

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 30, 2019

New Issue
Book-Entry Only

S&P Rating: "A+"
See "RATING" herein.

In the opinion of Gilmore & Bell, P.C., as Special Counsel to the City, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the Interest Portion of Basic Rent paid by the City under the Lease (as described in this Official Statement) and distributed to the owners of the Series 2020 Certificates (including any original issue discount properly allocable to an owner thereof) is (1) 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 and (2) is exempt from income taxation by the State of Missouri. The City's obligation to pay Basic Rent under the Lease is a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" and the form of legal opinion attached hereto Appendix E.

\$8,495,000*
CITY OF KIRKSVILLE, MISSOURI
CERTIFICATES OF PARTICIPATION
(AQUATIC CENTER PROJECT)
SERIES 2020

Dated: Date of Delivery

Due: As shown on the inside cover page

The above-referenced Certificates of Participation (Aquatic Center Project), Series 2020 (the "Series 2020 Certificates"), will be executed and delivered in the denomination of \$5,000 or any integral multiple thereof. Principal Portions (defined herein) of Basic Rent (defined herein) represented by the Series 2020 Certificates will be payable on each September 1 in the years shown on the inside cover page hereof. Interest Portions (defined herein) of Basic Rent represented by the Series 2020 Certificates will be payable semiannually on March 1 and September 1 of each year, beginning on September 1, 2020*.

The Series 2020 Certificates evidence the ownership of proportionate interests in, and rights to receive Basic Rent Payments (defined herein) under the Lease Purchase Agreement dated as of January 1, 2020 (the "Lease"), entered into between BOKF, N.A., Kansas City, Missouri, as trustee and lessor (the "Trustee"), and the City of Kirksville, Missouri (the "City"), as lessee. The Series 2020 Certificates are being executed and delivered pursuant to a Declaration of Trust dated as of January 1, 2020 (the "Declaration of Trust"), made by the Trustee. Neither the Series 2020 Certificate nor the Basic Rent Payments are obligations of the Trustee, and the Trustee does not have any obligations under or with respect to the Series 2020 Certificates or the Basic Rent Payments.

The Series 2020 Certificates are subject to prepayment prior to maturity as described herein. See the section "THE SERIES 2020 CERTIFICATES OF PARTICIPATION – Prepayment" herein.

The City's obligation to make Basic Rent Payments and the other obligations of the City under the Lease are subject to and dependent upon annual appropriations being made by the City for that purpose. The Series 2020 Certificates, the Basic Rent Payments and other amounts due under the Lease do not constitute an obligation of the City in any Fiscal Year subsequent to a Fiscal Year as to which the City has appropriated funds to pay Basic Rent Payments and other amounts reasonably anticipated to come due under the Lease. If the City fails to budget, appropriate or otherwise provide for sufficient funds to pay Basic Rent Payments and reasonably anticipated other amounts to come due during the immediately following Fiscal Year, the Lease will terminate at the end of the then current Fiscal Year. Upon termination of the Lease, the Series 2020 Certificates will be payable solely from moneys, if any, held by the Trustee under the Declaration of Trust, and any amounts resulting from a sale or sublease of Trustee's leasehold interest in the Leased Property (defined herein). The obligation of the City to pay Basic Rent does not constitute a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, and does not constitute a pledge of the general tax revenues, funds, properties or moneys of the City beyond any then current Fiscal Year during which the Lease is in effect. The City is not obligated to levy any taxes in order to raise revenues to make Basic Rent Payments.

AN INVESTMENT IN THE SERIES 2020 CERTIFICATES INVOLVES A DEGREE OF RISK. PROSPECTIVE PURCHASERS SHOULD BE ABLE TO EVALUATE THE RISKS AND MERITS OF AN INVESTMENT IN THE SERIES 2020 CERTIFICATES BEFORE CONSIDERING A PURCHASE OF THE SERIES 2020 CERTIFICATES. SEE THE SECTION "RISK FACTORS" HEREIN.

The Series 2020 Certificates are offered when, as and if executed and delivered by the Trustee, subject to the approval of their validity by Gilmore & Bell, P.C., Kansas City, Missouri, as Special Counsel to the City, described herein. Certain legal matters relating to this Official Statement will also be passed upon by Gilmore & Bell, P.C., as disclosure counsel. It is expected that the Series 2020 Certificates in definitive form will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about January __, 2020.

Bids for the purchase of the Series 2020 Certificates will only be received electronically through PARITY electronic bid submission system until 10:00 A.M., Central Standard Time, on Thursday, January 9, 2020.

* Preliminary, subject to change.

\$8,495,000*
CITY OF KIRKSVILLE, MISSOURI
CERTIFICATES OF PARTICIPATION
(AQUATIC CENTER PROJECT)
SERIES 2020

MATURITY SCHEDULE*

Serial Certificates*

| <u>Maturity Date</u> <u>September 1*</u> | <u>Principal</u> <u>Portion*</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>CUSIP</u> |
|---|---|--|---------------------|---------------------|
| 2020 | \$640,000 | | | |
| 2021 | 555,000 | | | |
| 2022 | 575,000 | | | |
| 2023 | 590,000 | | | |
| 2024 | 605,000 | | | |
| 2025 | 625,000 | | | |
| 2026 | 645,000 | | | |
| 2027 | 665,000 | | | |
| 2028 | 685,000 | | | |
| 2029 | 705,000 | | | |
| 2030 | 720,000 | | | |
| 2031 | 735,000 | | | |
| 2032 | 750,000 | | | |

* Preliminary, subject to change.

CITY OF KIRKSVILLE, MISSOURI

201 South Franklin Street
Kirksville, Missouri 63501
(660) 627-1225

Mayor

Zac Burden

City Council

Chuck Long, Mayor Pro Tem
Phillip Biston, Councilmember
Rick Steele, Councilmember
Jessica Parks, Councilmember

Administration

Mari E. Macomber, City Manager
Ashley W. Young, Assistant City Manager
Lindsay Leckbee, City Clerk
Lacy King, Finance Director

SPECIAL COUNSEL AND DISCLOSURE COUNSEL

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

TRUSTEE

BOKF, N.A.
Kansas City, Missouri

FINANCIAL ADVISOR

Piper Jaffray & Co.
Leawood, Kansas

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman 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 Series 2020 Certificates 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 Series 2020 Certificates 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 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 the transaction. 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 since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2020 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE SERIES 2020 CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE DECLARATION OF TRUST BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS OR UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS. THE SERIES 2020 CERTIFICATES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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. THESE FUTURE RISKS AND UNCERTAINTIES INCLUDE THOSE DISCUSSED IN THE "RISK FACTORS" SECTION OF THIS OFFICIAL STATEMENT. 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

\$8,495,000*
CITY OF KIRKSVILLE, MISSOURI
CERTIFICATES OF PARTICIPATION
(AQUATIC CENTER PROJECT)
SERIES 2020

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, inside 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

This Official Statement, including the cover page, the inside cover page and the appendices hereto (the **“Official Statement”**), is provided to furnish information with respect to the sale and delivery of the City of Kirksville, Missouri, Certificates of Participation (Aquatic Center Project), Series 2020 (the **“Series 2020 Certificates”**), to be executed and delivered by BOKF, N.A., a national banking association organized and existing under the laws of the United States (the **“Trustee”**), pursuant to a Declaration of Trust dated as of January 1, 2020 (the **“Declaration of Trust”**), made by the Trustee. The Series 2020 Certificates represent the proportionate interests of the owners thereof (the **“Owners”**) in basic rent payments (the **“Basic Rent Payments”**) to be made by the City of Kirksville, Missouri (the **“City”**), pursuant to a Lease Purchase Agreement dated as of January 1, 2020 (the **“Lease”**), entered into between the Trustee, as lessor, and the City, as lessee. See the section **“THE IMPROVEMENTS”** herein and *Appendix C: “DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS – Summary of the Lease”* attached hereto.

The City

The City is a third-class city and political subdivision duly organized and existing under the State of Missouri. The City is located in Adair County in the northeast/northcentral region of Missouri approximately 165 miles northeast of Kansas City, Missouri, along Highway 63. According to the U.S. Census Bureau, as of July 1, 2017, the City’s population was estimated at 17,519. See *Appendix A: “THE CITY OF KIRKSVILLE, MISSOURI, GENERAL, ECONOMIC AND FINANCIAL INFORMATION FOR THE CITY”* and *Appendix B: “COMPREHENSIVE ANNUAL FINANCIAL REPORT AND AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018”* attached hereto for more detailed information about the City.

Plan of Financing

The proceeds received from the sale of the Series 2020 Certificates, together with other available funds of the City will be used to (1) pay the costs of renovating, expanding, furnishing, equipping and constructing additions to the City’s existing aquatic center complex, including related site improvements and architectural and design costs (collectively, the **“Improvements”**) and (2) pay the costs of executing and delivering the Lease and the Series 2020 Certificates. See the section **“THE IMPROVEMENTS”** herein.

* Preliminary, subject to change.

