

**THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.**

**NEW ISSUE  
BOOK ENTRY ONLY**

**MOODY'S RATING: "Aa3"  
See "Rating" herein.**

*In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (1) the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (2) the interest on the Bonds is exempt from income taxation by the State of Missouri and (3) the Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" in this Official Statement.*

## **OFFICIAL STATEMENT**

**\$3,500,000**

### **CITY OF KEARNEY, MISSOURI GENERAL OBLIGATION BONDS SERIES 2018**

**Dated: Date of Delivery**

**Due: March 1, as shown on  
the inside cover page**

The Bonds are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in authorized denominations. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the registered owner of the bonds, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (herein defined) of the Bonds.

The Bonds will be issued in the denomination of \$5,000 or any integral multiple thereof. Semiannual interest will be payable on March 1 and September 1, beginning on March 1, 2019. Principal will be payable upon presentation and surrender of the Bonds by the registered owners thereof at the payment office of BOKF, N.A., Kansas City, Missouri, Paying Agent. Interest will be payable by check or draft of the Paying Agent mailed (or by electronic transfer in certain circumstances as described herein) to the persons who are the registered owners of the Bonds as of the close of business on the fifteenth day of the month preceding the interest payment date. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. DTC is expected, in turn, to remit such payments to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners.

The Bonds are subject to redemption prior to maturity as described herein.

The Bonds and the interest thereon will constitute general obligations of the City, payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City.

*The Bonds are offered when, as and if issued by the City, subject to the approval of legality by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel. Certain legal matters related to the Official Statement will be passed upon by Gilmore & Bell, P.C., Kansas City, Missouri. It is expected that the Bonds will be available for delivery at The Depository Trust Company in New York, New York on or about August 16, 2018.*

# **Baird**

The date of this Official Statement is August 6, 2018.

**\$3,500,000**  
**CITY OF KEARNEY, MISSOURI**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2018**

**MATURITY SCHEDULE**

**Serial Bonds**

<b><u>Due</u></b> <b><u>March 1</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Price</u></b>	<b><u>Yield</u></b>
2020	\$125,000	5.000%	105.030%	1.680%
2021	135,000	5.000	107.862	1.820
2022	140,000	5.000	110.387	1.950
2023	145,000	5.000	112.730	2.050
2024	150,000	5.000	114.700	2.170
2025	155,000	5.000	116.442	2.280
2026	165,000	4.000	109.568*	2.410
2027	170,000	3.000	102.391*	2.600
2028	175,000	3.000	101.486*	2.750
2031	195,000	3.000	98.966	3.100
2032	205,000	3.125	99.180	3.200
2033	210,000	3.250	100.000	3.250
2034	215,000	3.250	99.394	3.300
2035	225,000	3.250	98.736	3.350
2036	230,000	3.375	99.670	3.400
2037	240,000	3.375	98.977	3.450
2038	245,000	3.500	100.000	3.500

**Term Bonds**

<b><u>Due</u></b> <b><u>March 1</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Price</u></b>	<b><u>Yield</u></b>
2030	\$375,000	3.000%	100.000%	3.000%

\*Priced to the call date.

**CITY OF KEARNEY, MISSOURI**  
**100 E. Washington**  
**Kearney, Missouri 64060**  
**(816) 628-4142**

**MAYOR AND BOARD OF ALDERMEN**

Dan Holt, Mayor  
Eric Shumate, Alderman  
Gerri Spencer, Alderman  
Randy Pogue, Alderman  
Marie Steiner, Alderman

**CITY ADMINISTRATION**

Jim Eldridge, City Administrator/City Clerk

**CERTIFIED PUBLIC ACCOUNTANT**

Accounting Solutions Group, LLC  
Kansas City, Missouri

**SPECIAL COUNSEL**

Gilmore & Bell, P.C.  
Kansas City, Missouri

**MUNICIPAL ADVISOR**

Piper Jaffray & Co.  
Leawood, Kansas

## REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or others since the date hereof.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of that information.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOTT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS. THE BONDS ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION.

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### CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "anticipate," "projected," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE CITY NOR ANY OTHER PARTY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES UPON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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## OFFICIAL STATEMENT

**\$3,500,000**  
**CITY OF KEARNEY, MISSOURI**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2018**

### INTRODUCTION

*This introduction is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement.*

#### **Purpose of the Official Statement**

The purpose of this Official Statement is to furnish information relating to (1) the City of Kearney, Missouri (the “City”) and (2) the City’s General Obligation Bonds, Series 2018 (the “Bonds”), to be issued in the aggregate principal amount of \$3,500,000 to fund the costs of projects for the City. The projects include acquiring rights-of-way and constructing, extending and improving the streets and roads, including without limitation the construction of a highway interchange at I-35 and 19<sup>th</sup> Street and related pedestrian highway crossing, roundabouts and connecting road improvements (collectively, the “Projects”).

#### **The City**

The City is a fourth-class city organized and existing under the laws of the State of Missouri. See the caption “**THE CITY**” herein.

#### **The Bonds**

The Bonds are being issued pursuant to an ordinance (the “Bond Ordinance”) adopted by the governing body of the City for the purpose of funding the costs of the Projects and costs related to the issuance of the Bonds. The Bonds represent \$3,500,000 of the \$24,300,000 general obligation bonds authorized for the Projects authorized by the required majority of the voters of the City at an election held on April 3, 2018 (the “Voted Authority”). See the caption “**THE BONDS**” herein.

#### **Security and Source of Payment**

The Bonds will be general obligations of the City and will be payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all taxable property, real and personal, within the territorial limits of the City. See the caption “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**” herein.

#### **Financial Statements**

Audited financial statements of the City, as of and for the year ended March 31, 2017, are included in *Appendix B* to this Official Statement. These financial statements have been audited by Accounting Solutions Group, LLC, Kansas City, Missouri, independent certified public accountants, to the extent and for the periods indicated in their report which is also included in *Appendix B* hereto.

#### **Risk Factors**

Payment of the Bonds is subject to certain risks. See the caption “**RISK FACTORS**” herein.

## THE CITY

The City is a fourth-class city and political subdivision organized and existing under the laws of the State of Missouri. The City is located in Clay County, Missouri, approximately 30 miles northeast of downtown Kansas City, Missouri. The City encompasses approximately 13 square miles and has a current estimated population of 10,049 persons. See “APPENDIX A: THE CITY” and “APPENDIX B: ACCOUNTANT’S REPORT AND AUDITED FINANCIAL STATEMENTS.”

### PLAN OF FINANCING

#### Authorization and Purpose of Bonds

The Bonds are authorized pursuant to and in full compliance with the Constitution and statutes of the State of Missouri, including particularly Article VI, Section 26 of the Missouri Constitution and Chapters 95 and 108 of the Revised Statutes of Missouri, as amended (the “General Obligation Bond Law”).

#### The Projects

The Bonds represent the first installment of the Voted Authority authorized by the required majority of voters of the City at an election held April 3, 2018 for the Projects. The portion of the Projects to be funded by the Bonds include the acquisition of rights of way, engineering and design costs and other preliminary costs related to construction of the Projects.

The City has entered into a Cost Share Agreement with the Missouri Highways and Transportation Commission for the purpose of sharing the costs of constructing the Projects. The Missouri Highways and Transportation Commission will pay up to a maximum of 50% of the total project cost, not to exceed \$10,000,000. It is not expected that the City will need to issue all of the remaining Voted Authority to complete the Projects because of the cost share agreement, but the amount of bonds to be issued and the final costs of the Projects will not be known until the final design has been completed and the City has received bids to construct the Projects.

The City will deposit \$3,516,159.35 of the proceeds of the Bonds in the Project Fund established under the Bond Ordinance to pay preliminary costs of the Projects.

#### Sources and Uses of Funds

The following table summarizes the estimated sources of funds and the expected uses of such funds, in connection with the plan of financing:

##### *Sources of Funds:*

Principal Amount of the Bonds .....	\$3,500,000.00
Net Original Issue Premium .....	<u>108,830.60</u>
Total.....	<u>\$3,608,830.60</u>

##### *Uses of Funds:*

Deposit for costs of the Projects .....	\$3,516,159.35
Costs of Issuance including Underwriter’s Discount.....	<u>92,671.25</u>
Total.....	<u>\$3,608,830.60</u>

## THE BONDS

*The following is a summary of certain terms and provisions of the Bonds. Reference is hereby made to the Bonds and the provisions with respect thereto in the Bond Ordinance for the detailed terms and provisions thereof.*

### General Description

The Bonds will be issued in the principal amounts stated on the inside cover page of this Official Statement, will be dated their date of delivery, and will consist of fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. The Bonds will mature, subject to redemption as described below, on March 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semiannually on March 1 and September 1 in each year, beginning on March 1, 2019. Principal will be payable upon presentation and surrender of the Bonds by the Registered Owners thereof at the payment office of BOKF, N.A., Kansas City, Missouri, Paying Agent. Interest shall be paid to the Registered Owners of the Bonds as shown on the Bond Register at the close of business on the Record Date for such interest (a) by check or draft mailed by the Paying Agent to the address of such Registered Owners shown on the Bond Register, (b) at such other address as is furnished to the Paying Agent in writing by any Registered Owner or (c) in the case of an interest payment to any Registered Owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer to such Registered Owner upon written notice given to the Paying Agent by such Registered Owner, not less than 5 days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank (which shall be in the continental United States), ABA routing number and account name and account number to which such Registered Owner wishes to have such transfer directed.

### Redemption Provisions

*Optional Redemption.* At the option of the City, Bonds may be called for redemption and payment prior to maturity on March 1, 2025 and thereafter, in whole or in part at any time at the redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date.

*Mandatory Redemption.* The Bonds maturing in the year 2030 shall be subject to mandatory redemption and payment prior to Stated Maturity at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date. The City shall redeem on March 1 in each year, the following principal amounts of such Bonds:

<u>Year</u>	<u>Principal Amount</u>
2029	\$185,000
2030	190,000

*Selection of Bonds to be Redeemed.* Bonds shall be redeemed only in \$5,000 principal amounts or multiples thereof. When less than all of the Outstanding Bonds are to be redeemed and paid prior to maturity, such Bonds shall be redeemed from the maturities selected by the City, and Bonds of less than a full maturity shall be selected by the Paying Agent in \$5,000 units of face value by lot or in such other equitable manner as the Paying Agent may determine.

*Notice and Effect of Call for Redemption.* In the event of any such redemption, the Paying Agent will give written notice of the City's intention to redeem and pay said Bonds by first-class mail to the State Auditor of Missouri, to the original purchaser of the Bonds, and to the Registered Owner of each Bond, said notice to be mailed not less than 20 days prior to the redemption date. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall become due and payable on the redemption date, at the redemption price therein specified, and from and after the redemption date (unless the City defaults in the payment of the redemption price) such Bonds or portion of Bonds shall cease to bear interest.



So long as DTC is effecting book-entry transfers of the Bonds, the Paying Agent shall provide the notices specified above to DTC. It is expected that DTC will, in turn, notify the DTC Participants and that the DTC Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of DTC or a DTC Participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Paying Agent, a DTC Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

### **Registration, Transfer and Exchange of Bonds**

Each Bond when issued shall be registered by the Paying Agent in the name of the owner thereof on the Bond Register. Bonds are transferable only upon the Bond Register upon presentation and surrender of the Bonds, together with instructions for transfer. Bonds may be exchanged for Bonds in the same aggregate principal amount and maturity upon presentation to the Paying Agent, subject to the terms, conditions and limitations set forth in the Bond Ordinance and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, transfer or exchange.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **General Obligations**

The Bonds will constitute general obligations of the City and will be payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City.

### **The Bond Ordinance**

*Pledge of Full Faith and Credit.* The full faith, credit and resources of the City are irrevocably pledged under the Bond Ordinance for the prompt payment of the Bonds as the same become due.

*Levy and Collection of Annual Tax.* Under the Bond Ordinance, there will be levied upon all of the taxable tangible property within the City a direct annual tax sufficient to produce the amounts necessary for the payment of the principal of and interest on the Bonds as the same become due and payable in each year. Such taxes shall be extended upon the tax rolls in each year, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the City are levied and collected. The proceeds derived from said taxes shall be deposited in the Debt Service Fund, shall be kept separate and apart from all other funds of the City and shall be used for the payment of the principal of and interest on the Bonds as and when the same become due and the fees and expenses of the Paying Agent.

All references herein to the Bond Ordinance are qualified in their entirety by reference to the Bond Ordinance. Copies of the Bond Ordinance and the Official Statement may be viewed at the office of Piper Jaffray & Co., 11635 Rosewood, Street, Leawood, Kansas 66211, (913) 345-3300, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.

### **Sales Tax**

Qualified voters of the City authorized a one percent increase to its general sales tax at an election held April 3, 2018 with the intention of using the proceeds of sales tax collections to pay the interest on and principal of the Bonds and additional bonds issued from the Voted Authority as they fall due. Such a declaration cannot be construed as contractually obligating or otherwise binding the City. If the proceeds of sales tax collections are not sufficient to pay debt service on the Bonds, then the City would be obligated to levy property taxes in amounts sufficient to pay the debt service on the Bonds.

## RISK FACTORS

The following is a discussion of certain risks that could affect the payments to be made by the City with respect to the Bonds. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including its appendices) in order to make a judgment as to whether the Bonds are an appropriate investment. Prospective purchasers of the Bonds should consider carefully all possible factors that may result in a default in the payment of the Bonds, the redemption of the Bonds prior to maturity, a determination that the interest on the Bonds might be deemed taxable for purposes of federal and Missouri income taxation, or that may affect the market price or liquidity of the Bonds. **This discussion of risk factors is not, and is not intended to be, comprehensive or exhaustive.**

### **Ad Valorem Property Taxes**

The Bond Ordinance levies a direct annual tax on all taxable tangible property within the City sufficient to produce amounts necessary for the payment of the principal of and interest on the Bonds each year. Declining property values in the City, whether caused by national or global financial crises, natural disasters, local economic downturns, or other reasons, may require higher levy rates, which may increase the burden on local taxpayers and affect certain taxpayers' willingness or ability to continue timely paying property taxes. See **"FINANCIAL INFORMATION CONCERNING THE CITY – Property Valuations – History of Property Valuations"** in *Appendix A* of this Official Statement. In addition, the issuance of additional general obligation bonds by the City or other indebtedness by other political subdivisions in, or overlapping the boundaries of, the City would increase the tax burden on taxpayers in the City. See **"DEBT STRUCTURE OF THE CITY – Overlapping Indebtedness"** in *Appendix A* of this Official Statement. Missouri law limits the amount of general obligation debt issuable by the City to 20% of the assessed valuation of taxable tangible property in the City. See **"DEBT STRUCTURE OF THE CITY – Legal Debt Capacity"** in *Appendix A* of this Official Statement. Other political subdivisions in the City are subject to similar limitations on general obligation debt imposed by Missouri law, including school districts, counties and certain other political subdivisions, which are limited to general obligation debt of 15%, 10% and 5% of assessed valuation of taxable tangible property, respectively.

