\$70,000	\$13,275	\$130,000	\$82,593	\$160,000	\$19,370	\$120,000	\$28,675	\$480,000	\$143,913
2015	75,000	9,145	135,000	75,472	160,000	13,370	125,000	23,125	495,000	121,112
2016	80,000	4,720	145,000	67,947	170,000	6,970	130,000	17,228	525,000	96,865
2017	-	-	150,000	60,019	-	-	135,000	11,216	285,000	71,235
2018	-	-	160,000	51,687	-	-	140,000	4,856	300,000	56,543
2019 - 2023	-	-	935,000	98,319	-	-	-	-	935,000	98,319
	<u>\$ 225,000</u>	<u>\$ 27,140</u>	<u>\$ 1,655,000</u>	<u>\$ 436,037</u>	<u>\$ 490,000</u>	<u>\$ 39,710</u>	<u>\$ 650,000</u>	<u>\$ 85,100</u>	<u>\$ 3,020,000</u>	<u>\$ 587,987</u>

**CITY OF KEARNEY, MISSOURI**  
Notes to the Basic Financial Statements  
March 31, 2013

**(9) Interfund Activity**

Transfers between funds for the year ended March 31, 2013 were as follows:

	Transfers Out:		
	General Fund	Nonmajor Governmental Funds	Total
Transfers In:			
Governmental activities:			
General Fund	\$ -	\$ 473,500	\$ 473,500
GO Bond Fund	213,330	529,682	743,012
Other Governmental Funds	29,320	-	29,320
Total governmental activities	242,650	1,003,182	1,245,832
Business-type activities:			
Water and Sewer Fund	100,000	-	100,000
Total business-type activities	100,000	-	100,000
Total	\$ 342,650	\$ 1,003,182	\$ 1,345,832

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) use unrestricted revenues collected in the general fund finance various programs accounted for in other funds in accordance with budgetary authorizations (3) to fund debt service requirements as debt service payments become due. Any transfers within the governmental funds have been eliminated in the government-wide statement of activities.

**(10) Employees Retirement System**

**A. Plan Description**

The City 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.

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

**B. Funding Status**

The City’s employees do not contribute to the pension plan. The June 30th statutorily required contribution rates are 10.4% (General) and 12.7% (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.

**CITY OF KEARNEY, MISSOURI**  
Notes to the Basic Financial Statements  
March 31, 2013

***Annual Pension Cost and Net Pension Obligation***

The City's annual pension cost and net pension obligation as of March 31, 2013 are as follows:

	Total Primary Government
Annual required contribution	\$ 198,032
Interest on net pension obligation	564
Adjustment to annual required contribution	(559)
Annual pension cost (APC)	198,037
Actual contributions	198,032
Increase in net pension obligation (NPO)	5
NPO - beginning of year	7,779
NPO - end of year	\$ 7,784

The annual required contribution (ARC) was determined as part of the February 28, 2011, and February 28, 2012, annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2013, 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, 2011, was 21 years for the General division and 25 years for the Police division. The amortization period as of February 28, 2012, was 20 years for the General division and 21 years for the Police division.

<b>Three-Year Trend Information</b>			
<b>Fiscal Year Ending</b>	<b>Annual Pension Cost</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
3/31/2011	\$ 184,212	96.9%	\$ 7,750
3/31/2012	193,995	100.0%	7,779
3/31/2013	198,037	100.0%	7,784

***Funded Status and Funding Progress***

As of February 28, 2013, which represents the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City was \$3,178,543. The actuarial value of assets was \$3,630,237, which results in an deficit funding of the unfunded accrued liability (UAL) of \$451,694 and a funded ratio of 88 percent. The covered payroll (annual payroll of active employees covered by the plan) was \$1,576,907, which results in a ratio of the deficit funding of the UAL to the covered payroll of 29 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

# CITY OF KEARNEY, MISSOURI

## Notes to the Basic Financial Statements

March 31, 2013

### (11) Commitments and Contingencies

#### A. Risk Management

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:

Type of Loss	Method Managed	Risk of Loss Retained
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.