The Financing Documents

Pursuant to a Base Lease dated as of January 1, 2020 (the “**Base Lease**”), between the City, as lessor, and the Trustee, as lessee, the City will lease to the Trustee for a term of approximately 32 years (expiring September 1, 2052^{*}) certain real property owned by the City upon which the City’s existing aquatic center complex is located (together with all existing improvements, facilities, and buildings currently located thereon, the “**Real Property**”). Pursuant to the Lease, the Trustee will lease back to the City its interest in the Real Property and the Improvements to be constructed and located thereon (collectively, the “**Leased Property**”), with the option to purchase the Trustee’s interest in the Leased Property. The Lease provides, among other things, for an initial term commencing the date of the execution and delivery of the Series 2020 Certificates, and expiring and terminating on the last day of the City’s current Fiscal Year (December 31, 2020) (the “**Original Term**”), subject to annual renewal, at the option of the City, for one-year renewal terms co-extensive with the City’s Fiscal Year (beginning January 1 and ending December 31)(each a “**Renewal Term**”), except that the final renewal term shall expire on September 2, 2032^{*}. Under the Lease, the City has agreed to pay Basic Rent Payments, consisting of a principal portion (the “**Principal Portion**”) and an interest portion (the “**Interest Portion**”), but only if and to the extent that the City Council annually appropriates sufficient money to pay the Basic Rent coming due during each succeeding Renewal Term. Additionally, upon satisfaction of certain conditions described herein under the caption “**SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES - Permitted Partial Release of Leased Property,**” the City may release from the Base Lease and the Lease portions of the Leased Property that do not include any of the buildings, facilities, public access or parking infrastructure that comprise or will comprise, upon completion of the Improvements, the aquatic center complex that is being paid for, in part, with proceeds of the Series 2020 Certificates.

The City is authorized to enter into the Base Lease and the Lease pursuant to an ordinance expected to be adopted by the City Council of the City on January 6, 2020.

The Series 2020 Certificates are being executed and delivered pursuant to the Declaration of Trust, made by the Trustee, and represent undivided, proportionate interests in the Basic Rent to be paid by the City under the Lease. Neither the Series 2020 Certificates nor the Basic Rent Payments are obligations of the Trustee, and the Trustee has no liability or obligation under or with respect to the Series 2020 Certificates or the Basic Rent Payments.

Under the Declaration of Trust, the Trustee will hold all of its estate, right, title and interest in the Lease and the Base Lease for the benefit of the Owners of the Series 2020 Certificates. The Declaration of Trust provides for the future delivery of additional certificates (“**Additional Certificates,**” together with the Series 2020 Certificates, the “**Certificates**”) which, if delivered, will rank on a parity with the Series 2020 Certificates, and any other Certificates then Outstanding under the Declaration of Trust. See the section “**ADDITIONAL CERTIFICATES**” herein.

Funding Sources

It is the current intention of the City to satisfy its obligations to make Basic Rent Payments distributable to Owners of the Series 2020 Certificates from the revenues generated by the City’s one-half of one percent (0.50% of 1.00%) local parks sales tax (the “**0.50% Local Parks Sales Tax**”) that was approved by the City’s voters on April 4, 2017, for a period of 15 years, for the purpose of funding City parks and recreation. The City began levying the 0.50% Local Parks Sales Tax on October 1, 2017, and the 0.50% Local Parks Sales Tax is scheduled to expire on December 31, 2032 (which is after the September 1, 2032^{*}, final maturity date of the Series 2020 Certificates). See the section “**SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Funding Sources**” herein.

^{*} Preliminary, subject to change.

The City's obligation to make such Basic Rent Payments during the Original Term or any Renewal Term is not, however, limited to the revenues generated from the City's 0.50% Local Parks Sales Tax, and such revenues generated from the City's 0.50% Local Parks Sales Tax are not, and cannot be, pledged to the payment of Basic Rent Payments.

Annual Appropriation Lease

THE BASIC RENT PAYMENTS AND OTHER AMOUNTS DUE UNDER THE LEASE DO NOT CONSTITUTE AN OBLIGATION OF THE CITY IN ANY FISCAL YEAR SUBSEQUENT TO A FISCAL YEAR AS TO WHICH THE CITY HAS APPROPRIATED FUNDS TO PAY BASIC RENT PAYMENTS AND OTHER AMOUNTS REASONABLY ANTICIPATED TO COME DUE UNDER THE LEASE. IN THE EVENT THE CITY FAILS TO BUDGET, APPROPRIATE OR OTHERWISE PROVIDE FOR SUFFICIENT FUNDS TO PAY BASIC RENT PAYMENTS AND REASONABLY ANTICIPATED OTHER AMOUNTS TO COME DUE DURING THE IMMEDIATELY FOLLOWING FISCAL YEAR, THE LEASE WILL TERMINATE AT THE END OF THE THEN CURRENT FISCAL YEAR. UPON TERMINATION OF THE LEASE, THE CERTIFICATES WILL BE PAYABLE SOLELY FROM MONEYS, IF ANY, HELD BY THE TRUSTEE UNDER THE DECLARATION OF TRUST, AND ANY AMOUNTS RESULTING FROM A SALE OR SUBLEASE OF THE TRUSTEE'S LEASEHOLD INTEREST IN THE LEASED PROPERTY. THE OBLIGATION OF THE CITY TO PAY BASIC RENT DOES NOT CONSTITUTE A DEBT OF THE CITY IN CONTRAVENTION OF ANY APPLICABLE CONSTITUTIONAL OR STATUTORY LIMITATION OR REQUIREMENT CONCERNING THE CREATION OF INDEBTEDNESS BY THE CITY, AND SHALL NOT CONSTITUTE A PLEDGE OF THE GENERAL TAX REVENUES, FUNDS, PROPERTIES OR MONEYS OF THE CITY BEYOND ANY THEN CURRENT FISCAL YEAR DURING WHICH THE LEASE IS IN EFFECT. THE CITY IS NOT OBLIGATED TO LEVY ANY TAXES IN ORDER TO RAISE REVENUES TO MAKE BASIC RENT PAYMENTS.

Financial Statements

The audited financial statements of the City for the Fiscal Year ended December 31, 2018, are included within the City's Comprehensive Annual Financial Report for Fiscal Year ended December 31, 2018 (the "2018 CAFR"), which 2018 CAFR is attached to this Official Statement as *Appendix B*. The City's financial statements within the 2018 CAFR in *Appendix B* have been audited by Hochschild, Bloom & Company LLP, Chesterfield, Missouri, which is a firm of independent certified public accountants, whose report thereon is also included in the 2018 CAFR in *Appendix B* hereto.

Continuing Disclosure

The City has agreed to provide certain annual financial information and notices of certain enumerated material events relating to the Series 2020 Certificates to the Municipal Securities Rulemaking Board via the Electronic Municipal Market Access system ("EMMA"), in accordance with Rule 15c2-12 promulgated by the Securities and Exchange Commission. See the section captioned "CONTINUING DISCLOSURE" herein and *Appendix D*: "FORM OF CONTINUING DISCLOSURE AGREEMENT" attached to this Official Statement.

Risk Factors

Payment of the Principal Portions and Interest Portions of Basic Rent by the City under the Lease represented by the Series 2020 Certificates is subject to certain risks. See the section "RISK FACTORS" herein.

Definitions and Descriptions; Inspection of Documents

Certain capitalized terms used in this Official Statement and not otherwise defined herein will have the meanings given to such terms in *Appendix C: “DEFINITIONS AND SUMMARIES OF CERTAIN PRINCIPAL DOCUMENTS”* attached hereto. Summaries of the Lease, the Base Lease and the Declaration of Trust are also included in *Appendix C*. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Lease, the Base Lease and the Declaration of Trust are qualified in their entirety by reference to such documents, copies of which may be viewed at the office of the City’s financial advisor, Piper Jaffray & Co., 11635 Rosewood Street, Leawood, Kansas, or will be provided by the financial advisor to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request. All references to the Series 2020 Certificates are qualified in their entirety by the definitive terms thereof and the information with respect thereto included in the Lease, the Base Lease and the Declaration of Trust. Information concerning the City has been supplied by the City, and has not been verified by the Trustee, and the Trustee makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

THE IMPROVEMENTS

The Improvements will consist of the installation and construction of extensive renovations, additions and upgrades to the City’s existing outdoor and indoor aquatic center complex located on the Real Property.

The portion of the Improvements relating to the renovations, additions and expansions of the outdoor area of the existing aquatic center complex will include, among other things, the construction of a new outdoor four-lane lap pool with a rock climbing wall and diving board, a slide complex with two slides and an outdoor “wet play” structure, a leisure pool with a small slide, a “zero depth” shallow pool area, current channel and a building to house pool mechanical equipment and infrastructure. The portion of the Improvements relating to the outdoor portion of the existing aquatic center complex will also consist of the construction of a concession stand area, lifeguard offices, and restrooms/showers/lockers, which will be accessible to patrons of the outdoor portion of the aquatic center complex and will be attached to the indoor portion of the aquatic complex via a corridor. The Improvements relating to the indoor portion of the aquatic center complex will consist of renovations and upgrades to the existing indoor six-lane lap pool and surrounding indoor pool area as well as the construction of additional space to include a lobby, offices for City parks and recreation staff, private meeting rooms for community use, restrooms and storage.