Concentration of property ownership in the City would expose the City's ability to collect ad valorem property taxes to the financial strength and ability and willingness of major taxpayers to pay property taxes. In calendar year 2017, no single property owner owned more than 2% of the total taxable property in the City. See **"PROPERTY TAX INFORMATION CONCERNING THE CITY – Property Valuations – Current Assessed Valuation"** and **"PROPERTY TAX INFORMATION CONCERNING THE CITY – Major Property Taxpayers"** in *Appendix A* of this Official Statement.

### **Secondary Market Prices and Liquidity**

The Underwriter will not be obligated to repurchase any of the Bonds, and no representation is made concerning the existence of any secondary market for the Bonds. No assurance is given that any secondary market will develop following the completion of the offering of the Bonds and no assurance is given that the initial offering price for the Bonds will continue for any period of time.

Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and changes in the operating performance or tax collection patterns of issuers. Particularly, prices of outstanding municipal securities should be expected to decline if prevailing market interest rates rise. Municipal securities are generally viewed as long-term investments, subject to material unforeseen changes in the investor's or the issuer's circumstances, and may require commitment of the investor's funds for an indefinite period of time, perhaps until maturity.

### **No Reserve Fund or Credit Enhancement**

No debt service reserve fund will be funded and no financial guaranty insurance policy, letter of credit or other credit enhancement will be issued to insure payment of the Bonds. Accordingly, any potential purchaser of the Bonds should consider the financial ability of the City to pay the Bonds. As described under **"SECURITY**

**AND SOURCES OF PAYMENT FOR THE BONDS – The Bond Ordinance**” in this Official Statement, the City has irrevocably pledged its full faith, credit and resources for the prompt payment of the Bonds and levied a direct annual tax, without limitation, on all taxable tangible property in the City in an amount sufficient to pay principal and interest on the Bonds.

### **Rating**

The rating agency has assigned the Bonds the rating set forth under **“RATING”** in this Official Statement. Such rating reflects only the view of such rating agency, and an explanation of the significance of such rating may be obtained therefrom. There is no assurance that the rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, by said rating agency if, in its judgment, circumstances warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

### **Bankruptcy**

In addition to the limitations on remedies contained in the Bond Ordinance, the rights and remedies provided by the Bonds may be limited by and are subject to (i) bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws affecting creditors’ rights, (ii) the application of equitable principles, and (iii) the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against political subdivisions in the State of Missouri. Section 108.180 of the Revised Statutes of Missouri, as amended, requires that any interest and sinking fund moneys only be used to pay principal and interest on the Bonds. The City, like all other Missouri political subdivisions, is specifically authorized by Missouri law to institute proceedings under Chapter 9 of the Federal Bankruptcy Code. Such proceedings, if commenced, are likely to have an adverse effect on the market price of the Bonds.

### **Pensions and Other Postemployment Benefits**

The City contributes to the Missouri Local Government Employees Retirement System (“LAGERS”), an agent multi-employer, statewide public employee retirement plan for entities of local government which is legally separate and fiscally independent of the State of Missouri. The City also provides other postemployment benefits (“OPEB”) as part of the total compensation offered to attract and retain the services of qualified employees. Future required contribution increases beyond the current fiscal year may require the City to increase its revenues, reduce its expenditures, or some combination thereof, which may impact the City’s operations or limit the City’s ability to generate additional revenues in the future.

For more information specific to the City’s participation, including the City’s past contributions, net pension liability, and pension expense, see Note 5 to the City’s financial statements included in **Appendix B** to this Official Statement. For more information about other postemployment benefits for the City’s employees, see Note 8 to the City’s financial statements included in **Appendix B** to this Official Statement.

### **Amendment of the Bond Ordinance**

Certain amendments, effected by ordinance of the City, to the Bonds and the Bond Ordinance may be made with consent of the owners of not less than a majority in principal amount of the Bonds then outstanding. Such amendments may adversely affect the security of the owners of the Bonds.

### **Loss of Premium from Redemption**

Any person who purchases the Bonds at a price in excess of their principal amount or who holds such Bonds trading at a price in excess of par should consider the fact that the Bonds are subject to redemption prior to maturity at the redemption prices described herein in the event such Bonds are redeemed prior to maturity. See **“THE BONDS – Redemption Provisions”** in this Official Statement.

## **Tax-Exempt Status and Risk of Audit**

The failure of the City to comply with certain covenants set forth in the Bond Ordinance could cause the interest on the Bonds to become included in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Bonds. The Bond Ordinance does not provide for the payment of any additional interest, redemption premium or penalty if the interest on the Bonds becomes included in gross income for federal income tax purposes. See “**TAX MATTERS**” in this Official Statement.

The Internal Revenue Service (the “IRS”) has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations should be included in gross income for federal income tax purposes. Owners of the Bonds are advised that, if an audit of the Bonds was commenced, the IRS, in accordance with its current published procedures, is likely to treat the City as the taxpayer, and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any audit could adversely affect the market value and liquidity of the Bonds during the pendency of the audit, regardless of the ultimate outcome of the audit.

## **Defeasance Risks**

When all Bonds are deemed paid and discharged as provided in the Bond Ordinance, the requirements contained in the Bond Ordinance and the pledge of the City’s faith and credit thereunder and all other rights granted thereby will terminate with respect to the Bonds or scheduled interest payments thereon so paid and discharged. Bonds or scheduled interest payments thereon shall be deemed to have been paid and discharged within the meaning of the Bond Ordinance if there has been deposited with the Paying Agent, or other commercial bank or trust company moneys and/or Defeasance Obligations that, together with the interest to be earned on any such Defeasance Obligations, will be sufficient for the payment of the Bonds to the stated maturity or prior redemption date. There is no legal requirement in the Bond Ordinance that Defeasance Obligations be rated in the highest rating category by any rating agency. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets, and that could include the rating of Bonds defeased with Defeasance Obligations to the extent the Defeasance Obligations have a change or downgrade in rating.

## **THE BOOK-ENTRY ONLY SYSTEM**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+.

The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price of and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

**The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.**

### **Transfer Outside Book-Entry Only System**

If the Book-Entry Only System is discontinued the following provisions would apply. The Bonds are transferable only upon the Register upon presentation and surrender of the Bonds, together with instructions for transfer. Bonds may be exchanged for other Bonds of any denomination authorized by the Bond Ordinance in the same aggregate principal amount, series, payment date and interest rate, upon presentation to the Paying Agent, subject to the terms, conditions and limitations and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, exchange or transfer.

## **LEGAL MATTERS**

### **Legal Proceedings**

As of the date hereof, there is no controversy, suit or other proceeding of any kind pending or threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the City or its boundaries, or the right or title of any of its officers to their respective offices, or the legality of any official act in connection with the authorization, issuance and sale of the Bonds, or the constitutionality or validity of the Bonds or any of the proceedings had in relation to the authorization, issuance or sale thereof, or the levy and collection of a tax to pay the principal and interest thereof, or which might affect the City's ability to meet its obligations to pay the Bonds.

### **Approval of Legality**

All legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel.

## **TAX MATTERS**

*The following is a summary of the material federal and State of Missouri income tax consequences of holding and disposing of the Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Missouri, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Bonds.*

### **Opinion of Bond Counsel**

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under the law existing as of the issue date of the Bonds:

*Federal and Missouri Tax Exemption.* The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Missouri.

*Alternative Minimum Tax.* Interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

*No Bank Qualification.* The Bonds have not been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

Bond Counsel’s opinions are provided as of the date of the original issue of the Bonds, subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal and State of Missouri income tax purposes retroactive to the date of issuance of the Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds but has reviewed the discussion under the section herein captioned “**TAX MATTERS.**”

### **Other Tax Consequences**

*Original Issue Discount.* For federal income tax purposes, original issue discount (“OID”) is the excess of the stated redemption price at maturity of a Bond over its issue price. The issue price of a Bond is the first price at which a substantial amount of the Bonds of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Section 1288 of the Code, OID on tax-exempt bonds accrues on a compound basis. The amount of OID that accrues to an owner of a Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Bond during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

*Original Issue Premium.* If a Bond is issued at a price that exceeds the stated redemption price at maturity of the Bond, the excess of the purchase price over the stated redemption price at maturity constitutes “premium” on that Bond. Under Section 171 of the Code, the purchaser of that Bond must amortize the premium over the term of the Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on the sale or disposition of the Bond prior to its maturity. Even though the owner’s basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

*Sale, Exchange or Retirement of Bonds.* Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Bond. To the extent a Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be

long-term capital gain or loss if the Bond has been held for more than 12 months at the time of sale, exchange or retirement.

*Reporting Requirements.* In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Bonds, and to the proceeds paid on the sale of the Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

*Collateral Federal Income Tax Consequences.* Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

## CONTINUING DISCLOSURE

The City is entering into a Continuing Disclosure Certificate for the benefit of the owners and Beneficial Owners of the Bonds in order to comply with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). The City is the only "obligated person" with responsibility for continuing disclosure.

Pursuant to the Continuing Disclosure Certificate, the City will, not later than **September 30** after the end of the City's fiscal year beginning with the fiscal year ending March 31, 2018, provide to the Municipal Securities Rulemaking Board (the "MSRB") the following financial information and operating data (the "Annual Report"):

(1) The audited financial statements of the City for the prior fiscal year. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in this Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report promptly after they become available. The audited financial statements of the City are currently prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. If the City changes the format of its financial statements, (1) notice of such change shall be given in the same manner as for a Material Event, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(2) Updates as of the end of the fiscal year of the financial information and operating data contained in *Appendix A* of this Official Statement under the following sections:

### DEBT STRUCTURE OF THE CITY

Current Indebtedness of the City

Legal Debt Capacity

### FINANCIAL INFORMATION CONCERNING THE CITY

Sources of Revenue

Retail Sales Taxes

Property Valuations



*History of Property Valuation*  
*Tax Rates – Historical Tax Rates*  
*Tax Rates - Tax Collection Record*

Pursuant to the Continuing Disclosure Certificate, the City also will give notice of the occurrence of any of the following events with respect to the Bonds, no later than 10 business days after the occurrence of such event (“Material Events”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the City;
- (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent is not responsible in any manner for the content of any notice or report prepared by the City pursuant to the Continuing Disclosure Certificate.

Notwithstanding any other provision of the Continuing Disclosure Certificate, the City may amend the Continuing Disclosure Certificate and any provision of the Continuing Disclosure Certificate may be waived, provided Bond Counsel or other counsel experienced in federal securities law matters provides the City with its opinion that the undertaking of the City, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to the Continuing Disclosure Certificate.

In the event of a failure of the City to comply with any provision of the Continuing Disclosure Certificate, the Paying Agent, the Underwriter or any owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under the Continuing Disclosure Certificate. A default under the Continuing Disclosure Certificate will not be deemed an event of default under the Bond Ordinance or the Bonds, and the sole remedy under the Continuing Disclosure Certificate in the event of any failure of the City to comply with the Continuing Disclosure Certificate will be an action to compel performance.

The City has engaged in undertakings similar to the Continuing Disclosure Certificate with respect to certain prior obligations of the City, to provide to the national information repositories (presently, only the MSRB) the City’s audited financial statements and certain operating data. The City has been timely in filing its

audited financial statements and operating data updates in each of the last two years (March 31, 2016 and March 31, 2017). In the fiscal years ending March 31, 2013, March 31, 2014 and March 31, 2015, the City did not file its audited financial statements and certain operating data on a timely basis and has failed to file notices of its failure to timely file its financial statements and operating data. Over the last five years, the City has failed to file or has not timely filed notices of certain material events related to rating changes of bonds and other obligations of the City. In order to promote compliance with the City's obligations under the Continuing Disclosure Certificate and the City's prior undertakings with respect to the content of Annual Reports, the City engaged the law firm of Gilmore & Bell, P.C. to provide filing reminders and to assist the City in determining the required content of the Annual Reports and in submitting such Annual Reports to the MSRB via EMMA.

### **Electronic Municipal Market Access System (EMMA)**

All Annual Reports and notices of Material Events required to be filed by the City or the Dissemination Agent pursuant to the Continuing Disclosure Certificate must be submitted to the MSRB through the MSRB's Electronic Municipal Market Access system ("EMMA"). EMMA is an internet-based, online portal for free investor access to municipal bond information, including offering documents, material event notices, real-time municipal securities trade prices and MSRB education resources, available at [www.emma.msrb.org](http://www.emma.msrb.org). Nothing contained on EMMA relating to the City or the Bonds is incorporated by reference in this Official Statement.

### **RATING**

Moody's Investors Service, Inc. is expected to give the Bonds a rating of "Aa3" which reflects its evaluation of the investment quality of the Bonds. Such rating reflects only the view of such rating agency, and an explanation of the significance of such rating may be obtained therefrom. There is no assurance that the rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, by said rating agency if, in its judgment, circumstances warrant. Any such downward revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The City has furnished the rating agency with certain information and materials relating to the Bonds and the City that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions made by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing such rating, circumstances so warrant. The Underwriter has not undertaken any responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the ratings of the Bonds or to oppose any such proposed revision or withdrawal. Pursuant to the Continuing Disclosure Certificate, the City is required to bring to the attention of the holders of the Bonds any revision or withdrawal of the ratings of the Bonds but has not undertaken any responsibility to oppose any such revision or withdrawal. See the section herein captioned "**CONTINUING DISCLOSURE.**" Any such revision or withdrawal of the ratings could have an adverse effect on the market price and marketability of the Bonds.

### **MISCELLANEOUS**

#### **Municipal Advisor**

Piper Jaffray & Co. (the "Municipal Advisor") has acted as Municipal Advisor to the City in connection with the sale of the Bonds. The Municipal Advisor has assisted the City in matters relating to the planning, structuring and issuance of the Bonds and various other debt related matters. The Municipal Advisor will not be a manager or a member of any purchasing group submitting a proposal for the purchase of the Bonds.

#### **Underwriting**

Based upon bids received by the City on August 6, 2018, the Bonds were awarded to Robert W. Baird & Co., Inc., Milwaukee, Wisconsin (the "Underwriter"). The Bonds are being purchased for reoffering by the Underwriter. The Underwriter has agreed to purchase the Bonds from the City at a price equal to \$3,573,409.35 (representing the par amount of the Bonds less an underwriters' discount of \$35,421.25 and plus a net original issue

premium of \$108,830.60). The Underwriter is purchasing the Bonds from the City for resale in the normal course of the Underwriter's business activities. The Underwriter may sell certain of the Bonds at a price greater than such purchase price, as shown on the inside cover page hereof. The Underwriter reserves the right to offer any of the Bonds to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter, in its discretion, shall determine. The Underwriter reserves the right to join with dealers and other purchasers in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices.

### **Certification and Other Matters Regarding Official Statement**

Information set forth in this Official Statement has been furnished or reviewed by certain officials of the City, certified public accountants, and other sources, as referred to herein, which are believed to be reliable. Any statements made in this Official Statement involving matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized.