#### B. Federal and State Grants

The City has received financial assistance from various federal, state, and local agencies in the form of grants and entitlements. These programs are subject to audit by agents of the granting authority. Management does not believe that liabilities for reimbursements, if any, will have a materially adverse effect upon the financial condition of the City.

### (12) Changes in Financial Reporting, Presentation, and Adjustments to Prior Period Financial Statements

For the year ended March 31, 2013, the City changed its method of preparing financial statements to be in conformity with accounting principles generally accepted in the United States of America (GAAP). The City previously prepared its financial statements using the modified cash basis, which is a basis of accounting other than GAAP.

As a result, the beginning balances of the City's net position and/or fund balances have been adjusted for the changed in financial accounting. In addition, management determined that adjustments were necessary for changes in presentation of certain funds as well as other adjustments to beginning balances to properly report certain items.

# CITY OF KEARNEY, MISSOURI

## Notes to the Basic Financial Statements

March 31, 2013

	<b>Governmental Funds</b>	<b>Governmental Activities</b>	<b>Proprietary Fund/Business- type Activities</b>
Beginning net position/ fund balance as originally reported	\$ 4,109,291	\$ 6,661,279	\$ 7,766,167
Change in reporting of certain funds and related long-term obligations	(54,116)	705,884	(659,556)
Record and report certain restricted debt service accounts held in trust	16,996	16,996	104,744
Record changes in various net receivables and deferred amounts under GAAP	527,514	587,797	85,420
Adjust governmental capital assets for amounts previously reported as City assets that were for improvements made to a State Highway and other adjustments for reclassifications between governmental and business-type activities	-	(5,753,850)	1,370,644
Changes in accounts payable and reporting of utility deposits under GAAP	(101,960)	(101,960)	(404,992)
Report tax anticipation note as a current fund liability	(60,000)	-	
Report accrued Interest liability	-	(26,595)	(40,697)
To record and report obligations for compensated absences and net pension obligation	-	(365,002)	(92,826)
Record and report City of Kansas City, Missouri obligation	-	-	(947,703)
Record and report tax increment financing bonds	-	(484,000)	
Total restatement	<u>328,434</u>	<u>(5,420,730)</u>	<u>(584,966)</u>
Beginning net assets / fund balance as restated	<u>\$ 4,437,725</u>	<u>\$ 1,240,549</u>	<u>\$ 7,181,201</u>

### (13) Subsequent Events

The City evaluated subsequent events through January 6, 2014, the date the financial statements were available to be issued.

In May 2013, the City entered into a \$1,036,000 lease purchase agreement to finance certain water meters and related software. The lease agreement requires monthly payments of \$9,482 through May 2023, including interest at 1.89%.

In July 2013, the City issued \$4,800,000 City of Kearney, Missouri Refunding and Improvement Certificates of Participation to fund certain costs of acquiring and installing certain equipment, refinance certain outstanding obligations of the City related to the Kansas City water purchase agreement, and refund the City's outstanding Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2004, in the aggregate principal amount of \$490,000. The certificates require semi-annual principal payments ranging between \$50,000 to \$305,000 including interest at 2.0% to 4.05%; maturing in fiscal 2027.

**CITY OF KEARNEY, MISSOURI**  
Notes to Required Supplementary Information

March 31, 2013

Budgetary Accounting

The City prepares its budget on the cash basis of accounting. 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, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds. All funding sources are kept separate for both reporting and use of the money.

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

CITY OF KEARNEY, MISSOURI  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual - General Fund  
General Fund  
For the year ended March 31, 2013