The Improvements will also consist of related site work in order to construct necessary sidewalks, fencing and parking areas. The costs of the design, construction, furnishing and equipping of all Improvements, including related site work, will be financed with proceeds of the Series 2020 Certificates deposited in the Project Fund established pursuant to the Declaration of Trust and other moneys contributed by the City to pay costs of the Project.

The City has selected SFS Architecture, Kansas City, Missouri, to provide consulting, design and construction administration services for the Improvements. The SFS Architecture team also includes Waters Edge Aquatic Design, SWT Design, Hoss & Brown Engineering and Shafer, Kline and Warren Engineering. The total costs of the Improvements, including design fees and consultant fees, is expected to be approximately \$9,984,409. The City anticipates construction of the Improvements will begin in January 2020 and expects the Improvements to be substantially complete by May 2021.

Pursuant to the Lease, the City has agreed to pay all costs of the Improvements exceeding the amount deposited in the Project Fund.

ESTIMATED SOURCES AND USES OF FUNDS

The sources and application of funds in connection with the execution of the Series 2020 Certificates are estimated to be as follows:

Source of Funds:

| | |
|---|------------------|
| Principal Amount of the Series 2020 Certificates..... | \$8,495,000.00* |
| [Net] Original Issue [Premium]/[Discount]..... | _____ |
| Total Sources of Funds | <u><u>\$</u></u> |

Uses of Funds:

| | |
|--|------------------|
| Deposit to Project Fund (net of Costs of Issuance)..... | \$ _____ |
| Costs of Issuance, including Underwriter’s Discount..... | _____ |
| Total Uses of Funds | <u><u>\$</u></u> |

THE SERIES 2020 CERTIFICATES OF PARTICIPATION

General Provisions

The Series 2020 Certificates are dated the date of their original delivery and will mature on September 1 in the amounts and in the years stated on the inside cover page hereof, unless prepaid prior thereto (assuming no Event of Nonappropriation occurs).

Payment of Basic Rent and Prepayment Price

The Series 2020 Certificates will be delivered in the denomination of \$5,000 each or any integral multiple thereof in book-entry form. Purchases of the Series 2020 Certificates will be made in book-entry only form in the denomination of \$5,000 or any integral multiple thereof. Purchasers of the Series 2020 Certificates will not receive certificates representing their interests in the Series 2020 Certificates purchased. Each Series 2020 Certificate represents a proportionate interest in the Principal Portions and Interest Portions of the Basic Rent Payments to be paid by the City to the Trustee under the Lease and deposited by the Trustee in the Lease Revenue Fund established under the Declaration of Trust for the benefit of the Owners of the Series 2020 Certificates.

The Principal Portion of Basic Rent distributable to the Registered Owner of each Series 2020 Certificate will bear interest at the specified rates and will be payable on September 1 of each year, beginning September 1, 2020*, in the principal amounts as set forth on the inside cover page of this Official Statement. The Interest Portion of Basic Rent distributable to the Registered Owner of each Series 2020 Certificate will be payable semiannually on March 1 and September 1 of each year beginning on September 1, 2020* (each a “**Basic Rent Payment Date**”), to and including the date of maturity or prepayment, whichever is earlier. Under the Declaration of Trust, the Trustee is designated as the initial paying agent for the Series 2020 Certificates.

* Preliminary, subject to change.

The Interest Portion distributable to the Registered Owner of each Series 2020 Certificate is payable (1) by check or draft mailed by the Trustee to the address of such Registered Owner shown on the registration books for the Certificates as of the close of business on the on the fifteenth day of the month next preceding each Basic Rent Payment Date (the “**Record Date**”), or (2) by electronic transfer to such Registered Owner upon written notice given to the Trustee by such Registered Owner, not less than 15 days prior to the Record Date for such interest, containing the electronic transfer instructions including the name of the bank (which shall be in the United States), the bank’s ABA routing number and the account number to which such Registered Owner wishes to have such transfer directed and an acknowledgment that an electronic transfer fee may be applicable. The Principal Portion of Basic Rent and prepayment premium, if any, distributable to the Registered Owner of each Series 2020 Certificate is payable upon presentation and surrender thereof at the principal corporate trust office of the Trustee, or at such other office as is designated by the Trustee.

While the Series 2020 Certificates remain in book-entry form, payments to Beneficial Owners (defined herein) are governed by the rules of DTC (defined herein) as described in the section “**BOOK-ENTRY ONLY SYSTEM**” herein. In the event that DTC ceases to act as securities depository for the Series 2020 Certificates, payment may be made as described above.

Transfer and Exchange

While the Series 2020 Certificates remain in book-entry form, transfers of ownership by Beneficial Owners may be made as described under the section “**BOOK-ENTRY ONLY SYSTEM**” herein. In the event that DTC ceases to act as securities depository for the Series 2020 Certificates, transfers may be effected as described below.

Books for the registration and transfer of the Series 2020 Certificates are to be kept by the Trustee, as registrar. Upon surrender for transfer of any Series 2020 Certificate at the designated payment office of the Trustee and satisfaction of the conditions and restrictions of such transfer, the Trustee is to execute and deliver in the name of the transferee a new Series 2020 Certificate of the same series and maturity or maturities, interest rate and tenor as the Series 2020 Certificates surrendered. Series 2020 Certificates may be exchanged at the designated payment office of the Trustee for an equal aggregate principal amount of Series 2020 Certificates of the same series and maturity or maturities, interest rate and tenor as the Series 2020 Certificate surrendered. All Series 2020 Certificates presented for transfer or exchange must be accompanied by a written instrument of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Trustee, duly executed by the Owner or by his attorney duly authorized in writing.

The Trustee is not required to transfer or exchange any Series 2020 Certificate after such Series 2020 Certificate has been called for prepayment.

The person in whose name any Series 2020 Certificate is registered is deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either the Principal Portion or the Interest Portion of the Basic Rent Payments represented by any Series 2020 Certificate will be made only to or upon the written order of the Registered Owner thereof or his legal representative.

The Series 2020 Certificates are payable in lawful money of the United States of America which at the time of payment is legal tender for the payment of public and private debt. Series 2020 Certificates may be transferred at the designated payment office of the Trustee. Series 2020 Certificates may be exchanged for Series 2020 Certificates of the same maturity of other authorized denominations in accordance with the terms of the Declaration of Trust. For every such exchange or transfer of Series 2020 Certificates, the Trustee will make a charge to the Series 2020 Certificate Owner sufficient to reimburse it for any tax, fee or other governmental charges required to be paid with respect to such exchange or transfer.

Prepayment

Optional Prepayment. The Series 2020 Certificates that evidence Principal Portions of Basic Rent payable to Owners on September 1, 2028*, and thereafter shall be subject to optional prepayment, as a whole or in part, on September 1, 2027*, or any date thereafter, at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent represented by the Series 2020 Certificates being prepaid, plus the Interest Portion of Basic Rent accrued to the Prepayment Date, from amounts paid by the City upon the exercise of its option to purchase the Trustee's interest in the Leased Property or to partially prepay Basic Rent Payments pursuant to the terms of the Lease.

Extraordinary Optional Prepayment. The Certificates will be subject to optional prepayment prior to their respective stated maturities, as a whole, but not in part, at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent represented thereby plus the Interest Portion of Basic Rent accrued to the Prepayment Date, in the event of substantial damage to or destruction or condemnation (other than by the City or any entity controlled by or otherwise affiliated with the City) of, or loss of title to, substantially all of the Leased Property, or as a result of changes in the constitution of the State or legislative or administrative action by the State or the United States, the Base Lease or the Lease becomes unenforceable, and the City purchases the Trustee's interest in the Leased Property pursuant to the Lease.

Notice of Prepayment. Unless otherwise provided in the Declaration of Trust, notice of prepayment will be given by the Trustee, not less than 20 days prior to the Prepayment Date, to the City and the Owner of each Series 2020 Certificate affected at the address shown on the registration books of the Registrar on the date such notice is mailed. Each notice of prepayment will state the (1) Prepayment Date, (2) the place of prepayment, the Prepayment Price and, (3) if less than all, the identification of the Series 2020 Certificates to be prepaid, and (4) if a Series 2020 Certificate is being prepaid in part, the portion thereof being prepaid. Such notice will also state that the Interest Portion of the Basic Rent represented by the Series 2020 Certificates designated for prepayment will cease to accrue from and after such Prepayment Date and that on said date the Prepayment Price will become due and payable on each of said Series 2020 Certificates.