Simultaneously with the delivery of the Bonds, the Mayor of the City, acting on behalf of the City, will furnish to the Underwriter a certificate which shall state, among other things, that to the best knowledge and belief of such officer, this Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading in any material respect.

The form of this Official Statement, and its distribution and use by the Underwriter, has been approved by the City. Neither the City nor any of its officers, directors or employees, in either their official or personal capacities, has made any warranties, representations or guarantees regarding the financial condition of the City or the City's ability to make payments required of it; and further, neither the City nor its officers, directors or employees assumes any duties, responsibilities or obligations in relation to the issuance of the Bonds other than those either expressly or by fair implication imposed on the City by the Bond Ordinance.

**CITY OF KEARNEY, MISSOURI**

By:           /s/ Dan Holt            
Mayor

**APPENDIX A**

**THE CITY OF KEARNEY MISSOURI**

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## **CITY OF KEARNEY, MISSOURI**

### **General**

The City is a fourth-class city and political subdivision, duly created and existing under the laws of the State of Missouri. Additional information regarding the City may be obtained from Mr. Jim Eldridge, City Administrator, City of Kearney, 100 East Washington, P.O. Box 797, Kearney, Missouri 64060, (816) 628-4142. The City is approximately thirteen square miles in area and is located in Clay County, Missouri (“Clay County”), approximately 30 miles northeast of downtown Kansas City, Missouri (“Kansas City”). The City’s estimated population as of July 1, 2017 (US Census Bureau Population Estimates 2017) is approximately 10,049.

The City is governed by a Mayor and a four-member Board of Aldermen and day-to-day operations are under the supervision of a City Administrator. The Mayor is elected every two years and two Aldermen are elected each year for staggered terms of two years with no restrictions on reelection. The City Administrator is appointed by the Mayor with the approval of a majority of the Board of Aldermen. The appointment is for an indefinite term. The City Administrator is the budget officer of the City and works directly with the City Clerk, Budget Committee and Mayor in preparing the budget for each year. The City Administrator has continuing responsibility throughout the year in proper implementation and administration of the City budget. Tax rates are established by the Board of Aldermen to support the budget adopted. As required by state law, the aggregate City budget may not include any expenditures in excess of anticipated revenues plus any unencumbered balances. The City’s fiscal year ends on March 31.

### **Municipal Services and Utilities**

The City provides water, sewer and garbage collection services to its residents. Platte-Clay Electric Cooperative and Ameren provide the City with electricity. Spire provides gas service throughout the City. Ameren and Missouri Gas Energy are regulated by the Missouri Public Service Commission.

### **Transportation and Communication Facilities**

The City is located at the intersection of Interstate Highway 35 and Missouri Highways 33 and 92. The City is served by television, radio stations and telecable systems. Local newspaper coverage is provided by *The Kearney Courier* published weekly with a circulation of approximately 3,000. Kansas City International Airport is approximately 20 miles southwest of the City.

### **Educational Institutions and Facilities**

The Kearney R-I School District of Clay County, Missouri (the “District”) currently holds an “accredited” rating from the State Department of Elementary and Secondary Education. The District has 4 elementary schools, a middle school, a junior high school and a senior high school with a total enrollment of over 3,400 students. The City’s location within 30 miles of downtown Kansas City, Missouri provides access to numerous colleges and universities for continued educational opportunities.

### **Recreational and Religious Facilities**

Year-round activity programs are sponsored by the City’s Parks and Recreation Department, which manages over 178 acres of park land. The Mari Mac Golf Complex is an 18-hole par 3 public golf course located in the City. East of Kearney is Watkins Mill State Park which contains the first woolen mill west of the Mississippi River. The park includes a visitor’s center, the mill with the original equipment still intact, the “Bethany” plantation home, Mt. Vernon Church (established in 1871) and the octagonal Franklin School (established in 1856), all restored buildings. Smithville Lake and Dam is within 10 miles of the City providing boating, fishing, swimming and camping facilities. The City has churches representing most of the major denominations.

## Economy

In 1990 the population of the City was 1,790 compared to the 2000 Census population of 5,472. The 2010 Census population increased to 8,381, a 53 percent growth rate over ten years. What was largely farmland a few decades ago has become a fast-growing community offering an excellent education system with award-winning schools alongside top-rated city services, abundant parks and trails, and safe neighborhoods. The City offers affordable homes and diverse housing choices, as well as a competitive business environment that supports and encourages investment.

### ECONOMIC INFORMATION CONCERNING THE CITY

#### Commerce and Industry

Some major employers in the City of Kearney and surrounding areas include:

<u>Employer</u>	<u>Product/Service</u>	<u>Number of Employees</u>
1. Ford Motor Company Assembly Plant	Automobiles	7,220
2. Liberty Hospital	Health Care	1,850
3. Kearney R-I School District	Education	598
4. Cosentino's Price Chopper	Grocery	200
5. Platte-Clay Electric Cooperative	Utilities	67
6. McDonald's	Fast Food	60
7. Mr. Dell Foods	Frozen Potato Products	49
8. City of Kearney	Government	48

Source: *Kansas City Business Journal* – Top Area Private Sector Employers; Kearney Area Development Council.

#### General and Demographic Information

The following tables set forth certain population information.

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2016</u>
City of Kearney	1,790	5,472	8,381	9,259
Clay County	153,411	184,006	221,939	233,135
State of Missouri	5,117,073	5,595,211	5,988,927	6,059,651

Source: U.S. Bureau of the Census, 2012-2016 American Community Survey 5-Year Estimates

#### Population Distribution by Age

<u>Age</u>	<u>City of Kearney</u>	<u>Clay County</u>	<u>State of Missouri</u>
Under 5	593	15,621	374,010
5-19 years	2,589	47,850	1,182,873
20-44 years	2,950	79,609	1,960,854
45-54 years	1,336	32,303	820,875
55-64 years	763	28,012	791,105
65 years and older	<u>1,028</u>	<u>29,740</u>	<u>929,934</u>
Total	<u>9,259</u>	<u>233,135</u>	<u>6,059,651</u>
Median Age	33.9	36.8	38.3

Source: U.S. Bureau of the Census, 2012-2016 American Community Survey 5-Year Estimates.

## Employment

The following table sets forth unemployment figures for the last five years for Clay County and the State of Missouri.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018*</u>
<i>Clay County</i>					
Total Labor Force	130,479	133,069	134,971	134,696	134,045
Unemployed	6,995	6,030	5,229	4,862	4,563
Unemployment Rate	5.4%	4.5%	3.9%	3.6%	3.4%
<i>State of Missouri</i>					
Total Labor Force	3,059,067	3,096,678	3,111,517	3,058,921	3,038,970
Unemployed	186,699	154,857	140,815	116,650	112,021
Unemployment Rate	6.1%	5.0%	4.5%	3.8%	3.7%

Source: Missouri Department of Labor and Industrial Relations. \*Average, January through May 2018.

## Income Statistics

The following table sets forth income figures from the last census information.

	<u>Per Capita</u>	<u>Median Family</u>
City of Kearney	\$26,143	\$79,720
Clay County	30,531	75,961
State of Missouri	27,044	62,285

## Housing Structures

The median value of owner occupied housing units in the area of the City was, according to the 2016 census, as follows:

	<u>Median Value</u>
City of Kearney	\$158,100
Clay County	156,600
State of Missouri	141,200

Source: U.S. Bureau of the Census, 2012-2016 American Community Survey 5-Year Estimates.

## Building Construction

The following table indicates the number of building permits and total estimated valuation of these permits issued within the City over a five-year period. These numbers reflect permits issued for new construction.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<i>Residential</i>					
Number of Permits	62	59	116*	99	125
Estimated Cost	\$11,311,500	\$10,995,500	\$13,919,910	\$20,472,312	\$28,089,102
<i>Commercial</i>					
Number of Permits	23	19	21	21	18
Estimated Cost	\$1,271,980	\$13,341,965	\$8,324,748	\$4,578,503	\$5,653,235
<b>TOTALS:</b>					
Number of Permits	85	78	137	120	143
Estimated Cost	\$12,583,480	\$24,337,465	\$22,244,658	\$25,050,815	\$33,742,337

Source: City. \*Includes 48 apartment units at a cost of \$4,776,948.

## DEBT STRUCTURE OF THE CITY

### Current Indebtedness of the City

General obligation indebtedness of the City as of July 1, 2018 is as follows:

<u>Name of Issue</u>	<u>Issue Date</u>	<u>Principal Amount</u>	<u>Amount Outstanding</u>
GO Refunding & Improvement Bonds	2/18/2015	\$9,290,000	<u>\$7,850,000</u>
Total			<u>\$7,850,000</u>

### History of General Obligation Indebtedness

The following table sets forth debt information pertaining to the City as of the end of each of the last five fiscal years:

<u>As of March 31</u>	<u>Total Outstanding Debt</u>	<u>Debt as Percentage of Assessed Value</u>
2018	\$7,850,000	4.74%
2017	8,370,000	5.49
2016	8,895,000	5.92
2015	9,955,000	3.18
2014	4,795,000	3.41



**Debt Summary**  
**(as of 7/1/2018**  
**(except as noted**  
**below))**

2017 Assessed Valuation:	\$165,551,755
2017 Estimated Actual Valuation:	\$739,906,091
Estimated Population	10,049
Total Outstanding General Obligation Debt: <sup>(1)</sup>	\$11,350,000
Overlapping Debt: <sup>(2)</sup>	\$21,021,335
Direct and Overlapping General Obligation Debt:	\$32,371,335
Ratio of General Obligation Debt to Assessed Valuation:	6.86%
Ratio of General Obligation Debt to Estimated Actual Valuation:	1.53%
Per Capita General Obligation Debt:	\$1,129.47
Ratio of Direct and Overlapping Debt to Assessed Valuation:	19.55%
Ratio of Direct and Overlapping Debt to Estimated Actual Valuation:	4.38%
Per Capita Direct and Overlapping Debt:	\$3,221.35

<sup>(1)</sup> Includes the Bonds and Outstanding general obligation debt as of July 1, 2018.

<sup>(2)</sup> Includes general obligation debt of political subdivisions with boundaries overlapping the City. See "Debt Structure of the City- Overlapping Indebtedness."

**Overlapping Indebtedness**

The following table sets forth the approximate overlapping indebtedness (general obligation bonds) of political subdivisions with boundaries overlapping the City as of July 1, 2018, and the percentage attributable (on the basis of current assessed valuation) to the City.

<u>Taxing Jurisdiction</u>	<u>Outstanding General Obligation Indebtedness</u>	<u>Percent Applicable to City</u>	<u>Amount Applicable to City</u>
Kearney R-I School District	\$42,215,000	46.9%	\$19,798,835
Kearney Fire and Rescue Protection District of Clay County, Missouri	2,445,000	50.1	<u>1,222,500</u>
			<u>\$21,021,335</u>

**Other Obligations**

The City also issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service, enters into lease financings payable from annual appropriations and issues bonds payable from certain incremental property and sales tax revenues generated in tax increment financing redevelopment areas. Such obligations of the City outstanding as of July 1, 2018 are as follows:

<u>Revenue Bonds</u>	<u>Original Issue</u>	<u>Amount Outstanding</u>
Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund), Series 2001C	\$2,645,000	\$765,000
		<u>\$765,000</u>

### **Lease Financings**

Lease Purchase Agreement, 2013 (Water Meter AMI System)	\$1,036,000	\$533,811
Certificates of Participation, Series 2013 (Water and Sewer)	4,800,000	3,885,000
Lease Purchase Agreement, 2015 (Sludge Equipment)	396,997	275,733
Lease Purchase Agreement 2016	1,498,000	1,071,000
Lease Purchase Agreement 2017	413,000	<u>378,291</u>
		<u>\$6,143,835</u>

The City has authorized an additional lease financing designated as its Certificates of Participation Series 2018 in the amount of \$7,360,000 to finance the costs of water and sewer system improvements and to construct and improve sidewalks along Highway 92. The financing has a final maturity in 2033, has a true interest cost of 3.21%, and is expected to close on July 30, 2018.

### **Legal Debt Capacity**

Article VI, Sections 26(b) and (c) of the Constitution of the State of Missouri limit the net outstanding amount of authorized general obligation indebtedness for a city to 10 percent of the assessed valuation of the city by a two-thirds (four-sevenths at certain elections) vote of the qualified voters. Article VI, Section 26(d) provides that a city may, by a two-thirds (four-sevenths at certain elections) vote of the qualified voters, incur indebtedness in an amount not to exceed an additional 10 percent for the purpose of acquiring rights-of-way, construction, extending and improving streets and avenues, and sanitary or storm sewer systems, provided the total general obligation indebtedness of a city does not exceed 20 percent of the assessed valuation. Article VI, Section 26(e) provides that a city may, by a two-thirds (four-sevenths at certain elections) vote of the qualified voters, incur indebtedness in an amount not exceeding an additional 10 percent for the purpose of purchasing or constructing waterworks, electric or other light plans to be owned exclusively by the city, provided that the total general obligation indebtedness of a city does not exceed 20 percent of the assessed valuation. The legal debt capacity of the City is \$33,110,351, less the amount of outstanding general obligation debt in the amount of \$7,850,000 and authorized, but unissued, general obligation bonds in the amount of \$24,300,000 (including the Bonds), the legal debt margin of the City is \$960,351.

### **Defaults on City Indebtedness**

The City has never defaulted on the payment of any of its debt obligations.

## **FINANCIAL INFORMATION CONCERNING THE CITY**

### **Accounting, Budgeting and Auditing Procedures**

The City currently produces financial statements that are in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate.

An annual budget is prepared under the direction of the City Administrator and submitted to the Board of Aldermen for consideration prior to the fiscal year commencing on April 1. The operating budget includes proposed expenditures and revenue sources. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted through the adoption of an ordinance. The primary basis of budgetary control is at the departmental level. The City Administrator is authorized to transfer budgeted amounts between programs within any department; however, any revisions that alter the total expenditures of any department must be approved by the Board of Aldermen. Formal budgetary integration is employed as a management control device during the year for all funds. Budgets for all funds are adopted on a cash basis.

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The annual audit for the fiscal year ending March 31, 2017 was performed by Accounting Solutions Group, LLC., Kansas City, Missouri. Copies of the audit reports for the past 5 years are on file in the City Administrator's office and are available for review.

**Sources of Revenue**

The City finances its general operations through the following taxes and other miscellaneous sources as indicated below for the City's general fund for fiscal year 2017 (the most recent fiscal year for which audited financial statements are available):

<u>Source</u>	<u>Amount</u>	<u>Percent</u>
Taxes	\$3,140,267	78.6%
Licenses, Permits, Fines & Fees	204,875	5.1
Charge for Services	584,573	14.6
Interest	11,767	0.3
Grants/Donations	6,409	0.2
Other Revenue	<u>47,796</u>	<u>1.2</u>
	<u>\$3,995,687</u>	<u>100.00%</u>

**Retail Sales Taxes**

The following table shows collections of sales taxes for the City during the last five fiscal years:

<u>Fiscal Year</u>	<u>1% General</u>	<u>1/2% Transportation</u>	<u>1/2% Capital</u>
2017	\$1,422,076	\$671,636	\$636,955
2016	1,372,858	636,216	634,111
2015	1,206,842	546,831	543,115
2014	996,340	458,228	454,534
2013	1,016,037	464,830	459,686

Source: City.