	General Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Taxes	\$ 1,642,117	\$ 1,891,205	\$ 1,906,577	\$ 15,372
Intergovernmental	210,000	210,000	301,201	91,201
Licenses, permits and fees	197,500	197,500	185,321	(12,179)
Charges for services	288,000	288,000	347,263	59,263
Interest	2,500	2,500	7,422	4,922
Other	10,000	18,235	18,132	(103)
Total revenues	<u>2,350,117</u>	<u>2,607,440</u>	<u>2,765,916</u>	<u>158,476</u>
<b>Expenditures</b>				
Current:				
General government	572,171	597,543	556,079	41,464
Public safety	1,205,019	1,217,504	1,283,273	(65,769)
Public works	871,322	1,120,410	1,071,518	48,892
Solid waste	280,000	280,000	324,220	(44,220)
Parks and recreation	32,248	32,248	38,220	(5,972)
Community development	218,654	218,654	247,361	(28,707)
Total expenditures	<u>3,179,414</u>	<u>3,466,359</u>	<u>3,520,671</u>	<u>(54,312)</u>
Excess of revenues over (under) expenditures	<u>(829,297)</u>	<u>(858,919)</u>	<u>(754,755)</u>	<u>104,164</u>
Other financing sources and (uses):				
Transfers in	1,256,994	1,286,616	1,224,674	(61,942)
Transfers out	(413,880)	(413,880)	(413,880)	-
Total other financing sources and (uses):	<u>843,114</u>	<u>872,736</u>	<u>810,794</u>	<u>(61,942)</u>
Change in fund balances, budget basis	<u>\$ 13,817</u>	<u>\$ 13,817</u>	56,039	<u>\$ 42,222</u>
Fund balance, beginning of year, budget basis			<u>1,105,005</u>	
Fund balance, end of year, budget basis			1,161,044	
Adjustments:				
GAAP conversion adjustments, net			108,801	
Fund balance, end of year, GAAP basis			<u>\$ 1,269,845</u>	
Net change in fund balance - budget basis			\$ 56,039	
Adjustments:				
GAAP conversion adjustments, net			(17,473)	
Net change in fund balance - GAAP basis			<u>\$ 38,566</u>	

**City of Kearney, Missouri**

Schedules of Funding Progress

Missouri LAGERS Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability(AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2/28/2011	\$2,527,248	\$3,348,858	\$821,610	75%	\$1,552,652	53%
2/29/2012	2,976,714	3,530,927	554,213	84%	1,553,218	36%
2/28/2013	3,178,543	3,630,237	451,694	88%	1,576,907	29%

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, Missouri.

**CITY OF KEARNEY, MISSOURI**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**March 31, 2013**

	Special Revenue Funds				Debt Service Funds		Capital Project Funds		Total
	Capital		DWI Drug	Police Training	Tax Increment Financing	Water and Sewer Obligation	Downtown Improvements	Wireless Capital Improvement	
	Transportation Sales Tax	Improvement Sales Tax							
<b>Assets</b>									
Cash and investments	\$ 290,314	\$ 86,432	\$ 7,356	\$ 28,373	\$ 40,161	\$ 77,005	\$ 37,468	\$ 77,080	\$ 644,189
Receivables, net:									
Taxes	56,893	56,286	-	-	-	4,980	-	10,496	128,655
Restricted cash and investments	-	-	-	-	-	17,521	-	-	17,521
Total assets	\$ 347,207	\$ 142,718	\$ 7,356	\$ 28,373	\$ 40,161	\$ 99,506	\$ 37,468	\$ 87,576	\$ 790,365
<b>Liabilities</b>									
Note payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,000	\$ 35,000
Total liabilities	-	-	-	-	-	-	-	35,000	35,000
<b>Deferred inflows of resources</b>									
Unavailable revenues	-	-	-	-	-	3,641	-	-	3,641
<b>Fund Balances</b>									
Restricted for:									
Public safety	-	-	7,356	28,373	-	-	-	-	35,729
Public works	347,207	-	-	-	-	-	-	-	347,207
Capital outlay	-	142,718	-	-	-	-	-	-	142,718
Debt service	-	-	-	-	40,161	95,865	-	-	136,026
Assigned									
Capital outlay	-	-	-	-	-	-	37,468	52,576	90,044
Total fund balances	347,207	142,718	7,356	28,373	40,161	95,865	37,468	52,576	751,724
Total liabilities, deferred inflows, and fund balances	\$ 347,207	\$ 142,718	\$ 7,356	\$ 28,373	\$ 40,161	\$ 99,506	\$ 37,468	\$ 87,576	\$ 790,365

**CITY OF KEARNEY, MISSOURI**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds**  
**For the year ended March 31, 2013**