So long as the book-entry only system is used for the Series 2020 Certificates, the Trustee will give any notice of prepayment or any other notices required to be given to owners only to DTC. Any failure of DTC to advise any DTC Participant (defined herein) or of any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the prepayment of the Series 2020 Certificates so called for prepayment. Beneficial Owners may desire to make arrangements with a DTC Participant so that all notices of prepayment or other communications to DTC that affect such Beneficial Owners, including notification of all interest payments, will be forwarded in writing by such DTC Participant. See the section "**BOOK-ENTRY ONLY SYSTEM**" herein.

The Trustee is also directed to comply with any mandatory or voluntary standards then in effect for processing prepayments of municipal securities established by the Securities and Exchange Commission. Failure to comply with such standards will not affect or invalidate the prepayment of any Series 2020 Certificate to be prepaid.

Partial Prepayment of Certificates. Upon surrender of any Certificate prepaid in part only, the Trustee will execute and deliver to the Owner thereof, at the expense of the City, a new Certificate or Certificates of the same series and maturity, equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered.

Effect of Prepayment. Notice of prepayment having been duly given as aforesaid, and funds sufficient for payment of the Prepayment Price of such Series 2020 Certificates being held by the Trustee, on the Prepayment Date designated in such notice, the Series 2020 Certificates so called for prepayment will become due and payable at the Prepayment Price specified in such notice and the Interest Portion of Basic Rent represented by the Series 2020 Certificates so called for prepayment will cease to accrue, said Series 2020

Certificates will cease to be entitled to any benefit or security under the Declaration of Trust and the Owners of such Series 2020 Certificates will have no rights in respect thereof except to receive payment of the Prepayment Price.

BOOK-ENTRY ONLY SYSTEM

General. The Series 2020 Certificates are available in book-entry only form. Purchasers of the Series 2020 Certificates will not receive certificates representing their interests in the Series 2020 Certificates. Ownership interests in the Series 2020 Certificates will be available to purchasers only through a book-entry system (the “**Book-Entry System**”) maintained by The Depository Trust Company (“**DTC**”), New York, New York.

The following information concerning DTC and DTC’s book-entry system has been obtained from DTC. The City takes no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

DTC will act as securities depository for the Series 2020 Certificates. The Series 2020 Certificates will be issued as fully-registered securities 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 certificate will be issued for each maturity of the Series 2020 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC and its Participants. 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.

Purchases of Ownership Interests. Purchases of Series 2020 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Certificates on DTC’s records. The ownership interest of each actual purchaser of each Series 2020 Certificate (“**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 Series 2020 Certificates 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 Series 2020 Certificates, except in the event that use of the book-entry system for the Series 2020 Certificates is discontinued.

Transfers. To facilitate subsequent transfers, all Series 2020 Certificates 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 Series 2020 Certificates 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 Series 2020 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 Certificates 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.

Notices. 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 Series 2020 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2020 Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Series 2020 Certificate documents. For example, Beneficial Owners of Series 2020 Certificates may wish to ascertain that the nominee holding the Series 2020 Certificates 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 will be sent to DTC. If less than all of the Series 2020 Certificates 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.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2020 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI 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 Series 2020 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments. Payment of the Principal Portion of the Basic Rent Payments represented by the Series 2020 Certificates or the Prepayment Price of and the Interest Portion of the Basic Rent Payments represented by the Series 2020 Certificates 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, 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, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the Principal Portion of the Basic Rent Payments represented by the Series 2020 Certificates or the Prepayment Price of and the Interest Portion of the Basic Rent Payments represented by the Series 2020 Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Discontinuation of Book-Entry System. DTC may discontinue providing its services as depository with respect to the Series 2020 Certificates at any time by giving reasonable notice to the Trustee or the City. Under such circumstances, in the event that a successor depository is not obtained, Series 2020 Certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfer through DTC (or a successor securities depository). In that event, certificates will be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates evidencing the Series 2020 Certificates will be printed, 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), and delivered to DTC (or a successor securities depository), to be held by it as securities depository for Direct Participants. If, however, the system of book-entry-only transfers has been discontinued and a Direct Participant has elected to withdraw its Series 2020 Certificates from DTC (or such successor securities depository), certificates may be delivered to Beneficial Owners in the manner described herein under the section **"THE SERIES 2020 CERTIFICATES - Transfer and Exchange."**

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC. The City and the Underwriter take no responsibility for the accuracy thereof.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Limited Obligations

The Series 2020 Certificates, the Basic Rent Payments and other amounts due under the Lease do not constitute an obligation of the City in any Fiscal Year subsequent to a Fiscal Year as to which the City has appropriated funds to pay Basic Rent Payments and other amounts reasonably anticipated to come due under the Lease. In the event the City fails to budget, appropriate or otherwise provide for sufficient funds to pay Basic Rent Payments and reasonably anticipated other amounts to come due during the immediately following Fiscal Year, the Lease will terminate at the end of the then current Fiscal Year. Upon termination of the Lease, the Series 2020 Certificates will be payable solely from moneys, if any, held by the Trustee under the Declaration of Trust, and any amounts resulting from an assignment or subleasing of the Trustee's leasehold interest in the Leased Property pursuant to the Base Lease, the Lease and the Declaration of Trust.

The obligation of the City to pay Basic Rent and, thus, the Series 2020 Certificates, is limited to payment from Available Revenues (see the section **"SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES - Available Revenues"** herein), will constitute a current expense of the City and will not be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, and will not constitute a pledge of the general tax revenues, funds, properties or moneys of the City beyond any then current Fiscal Year during which the Lease is in effect. The City is not obligated to levy any taxes in order to raise revenues to make Basic Rent Payments. The City agrees to deliver notice to the Trustee of such Lease termination at least 90 days prior to the end of the then current Fiscal Year, but failure to give such notice will not extend the Original Term or then current Renewal Term beyond such Fiscal Year. The Lease also provides that Basic Rent Payments will be deposited with the Trustee at least five (5) Business Days before the scheduled Basic Rent Payment Date.

To secure the payment of all of the City's obligations under the Lease, the City has granted, to the extent permitted by law, to the Trustee a security interest in the portion of the Leased Property consisting of personal property or fixtures paid for with proceeds of the Series 2020 Certificates and on all additions, attachments, accessions thereto, substitutions therefor and on any proceeds therefor and on any proceeds therefrom.

Neither the Series 2020 Certificates nor the Basic Rent Payments are obligations of the Trustee, and the Trustee has no obligation to make any payment with respect to the Series 2020 Certificates or the Lease.

Available Revenues

The City is obligated only to pay periodic payments under the Lease as may be lawfully made from all Available Revenues. “**Available Revenues**” means amounts budgeted and appropriated by the City for such Fiscal Year plus any other funds of the City that are legally available to pay Rent during such Fiscal Year, plus all moneys and investments, including earnings thereon, held by the Trustee pursuant to the Declaration of Trust. See the section “**SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Limited Obligations**” above and the section “– **Funding Sources**” below.

Funding Sources

At an election held in the City on April 4, 2017, the required majority of the qualified voters in the City approved the 0.50% Local Parks Sales Tax for a period of 15 years, for the purpose of funding local parks and recreation in order to maintain, improve and manage parks, trails, playgrounds, park parking lots, bathrooms, cemetery, and natural lands for recreational purposes including the construction of an aquatic facility. The City began levying the 0.50% Local Parks Sales Tax on October 1, 2017, and the 0.50% Local Parks Sales Tax is scheduled to expire on December 31, 2032 (which is after the September 1, 2032*, final maturity date of the Series 2020 Certificates).

It is the current intention of the City to satisfy its obligations to make Basic Rent Payments distributable to the Owners of the Series 2020 Certificates from revenues generated by the 0.50% Local Parks Sales Tax. **The City’s obligation to make such Basic Rent Payments during the Original Term or any Renewal Term is not, however, limited to revenues generated by the 0.50% Local Parks Sales Tax, and such revenues generated by the 0.50% Local Parks Sales Tax are not, and cannot be, pledged to the payment of Basic Rent Payments.** For more detailed information on the potential funding sources, including the 0.50% Local Parks Sales Tax, see the section “**FINANCIAL INFORMATION CONCERNING THE CITY - Sales Tax Collections**” in *Appendix A* attached to this Official Statement.

For the estimated annual requirements of Basic Rent Payments payable by the City under the Lease and distributable to the Owners of the Series 2020 Certificates, see the section “**DEBT STRUCTURE OF THE CITY – The Series 2020 Certificates**” in *Appendix A* attached to this Official Statement.

The Lease provides that the City’s obligation to make the Basic Rent Payments is absolute and unconditional without abatement, diminution, deduction, setoff or defense, for any reason, including any failure of the Improvements to be constructed or installed, any defects, malfunctions, breakdowns or infirmities in the Leased Property or any accident, subject to and dependent upon annual appropriations being made by the City Council for such purpose. The City has covenanted that its responsible financial officer will do all things lawfully within his power to obtain and maintain funds from which Basic Rent may be paid, including making provision for such payments to the extent necessary in each proposed budget or appropriation request submitted for adoption in accordance with applicable provisions of law and to exhaust all available reviews and appeals in the event such portion of the budget or appropriation request is not approved. Notwithstanding the foregoing, the decision to budget and appropriate funds will be made in accordance with the City’s normal procedures for such decisions by the then current City Council of the City. See the section “**Nonappropriation**” below.