The City currently collects a 1% sales tax for general purposes, a 1/2% sales tax for transportation purposes, and a 1/2% sales tax used to fund capital improvements. The City has also approved an increase in its general sales tax by 1%, to a total of 2%, with revenues from the increased sales tax expected to provide revenues to pay debt service on the Bonds and any other general obligation bonds issued to finance costs of the Project or other costs of the Project not funded with general obligation bonds.

**Tax Increment Financing**

The City has designated tax increment financing redevelopment areas within the City and authorized tax increment financing within those redevelopment areas to reimburse redevelopment project costs to assist in certain developments. These costs are payable solely from moneys on deposit in a "special allocation fund." The moneys deposited into the special allocation fund may consist of (a) certain payments in lieu of taxes, attributable to the increase in assessed valuation of the real property within the redevelopment areas as a result of development, and (b) fifty percent of the total additional revenue from taxes (including the sales taxes of the City but excluding certain other taxes) of local taxing districts that are generated by economic activities within the redevelopment areas over the amount of such taxes generated by economic activities within the year in the calendar year in which the redevelopment areas were designated. As a result, the payments in lieu of taxes attributable to the increase in

assessed valuation of the real property within the redevelopment areas and up to fifty percent (50%) of the additional revenues generated by the sales taxes within such redevelopment areas over the amount so generated in the year in which such redevelopment areas were designated may not be available to the City but instead might be deposited into the special allocation fund and used to pay redevelopment project costs related to the development. The City does not expect that the amount of such payments in lieu of taxes or sales taxes paid into special allocation funds from these projects will materially affect its ability to pay the Bonds.

**Property Valuations**

*Assessment Procedure:*

All taxable real and personal property within the City is assessed annually by the County Assessor. Missouri law requires that real property be assessed at the following percentages of true value:

Residential real property .....	19%
Agricultural and horticultural real property .....	12%
Utility, industrial, commercial, railroad and all other real property .....	32%

A general reassessment of real property occurred statewide in 1985. In order to maintain equalized assessed valuations following this reassessment, the Missouri General Assembly adopted a maintenance law in 1986. Beginning January 1, 1987, and every odd-numbered year thereafter, each County Assessor must adjust the assessed valuation of all real property located within his or her county in accordance with a two-year assessment and equalization maintenance plan approved by the State Tax Commission.

The assessment ratio for personal property is generally 33-1/3% of true value. However, subclasses of tangible personal property are assessed at the following assessment percentages: grain and other agricultural crops in an unmanufactured condition, 1/2%; livestock, 12%; farm machinery, 12%; historic motor vehicles, 5%; and poultry, 12%.

The County Assessor is responsible for preparing the tax roll each year and for submitting the tax roll to the Board of Equalization. The County Board of Equalization has the authority to adjust and equalize the values of individual properties appearing on the tax rolls.

*Current Assessed Valuation:*

The following table shows the total assessed valuation, by category, of all taxable tangible property situated in the City according to the assessment of **2017** (the last completed assessment):

	<u>Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Actual Valuation</u>
Real Estate:			
Residential	\$104,918,730	19%	\$552,203,842
Commercial	30,183,899	32	94,324,684
Agricultural	<u>380,660</u>	12	<u>3,172,167</u>
Sub-Total	135,483,289		649,700,693
Personal Property	<u>30,068,466</u>	33 1/3%*	<u>90,205,398</u>
Total	<u>\$165,551,755</u>		<u>\$739,906,091</u>

\* Assumes all personal property is assessed at 33 1/3%; because certain subclasses of tangible personal property are assessed at less than 33 1/3%, the estimated actual valuation for personal property would likely be greater than that shown above. See "Assessment Procedure" discussed above.

*History of Property Valuation:*

The total assessed valuation of all taxable tangible property situated in the City, including state assessed railroad and utility property, but excluding the assessed value of property constructed in tax increment financing redevelopment areas, according to the assessments of January 1 in each of the following years, has been as follows:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Percent Change</u>
2017	\$160,916,155	5.55%
2016	152,454,882	1.51
2015	150,177,143	6.90
2014	140,476,410	1.34
2013	138,618,827	0.99

**Property Tax Levies and Collections**

*Tax Collection Procedure:*

Property taxes are levied and collected by the County. The City is required by law to prepare an annual budget, which includes an estimate of the amount of revenues to be received from all sources for the budget year, including an estimate of the amount of money required to be raised from property taxes and the tax levy rates required to produce such amounts. The budget must also include proposed expenditures and must state the amount required for the payment of interest, amortization and redemption charges on the City's debt for the ensuing budget year. Such estimates are based on the assessed valuation figures provided by the County Clerk. The City must fix its ad valorem property tax rates and certify them to the County Clerk not later than September first for entry in the tax books.

The County Clerk receives the county tax books from the County Assessor, which set forth the assessments of real and personal property. The County Clerk enters the tax rates certified to him by the local taxing bodies in the tax books and assesses such rates against all taxable property in the City as shown in such books. The County Clerk forwards the tax books by October 31 to the County Collector, who is charged with levying and collecting taxes as shown therein. The County Collector extends the taxes on the tax rolls and issues the tax statements in early December. Taxes are due by December 31 and become delinquent if not paid to the County Collector by that time. All tracts of land and city lots on which delinquent taxes are due are charged with a penalty of eighteen percent of each year's delinquency. All lands and lots on which taxes are delinquent and unpaid are subject to sale at public auction in August of each year.

The County Collector is required to make disbursements of collected taxes to the City each month. Because of the tax collection procedure described above, the City receives the bulk of its moneys from local property taxes in the months of December, January and February.

**Tax Rates**

*Debt Service Levy.* The current debt service levy of the City is \$0.0500 per \$100 of assessed valuation. Once indebtedness has been approved by the constitutionally required percentage of the voters voting therefor and bonds are issued, the City is required under Article VI, Section 26(f) of the Missouri Constitution to levy an annual tax on all taxable tangible property therein sufficient to pay the interest and principal of the indebtedness as they fall due and to retire the same within 20 years from the date of issue. The Board of Aldermen may set the tax rate for debt service, without limitation as to rate or amount, at the level required to make such payments.

*Operating Levy.* The current general fund levy of the City is \$0.5762 per \$100 of assessed valuation. The general fund levy cannot exceed the "tax rate ceiling" for the current year without voter approval. The tax rate ceiling, determined annually, is the rate of levy which, when charged against the newly assessed valuation of the City for the current year, excluding new construction and improvements, will produce an amount of tax revenues

equal to tax revenues for the previous year increased by 5% or the Consumer Price Index, whichever is lower. Without the required percentage of voter approval, the tax rate ceiling cannot at any time exceed the greater of the tax rate in effect in 1980 or the most recent voter-approved tax rate. The tax levy for debt service on the City's general obligation bonds is exempt from the calculations of and limitations upon the tax rate ceiling. Under Article X, Section 11(c) of the Missouri Constitution, any increase in the City's general fund levy above \$1.00 must be approved by two-thirds of the voters voting on the proposition. The current tax rate ceiling for the general fund is \$0.7628 per \$100 of assessed valuation.

In 2008, through the enactment of Senate Bill 711 ("SB 711"), the Missouri General Assembly approved further limitations on the amount of property taxes that can be imposed by a local governmental unit. Prior to the enactment of SB 711, a Hancock rollback would not necessarily result in a reduction of a city's actual operating tax levy if its current tax levy was less than its current tax levy ceiling, due to the city's voluntary rollback from the maximum authorized tax levy. Under SB 711, in reassessment years (odd-numbered years), the Hancock rollback is applied to a city's actual operating tax levy, regardless of whether that levy is at the city's tax levy ceiling. This further reduction is sometimes referred to as an "SB 711 rollback." In non-reassessment years (even-numbered years), the operating levy may be increased to the city's tax levy ceiling (as adjusted by the Hancock rollback), only after a public hearing and adoption of a resolution or policy statement justifying the action.

*Historical Tax Rates:*

The following table shows the City's tax levies (per \$100 of assessed valuation) for each of the last five fiscal years and the current fiscal year:

<b>Fiscal Year Ended March 31</b>	<b>General Fund</b>	<b>Debt Service</b>	<b>Total Levy</b>
2018	\$0.5762	\$0.0500	\$0.6262
2017	0.5800	0.0500	0.6300
2016	0.5800	0.0500	0.6300
2015	0.5800	0.0500	0.6300
2014	0.5800	0.0500	0.6300
2013	0.5800	0.0500	0.6300

*Tax Collection Record:*

The following table sets forth tax collection information for the City for the last five fiscal years for which audited financial statements are available.

<b>Year Ended March 31</b>	<b>Total Levy</b>	<b>Taxes Levied</b>	<b>Current and Delinquent Taxes Collected</b>	
			<b>Amount</b>	<b>%</b>
2017	\$0.63	\$960,466	\$959,046	99.85%
2016	0.63	920,436	930,832	101.13
2015	0.63	874,768	891,318	101.90
2014	0.63	855,001	868,097	101.50
2013	0.63	855,248	861,309	100.70

Source: The City

*Major Property Taxpayers:*

The following table sets forth the ten largest real property taxpayers in the City based upon assessed valuation of **2017**.

	<b><u>Name of Taxpayer</u></b>	<b><u>Local Assessed Valuation</u></b>	<b><u>% of Total Local Assessed Valuation</u></b>
1.	Platte-Clay Properties	\$1,658,020	1.0%
2.	Group Kearney, LLC	1,385,020	0.8
3.	Pilot Travel Centers, LLC	1,378,240	0.8
4.	Platte-Clay Electric Co-op	1,297,950	0.7
5.	KCB Bank	1,263,230	0.7
6.	Star Development Corp	986,360	0.5
7.	Laclede Gas Co	947,140	0.5
8.	Head Properties, LLC	865,270	0.5
9.	PG (Multi-16) LP	814,500	0.4
10.	Kearney QTP, LLC	759,300	0.4

Source: Clay County Assessor.

**APPENDIX B**

**ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS**





**CITY OF KEARNEY, MISSOURI**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2017**

Accounting Solutions Group, LLC  
816-646-9502

8320 N. Oak Trafficway, Suite 223B  
Kansas City, MO 64118

# CITY OF KEARNEY, MISSOURI

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**CITY OF KEARNEY, MISSOURI  
LIST OF PRINCIPAL OFFICIALS  
MARCH 31, 2017**

**MAYOR AND BOARD OF ALDERMAN**

Bill Dane .....	Mayor
Eric Schumate .....	Alderman
Gerri Spencer .....	Alderman
Dan Holt.....	Alderman
Marie Steiner.....	Alderman

**CITY ADMINISTRATOR / CLERK**

Jim Eldridge



## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen  
City of Kearney, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kearney, as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Kearney, as of March 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

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

## **Other Information**

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 6, 2017, on our consideration of the City of Kearney's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grand agreements and other matters. The purpose of that report is to describe

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

*Accounting Solutions Group, LLC*

Accounting Solutions Group, LLC

Kansas City, Missouri  
September 6, 2017

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include integrated sets of financial statements as required by GASB. The sets of statements include:

- Government-wide Financial Statements
- Fund Financial Statements
  - Governmental Funds
  - Agency Funds
- Proprietary Funds

In addition, the notes to basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**CITY OF KEARNEY, MISSOURI**  
**Statement of Net Position**  
**March 31, 2017**

	<b>Primary Government</b>		
	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
Cash and Investments	\$ 4,679,506	\$ 1,534,325	\$ 6,213,831
Receivables, net:			
Taxes	294,879	-	294,879
Accounts	43,509	201,170	244,679
Intergovernmental	-	-	-
Note Receivable	500,814	-	500,814
Restricted Cash and Investments	45,278	-	45,278
Capital Assets:			
Assets Not Being Depreciation	564,419	351,071	915,490
Assets Being Depreciated, Net of Depreciation	10,119,298	13,722,359	23,841,657
Deferred Outflows:			
Excess Investment Returns	149,942	-	149,942
Contributions Subsequent to Measurement Date	125,416	-	125,416
Difference in Actuarial Assumptions	68,227	-	68,227
Total Assets	16,591,288	15,808,925	32,400,213
<b>Liabilities</b>			
Accounts Payable	457,633	44,540	502,173
Accrued Interest	18,306	9,316	27,622
Customer Deposits	-	194,539	194,539
Long-term Obligations:			
Amounts due in less than one year	689,000	703,139	1,392,139
Amounts due in more than one year	9,414,229	5,732,540	15,146,769
Net Pension Liability	29,411	-	29,411
Total Liabilities	10,608,579	6,684,074	17,292,653
Deferred Inflows:			
Difference Between Expected and Actual Experience	20,147	-	20,147
<b>Net Position</b>			
Net Investment in Capital Assets	2,137,465	6,514,016	8,651,481
Restricted			
Public Safety	14,928	-	14,928
Public Works	842,143	-	842,143
Capital Outlay	175,137	-	175,137
Debt Service	596,139	-	596,139
Unrestricted	2,196,750	2,610,835	4,807,585
Total Net Position	<u>\$ 5,962,562</u>	<u>\$ 9,124,851</u>	<u>\$ 15,087,413</u>

See accompanying notes to the basic financial statements.



**CITY OF KEARNEY, MISSOURI**  
**Statement of Activities**  
**For the Year Ended March 31, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
<b>Governmental Activities</b>							
General Government	\$ 654,436	\$ 87,058	\$ -	\$ -	\$ (567,378)	\$ -	\$ (567,378)
Public Safety	1,826,266	83,476	-	-	(1,742,790)	-	(1,742,790)
Public Works	1,354,141	-	-	6,409	(1,347,732)	-	(1,347,732)
Solid Waste	453,685	419,311	-	-	(34,374)	-	(34,374)
Parks and Recreation	717,859	205,197	-	-	(512,662)	-	(512,662)
Community Development	689,860	74,382	-	12,186	(603,292)	-	(603,292)
Bond Issue Expenses	-	-	-	-	-	-	-
Interest on Long-term Debt	270,638	-	-	-	(270,638)	-	(270,638)
Total Governmental Activities	5,966,885	869,424	-	18,595	(5,078,866)	-	(5,078,866)
<b>Business-type Activities:</b>							
Water and Sewer	2,296,829	2,731,109	-	-	-	434,280	434,280
Total Business-type Activities	2,296,829	2,731,109	-	-	-	434,280	434,280
Total Primary Government	\$ 8,263,714	\$ 3,600,533	\$ -	\$ 18,595	(5,078,866)	434,280	(4,644,586)
<b>General Revenue</b>							
<b>Taxes</b>							
Property Taxes					1,738,277	-	1,738,277
Sales Taxes					3,278,181	-	3,278,181
Franchise Taxes					758,813	-	758,813
Interest Income					55,165	11,406	66,571
Miscellaneous					48,753	-	48,753
Pension Income					(549,796)	-	(549,796)
Total General Revenues					5,329,393	11,406	5,340,799
Change in Net Position					250,527	445,686	696,213
Net Position, Beginning of the Year, <del>As Restated</del>					5,712,035	8,679,165	14,391,200
Net Position, End of the Year					\$ 5,962,562	\$ 9,124,851	\$ 15,087,413

See accompanying notes to the basic financial statements.