	Special Revenue Funds				Debt Service Funds		Capital Project Funds		Total
	Capital		DWI Drug	Police Training	Tax Increment Financing	Water and Sewer Obligation	Downtown Improvements	Wireless Capital Improvement	
	Transportation Sales Tax	Improvement Sales Tax							
<b>Revenues</b>									
Taxes	\$ 452,723	\$ 447,759	\$ -	\$ -	\$ 141,202	\$ 70,108	\$ -	\$ 133,262	\$ 1,245,054
Licenses, permits and fees	-	-	1,791	2,566	-	-	206,430	-	210,787
Interest	979	330	-	31	81	11,787	1	137	13,346
<b>Total Revenues</b>	<b>453,702</b>	<b>448,089</b>	<b>1,791</b>	<b>2,597</b>	<b>141,283</b>	<b>81,895</b>	<b>206,431</b>	<b>133,399</b>	<b>1,469,187</b>
<b>Expenditures</b>									
Current:									
Public works	-	8,280	-	-	-	-	-	-	8,280
Community development	-	-	-	-	-	-	-	19,800	19,800
Debt service:									
Principal	-	-	-	-	122,000	45,000	167,000	49,280	383,280
Interest and fiscal charges	-	-	-	-	25,025	14,140	6,888	33,484	79,537
<b>Total Expenditures</b>	<b>-</b>	<b>8,280</b>	<b>-</b>	<b>-</b>	<b>147,025</b>	<b>59,140</b>	<b>173,888</b>	<b>102,564</b>	<b>490,897</b>
Excess of Revenues Over (Under) Expenditure	453,702	439,809	1,791	2,597	(5,742)	22,755	32,543	30,835	978,290
Other Financing Sources (Uses):									
Transfer In	-	29,320	-	-	-	-	-	-	29,320
Transfer (Out)	(473,500)	(509,682)	-	-	-	(20,000)	-	-	(1,003,182)
<b>Total Other Financing Sources (Uses)</b>	<b>(473,500)</b>	<b>(480,362)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,000)</b>	<b>-</b>	<b>-</b>	<b>(973,862)</b>
Net Changes in Fund Balances	(19,798)	(40,553)	1,791	2,597	(5,742)	2,755	32,543	30,835	4,428
Fund Balance, Beginning of Year, as Restated	367,005	183,271	5,565	25,776	45,903	93,110	4,925	21,741	747,296
Fund Balance, End of Year	\$ 347,207	\$ 142,718	\$ 7,356	\$ 28,373	\$ 40,161	\$ 95,865	\$ 37,468	\$ 52,576	\$ 751,724

**CITY OF KEARNEY, MISSOURI**  
**Combining Balance Sheet - General Fund**  
**March 31, 2013**

	<b>General Fund</b>	<b>General Sales Tax Fund</b>	<b>Park Capital Fund</b>	<b>Cemetery Fund</b>	<b>Park Fund</b>	<b>Total General Fund</b>
<b>Assets</b>						
Cash and investments	\$ 1,161,044	\$ 55,988	\$ 117,984	\$ 173,612	\$ 170,943	\$ 1,679,571
Receivables, net:						
Taxes	210,047	126,296	-	-	14,613	350,956
Accounts	57,188	-	-	-	-	57,188
Intergovernmental	24,749	-	-	-	-	24,749
Total assets	<u>\$ 1,453,028</u>	<u>\$ 182,284</u>	<u>\$ 117,984</u>	<u>\$ 173,612</u>	<u>\$ 185,556</u>	<u>\$ 2,112,464</u>
<b>Liabilities</b>						
Accounts payable	\$ 140,652	\$ -	\$ -	\$ -	\$ 4,849	\$ 145,501
	<u>140,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,849</u>	<u>145,501</u>
<b>Deferred inflows of resources</b>						
Unavailable revenues	42,531	-	-	-	-	42,531
<b>Fund Balances</b>						
Committed for:						
Parks and recreation	-	-	117,984	-	-	117,984
Assigned for:						
Cemetery	-	-	-	173,612	-	173,612
Culture and recreation	-	-	-	-	180,707	180,707
Unassigned	1,269,845	182,284	-	-	-	1,452,129
Total fund balances	<u>1,269,845</u>	<u>182,284</u>	<u>117,984</u>	<u>173,612</u>	<u>180,707</u>	<u>1,924,432</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,453,028</u>	<u>\$ 182,284</u>	<u>\$ 117,984</u>	<u>\$ 173,612</u>	<u>\$ 185,556</u>	<u>\$ 2,112,464</u>