Nonappropriation

The Lease Term will continue into each succeeding next Fiscal Year, at the option of the City, only if there is an appropriation made by the City from which to pay Basic Rent Payments and all other amounts payable by the City under the Lease.

* Preliminary, subject to change.

Upon the occurrence of an Event of Nonappropriation, the City's obligation to make Basic Rent Payments and other payments under the Lease will terminate as of the end of the last Fiscal Year for which the City has appropriated Basic Rent Payments. If an Event of Nonappropriation occurs, or upon the occurrence of an Event of Default under the Declaration of Trust, the Trustee may take possession of the Leased Property, in which event the City will take all actions necessary to authorize, execute and deliver to the Trustee all documents necessary to vest in the Trustee for the remainder of the Trustee's leasehold term under the Base Lease, all of the City's interest in and to the Leased Property. The Trustee may then terminate the Lease and sublease the Leased Property pursuant to its rights under the Base Lease or assign its leasehold interest under the Base Lease. Upon the occurrence of an Event of Default or upon the occurrence of an Event of Nonappropriation, the Trustee may declare all Rent payable by the City under the Lease to the end of the Original Term or the then current Renewal Term to be due. See the sections "**SUMMARY OF THE LEASE - Events of Default,**" and "**Remedies on Default**" in *Appendix C* to this Official Statement and the section "**RISK FACTORS**" herein.

Base Lease

The City has, pursuant to the Base Lease, leased all its interest in the Real Property upon which the Improvements will be constructed to the Trustee, as lessee. The Base Lease terminates on September 1, 2052*, unless sooner terminated if the City makes or provides for all payments required by the Lease. If an Event of Default or Event of Nonappropriation occurs under the Declaration of Trust or the Lease, the Trustee has the right to possess and use the Real Property (and the Improvements to be located thereon) for the remainder of the term of the Base Lease, and has the right to sublease or assign its leasehold interests under the Base Lease upon such terms as it deems prudent.

The Leased Property that is subject to the Base Lease and the Lease includes the Real Property (which includes certain City-owned parks land, together with the City's existing aquatic center complex and all other existing improvements, facilities, and buildings currently located on a portion of the City-owned parks land) and the Improvements to be located on the Real Property (which will consist of the extensive renovations, additions and upgrades to the City's existing aquatic center complex located on the Real Property). Upon completion of the Improvements, there are certain portions of the Real Property that will not include any of the buildings, facilities, public access or parking infrastructure that will comprise any portion of the City's aquatic center complex (collectively, the "**Essential Leased Property**"). Under the Lease, the portion of the Real Property that does not include the Essential Leased Property may be released from the lien of the Base Lease and the Lease, as described below under "**Permitted Partial Release of Leased Property.**"

The proceeds from any assignment of the Base Lease and the Trustee's rights thereunder or any sublease of the Leased Property are required to be paid to the Trustee and applied in accordance with the Declaration of Trust. **Owners of the Series 2020 Certificates are cautioned, however, that the nature of the Leased Property may impair the Trustee's ability to assign its interest in the Base Lease or to sublease the Leased Property upon the occurrence of an Event of Default or Event of Nonappropriation or to obtain an amount therefor that would be sufficient to pay the Principal Portions and the Interest Portions of Basic Rent distributable to the Owners of the Series 2020 Certificates.**

Permitted Partial Release of Leased Property

So long as no Event of Default or Nonappropriation has occurred under the Lease or the Declaration of Trust, the Trustee will release, without the consent of any of the Owners of the Certificates or any Additional Certificates, a portion of the Real Property, other than the portion Real Property that includes or will include any of the buildings, facilities, public access or parking infrastructure that comprise the aquatic center complex upon completion of the Improvements, which being paid for, in part, with proceeds of the Series 2020 Certificates (the "**Essential Leased Property**"), upon receipt by the Trustee of the following:

* Preliminary, subject to change.

(a) A written request of the City for such release, describing the portion of the Real Property to be released (the “**Released Property**”), and certifying that the Released Property is not needed for the operation and use of the buildings, facilities, public access or parking infrastructure constituting the Essential Leased Property;

(b) An ALTA/ASCM survey showing the boundaries of that portion of the Real Property remaining after the Released Property is removed, and showing the location of all buildings, facilities, public access or parking infrastructure that comprise or will comprise, upon completion of the Improvements, the aquatic center complex on the remaining portion of the Real Property, which shall show that the Essential Leased Property is not part of the Released Property; and

(c) An endorsement to the title insurance policy required under this Lease, recognizing the amendment to release the Released Property from the Base Lease and this Lease, reaffirming the existing coverage and reflecting no exceptions other than those included in the title insurance policy originally delivered.

ADDITIONAL CERTIFICATES

The Trustee may deliver Additional Certificates for any purpose specified in the Declaration of Trust, upon compliance with certain terms and conditions set forth in the Declaration of Trust. Any Additional Certificates will be equally and ratably secured by the Declaration of Trust on a parity with the Series 2020 Certificates. Concurrently with the delivery of any such Additional Certificates, the Trustee and the City shall deliver an amendment to the Lease obligating the City to make Basic Rent Payments, consisting of Principal Portions and Interest Portions, in amounts and at times sufficient to provide for the timely payment of principal of and interest on such Additional Certificates. See the section “**SUMMARY OF THE DECLARATION OF TRUST - Additional Certificates**” in *Appendix C* attached hereto.

THE TRUSTEE

The Trustee is not liable for the payment of Basic Rent Payments, and the Owners of the Series 2020 Certificates have no right to look to the Trustee for any payments of the Series 2020 Certificates or for any other payments other than from funds held under the Declaration of Trust.

RISK FACTORS

An investment in the Series 2020 Certificates involves a degree of risk, including the risk factors described below. Each prospective investor in the Series 2020 Certificates is encouraged to read this Official Statement in its entirety, and to give particular attention to the factors described below which, among others, could affect the payment of the Series 2020 Certificates, and which could also affect the market price of the Series 2020 Certificates to an extent that cannot be determined. This discussion of risk factors is not, and is not intended to be, exhaustive.

Nonappropriation

The Series 2020 Certificates, the Basic Rent Payments and other amounts due under the Lease do not constitute an obligation of the City in any Fiscal Year subsequent to a Fiscal Year as to which the City has appropriated funds to pay Basic Rent Payments and other amounts reasonably anticipated to come due under the Lease. In the event the City fails to budget, appropriate or otherwise provide for sufficient funds to pay Basic

Rent Payments and reasonably anticipated other amounts to come due during the immediately following Fiscal Year, the Lease will terminate at the end of the then current Fiscal Year. Upon termination of the Lease, the Series 2020 Certificates will be payable solely from moneys, if any, held by the Trustee under the Declaration of Trust, and any amounts resulting from the Trustee's sublease or assignment of its leasehold interest and rights under the Base Lease in the Leased Property. The obligation of the City to pay Basic Rent and, thus, the Series 2020 Certificates, is limited to payment from Available Revenues, will constitute a current expense of the City and will not be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, and will not constitute a pledge of the general tax revenues, funds, properties or moneys of the City beyond any then current Fiscal Year during which the Lease is in effect. The City is not obligated to levy any taxes in order to raise revenues to make Basic Rent Payments.

The City's obligations under the Lease to make Basic Rent Payments may be terminated on an annual basis by the City without any penalty, and there is no assurance that the City will budget funds for that purpose. Accordingly, the likelihood that there will be sufficient funds to pay the Series 2020 Certificates is dependent upon certain factors that are beyond the control of the Owners of the Series 2020 Certificates, including (a) the continuing need of the City for the Leased Property, (b) the ability of the City to generate sufficient funds to pay Rent and other obligations associated with the Lease and any other obligations of the City and (c) the ability of the Trustee to sublease the Leased Property or assign its leasehold interest therein, in the event of a termination of the Lease by reason of an Event of Nonappropriation or an Event of Default.

Results of a Nonappropriation

An "Event of Nonappropriation" occurs if the City fails to budget, appropriate or otherwise provide for sufficient funds to pay Basic Rent and other amounts reasonably anticipated to come due during the immediately following Fiscal Year. See the section "SUMMARY OF THE LEASE - Events of Default" and "-Remedies on Default" in *Appendix C* attached hereto for a discussion of the results of an Event of Nonappropriation.

Upon termination of the Lease, the Trustee may take possession of the Leased Property and sublease the Leased Property for the remaining term of the Base Lease or sell and assign its interest in the Leased Property under the Base Lease for the remaining term of the Base Lease. The net proceeds received from such assignment or sublease, together with other moneys then held by the Trustee under the Declaration of Trust (with certain exceptions as provided in the Lease and the Declaration of Trust), are required to be used to pay the Certificates, to the extent of such moneys.