**CITY OF KEARNEY, MISSOURI**  
**Balance Sheet - Government Funds**  
**March 31, 2017**

	General	Highway Construction	GO Highway Bonds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Investments	\$ 2,252,110	\$ 494,132	\$ 529,710	\$ 1,403,554	\$ 4,679,506
Receivables, net:					
Taxes	148,404	-	-	146,475	294,879
Accounts	43,509	-	-	-	43,509
Intergovernmental	-	-	-	-	-
Note Receivable	-	500,814	-	-	500,814
Restricted Cash and Investments	-	-	-	45,278	45,278
Total Assets	<u>\$ 2,444,023</u>	<u>\$ 994,946</u>	<u>\$ 529,710</u>	<u>\$ 1,595,307</u>	<u>\$ 5,563,986</u>
<b>Liabilities</b>					
Accounts Payable	\$ 99,891	\$ 20,008	\$ 318	\$ 337,416	\$ 457,633
Total Liabilities	99,891	20,008	318	337,416	457,633
<b>Deferred Inflows of Resources</b>					
Unavailable Revenues	-	500,814	-	-	500,814
<b>Fund Balances</b>					
Restricted for:					
Public Safety	-	-	-	14,928	14,928
Public Works	-	-	-	842,143	842,143
Capital Outlay	-	-	-	175,137	175,137
Debt Service	-	-	529,392	66,747	596,139
Committed for:					
Parks and Recreation	147,382	-	-	-	147,382
Assigned for:					
Cemetery	208,773	-	-	-	208,773
Culture and Recreation	173,683	-	-	-	173,683
Capital Outlay	-	474,124	-	158,936	633,060
Unassigned:	1,814,294	-	-	-	1,814,294
Total Fund Balances	<u>2,344,132</u>	<u>474,124</u>	<u>529,392</u>	<u>1,257,891</u>	<u>4,605,539</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 2,444,023</u>	<u>\$ 994,946</u>	<u>\$ 529,710</u>	<u>\$ 1,595,307</u>	<u>\$ 5,563,986</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, 2017**

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

Ending Fund Balances - Total Governmental Funds	\$ 4,605,539
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Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position, the cost of those assets is capitalized and shown at cost, net of accumulated depreciation. This is the amount of net capital assets reported in the Statement of Net Position.	10,683,717
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Certain revenues are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the governmental funds.	500,814
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Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. This amount includes the following long-term liabilities and related items:

Accrued Interest Payable	(18,306)
Long-term Liabilities	(10,103,229)

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

Deferred Outflows - Difference in Actuarial Assumptions	68,227
Deferred Outflows - Excess Investment Return	149,942
Deferred Outflows - Contributions Subsequent to Measurement Date	125,416
Net Pension Liability	(29,411)
Deferred Inflows - Difference Between Expected and Actual Experience	(20,147)

Total Net Position of Governmental Activities	<u>\$ 5,962,562</u>
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See accompanying notes to the basic financial statements.

**CITY OF KEARNEY, MISSOURI**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**For the Year Ended March 31, 2017**

<b>Revenues</b>	General	Highway Construction	GO Highway Bonds	Non-Major Governmental Funds	Total
Taxes	\$ 3,140,267	\$ -	\$ 69,924	\$ 2,565,080	\$ 5,775,271
Intergovernmental	-	74,382	-	-	74,382
Licenses, Permits, Fines and Fees	204,875	-	-	5,594	210,469
Charges for Services	584,573	-	-	-	584,573
State Grant	6,409	12,186	-	-	18,595
Interest	11,767	35,637	3,461	4,300	55,165
Miscellaneous	47,796	-	-	957	48,753
Total Revenue	<u>3,995,687</u>	<u>122,205</u>	<u>73,385</u>	<u>2,575,931</u>	<u>6,767,208</u>
<b>Expenditures</b>					
Current:					
General Government	562,356	-	-	-	562,356
Public Safety	1,705,365	-	-	7,489	1,712,854
Public Works	-	-	-	1,155,815	1,155,815
Solid Waste	453,685	-	-	-	453,685
Parks and Recreation	607,466	-	-	-	607,466
Community Development	288,945	2,376,574	-	1,336,200	4,001,719
Debt Service:					
Principal	35,082	-	470,000	165,463	670,545
Interest and Fiscal Charges	11,956	-	206,199	57,192	275,347
Total Expenditures	<u>3,664,855</u>	<u>2,376,574</u>	<u>676,199</u>	<u>2,722,159</u>	<u>9,439,787</u>
Revenues Collected Over (Under) Expenditures Paid	330,832	(2,254,369)	(602,814)	(146,228)	(2,672,578)
Bond Transactions					
Bond Proceeds		-			-
Bond Premium		-			-
Bond Issue Costs		-			-
Operating Transfers					
Transfers In	1,619,513	-	675,600	821,534	3,116,647
Transfers Out	(1,868,004)	-	-	(707,106)	(2,575,110)
Total Other Financing Sources (Uses)	<u>(248,491)</u>	<u>-</u>	<u>675,600</u>	<u>114,428</u>	<u>541,536</u>
Net Changes in Fund Balances	82,341	(2,254,369)	72,786	(31,800)	(2,131,042)
Fund Balance, Beginning of Year	<u>2,261,791</u>	<u>2,728,493</u>	<u>456,606</u>	<u>1,289,691</u>	<u>6,736,581</u>
Fund Balance, End of Year	<u>\$ 2,344,132</u>	<u>\$ 474,124</u>	<u>\$ 529,392</u>	<u>\$ 1,257,891</u>	<u>\$ 4,605,539</u>

See accompanying notes to the basic financial statements.

**CITY OF KEARNEY, MISSOURI**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances -**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended March 31, 2017**

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

Net Change in Fund Balances - Total Governmental Funds \$ (2,131,042)

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	2,831,999
Depreciation Expense	(442,204)

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	(52,259)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial  
resources to governmental funds, while the repayment of the principal of long-  
term debt consumes the current financial resources of governmental funds.  
Neither transaction has any effect on net position. This amount is the net effect  
of these differences in the treatment of long-term debt and related items.

Principal Payments on Bonds and Leases	670,545
Change in Accrued Interest Payable	(4,709)

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	(72,007)
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GASB 68 entries related to recording net pension expense/income:

Current year net pension income activity	(549,796)
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Change in Net Position of Governmental Activities	\$ 250,527
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See accompanying notes to the basic financial statements.

**CITY OF KEARNEY, MISSOURI**  
**Statement of Net Position**  
**Proprietary Fund - Water and Sewer**  
**March 31, 2017**

**Assets**

Current Assets	
Cash and Investments	\$ 1,534,325
Accounts Receivable	201,170
Restricted Cash and Investments	<u>-</u>
Total Current Assets	1,735,495
Non Current Assets	
Capital Assets:	
Assets Not Depreciated	351,071
Assets Being Depreciated, Net of Depreciation	<u>13,722,359</u>
Total Non Current Assets	<u>14,073,430</u>
Total Assets	<u><u>\$ 15,808,925</u></u>

**Liabilities**

Current Liabilities	
Accounts Payable	\$ 44,540
Accrued Interest	9,316
Customer Deposits	194,539
Long-term Obligations, Due Within One year	<u>703,139</u>
Total Current Liabilities	951,534
Non Current Liabilities	
Long-term Obligations	<u>5,732,540</u>
Total Liabilities	6,684,074

**Net Position**

Net Investment in Capital Assets	6,514,016
Restricted for Debt Service	-
Unrestricted	<u>2,610,835</u>
Total Net Position	<u>9,124,851</u>
Total Liabilities and Net Position	<u><u>\$ 15,808,925</u></u>

See accompanying notes to the basic financial statements.

**CITY OF KEARNEY, MISSOURI**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**Proprietary Fund - Water and Sewer**  
**For the Year Ended March 31, 2017**

<b>Operating Revenues:</b>	
Charges for Services	\$ 2,648,127
Miscellaneous	82,982
	<hr/>
Total Revenue	2,731,109
 <b>Operating Expenses:</b>	
Personnel Services	521,613
Contractual Services	892,931
Supplies	330,046
Depreciation	350,058
Other	558
	<hr/>
Total Expenses	2,095,206
Operating Income	635,903
 <b>Nonoperating Revenues (Expenses)</b>	
Intergovernmental	-
Interest Income	11,406
Interest Expense	(201,623)
	<hr/>
Total Nonoperating Revenues and Expenses	(190,217)
Change in Net Position	445,686
Net Position, Beginning of Year	<hr/> 8,679,165
Net Position, End of Year	<u><u>\$ 9,124,851</u></u>

See accompanying notes to the basic financial statements.

**CITY OF KEARNEY, MISSOURI**  
**Statement of Cash Flows -**  
**Proprietary Fund - Water and Sewer**  
**For the Year Ended March 31, 2017**

<b>Cash Flows from Operating Activities:</b>	
Receipts from Customers	\$ 2,799,579
Payments to Suppliers and Vendors	(1,242,520)
Payments to Employees for Services	<u>(576,623)</u>
Net Cash Provided by Operating Activities	980,436
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Lease Agreement Proceeds	-
Purchases of Capital Assets	(139,591)
Payments on Long-term Debt	(609,562)
Interest and Bond Cost paid on Capital Debt	(212,721)
Other Adjustments	<u>21,711</u>
Net Cash Provided by Capital and Related Financing Activities	(940,163)
<b>Cash Flows from Investment Activities:</b>	
Interest Income	<u>11,406</u>
Net Cash Provided by Investment Activities	<u>11,406</u>
Net Change in Cash and Cash Equivalents	51,679
Cash and Cash Equivalents, Beginning of Year	1,482,646
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,534,325</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating Income	\$ 635,903
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	350,058
Change in Assets and Liabilities:	
Accounts Receivable	68,290
Accounts Payable	(17,369)
Accrued Compensated Absences	(58,013)
Interest Payable	(7,458)
Deposits	<u>9,025</u>
Net Cash Provided by Operating Activities	<u><u>\$ 980,436</u></u>
<b>Cash and Cash Equivalents consists of:</b>	
Cash and Investments	\$ 1,534,325
Restricted Cash	<u>-</u>
	<u><u>\$ 1,534,325</u></u>

See accompanying notes to the basic financial statements.



**CITY OF KEARNEY, MISSOURI**  
**Statement of Assets and Liabilities - Agency Funds**  
**March 31, 2017**

	Municipal Court	Road District	Community Improvement District	Total
<b>Assets</b>				
Cash - Checking and Savings	<u>\$ 7,000</u>	<u>\$ 138,043</u>	<u>\$ 271,373</u>	<u>\$ 416,416</u>
Total Assets	<u><u>\$ 7,000</u></u>	<u><u>\$ 138,043</u></u>	<u><u>\$ 271,373</u></u>	<u><u>\$ 416,416</u></u>
<b>Liabilities</b>				
Due to Others	<u>\$ 7,000</u>	<u>\$ 138,043</u>	<u>\$ 271,373</u>	<u>\$ 416,416</u>
Total Liabilities	<u><u>\$ 7,000</u></u>	<u><u>\$ 138,043</u></u>	<u><u>\$ 271,373</u></u>	<u><u>\$ 416,416</u></u>

See accompanying notes to the basic financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements**  
**March 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

Financial Reporting Entity

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

Primary Government: City of Kearney, Missouri

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

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

Basis of Presentation

*Governmental-wide Financial Statements*

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

*Fund Financial Statements*

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

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

The funds of the financial reporting entity are described below:

*Governmental Funds*

The following are the City's major governmental funds:

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

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

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

*Agency Funds*

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

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

*Capital Project Funds*

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

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

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

*Proprietary Funds*

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

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

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

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

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

Basis of Accounting

*Government Funds*

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

*Business Activities – Water and Sewer Fund*

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

**ASSETS, LIABILITIES AND EQUITY**

Cash and Cash Equivalents

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

Investments – Government Securities

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

Accounts Receivable

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

Capital Assets

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

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

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Capital Assets - Continued

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

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

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

Pensions

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



**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**  
**NET POSITION CLASSIFICATIONS**

*Government-wide Statements*

Equity is classified as net position and displayed in three components:

- a. Net Investment in Capital Assets - net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. Restricted Net Position – Consist of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Position – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

***Fund Balance Classifications***

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

- a. Nonspendable Fund Balance – consists of amounts that are not in a spendable form or are required to be maintained intact.
- b. Restricted Fund Balance – consists of amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. The Restricted for Debt Service and Restricted for Capital Projects balances reflect amounts that are restricted for debt service and construction or other capital outlay projects.
- c. Committed Fund Balance – consists of amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority (the Board of Aldermen) and do not lapse at year end. The committed fund balance consists of general board reserves.
- d. Assigned Fund Balance – consists of amounts intended for a specific purpose by the Board of Aldermen that has been delegated authority to assign amounts. This fund balance classification reflects funds assigned for capital projects.

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

***Compensated Absences***

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

Vested or accumulation vacation and sick time is accounted for as follows:

Governmental Funds – The accumulated liabilities for employee vacation and sick leave is recorded in the governmental activities column of the government-wide financial statements. At March 31, 2017, the accumulated liability balance was \$493,229.

Proprietary Fund – The costs of vacation and sick leave are accrued in Water and Sewer Fund as earned by City employees and recorded in the proprietary fund financial statements and business-type activities column of the government-wide financial statements. At March 31, 2017, the accumulated liability balance was \$74,933.

***Deferred Outflows/Inflows of Resources***

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

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

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

***Interfund Activity***

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

**REVENUE, EXPENDITURES AND EXPENSES**

Sales Tax

The City presently levies a 1.0 % sales tax on taxable sales within the City for general fund purposes. An additional sales tax is collected for transportation (1/2%) and capital improvements (1/2%). The sales tax is collected by the State of Missouri and remitted to the City in the month following receipt by the State. The sales tax received is to be recorded as sales tax revenue within the general government funds.

Property Tax

The City levies and collects property taxes as outlined in Note 8.