**CITY OF KEARNEY, MISSOURI**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - General Fund**  
**For the year ended March 31, 2013**

	General Fund	General Sales Tax Fund	Park Capital Fund	Cemetery Fund	Park Fund	Eliminations	Total General Fund
<b>Revenues</b>							
Taxes	\$ 1,542,454	\$ 986,988	\$ -	\$ -	\$ 67,752	\$ -	\$ 2,597,194
Intergovernmental	682,321	-	-	-	-	-	682,321
Licenses, permits and fees	198,485	-	-	-	-	-	198,485
Charges for services	352,270	-	-	-	220,727	-	572,997
Interest	7,423	3,954	398	956	279	-	13,010
Other	18,233	-	-	9,932	887	-	29,052
Total Revenues	<u>2,801,186</u>	<u>990,942</u>	<u>398</u>	<u>10,888</u>	<u>289,645</u>	<u>-</u>	<u>4,093,059</u>
<b>Expenditures</b>							
<b>Current:</b>							
General government	555,739	-	-	-	-	-	555,739
Public safety	1,291,276	-	-	-	-	-	1,291,276
Public works	1,110,603	-	-	-	-	-	1,110,603
Solid waste	328,368	-	-	-	-	-	328,368
Parks and recreation	39,511	-	-	-	596,949	-	636,460
Community development	247,917	-	-	-	-	-	247,917
<b>Debt service:</b>							
Principal	-	-	89,000	-	8,435	-	97,435
Interest and fiscal charges	-	-	16,739	-	4,114	-	20,853
Total Expenditures	<u>3,573,414</u>	<u>-</u>	<u>105,739</u>	<u>-</u>	<u>609,498</u>	<u>-</u>	<u>4,288,651</u>
Excess of Revenues Over (Under) Expenditures	(772,228)	990,942	(105,341)	10,888	(319,853)	-	(195,592)
<b>Other financing sources and (uses):</b>							
Transfer In	1,224,674	-	105,600	-	308,280	(1,165,054)	473,500
Transfer (Out)	(413,880)	(1,093,824)	-	-	-	1,165,054	(342,650)
Total Other Financing Sources (Uses)	<u>810,794</u>	<u>(1,093,824)</u>	<u>105,600</u>	<u>-</u>	<u>308,280</u>	<u>-</u>	<u>130,850</u>
Net Changes in Fund Balances	38,566	(102,882)	259	10,888	(11,573)	-	(64,742)
Fund Balance, Beginning of Year, as Restated	1,231,279	285,166	117,725	162,724	192,280	-	1,989,174
Fund Balance, End of Year	<u>\$ 1,269,845</u>	<u>\$ 182,284</u>	<u>\$ 117,984</u>	<u>\$ 173,612</u>	<u>\$ 180,707</u>	<u>\$ -</u>	<u>\$ 1,924,432</u>

**CITY OF KEARNEY, MISSOURI**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual - Other Funds Reported with the General Fund**  
**For the Year Ended March 31, 2013**