The Leased Property will consist of (1) the Improvements, which will consist of the City's newly renovated aquatic center which will include, among other features, an outdoor pool area with a four-lane lap pool, rock climbing wall, diving board, slide complex, outdoor "wet play" structure, leisure pool with a slide, a "zero depth" pool, current channel and concession stand, together with an indoor pool area, dedicated meeting rooms and offices for the City's Parks and Recreation Staff and other related appurtenances that will be constructed, furnished and equipped with proceeds of the Series 2020 Certificates and (2) the Real Property upon which the Improvements are located. See the section "THE IMPROVEMENTS" herein. The ability of the Trustee to sublease or assign all or a portion of its interest in the Leased Property under the Base Lease to third parties may be limited. There can be no assurance that the proceeds of any such sublease or assignment would be applied to the payment of the Certificates, as the same may be subject to the competing claims of other creditors of the City in the event of bankruptcy or liquidations. See the section "SUMMARY OF THE LEASE - Remedies on Default" in *Appendix C* attached hereto.

Due to the nature of the Leased Property, a potential purchaser of the Series 2020 Certificates should not assume that it will be possible for the Trustee to assign or sublease its leasehold interest in the Leased Property under the Base Lease after a termination of the Lease at all or, if sold, for an amount

equal to the aggregate Principal Portions of Basic Rent represented by the Certificates then outstanding plus accrued Interest Portions of Basic Rent represented thereby.

Construction Delays and Cost Overruns

Construction delays could result from factors beyond the control of the City or the general contractor, including inclement weather, strikes or work stoppages, which would result in a delay of the completion of the Improvements. In addition to construction delays, the City may experience construction cost overruns beyond the normal construction contingencies built into the estimated construction costs of the Improvements. No assurance can be given that the Leased Property will be completed on schedule, within budget or without material errors and defects. Any such failure could affect the City's decision to continue appropriations and the Trustee's ability to relet the Leased Property.

While the City's ability to make the Basic Rent Payments under the Lease is not contingent on timely completion of the Improvements on budget, construction delays and cost overruns may require the City to spend more than originally budgeted to complete the Improvements, which may have an adverse impact on the City's finances and future budgets.

Destruction of the Leased Property; Insufficiency of Casualty Insurance Proceeds

The Lease requires the Leased Property to be insured as described in the section "**SUMMARY OF THE LEASE – Insurance**" in *Appendix C* attached hereto. If all or any portion of the Leased Property is damaged or destroyed, the City is nevertheless required to continue to make Basic Rent Payments under the Lease, subject to the exercise of its option to extend the term of the Lease for each next succeeding Fiscal Year and to apply the Net Proceeds from insurance and certain other sources to repair, restore, modify, improve or replace the affected portion of the Leased Property, unless the City has exercised its option to purchase the Trustee's interest in the Leased Property by making payment of the Purchase Price as provided in the Lease.

If the City determines that the repair, restoration, modification or improvement of the Leased Property is not economically feasible or in the best interest of the City, then, in lieu of making such repair, restoration, modification or improvement and if permitted by law, the City will promptly purchase the Trustee's interest in the Leased Property pursuant to the Lease by paying the Purchase Price thereunder, and the Net Proceeds will be applied by the City to payment of the Purchase Price. If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement and the City has not elected to purchase the Trustee's interest in the Leased Property pursuant to the Lease, the City will complete such replacement, repair, restoration, modification or improvement and pay any costs thereof in excess of the amount of the Net Proceeds.

There can be no assurance that the City will elect to extend the term of the Lease for the next Renewal Term succeeding such damage or destruction. See the section "**SUMMARY OF THE LEASE – Damage, Destruction and Condemnation**" in *Appendix C* attached hereto.

The Trustee also has a title insurance policy covering its leasehold interest in the Leased Property in the amount of \$8,495,000*, subject to the conditions and limitations contained in the policy. In the event of a title loss, the proceeds of the title insurance policy may be insufficient to allow the City to purchase the Trustee's interest in the Leased Property pursuant to the Lease and could increase the likelihood of an Event of Nonappropriation by the City.

No Environmental Survey

Neither the Lease nor the Base Lease require the City to obtain for the Trustee's benefit an environmental survey in connection with the execution and delivery of the Lease and the Trustee's delivery of

* Preliminary, subject to change.

the Series 2020 Certificates. The City has made representations, warranties and covenants concerning environmental matters under the Base Lease. Environmental hazards could result in unexpected expenses to the City with respect to the Leased Property and could adversely impact the City's ability to make Basic Rent Payments and could increase the risk of nonappropriation. In addition, environmental hazards may delay or inhibit the Trustee's ability to exercise its remedies under the Lease or the Declaration of Trust, upon the occurrence of an Event of Nonappropriation or an Event of Default.

Condemnation of the Leased Property

Under applicable Missouri law, the City has the power to condemn property for any purpose for which it is authorized to acquire property. The City has agreed in the Base Lease and the Lease that, to the extent it may lawfully do so, if for any reason it exercises the power of eminent domain with respect to the Leased Property, the appraisal value of the Leased Property will not be less than the Basic Rent Payments then due plus the then applicable Purchase Price as defined and set forth in the Lease and the Base Lease. It is unknown whether the covenant described in the preceding sentence is enforceable against the City. Accordingly, there is no assurance that, if the City were to condemn the Trustee's interest under the Lease, the condemnation award would be sufficient to pay the Basic Rent Payments then due plus the then applicable Purchase Price as defined and set forth in the Lease. The City has agreed in the Lease that, in the event that the whole or any part of the Leased Property is taken by eminent domain proceedings, the interest of the Trustee shall be recognized.

Effects on Exemption From Securities Registration Requirements

Special Counsel expresses no opinion with respect to the applicability of the registration requirements of the Securities Act of 1933, to any Series 2020 Certificates in the event of a termination of the Lease by reason of an Event of Nonappropriation or an Event of Default. If the Lease is terminated by reason of either such event, there is no assurance that the Series 2020 Certificates may be transferred by an Owner thereof without compliance with the registration provisions of the Securities Act of 1933, as amended, or the availability of an exemption therefrom.

Effects on the Tax Exemption of the Series 2020 Certificates Upon a Termination of the Lease

Special Counsel expresses no opinion as to the treatment for federal income tax purposes of any moneys received by a Series 2020 Certificate Owner other than payments by the City made pursuant to the Lease, upon an Event of Nonappropriation or an Event of Default. There is no assurance that such moneys received by a Series 2020 Certificate Owner in such event will be excludable from gross income for federal income tax purposes.

Risk of Audit

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine the legitimacy of the tax status of such obligations. No assurance can be given that the Internal Revenue Service will not commence an audit of the Series 2020 Certificates. The Owners of the Series 2020 Certificates are advised that, if an audit of the Series 2020 Certificates were commenced, in accordance with its current published procedures, the Internal Revenue Service is likely to treat the City as the taxpayer, and the Owners of the Series 2020 Certificates 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 Series 2020 Certificates during the pendency of the audit, regardless of the ultimate outcome of the audit.

Taxability of the Series 2020 Certificates

The Series 2020 Certificates are not subject to prepayment nor are the interest rates on the Series 2020 Certificates subject to adjustment in the event of a determination by the Internal Revenue Service or a court of competent jurisdiction that the Interest Portion of Basic Rent Payments paid or to be paid on any Series 2020

Certificate is or was includible in the gross income of the Series 2020 Certificate Owner for federal income tax purposes. Likewise, the Declaration of Trust does not require the prepayment of the Series 2020 Certificates or the adjustment of interest rates on the Series 2020 Certificates if the interest thereon loses its exemption from income taxes imposed by the State of Missouri. **Under such circumstances, the Owners of the Series 2020 Certificates would continue to hold their Series 2020 Certificates, receiving the Principal Portion and Interest Portion of Basic Rent Payments as and when due, but would be required to include the Interest Portion of Basic Rent Payments in gross income for federal and Missouri income tax purposes.**

Amendment of the Declaration of Trust and the Lease

Certain amendments to the Declaration of Trust and the Lease may be made without the consent of the Owners of the Certificates then outstanding, including supplements providing for the delivery of Additional Certificates, which would be payable and secured on a parity with outstanding Series 2020 Certificates under the Declaration of Trust. Such amendments may adversely affect the security of the Owners of the Series 2020 Certificates. See the section “**SUMMARY OF THE DECLARATION OF TRUST – Amendments to the Declaration of Trust, the Lease or the Base Lease**” in *Appendix C* attached hereto.

Bankruptcy

In addition to the limitations on remedies contained in the Declaration of Trust and the Lease, the rights and remedies provided in the Declaration of Trust and the Lease may be limited by and are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of Missouri.

Inability to Liquidate

The enforceability of the Series 2020 Certificates and the Lease is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors’ rights generally and liens securing such rights, and the police powers of the State and its political subdivisions. Because of the delays inherent in obtaining the remedies involving the Leased Property, a potential purchaser of the Series 2020 Certificates should not anticipate that remedies could be accomplished rapidly, if at all.