Program Revenues

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

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

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

Operating Revenue and Expenses

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

Expenditures/Expenses

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

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

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

Use of Estimates

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

Cash and Cash Investments

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

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Deposits and Money Market Accounts	\$5,484,898
Certificates of Deposit	728,933
Short-term Investments held in trust (Bond Reserves)	<u>45,278</u>
	<u>\$6,259,109</u>

	Government-wide Statement of Net Position	<u>Agency</u>	<u>Total</u>
Cash and Investments	\$4,679,506	\$1,534,325	\$6,213,831
Restricted Cash and Investments	<u>45,278</u>	<u>-</u>	<u>45,278</u>
	<u>\$4,724,784</u>	<u>\$1,534,325</u>	<u>\$6,259,109</u>

Compensated Absences

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

**NOTE 2 – COMMITMENTS**

Insurance

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

The City manages these various risks of loss as follows:

	<u>Method Managed</u>	Risk of Loss <u>Retained</u>
a. <u>Type of Loss</u> Torts, errors and omissions health and life	Purchased commercial insurance	None

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 2 – COMMITMENTS – CONTINUED**

b. Workers Compensation Employee injuries	Purchased commercial insurance	None
c. Physical property loss and natural disasters	Purchased commercial insurance	None

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

**NOTE 3 – LONG-TERM DEBT - BONDS**

The City’s long-term debt arising from cash transactions is segregated between the amounts to be repaid from governmental activities and the amounts to be repaid from business-type activities.

The following is a summary of bond transactions for the year ended March 31, 2017:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Total</u>
Bonds Payable, March 31, 2016	\$8,895,000	\$1,245,000	\$10,140,000
Bonds Retired – Regular	<u>(525,000)</u>	<u>(157,500)</u>	<u>(682,500)</u>
Bonds Payable, March 31, 2017	<u>\$8,370,000</u>	<u>\$1,087,500</u>	<u>\$ 9,457,500</u>

General Obligation Bonds payable at March 31, 2017, consist of:

General Obligation Bonds, Series 2015 due in varying installments through 2029	\$8,370,000
General Obligation Bonds, Series 1997, for the purpose of constructing and equipping a sewerage treatment plant due in varying installments through January 1, 2017, at interest ranging from 3.9% to 5.125% per annum	<u>-</u>
Total General Obligation Bonds	<u>\$8,370,000</u>
Water and Pollution Control Bonds due in varying installments through 2023	<u>1,087,500</u>
Total Bonds Payable	<u>\$ 9,457,500</u>

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 3 – LONG-TERM DEBT – BONDS - CONTINUED**

2015 General Obligation Bond Refunding

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

vary from \$450,000 beginning in fiscal 2015 to \$895,000 in the final year of maturity (fiscal 2029). The stated interest rates vary from 2% to 2.75%. The effective interest cost to the City as a result of the premium was 2.11%. The net proceeds to the City after retirement of the old bonds and the issue costs was \$5,307,084. Future payments on the bonds are as follows:

<u>Due March 1</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 520,000	\$ 194,512
2019	530,000	184,112
2020	555,000	173,512
2021	590,000	162,413
2022	620,000	150,613
2023 – 2027	3,800,000	534,138
2028 – 2029	<u>1,755,000</u>	<u>72,875</u>
	<u>\$8,370,000</u>	<u>\$1,472,175</u>

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

<u>Due July 1</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 160,000	\$ 51,687
2019	170,000	42,819
2020	180,000	33,750
2021	185,000	24,625
2022	<u>392,500</u>	<u>20,250</u>
	<u>\$1,087,500</u>	<u>\$ 173,131</u>

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

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

The following is a summary of lease transactions for the year ended March 31, 2017:

	<u>Government Activities</u>	<u>Business Activities</u>
Capital Lease Obligations Payable, March 31, 2016	\$ 883,756	\$ 5,717,697
Capital Lease Obligation Retired	(924,756)	(661,451)
New Lease	<u>1,281,000</u>	<u>217,000</u>
Capital Lease Obligations Payable, March 31, 2017	<u>\$ 1,240,000</u>	<u>\$5,273,246</u>

West Creek Sewer Interceptor

During 2004, the City entered into a lease purchase agreement with a local bank in the amount of \$1,500,000 enabling the City to acquire equipment for the West Creek sewer interceptor lines. The indebtedness is represented by Certificates of Participation. Under the lease agreement, the City is to make certain lease payments and, at the end of the lease, the City will own the sewer lines and equipment. This agreement was refinanced during 2016, at the time the 2016 Museum/Police Training Room obligations were secured. The new interest rate on the lease is 2.0% with payments under the lease as follows:

	<u>Principal</u>	<u>Interest</u>
2018	<u>\$ 143,000</u>	<u>\$ 2,900</u>
	<u>\$ 143,000</u>	<u>\$ 2,900</u>

2013 Water Meter Replacement Lease Payable Obligation

During fiscal year 2013, the City entered into a lease purchase agreement with US Bancorp in the amount of \$1,036,000 enabling the city to replace all water meters (3,248 services) with Sensus AMI fixed base read system. The financing is a 10 year, 1.89% capital equipment lease with monthly principal and interest payments. Annual principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 102,153	\$ 11,626
2019	104,101	9,679
2020	106,086	7,694
2021	108,108	5,672
2022	110,169	3,611
2023 – 2024	<u>131,189</u>	<u>1,553</u>
	<u>\$ 661,806</u>	<u>\$ 39,835</u>



**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

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

2013 Clarifier COP

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

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

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

	<u>Principal</u>	<u>Interest</u>
2018	\$ 260,000	\$ 134,850
2019	340,000	126,338
2020	345,000	117,838
2021	350,000	108,819
2022	360,000	98,563
2023 – 2026	<u>2,490,000</u>	<u>234,223</u>
	<u>\$4,145,000</u>	<u>\$ 820,631</u>

Amphitheater

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

	<u>Principal</u>	<u>Interest</u>
2018	\$ 37,000	\$ 2,291
2019	36,000	1,541
2020	<u>40,000</u>	<u>813</u>
	<u>\$ 113,000</u>	<u>\$ 4,645</u>

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

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

Pavilion

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

	<u>Principal</u>	<u>Interest</u>
2018	\$ 11,000	\$ 953
2019	12,000	730
2020	12,000	488
2021	<u>12,000</u>	<u>243</u>
	<u>\$ 47,000</u>	<u>\$ 2,414</u>

Lease Purchase – Sludge Processing Equipment

During fiscal 2015, the City entered into a new lease with a bank to acquire sludge equipment to be used by the sewer plant. The lease involves monthly payments of \$3,692 for ten years. The financing cost of the lease is 2.07%. The lease is a capital lease and the City will own the equipment at the end of the ten years. Future payments under the lease are as follows:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 37,986	\$ 6,325
2019	38,778	5,532
2020	39,588	4,723
2021	40,414	3,897
2022	41,257	3,054
2023-2025	<u>125,417</u>	<u>3,923</u>
	<u>\$ 323,440</u>	<u>\$ 27,555</u>

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**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

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

Police Station Lease

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

	<u>Principal</u>	<u>Interest</u>
2018	\$ 73,000	\$ 12,410
2019	75,000	10,930
2020	76,000	9,435
2021	77,000	7,868
2022	79,000	6,306
2023 - 2025	<u>232,000</u>	<u>9,174</u>
	<u>\$ 612,000</u>	<u>\$ 56,123</u>

Museum/Police Training Room

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

	<u>Principal</u>	<u>Interest</u>
2018	\$ 48,000	\$ 9,490
2019	49,000	8,517
2020	50,000	7,544
2021	51,000	6,509
2022	52,000	5,475
2023-2025	<u>218,000</u>	<u>11,162</u>
	<u>\$ 468,000</u>	<u>\$ 48,697</u>

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 5 – PENSION PLAN**

Plan Description

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

Benefits Provided

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

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

Employees Covered by Benefit Terms

At June 30, 2016, the following employees were covered by the benefit terms:

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 5 – PENSION PLAN - CONTINUED**

***Employees covered by benefit terms***

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	9
Active employees	36
	57
	57

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 7.6% General, and 9.3% Police of annual covered payroll.

Net Pension Liability

The employer’s net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 29, 2016.

Actuarial Assumptions

The total pension liability in the February 29, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation 3.25%
- Salary Increase 3.25% to 6.55% including inflation
- Investment rate of return 7.25%

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

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 5 – PENSION PLAN - CONTINUED**

The actuarial assumptions used in the February 29, 2016 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

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

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

Discount Rate

The discount rate used to measure the total pension liability is 6.93% General, and 7.25% Police. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 5 – PENSION PLAN - CONTINUED**

*Changes in the Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>Balances at 6/30/2015</b>	\$ 5,148,872	\$ 5,992,695	\$ (843,823)
<b>Changes for the year:</b>			
Service Cost	152,941	-	152,941
Interest	371,974	-	371,974
Changes in actuarial assumptions Difference between expected and actual experience	400,522	-	400,522
	95,778	-	95,778
Contributions - employer	-	171,458	(171,458)
Contributions - employee	-	-	-
Net investment income	-	(18,794)	18,794
Benefit payments, including refunds	189,991	189,991	-
Administrative expense	-	4,629	(4,629)
Other changes	-	(54)	54
<b>Net changes</b>	<u>831,224</u>	<u>(42,010)</u>	<u>873,234</u>
<b>Balances at 6/30/2016</b>	<u>\$ 5,980,096</u>	<u>\$ 5,950,685</u>	<u>\$ 29,411</u>

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

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 6.93%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower 5.93% or one percentage point higher 7.93% than the current rate.

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 5 – PENSION PLAN - CONTINUED**

	<b>Current Single Discount</b>		
	<b>1% Decrease 5.93%</b>	<b>Rate Assumption 6.93%</b>	<b>1% Increase 7.93%</b>
Total Pension Liability (TPL)	\$ 4,088,451	\$ 3,549,692	\$ 3,104,826
Plan Fiduciary Net Position	<u>3,459,050</u>	<u>3,459,050</u>	<u>3,459,050</u>
Net Pension Liability/(Asset)(NPL)	<u>\$ 629,401</u>	<u>\$ 90,642</u>	<u>\$ (354,224)</u>

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

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

	<b>Current Single Discount</b>		
	<b>1% Decrease 6.25%</b>	<b>Rate Assumption 7.25%</b>	<b>1% Increase 8.25%</b>
Total Pension Liability (TPL)	\$ 2,795,930	\$ 2,430,404	\$ 2,126,607
Plan Fiduciary Net Position	<u>2,491,635</u>	<u>2,491,635</u>	<u>2,491,635</u>
Net Pension Liability/(Asset)(NPL)	<u>\$ 304,295</u>	<u>\$ (61,231)</u>	<u>\$ (365,028)</u>

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

For the year ended June 30, 2016 the employer recognized general pension expense of \$186,092 and police pension expense of \$107,884. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:



**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 5 – PENSION PLAN - CONTINUED**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences in experience	\$ -	\$ (20,147)
Differences in assumptions	68,227	-
Excess (deficit) investment returns	149,942	-
Contributions subsequent to the measurement date*	125,416	-
Total	\$ 343,585	\$ (20,147)

\* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2016.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$198,022
2018	198,022
2019	198,021
2020	138,570
2021	44,798
Thereafter	8,249

Payable to the Pension Plan

At March 31, 2017 the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended March 31, 2017.

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 6 – TAX INCREMENT FINANCING COMMISSION (TIF)**

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

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

Revenues, in the form of PILOTS (or Payments In Lieu Of Taxes) paid by Platte Clay Electric Cooperative and are estimated at \$138,027 and interest earnings estimated at \$10.

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

Bonds Payable, March 31, 2016	\$ 30,000
Bonds Retired	<u>(30,000)</u>
Bonds Payable, March 31, 2017	<u><u>\$ -</u></u>

**NOTE 7 - DEVELOPER AGREEMENTS**

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

As of March 31, 2017, the amount of outstanding developer agreements was \$13,828,572, (of which a total of \$7,176,839 has been certified for reimbursement) and are payable through 2036 to the extent incremental taxes are available. For fiscal year 2017, payments on the developer agreement were \$580,928. Incremental revenues were \$213,464 from City and intergovernmental sales taxes in the funds responsible for these obligations.

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

Deferred Compensation Plan

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

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

**NOTE 9 – PROPERTY TAX REVENUE AND ASSESSMENT**

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

The assessed value for property located in the City as of December 31, 2016, on which the 2016 levy was based, was \$156,763,602. In the year ended March 31, 2017, the City collected 1,492,508 of property taxes that were billed in the period.

The City is permitted by Missouri State Statutes to levy taxes up to \$1.00 per \$100 of assessed valuation for general services other than the payment of principal and interest on long-term debt, and in unlimited amounts for the payment of principal and interest on long-term debt. The City's General Fund property tax levy per \$100 assessed valuation was \$0.58 for the year ended March 31, 2017. The City's debt service tax levy per \$100 assessed valuation was \$.05 for the year ended March 31, 2017.

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

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 10 – COMMITMENTS AND CONTINGENCIES – LAWSUITS**

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

**NOTE 11 – FEDERAL AND STATE GRANTS**

In prior years the City has participated in a number of federal and state programs that were fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of March 31, 2017, certain grant expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

**NOTE 12 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Deposits and Investments Laws and Regulations

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

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

At year end the carrying amount of the City's deposits totaled \$5,484,898 and the bank balances totaled \$5,484,898. The City's balances were covered by FDIC insurance or pledged securities as follows:

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 12 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-CONTINUED**

Deposits covered by federal depository insurance or by collateral held by the City, or its agent, in the City’s name	<u>\$ 6,213,831</u>
Total Value of Securities Pledged	\$11,699,627
FDIC Insurance	<u>250,000</u>
Total	<u>\$11,949,627</u>
Insurance and Pledged Securities in Excess of Deposits	<u>\$ 5,735,796</u>

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. As of March 31, 2017, the carrying amount of the City's deposits was less than pledged securities plus federal deposit insurance. It is City practice to require banks to provide collateral equal to any deposited amounts exceeding federal depository insurance limits.

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 12 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-CONTINUED**

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At March 31, 2017, the City's investments were not exposed to custodial credit risk.

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

The City has funded certain improvements to Bennett Boulevard whereby the Kearney Westside Community District (CID) has agreed to reimburse the City for certain costs in accordance with the agreement. During 2013, the CID reimbursed the City \$300,000 with the remaining amount due in annual payments of \$74,382 over a 12 year period including interest of 4%. As of March 31, 2017, the total annual amounts due to the City through the agreement are as follows:

	<u>Payment</u>
2018	\$ 74,382
2019	74,382
2020	74,382
2021	74,382
2022	74,382
2023 - 2025	<u>223,146</u>
	595,056
Less Interest	<u>(94,242)</u>
Net Present Value	<u>\$ 500,814</u>

The total present value of the agreement is recorded on the City's fund financial statements as note receivable and deferred inflows in the Highway Construction Fund.