	Sales Tax Fund			Cemetery Fund			Park Capital Fund			Park Fund		
	Original and Final Budget	Actual	Variance Positive (Negative)	Original and Final Budget	Actual	Variance Positive (Negative)	Original and Final Budget	Actual	Variance Positive (Negative)	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>												
Taxes	\$ 1,092,000	\$ 1,016,037	\$ (75,963)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,000	\$ 60,361	\$ (4,639)
Charges for services	-	-	-	-	-	-	-	-	-	244,600	220,727	(23,873)
Interest	1,000	3,954	2,954	250	956	706	140	398	258	100	279	179
Other	-	-	-	3,000	9,932	6,932	-	-	-	-	887	887
Total revenues	<u>1,093,000</u>	<u>1,019,991</u>	<u>(73,009)</u>	<u>3,250</u>	<u>10,888</u>	<u>7,638</u>	<u>140</u>	<u>398</u>	<u>258</u>	<u>309,700</u>	<u>282,254</u>	<u>(27,446)</u>
<b>Expenditures</b>												
Current:												
Parks and recreation	-	-	-	-	-	-	-	-	-	604,817	604,981	(164)
Debt service												
Principal	-	-	-	-	-	-	89,000	89,000	-	8,434	8,435	(1)
Interest and fiscal charges	-	-	-	-	-	-	16,739	16,739	-	4,114	4,114	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,739</u>	<u>105,739</u>	<u>-</u>	<u>617,365</u>	<u>617,530</u>	<u>(165)</u>
Excess of revenues over (under) expenditures	<u>1,093,000</u>	<u>1,019,991</u>	<u>(73,009)</u>	<u>3,250</u>	<u>10,888</u>	<u>7,638</u>	<u>(105,599)</u>	<u>(105,341)</u>	<u>258</u>	<u>(307,665)</u>	<u>(335,276)</u>	<u>(27,611)</u>
Other financing sources and (uses):												
Transfers in	-	-	-	-	-	-	105,600	105,600	-	308,280	308,280	-
Transfers out	(1,093,000)	(1,093,824)	(824)	3,000	-	(3,000)	-	-	-	-	-	-
Total other financing sources and (uses):	<u>(1,093,000)</u>	<u>(1,093,824)</u>	<u>(824)</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>	<u>105,600</u>	<u>105,600</u>	<u>-</u>	<u>308,280</u>	<u>308,280</u>	<u>-</u>
Change in fund balances, budget basis	<u>\$ -</u>	<u>(73,833)</u>	<u>\$ (73,833)</u>	<u>\$ 6,250</u>	<u>10,888</u>	<u>\$ 4,638</u>	<u>\$ 1</u>	<u>259</u>	<u>\$ 258</u>	<u>\$ 615</u>	<u>(26,996)</u>	<u>\$ (27,611)</u>
Fund balance, beginning of year, budget basis		<u>129,821</u>			<u>162,724</u>			<u>117,725</u>			<u>197,939</u>	
Fund balance, end of year, budget basis		<u>55,988</u>			<u>173,612</u>			<u>117,984</u>			<u>170,943</u>	
Adjustments:												
GAAP conversion adjustments, net		<u>126,296</u>			<u>(55,628)</u>			<u>55,628</u>			<u>9,764</u>	
Fund balance, end of year, GAAP basis		<u>\$ 182,284</u>			<u>\$ 117,984</u>			<u>\$ 173,612</u>			<u>\$ 180,707</u>	
Net change in fund balance - budget basis		<u>\$ (73,833)</u>			<u>\$ 10,888</u>			<u>\$ 259</u>			<u>\$ (26,996)</u>	
Adjustments:												
GAAP conversion adjustments, net		<u>(29,049)</u>			<u>(10,629)</u>			<u>10,629</u>			<u>15,423</u>	
Net change in fund balance - GAAP basis		<u>\$ (102,882)</u>			<u>\$ 259</u>			<u>\$ 10,888</u>			<u>\$ (11,573)</u>	