Special Use Facility; Limited Term

Although the Trustee has the right under the Declaration of Trust and the Lease to take possession and relet the Leased Property for the remaining term of the Base Lease upon the occurrence of an Event of Default or Event of Nonappropriation, no assurance can be made that the Leased Property as a whole could generate sufficient revenues to pay the Principal Portion and Interest Portion of Basic Rent represented by the Series 2020 Certificates upon the exercise of such remedy by the Trustee. There can be no assurance, upon the occurrence of an Event of Default or an Event of Nonappropriation, that the then remaining term of the Base Lease would permit the Trustee to relet the Leased Property for sufficient revenues to pay the Principal Portion and Interest Portion of Basic Rent represented by the Series 2020 Certificates upon the exercise of such remedy by the Trustee.

Secondary Markets and Prices

The Series 2020 Certificates are not readily liquid, and no person should invest in the Series 2020 Certificates with funds such person may need to convert readily into cash. Owners of the Series 2020 Certificates should be prepared to hold their Series 2020 Certificates to the stated maturity date. The Underwriter will not be obligated to repurchase any of the Series 2020 Certificates, and no representation is made concerning the existence of any secondary market for the Series 2020 Certificates. No assurance can be given that any secondary

market will develop following the completion of the offering of the Series 2020 Certificates as no assurance can be given that the initial offering price for the Series 2020 Certificates 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 operating performance of the entities operating its facilities subject to the municipal securities. From time to time the secondary market trading in selected issues of municipal securities will fluctuate as a result of the financial condition or market position of the Underwriter, prevailing market conditions, or a material adverse change in the operations of the City, whether or not the subject securities are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices. Municipal securities are generally viewed as long-term investments, subject to material unforeseen changes in the investor's circumstances, and may require commitment of the investor's funds for an indefinite period of time, perhaps until maturity.

No Credit Enhancement

No financial guaranty insurance policy, letter of credit or other credit enhancement will be issued to insure payment of the Principal Portion or Interest Portion of Basic Rent due with respect to the Series 2020 Certificates. Accordingly, any potential purchaser of the Series 2020 Certificates should consider the financial ability of the City to pay Basic Rent Payments under the Lease.

Rating

S&P (defined herein) has assigned the Series 2020 Certificates the rating set forth on the cover page of this Official Statement as further described under the section "**RATING**" herein. Such rating reflects only the views of S&P, 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 they will not be revised, either downward or upward, or withdrawn entirely, by the S&P 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 Series 2020 Certificates.

Loss of Premium from Prepayment

Any person who purchases a Series 2020 Certificate at a price in excess of its principal amount or who holds such Series 2020 Certificate trading at a price in excess of par should consider the fact that the Series 2020 Certificates are subject to prepayment prior to maturity at the Prepayment Prices described herein in the event such Series 2020 Certificates are prepaid prior to maturity. See the section "**THE SERIES 2020 CERTIFICATES OF PARTICIPATION - Prepayment**" herein.

Defeasance Risks

When all Certificates are deemed paid as provided in the Declaration of Trust (see the section "**SUMMARY OF THE DECLARATION OF TRUST – Defeasance; Deposit of Moneys or Securities**" in *Appendix C* attached hereto), the Declaration of Trust will be released and terminated and the Leased Property encumbered by the Base Lease and the Lease as security for the Certificates will be released. Any Certificate shall be deemed to be paid when (a) payment of the Principal Portion of Basic Rent Payments evidenced by such Certificate and premium, if any, thereon and the Interest Portion of Basic Rent Payments payable with respect thereto, whether such payment is by reason of the stated payment date or upon prepayment as provided in the Declaration of Trust, either (i) has been made in accordance with the terms thereof, or (ii) has been provided by irrevocably depositing, in trust and irrevocably set aside exclusively for such payment, (1) cash sufficient to make such payment and/or (2) Government Obligations, maturing as to principal and interest in such amounts and at such time as will insure the availability of sufficient moneys to make such payment. Government Obligations include, in addition to cash, non-callable bonds, notes, certificates of indebtedness, treasury bills and other non-callable securities constituting direct obligations of, or obligations the principal of and interest on

which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America. Historically, such Government Obligations have been rated in the highest rating category by the rating agencies. There is no legal requirement in the Declaration of Trust, the Base Lease or the Lease that Government Obligations be or remain 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 Certificates defeased with Government Obligations to the extent the Government Obligations have a change or downgrade in rating.

Other Factors

Other factors, including but not limited to one or more of the following factors or events, could adversely affect the City's operations and financial performance to an extent that cannot be determined at this time:

1. *Changes in Management.* Changes in key management personnel could affect the capability of the management of the City.
2. *Future Economic Conditions.* Adverse economic conditions or changes in demographics in the City, including increased unemployment and inability to control expenses in periods of inflation, could adversely impact the City's financial performance, including its tax revenues and other revenues.
3. *Insurance Claims.* Increases in the cost of general liability insurance coverage and the amounts paid in settlement of liability claims not covered by insurance could adversely impact the City's financial performance.
4. *Natural Disasters.* The occurrence of natural disasters, such as floods, droughts, tornadoes or earthquakes, could damage the City's facilities, interrupt services or otherwise impair operations of the City.
5. *Cybersecurity Risks.* It is possible that the City's security measures may not prevent improper or unauthorized access or disclosure of information resulting from cyber-attacks. Cyber-attacks can create disruptions of the City and its services or unauthorized disclosure of confidential information. The City may incur significant costs to remediate possible injury to persons affected by any cyber-attack.

SUMMARY OF THE LEGAL DOCUMENTS

Attached hereto as *Appendix C* are summaries of certain provisions of the Base Lease, the Lease and the Declaration of Trust, as well as certain defined terms used therein and in this Official Statement. The summaries do not purport to be complete, and reference is made to the full text of the Base Lease, the Lease and the Declaration of Trust, respectively, for a complete recital of their terms, as well as a complete recital of the defined terms used therein. Copies of all documents relating to the Series 2020 Certificates may be viewed at the offices of the City's financial advisor, Piper Jaffray & Co., 11635 Rosewood Street, Leawood, Kansas (913) 345-3375, and will be provided by the financial advisor to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.

UNDERWRITING

Based on the bids received by the City on January 9, 2020, the Series 2020 Certificates were awarded to [Underwriter] (the “**Underwriter**”). The Underwriter has agreed, subject to certain conditions, to purchase the Series 2020 Certificates from the City at a purchase price of \$ _____ (equals to the principal amount of the Series 2020 Certificates [plus/minus] a [net] original issue [premium]/[discount] of \$ _____, less an underwriter’s discount of \$ _____). The Underwriter is purchasing the Series 2020 Certificates for resale in the normal course of the Underwriter’s business activities. The Underwriter reserves the right to offer any of the Series 2020 Certificates to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter, in its discretion, determines. The Underwriter reserves the right to join with dealers and other purchasers in offering the Series 2020 Certificates to the public. The Underwriter may offer and sell Series 2020 Certificates to certain dealers (including dealers depositing Series 2020 Certificates into investment trusts) at prices lower than the public offering prices.

LITIGATION

There is not now pending or, to the City’s knowledge, threatened, any litigation seeking to restrain or enjoin or in any way limit the approval or the issuance and delivery of this Official Statement or the Series 2020 Certificates or the proceedings or authority under which they are to be issued. There is no litigation pending or, to the City’s knowledge, threatened which in any manner challenges or threatens the City’s powers to enter into or carry out the transactions contemplated by the Declaration of Trust, the Lease, the Base Lease and this Official Statement.

FINANCIAL ADVISOR

Piper Jaffray & Co., Leawood, Kansas, is employed as financial advisor to the City to render certain professional services, including advising the City on a plan of financing in connection with the planning, structuring and issuance of the Series 2020 Certificates and various other debt related matters (the “**Financial Advisor**”). The Financial Advisor will not be a manager or a member of any purchasing group submitting a proposal for the purchase of the Series 2020 Certificates.

CERTAIN RELATIONSHIPS

Gilmore & Bell, P.C., as Special Counsel to the City, has represented the Financial Advisor in transactions unrelated to the issuance of the Series 2020 Certificates, but is not representing the Financial Advisor in connection with the issuance of the Series 2020 Certificates.

TAX MATTERS

The following is a summary of the material federal and State of Missouri income tax consequences of holding and disposing of the Series 2020 Certificates. 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 Series 2020 Certificates 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 Series 2020 Certificates 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 Series 2020 Certificates.

Opinion of Special Counsel

In the opinion of Gilmore & Bell, P.C., as Special Counsel to the City (“**Special Counsel**”), under the law existing as of the issue date of the Series 2020 Certificates:

Federal and Missouri Tax Exemption. The Interest Portion of Basic Rent Payments received with respect to the Series 2020 Certificates (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. The Interest Portion of Basic Rent Payments received with respect to the Series 2020 Certificates is not an item of tax preference for purposes of computing the federal alternative minimum tax.