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Basic Financial Statements**  
**March 31, 2017**

**NOTE 14 - CAPITAL ASSETS**

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

	Beginning of Year	Additions	Deletions	End of Year
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 564,419	\$ -	\$ -	\$ 564,419
Total Capital Assets, Not Being Depreciated	564,419	-	-	564,419
Capital Assets, Being Depreciated				
Infrastructure	3,460,493	2,453,452	-	5,913,945
Buildings	2,832,837	-	-	2,832,837
Improvements	1,632,980	507,669	-	2,140,649
Machinery and Equipment	2,100,526	300,383	-	2,400,909
Total Capital Assets Being Depreciated	10,026,836	3,261,504	-	13,288,340
Less Accumulated Depreciation for:				
Infrastructure	119,478	118,279	-	237,757
Buildings	805,576	92,232	-	897,808
Improvements	1,191,802	99,195	-	1,290,997
Machinery and Equipment	609,982	132,498	-	742,480
Total Accumulated Depreciation	2,726,838	442,204	-	3,169,042
Total Capital Assets Being Depreciated, net	7,299,998	2,819,300	-	10,119,298
Governmental Activities Capital Assets, Net	<u>\$ 7,864,417</u>	<u>\$ 2,819,300</u>	<u>\$ -</u>	<u>\$ 10,683,717</u>
<b>Business-type Activities:</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 351,071	\$ -	\$ -	\$ 351,071
Total Capital Assets, Not Being Depreciated	351,071	-	-	351,071
Capital Assets, Being Depreciated				
Buildings	4,105,952	-	-	4,105,952
Machinery and Equipment	2,080,745	139,591	-	2,220,336
Water and Sewer Lines	13,284,238	-	-	13,284,238
Total Capital Assets Being Depreciated	19,470,935	139,591	-	19,610,526
Less Accumulated Depreciation for:				
Buildings	257,510	57,629	-	315,139
Machinery and Equipment	793,006	45,078	-	838,084
Water and Sewer Lines	4,487,593	247,351	-	4,734,944
Total Accumulated Depreciation	5,538,109	350,058	-	5,888,167
Total Capital Assets Being Depreciated, Net	13,932,826	(210,467)	-	13,722,359
Business-type Activities Capital Assets, Net	<u>\$ 14,283,897</u>	<u>\$ (210,467)</u>	<u>\$ -</u>	<u>\$ 14,073,430</u>

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

Governmental Activities:	
General Government	\$ 20,073
Public Safety	113,412
Public Works	198,326
Parks and Recreation	110,393
Community Development	-
	<u>\$ 442,204</u>
Business-type Activities	
Water and Sewer	<u>\$ 350,058</u>

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

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

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

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

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

Investments

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

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and level within the ASC Topic 820 Fair Value Measurement in which the fair measurements fall at March 31, 2017.



**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

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

		Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pooled Government Securities	\$ 45,275	\$ 45,275	\$ -	\$ -

**NOTE 16 – INTER-FUND TRANSACTIONS**

Inter-fund transfers for the year ended March 31, 2017, consisted of the following:

Transfer from Special Revenue Fund	\$ <u>(564,606)</u>
Transfer from General Fund	\$ <u>(273,491)</u>
Transfer to TIF Debt	\$ <u>162,497</u>
Transfer to G.O. Bonds	\$ <u>675,600</u>

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

**NOTE 17 – PENDING GASB STATEMENTS – See [www.gasb.org](http://www.gasb.org) for further details**

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

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 17 – PENDING GASB STATEMENTS – CONTINUED**

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

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments – The requirements in this Statement improve financial reporting by raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015 and should be applied retroactively. Earlier application is permitted.

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

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 17 – PENDING GASB STATEMENTS – CONTINUED**

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

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

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

**CITY OF KEARNEY, MISSOURI**  
**Notes to the Financial Statements – Continued**  
**March 31, 2017**

**NOTE 17 – PENDING GASB STATEMENTS – CONTINUED**

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

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

**NOTE 18 – SUBSEQUENT EVENTS**

Government Accounting Standards provide guidance on management's assessment of subsequent events and clarifies that management must evaluate, as of each reporting period, events or transactions that occur after the Statement of Net Position date through the date that the financial statements are issued, or are available to be issued. Management has evaluated events and transactions for subsequent events disclosures occurring after March 31, 2017, through September 6, 2017, the date the financial statements were available to be issued and there are no material events requiring recognition or disclosure.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

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

**CITY OF KEARNEY, MISSOURI  
COMPARISON OF NEEDED-TO-ACTUAL  
MAINTENANCE/PRESERVATION  
FOR NEW INFRASTRUCTURE ASSETS  
MARCH 31, 2017**

The City has elected to use the Modified Approach as defined by GASB 34 for all infrastructure assets. Under GASB 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amounts to maintain and preserve at the established condition assessment level.

The City has not implemented the retroactive restatement of infrastructure assets owned by the City prior to March 31, 2004. The City's revenue is less than prescribed by accounting standards to be required to implement retroactive reporting of infrastructure assets. The City may at some point in the future implement the recording of the assets. All of the new infrastructure assets which have been recorded are new and a condition assessment is not necessary because the assets are new. A comparison of actual to budgeted expenditures is not necessary.

The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level. It is the City's policy to maintain all infrastructure assets at or above the 70% level (100% being new construction).

**CITY OF KEARNEY, MISSOURI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY DISCUSSION  
FOR THE YEAR ENDED MARCH 31, 2017**

Budgetary Accounting

The City prepares its budget for the General Fund on the cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the General Fund in the basic financial statements. All unexpended appropriations lapse at year end.

Through the budget, the Board of Aldermen sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The Annual Budget covers the period from April 1, to March 31, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City's budget is prepared and based on various expenditure categories; personnel, supplies and services, minor capital outlay and capital improvement programs. The first three listed are considered operational in nature or known as recurring costs. Capital improvement projects are asset acquisitions, facilities, systems, and infrastructure improvements typically over \$1,000 and/or those items 'outside' of the normal operational budget. These are known as one-time costs.

The City collects and records revenue and expenditures within the Governmental Activities. The Governmental Funds include the General Fund and Capital Projects. All funding sources are kept separate for both reporting and use of the money. The General Fund is where most City services are funded that are not required to be segregated.

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

**CITY OF KEARNEY, MISSOURI**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**March 31, 2017**

	18	19	11,61	16	71,73	40	12	65	
	Special Revenue Funds				Debt Service Funds		Capital Project Funds		
	Transportation Sales Tax	Capital Improvement Sales Tax	DWI Drug & Inmate Security	Police Training	Tax Increment Financing	Water and Sewer Obligation	Downtown Improvements	Wireless Capital Improvement	Total
<b>Assets</b>									
Cash and Investments	\$ 887,675	\$ 120,787	\$ 6,963	\$ 8,055	\$ 210,657	\$ 45,090	\$ 7,671	\$ 116,656	\$ 1,403,554
Receivables, net:									
Taxes	83,020	54,350	-	-	-	-	-	9,105	146,475
Restricted Cash and Investments	-	-	-	-	-	-	-	45,278	45,278
Total Assets	<u>\$ 970,695</u>	<u>\$ 175,137</u>	<u>\$ 6,963</u>	<u>\$ 8,055</u>	<u>\$ 210,657</u>	<u>\$ 45,090</u>	<u>\$ 7,671</u>	<u>\$ 171,039</u>	<u>\$ 1,595,307</u>
									-
									-
<b>Liabilities</b>									
Accounts Payable	<u>\$ 128,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90</u>	<u>\$ 189,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,774</u>	<u>\$ 337,416</u>
	128,552	-	-	90	189,000	-	-	19,774	337,416
<b>Deferred Inflows of Resources</b>									
Unavailable Revenues	-	-	-	-	-	-	-	-	-
<b>Fund Balances</b>									
Restricted For:									
Public Safety	-	-	6,963	7,965	-	-	-	-	14,928
Public Works	842,143	-	-	-	-	-	-	-	842,143
Capital Outlay	-	175,137	-	-	-	-	-	-	175,137
Debt Service	-	-	-	-	21,657	45,090	-	-	66,747
Assigned									
Capital Outlay	-	-	-	-	-	-	7,671	151,265	158,936
Total Fund Balances	<u>842,143</u>	<u>175,137</u>	<u>6,963</u>	<u>7,965</u>	<u>21,657</u>	<u>45,090</u>	<u>7,671</u>	<u>151,265</u>	<u>1,257,891</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 970,695</u>	<u>\$ 175,137</u>	<u>\$ 6,963</u>	<u>\$ 8,055</u>	<u>\$ 210,657</u>	<u>\$ 45,090</u>	<u>\$ 7,671</u>	<u>\$ 171,039</u>	<u>\$ 1,595,307</u>



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

**March 31, 2017**

	18	19	11, 61	16	71, 73	40	12	65	
	Special Revenue Funds				Debt Service Funds		Capital Project Funds		
	Transportation Sales Tax	Capital Improvement Sales Tax	DWI Drug & Inmate Security	Police Training	Tax Increment Financing	Water and Sewer Obligation	Downtown Improvements	Wireless Capital Improvement	Total
<b>Revenues</b>									
Taxes	\$ 1,208,970	\$ 639,886	\$ -	\$ -	\$ 597,948	\$ 6,112	\$ -	\$ 112,164	\$ 2,565,080
Licenses, Permits and Fees	-	-	3,204	2,390	-	-	-	-	5,594
Interest on Investment	3,124	-	13	43	549	382	1	188	4,300
Other	957	-	-	-	-	-	-	-	957
Total Revenues	<u>1,213,051</u>	<u>639,886</u>	<u>3,217</u>	<u>2,433</u>	<u>598,497</u>	<u>6,494</u>	<u>1</u>	<u>112,352</u>	<u>2,575,931</u>
<b>Expenditures</b>									
Current									
Public Works	1,155,722	-	-	-	-	-	-	-	1,155,722
Public Safety	-	-	-	7,489	-	-	-	-	7,489
Community Development	-	-	-	-	800,697	-	-	535,503	1,336,200
Other	93	-	-	-	-	-	-	-	93
Debt Service									
Principal	-	-	-	-	30,000	57,819	-	77,644	165,463
Interest and Fiscal Changes	-	-	-	-	765	1,244	-	55,183	57,192
Total Expenditures	<u>1,155,815</u>	<u>-</u>	<u>-</u>	<u>7,489</u>	<u>831,462</u>	<u>59,063</u>	<u>-</u>	<u>668,330</u>	<u>2,722,159</u>
<b>Revenues Collected Over</b>									
(Under) Expenditures Paid	57,236	639,886	3,217	(5,056)	(232,965)	(52,569)	1	(555,978)	(146,228)
Operating Transfers and Financing Transactions									
Transfers In	-	33,298	-	-	162,497	-	-	625,739	821,534
Transfers Out	(41,911)	(640,195)	-	-	-	-	(25,000)	-	(707,106)
Total Other Financing Sources (Uses)	<u>(41,911)</u>	<u>(606,897)</u>	<u>-</u>	<u>-</u>	<u>162,497</u>	<u>-</u>	<u>(25,000)</u>	<u>625,739</u>	<u>114,428</u>
Net Changes in Fund Balances	15,325	32,989	3,217	(5,056)	(70,468)	(52,569)	(24,999)	69,761	(31,800)
Fund Balance, Beginning of Year	<u>826,818</u>	<u>142,148</u>	<u>3,746</u>	<u>13,021</u>	<u>92,125</u>	<u>97,659</u>	<u>32,670</u>	<u>81,504</u>	<u>1,289,691</u>
Fund Balance, End of Year	<u>\$ 842,143</u>	<u>\$ 175,137</u>	<u>\$ 6,963</u>	<u>\$ 7,965</u>	<u>\$ 21,657</u>	<u>\$ 45,090</u>	<u>\$ 7,671</u>	<u>\$ 151,265</u>	<u>\$ 1,257,891</u>

**CITY OF KEARNEY, MISSOURI**

**Combining Balance Sheet -**

**General Funds**

**March 31, 2017**

	10	13	14	15	17	Total
	General	Sales Tax	Park Capital Funds	Cemetery	Park	General Funds
<b>Assets</b>						
Cash and Investments	\$ 1,472,653	\$ 233,630	\$ 147,382	\$ 208,773	\$ 189,672	\$ 2,252,110
Receivables, net:						
Taxes	25,404	119,284	-	-	3,716	148,404
Accounts	43,509	-	-	-	-	43,509
Intergovernmental	-	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 1,541,566</u>	<u>\$ 352,914</u>	<u>\$ 147,382</u>	<u>\$ 208,773</u>	<u>\$ 193,388</u>	<u>\$ 2,444,023</u>
<b>Liabilities</b>						
Accounts Payable	\$ 80,186	\$ -	\$ -	\$ -	\$ 19,705	\$ 99,891
Note Payable	-	-	-	-	-	-
	<u>80,186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,705</u>	<u>99,891</u>
<b>Deferred Inflows of Resources</b>						
Unavailable Revenues	-	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Fund Balances</b>						
Restricted for:						
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Committed for:						
Parks and Recreation	-	-	147,382	-	-	147,382
Assigned for:						
Cemetery	-	-	-	208,773	-	208,773
Culture and Recreation	-	-	-	-	173,683	173,683
Capital Outlay	-	-	-	-	-	-
Unassigned:	1,461,380	352,914	-	-	-	1,814,294
	<u>1,461,380</u>	<u>352,914</u>	<u>147,382</u>	<u>208,773</u>	<u>173,683</u>	<u>2,344,132</u>
Total Fund Balances	<u>1,461,380</u>	<u>352,914</u>	<u>147,382</u>	<u>208,773</u>	<u>173,683</u>	<u>2,344,132</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 1,541,566</u>	<u>\$ 352,914</u>	<u>\$ 147,382</u>	<u>\$ 208,773</u>	<u>\$ 193,388</u>	<u>\$ 2,444,023</u>

**CITY OF KEARNEY, MISSOURI**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - General Fund**  
**For the Year Ended March 31, 2017**

	10	13	14	15	17	Total Actual
	General	Sales Tax	Park Capital	Cemetery	Park	
<b>Revenues</b>						
Taxes: Property, Sales, Franchise and Other	\$ 1,659,052	\$ 1,429,325	\$ -	\$ -	\$ 51,890	\$ 3,140,267
Licenses, Permits, and Fees	164,940	-	30,550	9,385	-	204,875
Interest	8,139	1,745	156	1,554	173	11,767
Utilities/Trash	419,311	-	-	-	-	419,311
Fines	-	-	-	-	-	-
Miscellaneous	15,173	-	-	-	13,223	28,396
Amphitheater Revenue	-	-	-	-	114,000	114,000
Billboard Lease	-	-	-	-	19,400	19,400
Recreation Program	-	-	-	-	51,262	51,262
Grants/Donations	6,409	-	-	-	-	6,409
Total Revenues	<u>2,273,024</u>	<u>1,431,070</u>	<u>30,706</u>	<u>10,939</u>	<u>249,948</u>	<u>3,995,687</u>
<b>Expenditures</b>						
Personnel	1,741,250	-	-	-	210,665	1,951,915
Contractual Services	1,209,022	-	-	-	369,862	1,578,884
Commodities/Supplies	59,854	-	-	-	26,789	86,643
Capital	-	-	-	-	-	-
Principal	-	-	27,000	-	8,082	35,082
Interest	-	-	7,147	-	4,809	11,956
Miscellaneous	225	-	-	-	150	375
Total Expenditures	<u>3,010,351</u>	<u>-</u>	<u>34,147</u>	<u>-</u>	<u>620,357</u>	<u>3,664,855</u>
Revenues Collected Over (Under) Expenditures Paid	(737,327)	1,431,070	(3,441)	10,939	(370,409)	330,832
Operating Transfers and Financing Transactions						
Transfer In	1,215,400	-	21,113	-	383,000	1,619,513
Transfer Out	(496,613)	(1,371,391)	-	-	-	(1,868,004)
Loan Proceeds	-	-	-	-	-	-
	<u>718,787</u>	<u>(1,371,391)</u>	<u>21,113</u>	<u>-</u>	<u>383,000</u>	<u>(248,491)</u>
Revenues Collected and Operating Transfers Over (Under) Expenditures Paid	<u>(18,540)</u>	<u>59,679</u>	<u>17,672</u>	<u>10,939</u>	<u>12,591</u>	<u>82,341</u>
Fund Balance, Beginning of Year	<u>1,479,920</u>	<u>293,235</u>	<u>129,710</u>	<u>197,834</u>	<u>161,092</u>	<u>2,261,791</u>
Fund Balance, End of Year	<u>\$ 1,461,380</u>	<u>\$ 352,914</u>	<u>\$ 147,382</u>	<u>\$ 208,773</u>	<u>\$ 173,683</u>	<u>\$ 2,344,132</u>