**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, 2013**

	Transport Sales Tax			Capital Improvement Sales Tax			DWI Drug 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)
<b>Revenues:</b>												
Taxes	\$ 473,000	\$ 464,830	\$ (8,170)	\$473,000	\$ 459,686	\$ (13,314)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, permits and fees	-	-	-	-	-	-	3,500	1,791	(1,709)	3,400	2,566	(834)
Interest	500	979	479	100	331	231	-	-	-	35	31	(4)
Total revenues	<u>473,500</u>	<u>465,809</u>	<u>(7,691)</u>	<u>473,100</u>	<u>460,017</u>	<u>(13,083)</u>	<u>3,500</u>	<u>1,791</u>	<u>(1,709)</u>	<u>3,435</u>	<u>2,597</u>	<u>(838)</u>
<b>Expenditures</b>												
Current:												
Public Safety	-	-	-	-	-	-	10,000	-	10,000	25,000	-	25,000
Public Works	-	-	-	23,500	8,585	14,915	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,500</u>	<u>8,585</u>	<u>14,915</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Excess of revenues over (under) expenditures	<u>473,500</u>	<u>465,809</u>	<u>(7,691)</u>	<u>449,600</u>	<u>451,432</u>	<u>1,832</u>	<u>(6,500)</u>	<u>1,791</u>	<u>8,291</u>	<u>(21,565)</u>	<u>2,597</u>	<u>24,162</u>
Other financing sources and (uses):												
Transfers in	-	-	-	-	29,320	29,320	6,500	-	(6,500)	22,000	-	(22,000)
Transfers (out)	(473,500)	(473,500)	-	(449,600)	(509,682)	(60,082)	-	-	-	-	-	-
Total other financing sources and (uses):	<u>(473,500)</u>	<u>(473,500)</u>	<u>-</u>	<u>(449,600)</u>	<u>(480,362)</u>	<u>(30,762)</u>	<u>6,500</u>	<u>-</u>	<u>(6,500)</u>	<u>22,000</u>	<u>-</u>	<u>(22,000)</u>
Change in fund balances, budget basis	<u>\$ -</u>	<u>(7,691)</u>	<u>\$ (7,691)</u>	<u>\$ -</u>	<u>(28,930)</u>	<u>\$ (28,930)</u>	<u>\$ -</u>	<u>1,791</u>	<u>\$ 1,791</u>	<u>\$ 435</u>	<u>2,597</u>	<u>\$ 2,162</u>
Fund balance, beginning of year, budget basis		<u>298,005</u>			<u>115,362</u>			<u>5,565</u>		<u>25,776</u>		
Fund balance, end of year, budget basis		290,314			86,432			7,356		28,373		
Adjustments:												
GAAP conversion adjustments, net		56,893			56,286			-		-		
Fund balance, end of year, GAAP basis		<u>\$ 347,207</u>			<u>\$ 142,718</u>			<u>\$ 7,356</u>		<u>\$ 28,373</u>		
Net change in fund balance - budget basis	\$	(7,691)		\$	(28,930)		\$	1,791		\$ 2,597		
Adjustments:												
GAAP conversion adjustments, net		(12,107)			(11,623)			-		-		
Net change in fund balance - GAAP basis	<u>\$</u>	<u>(19,798)</u>		<u>\$</u>	<u>(40,553)</u>		<u>\$</u>	<u>1,791</u>		<u>\$ 2,597</u>		

**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, 2013**

	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)
<b>Revenues:</b>												
Taxes	\$ 139,190	\$ 141,202	\$ 2,012	\$ 67,438	\$ 70,383	\$ 2,945	\$ -	\$ -	\$ -	\$ 129,575	\$ 134,264	\$ 4,689
Licenses, permits and fees	-	-	-	-	-	-	22,700	206,430	183,730	-	-	-
Interest	100	81	(19)	100	279	179	2	1	(1)	90	137	47
Total revenues	<u>139,290</u>	<u>141,283</u>	<u>1,993</u>	<u>67,538</u>	<u>70,662</u>	<u>3,124</u>	<u>22,702</u>	<u>206,431</u>	<u>183,729</u>	<u>129,665</u>	<u>134,401</u>	<u>4,736</u>
<b>Expenditures</b>												
Current:												
Community Development	-	-	-	-	-	-	-	-	-	19,800	19,800	-
Debt service												
Principal	122,000	122,000	-	42,000	46,250	(4,250)	10,000	167,000	(157,000)	78,601	74,280	4,321
Interest and fiscal charges	25,902	25,025	877	5,536	1,906	3,630	9,185	6,888	2,297	36,687	33,484	3,203
Total expenditures	<u>147,902</u>	<u>147,025</u>	<u>877</u>	<u>47,536</u>	<u>48,156</u>	<u>(620)</u>	<u>19,185</u>	<u>173,888</u>	<u>(154,703)</u>	<u>135,088</u>	<u>127,564</u>	<u>7,524</u>
Excess of revenues over (under) expenditures	<u>(8,612)</u>	<u>(5,742)</u>	<u>2,870</u>	<u>20,002</u>	<u>22,506</u>	<u>2,504</u>	<u>3,517</u>	<u>32,543</u>	<u>29,026</u>	<u>(5,423)</u>	<u>6,837</u>	<u>12,260</u>
Other financing sources and (uses):												
Transfers in	8,612	-	(8,612)	-	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	(20,000)	(20,000)	-	-	-	-	-	-	-
Total other financing sources and (uses):	<u>8,612</u>	<u>-</u>	<u>(8,612)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances, budget basis	<u>\$ -</u>	<u>(5,742)</u>	<u>\$ (5,742)</u>	<u>\$ 2</u>	<u>2,506</u>	<u>\$ 2,504</u>	<u>\$ 3,517</u>	<u>32,543</u>	<u>\$ 29,026</u>	<u>\$ (5,423)</u>	<u>6,837</u>	<u>\$ 12,260</u>
Fund balance, beginning of year, budget basis		<u>45,903</u>			<u>74,499</u>			<u>4,925</u>			<u>70,243</u>	
Fund balance, end of year, budget basis		40,161			77,005			37,468			77,080	
Adjustments:												
GAAP conversion adjustments, net		-			18,860			-			(24,504)	
Fund balance, end of year, GAAP basis		<u>\$ 40,161</u>			<u>\$ 95,865</u>			<u>\$ 37,468</u>			<u>\$ 52,576</u>	
Net change in fund balance - budget basis		\$ (5,742)			\$ 2,506			\$ 32,543			\$ 6,837	
Adjustments:												
GAAP conversion adjustments, net		-			249			-			23,998	
Net change in fund balance - GAAP basis		<u>\$ (5,742)</u>			<u>\$ 2,755</u>			<u>\$ 32,543</u>			<u>\$ 30,835</u>	