**CITY OF KEARNEY, MISSOURI**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances-**  
**General Fund - Budget and Actual**  
**For the Year Ended March 31, 2017**

	General Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Taxes	\$ 1,684,650	\$ 1,684,650	\$ 1,655,691	\$ (28,959)
Licenses, Permits and Fees	80,500	80,500	87,058	6,558
Grants	-	-	6,409	6,409
Charges for Services	429,800	429,800	448,187	18,387
Interest	11,000	11,000	8,139	(2,861)
Other	188,500	188,500	93,055	(95,445)
Total Revenues	<u>2,394,450</u>	<u>2,394,450</u>	<u>2,298,539</u>	<u>(95,911)</u>
<b>Expenditures</b>				
Current:				
General Government	612,239	612,239	559,208	(53,031)
Public Safety	1,810,904	1,835,904	1,705,365	(130,539)
Solid Waste	455,000	455,000	453,685	(1,315)
Parks and Recreation	-	-	-	-
Community Development	305,284	305,284	288,945	(16,339)
Debt Service				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>3,183,427</u>	<u>3,208,427</u>	<u>3,007,203</u>	<u>(201,224)</u>
Excess of Revenues Over (Under) Expenditures	(788,977)	(813,977)	(708,664)	(297,135)
Other Financing Sources and (Uses):				
Transfers In	1,215,400	1,215,400	1,215,400	-
Transfers (Out)	(421,613)	(496,613)	(496,613)	-
Total Other Financing Sources and (Uses)	<u>793,787</u>	<u>718,787</u>	<u>718,787</u>	<u>-</u>
Change in Fund Balances, Budget Basis	<u>\$ 4,810</u>	<u>\$ (95,190)</u>	<u>\$ 10,123</u>	<u>\$ (297,135)</u>

See accompanying notes to the basic financial statements.

**CITY OF KEARNEY, MISSOURI**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-**  
**Other Funds Reported with the General Fund - Budget and Actual**  
**For the Year Ended March 31, 2017**

	13 Sales Tax Fund			15 Cemetery Fund			14 Park Capital Fund			17 Park Fund		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>												
Taxes	\$ 1,370,000	\$ 1,422,076	\$ 52,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ 63,444	\$ 3,444
Charges for Services	-	-	-	-	-	-	16,250	30,550	14,300	249,800	185,885	(63,915)
Interest	1,000	1,744	744	990	1,553	563	60	156	96	100	173	73
Grant	-	-	-	-	-	-	-	-	-	12,000	12,000	-
Other	-	-	-	5,000	9,385	4,385	-	-	-	-	-	-
Total Revenues	1,371,000	1,423,820	52,820	5,990	10,938	4,948	16,310	30,706	14,396	321,900	261,502	(60,398)
<b>Expenditures</b>												
Current:												
Park and Recreation	-	-	-	-	-	-	-	-	-	692,383	673,977	(18,406)
Debt Service												
Principal	-	-	-	-	-	-	30,000	30,000	-	10,064	10,064	-
Interest and Fiscal Charges	-	-	-	-	-	-	5,937	4,147	(1,790)	2,485	2,828	343
Total Expenditures	-	-	-	-	-	-	35,937	34,147	(1,790)	704,932	686,869	(18,063)
Excess of Revenues Over (Under) Expenditures	1,371,000	1,423,820	52,820	5,990	10,938	4,948	(19,627)	(3,441)	12,606	(383,032)	(425,367)	(78,461)
Other Financing Sources and (Uses):												
Transfers In	-	-	-	-	-	-	21,113	21,113	-	383,000	383,000	-
Transfers (Out)	(1,361,000)	(1,371,391)	(10,391)	-	-	-	-	-	-	-	-	-
Total Other Financing Sources and (Uses)	(1,361,000)	(1,371,391)	(10,391)	-	-	-	21,113	21,113	-	383,000	383,000	-
Change in Fund Balances, Budget Basis	\$ 10,000	\$ 52,429	\$ 42,429	\$ 5,990	\$ 10,938	\$ 4,948	\$ 1,486	\$ 17,672	\$ 12,606	\$ (32)	\$ (42,367)	\$ (78,461)
Fund Balance, Beginning of Year, Budget Basis		181,200			197,835			129,711			232,039	
Fund Balance, End of Year, Budget Basis		\$ 233,629			\$ 208,773			\$ 147,383			\$ 189,672	

See accompanying notes to the basic financial statements.

**CITY OF KEARNEY, MISSOURI**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-**  
**Nonmajor Special Revenue Funds**  
**Budget and Actual**  
**For the Year Ended March 31, 2017**

	18 Transport Sales Tax			19 Capital Improvement Sales Tax			11,61 DWI Drug & Inmate Security Fund			16 Police Training Fund		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>												
Taxes	\$ 1,166,000	\$ 1,206,187	\$ 40,187	\$ 635,000	\$ 636,955	\$ 1,955	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Permits and Fees	-	957	957	-	-	-	3,200	3,204	4	1,900	2,390	490
Interest	2,400	3,124	724	-	-	-	5	13	8	20	43	23
Total Revenues	1,168,400	1,210,268	41,868	635,000	636,955	1,955	3,205	3,217	12	1,920	2,433	513
<b>Expenditures</b>												
Current:												
Public Safety	-	-	-	-	-	-	-	-	-	9,000	7,829	(1,171)
Public Works	1,272,041	1,148,217	(123,824)	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	1,272,041	1,148,217	(123,824)	-	-	-	-	-	-	9,000	7,829	(1,171)
Excess of Revenues Over (Under) Expenditures	(103,641)	62,051	(81,956)	635,000	636,955	1,955	3,205	3,217	12	(7,080)	(5,396)	(658)
Other Financing Sources and (Uses):												
Transfers In	-	-	-	-	33,297	33,297	-	-	-	-	-	-
Transfers (Out)	(35,000)	(41,911)	(6,911)	(635,000)	(640,195)	(5,195)	-	-	-	-	-	-
Total Other Financing Sources and (Uses)	(35,000)	(41,911)	(6,911)	(635,000)	(606,898)	28,102	-	-	-	-	-	-
Change in Fund Balances, Budget Basis	\$ (138,641)	\$ 20,140	\$ (88,867)	\$ -	\$ 30,057	\$ 30,057	\$ 3,205	\$ 3,217	\$ 12	\$ (7,080)	\$ (5,396)	\$ (658)
Fund Balance, Beginning of Year, Budget Basis		787,534			90,730			1,946		13,451		
Fund Balance, End of Year, Budget Basis		\$ 807,674			\$ 120,787			\$ 5,163		\$ 8,055		

See accompanying notes to the basic financial statements.

**CITY OF KEARNEY, MISSOURI**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances -**  
**Nonmajor Debt Service and Capital Projects Funds -**  
**Budget and Actual**  
**For the Year Ended March 31, 2017**

	71,73			40			12			65		
	Debt Service						Capital Projects Funds					
	Tax Increment Financing Fund			Water and Sewer Obligation Fund			Downtown Improvement Fund			Wireless Capital Improvement Fund		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>												
Taxes	\$ 458,786	\$ 442,302	\$ (16,484)	\$ 75,461	\$ 6,802	\$ (68,659)	\$ -	\$ -	\$ -	\$ 121,800	\$ 113,195	\$ (8,605)
Licenses, Permits and Fees	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Interest	205	549	344	225	382	157	-	1	1	100	188	88
Total Revenues	458,991	442,851	(16,140)	75,686	7,184	(68,502)	-	1	1	121,900	113,383	(8,517)
<b>Expenditures</b>												
Current:												
Capital Purchase	-	-	-	-	-	-	-	-	-	-	-	-
Community Development	607,700	612,435	4,735	-	-	-	-	-	-	610,000	515,729	(94,271)
Other	190,563	-	(190,563)	-	-	-	7,500	-	-	-	-	-
Debt Service												
Principal	30,000	30,000	-	55,000	41,250	(13,750)	-	-	-	101,396	77,644	(23,752)
Interest and Fiscal Charges	765	765	-	2,259	292	(1,967)	-	-	-	70,209	55,183	(15,026)
Total Expenditures	829,028	643,200	(185,828)	57,259	41,542	(15,717)	7,500	-	-	781,605	648,556	(133,049)
Excess of Revenues Over (Under) Expenditures	(370,037)	(200,349)	(201,968)	18,427	(34,358)	(84,219)	(7,500)	1	1	(659,705)	(535,173)	(141,566)
Other Financing Sources and (Uses):												
Transfers In	287,500	318,143	30,643	-	-	-	-	-	-	592,500	625,739	-
Transfers (Out)	-	-	-	(20,000)	-	20,000	(25,000)	(25,000)	-	-	-	-
Total Other Financing Sources and (Uses)	287,500	318,143	30,643	(20,000)	-	20,000	(25,000)	(25,000)	-	592,500	625,739	-
Change in Fund Balances, Budget Basis	\$ (82,537)	\$ 117,794	\$ (171,325)	\$ (1,573)	\$ (34,358)	\$ (64,219)	\$ (32,500)	\$ (24,999)	\$ 1	\$ (67,205)	\$ 90,566	\$ (141,566)
Fund Balance, Beginning of Year, Budget Basis		92,863			96,970			32,670			71,368	
Fund Balance, End of Year, Budget Basis		\$ 210,657			\$ 62,612			\$ 7,671			\$ 161,934	

See accompanying notes to the basic financial statements.

**CITY OF KEARNEY, MISSOURI**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances-**  
**Highway Construction Fund - Budget and Actual -**  
**For the Year Ended March 31, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
MODOT Grant	\$ 117,800	\$ 12,186	\$ (105,614)
Intergovernmental	74,382	74,382	-
Interest	6,000	35,637	29,637
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	198,182	122,205	(75,977)
<b>Expenditures</b>			
Current:			
Personal Services	60,777	60,765	(12)
Contractual Services	94,500	126,311	31,811
St Light Dec	-	-	-
New Sidewalk	120,000	135,719	15,719
Mill and Overlay Street	136,000	136,000	-
Watson Dr Eng	<u>2,507,371</u>	<u>2,297,172</u>	<u>(210,199)</u>
Total Expenditures	2,918,648	2,755,967	(162,681)
Other Financial Sources and Uses			
Bond Proceeds	-	-	-
Bond Premium	-	-	-
Bond Issue Expense	-	-	-
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Bond Transactions	-	-	(162,681)
Excess of Revenues Over (Under) Expenditures	<u>(2,720,466)</u>	<u>(2,633,762)</u>	<u>(238,658)</u>
Change in Fund Balances, Budget Basis	<u>\$ (2,720,466)</u>	<u>(2,633,762)</u>	<u>\$ (238,658)</u>
Fund Balance, Beginning of year, Budget Basis		<u>3,127,893</u>	
Fund Balance, End of Year, Budget Basis		<u>\$ 494,131</u>	

See accompanying notes to the basic financial statements.



**CITY OF KEARNEY, MISSOURI**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances-**  
**GO Hwy Bonds - Budget and Actual**  
**For the Year Ended March 31, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Property Taxes	\$ -	\$ 69,924	\$ 69,924
Interest	<u>1,800</u>	<u>3,460</u>	<u>1,660</u>
Total Revenues	1,800	73,384	71,584
<b>Expenditures</b>			
Debt Service			
Principle	470,000	470,000	-
Interest and Fiscal Charges	<u>205,413</u>	<u>205,880</u>	<u>467</u>
Total Expenditures	675,413	675,880	467
Other Financing Sources and (Uses):			
Transfers In	<u>695,600</u>	<u>675,600</u>	<u>(20,000)</u>
Total Other Financing Sources and (Uses)	<u>695,600</u>	<u>675,600</u>	<u>(20,000)</u>
Change in Fund Balances, Budget Basis	<u>\$ 21,987</u>	73,104	<u>\$ 51,117</u>
Fund Balance, Beginning of Year, Budget Basis		<u>456,606</u>	
Fund Balance, End of Year, Budget Basis		<u>\$ 529,710</u>	

See accompanying notes to the basic financial statements.

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

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Actuarially determined contribution	\$160,564	\$152,597	\$160,253	\$182,312	\$184,236	\$192,776	\$188,811	\$195,555	\$169,705	\$161,739
Contributions in relation to the										
actuarially determined contribution	171,458	170,763	186,144	191,719	201,462	190,873	175,597	163,986	174,212	161,656
Contribution deficiency (excess)	(\$10,894)	(\$18,166)	(\$25,891)	(\$9,407)	(\$17,226)	\$1,903	\$13,214	\$31,568	(\$4,507)	\$84
Covered-employee payroll	\$1,889,737	\$1,816,633	\$1,713,168	\$1,676,071	\$1,620,534	\$1,554,059	\$1,525,041	\$1,560,022	\$1,613,502	\$1,495,284
Contributions as a percentage of										
covered-employee payroll	9.07%	9.40%	10.87%	11.44%	12.43%	12.28%	11.51%	10.51%	10.80%	10.81%

## APPENDIX C

### PROPOSED FORM OF OPINION OF BOND COUNSEL

City of Kearney, Missouri  
Kearney, Missouri

Robert W. Baird & Co., Inc.  
Milwaukee, Wisconsin

Re: \$3,500,000 City of Kearney, Missouri General Obligation Bonds, Series 2018

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Kearney, Missouri (the “City”), of the above-captioned bonds (the “Bonds”).

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and legally binding general obligations of the City, payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City.

2. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (i) is excludable from gross income for federal income tax purposes, (ii) is exempt from income taxation by the State of Missouri, and (iii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the City complies with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal and Missouri income tax purposes. The City has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Bonds to be included in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have not been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code.

We express no opinion regarding the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth in this opinion.

The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

Very truly yours,