**CITY OF KEARNEY, MISSOURI**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual - Highway Construction Fund**  
**For the Year Ended March 31, 2013**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Intergovernmental	\$ 1,178,000	\$ 300,000	\$ (878,000)
Interest	42,000	4,771	(37,229)
Other	35,000	256,426	221,426
Total revenues	<u>1,255,000</u>	<u>561,197</u>	<u>(693,803)</u>
<b>Expenditures</b>			
Current:			
Capital outlay	1,249,731	1,027,146	222,585
Total expenditures	<u>1,249,731</u>	<u>1,027,146</u>	<u>222,585</u>
Excess of revenues over (under) expenditures	<u>5,269</u>	<u>(465,949)</u>	<u>(471,218)</u>
Change in fund balances, budget basis	<u>\$ 5,269</u>	<u>(465,949)</u>	<u>\$ (471,218)</u>
Fund balance, beginning of year, budget basis		<u>1,457,299</u>	
Fund balance, end of year, budget basis		991,350	
Adjustments:			
GAAP conversion adjustments, net		(621)	
Fund balance, end of year, GAAP basis		<u>\$ 990,729</u>	
Net change in fund balance - budget basis		\$ (465,949)	
Adjustments:			
GAAP conversion adjustments, net		(621)	
Net change in fund balance - GAAP basis		<u>\$ (466,570)</u>	

**CITY OF KEARNEY, MISSOURI**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual - GO Hwy Bonds**  
**For the Year Ended March 31, 2013**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Interest	\$ 560	\$ 2,907	\$ 2,347
Total revenues	<u>560</u>	<u>2,907</u>	<u>2,347</u>
<b>Expenditures</b>			
Debt service			
Principal	450,000	450,000	-
Interest and fiscal charges	232,656	232,153	503
Total expenditures	<u>682,656</u>	<u>682,153</u>	<u>503</u>
Excess of revenues over (under) expenditures	<u>(682,096)</u>	<u>(679,246)</u>	<u>2,850</u>
Other financing sources and (uses):			
Transfers in	682,106	743,012	60,906
Total other financing sources and (uses):	<u>682,106</u>	<u>743,012</u>	<u>60,906</u>
Change in fund balances, budget basis	<u>\$ 10</u>	63,766	<u>\$ 63,756</u>
Fund balance, beginning of year, budget basis		<u>243,956</u>	
Fund balance, end of year, budget basis		307,722	
Adjustments:			
GAAP conversion adjustments, net		-	
Fund balance, end of year, GAAP basis		<u>\$ 307,722</u>	
Net change in fund balance - budget basis		\$ 63,766	
Adjustments:			
GAAP conversion adjustments, net		-	
Net change in fund balance - GAAP basis		<u>\$ 63,766</u>	