Bank Qualification. The City’s obligation to pay Basic Rent Payments under the Lease distributable to Owners of the Series 2020 Certificates is a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “**Code**”).

Special Counsel’s opinions are provided as of the date of the original issue of the Series 2020 Certificates, subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2020 Certificates in order that Interest Portion of Basic Rent Payments received with respect to the Series 2020 Certificates 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 Interest Portion of Basic Rent Payments received with respect to the Series 2020 Certificates to be included in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Series 2020 Certificates. Special Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2020 Certificates, but has reviewed the discussion under the heading “**TAX MATTERS.**” See *Appendix E* for a form of Special Counsel’s legal opinion.

Other Tax Consequences

Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of a Series 2020 Certificate over its stated redemption price at maturity. The issue price of a Series 2020 Certificate is generally the first price at which a substantial amount of the Series 2020 Certificates of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt obligations amortizes over the term of the Series 2020 Certificate using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the Owner's basis in the Series 2020 Certificate and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the Owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2020 Certificate 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 certificate premium.

Original Issue Discount. For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Series 2020 Certificate over its issue price. The issue price of a Series 2020 Certificate is generally the first price at which a substantial amount of the Series 2020 Certificates of that maturity have been sold to the public. Under Section 1288 of the Code, original issue discount on tax-exempt obligations accrues on a compound basis. The amount of original issue discount that accrues to an Owner of a Series 2020 Certificate during any accrual period generally equals (1) the issue price of that Series 2020 Certificate, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2020 Certificate (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 Series 2020 Certificate during that accrual period. The amount of original issue discount 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 Series 2020 Certificate. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.

Sale, Exchange or Retirement of Series 2020 Certificates. Upon the sale, exchange or retirement (including redemption) of a Series 2020 Certificate, an Owner of the Series 2020 Certificate 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 Series 2020 Certificate (other than in respect of accrued and unpaid interest) and such Owner's adjusted tax basis in the Series 2020 Certificate. To the extent a Series 2020 Certificate 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 Series 2020 Certificate 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 Series 2020 Certificates, and to the proceeds paid on the sale of the Series 2020 Certificates, 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 Series 2020 Certificates should be aware that ownership of the Series 2020 Certificates 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 Series 2020 Certificates. Special Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2020 Certificates 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 Series 2020 Certificates, including the possible application of state, local, foreign and other tax laws.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 2020 Certificates are subject to the approving legal opinion of Gilmore & Bell, P.C., as Special Counsel to the City, which opinion will be rendered in substantially the form as set forth in *Appendix E* attached to this Official Statement. Certain matters relating to this Official Statement will also be passed upon by Gilmore & Bell, P.C., as disclosure counsel to the City.

The legal opinions to be delivered concurrently with the delivery of the Series 2020 Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transactions opined upon or of the future performance of parties to such transaction, and the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement, the City has agreed to provide to the Municipal Securities Rulemaking Board (the “MSRB”), through its Electronic Municipal Market Access website (“EMMA”), not later than **June 30th** after the end of each Fiscal Year, commencing with the Fiscal Year ended December 31, 2019, (1) the audited financial statements of the City for that Fiscal Year and (2) certain operating data of the City. The City has also agreed to provide prompt notice to the MSRB of the occurrence of certain material events with respect to the Series 2020 Certificates. See “**FORM OF CONTINUING DISCLOSURE AGREEMENT**” attached to this Official Statement as *Appendix D*.

The City has entered into prior undertakings under Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “**Rule**”). The City believes it has complied in all material respects during the past five years with its prior undertakings under the Rule.

MISCELLANEOUS

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. The descriptions contained in this Official Statement of the Series 2020 Certificates, the Declaration of Trust, the Base Lease and the Lease do not purport to be complete and are qualified in their entirety by reference thereto.

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 Series 2020 Certificates other than those either expressly or by fair implication imposed on the City by the Lease and the Declaration of Trust.

CITY OF KIRKSVILLE, MISSOURI

By: _____
Mayor

APPENDIX A

CITY OF KIRKSVILLE, MISSOURI

GENERAL, ECONOMIC AND FINANCIAL INFORMATION FOR THE CITY

APPENDIX A

CITY OF KIRKSVILLE, MISSOURI

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APPENDIX A

CITY OF KIRKSVILLE, MISSOURI

GENERAL AND ECONOMIC INFORMATION CONCERNING THE CITY

Location and Size

The City of Kirksville, Missouri (the “City”), encompasses approximately 14.1 square miles and is the county seat of Adair County, Missouri (“Adair County”), located in the northcentral/northeastern region of Missouri at the junction of U.S. Highway 63 and State Highways 6 and 11. The City is located approximately 170 miles northeast of Kansas City, Missouri.

Population

The following table shows population figures for the City, Adair County and the State of Missouri from the last three decennial censuses and the latest available estimate.

| | <u>1990</u> | <u>2000</u> | <u>2010</u> | <u>2018</u> |
|-------------------|-------------|-------------|-------------|-----------------------|
| City | 17,152 | 16,905 | 17,505 | 17,519 ⁽¹⁾ |
| Adair County | 24,577 | 24,977 | 25,604 | 25,339 |
| State of Missouri | 5,117,073 | 5,595,211 | 5,988,952 | 6,126,452 |

Source: U.S. Census Bureau

⁽¹⁾ Estimated as of July 1, 2017.

Government and Organization

The City is a third-class city under Missouri law operating under a Council-Manager form of government. The councilmembers of the City (“City Council”) are elected at-large on a non-partisan basis to serve three-year staggered terms. After the general municipal election in April each year, the City Council “appoints” a member of the City Council to serve as the Mayor of the City for a term of one year. The Mayor presides over meetings of the City Council. The City Council is responsible for passing ordinances, adopting the budget, establishing utility rates and tax rates, authorizing all municipal indebtedness, appointing committees, setting policy, approving contracts and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the government and appointing other City department managers. The City budget, prepared by the City Manager and Finance Director, is reviewed and adopted by the City Council.

The present Mayor and City Council members and their respective terms of office are as follows:

| <u>Name</u> | <u>Title</u> | <u>First Term Began</u> | <u>Current Term Began</u> | <u>Current Term Expires</u> |
|----------------|----------------------------------|----------------------------|---------------------------|-----------------------------|
| Zac Burden | Mayor | August 2018 ⁽¹⁾ | April 2019 | April 2022 |
| Chuck Long | Mayor Pro-tem and Council Member | April 2016 | April 2019 ⁽²⁾ | April 2020 |
| Phillip Biston | Council Member | April 2015 | April 2018 | April 2021 |
| Rick Steele | Council Member | April 2014 | April 2017 | April 2020 |
| Jessica Parks | Council Member | April 2019 | April 2019 | April 2022 |

⁽¹⁾ Appointed to fill unexpired term of vacated seat.

⁽²⁾ Elected to fill remaining term of vacated seat.

The present City Manager is Mari E. Macomber. Ms. Macomber has served as City Manager for over 13 years and is the eighth City Manager of the City since the Council-Manager form of government was adopted in 1972. Other administrative officials of the City include Lindsay Leckbee as the City Clerk, Lacy King as the Finance Director, Pat Meredith as the Human Resources Director, and Sarah Halstead as the Administrative Services Coordinator.

Currently, the City employs 154 full-time and 25 part-time employees. City employees are represented by a public works union and fire union. The City considers its relations with its employees to be excellent.

Municipal Utilities and Services

The City is a full-service city providing services for Administration, Economic Development, Finance, Information Technology, Public Buildings, Police, Fire, Public Works, Code Enforcement, Engineering, Airport and Parks and Recreation. The City is also served by Adair County Ambulance District and a County-wide emergency 911 system, which is a component unit of the City. The City provides water, sewer, stormwater and contracted sanitation services through its utility department. Natural gas is supplied by Liberty Utilities and electricity is supplied by Ameren for Missouri and Tri-County Electric Cooperative.

Transportation and Communication Facilities

The City owns and operates Kirksville Regional Airport, located four miles south on U.S. Highway 63. The airport has a 6,005-foot hard-surface, lighted runway and offers daily flights between the City and Lambert-St. Louis International Airport, 204 miles away. Kansas City International Airport, which is a large regional airport that offers domestic and international commercial flights, is located 170 miles southwest of the City. Rail transportation is provided by Amtrak at LaPlata, 15 miles south of Kirksville. Bus transportation is provided by Greyhound and public transportation is provided by Oats, Shuttle Tran Airport Taxi, D&D Cab Company and Kirk-Tran. The *Kirksville Daily Express*, a biweekly newspaper, is published in the City, along with the *Kirksville Crier* and the *Index*, both weekly newspapers. The residents of the City receive their cable television service from Sparklight and they also have access to a variety of other telecommunications providers that offer satellite television, internet, telephone and wireless service to City residents.

Educational Institutions and Facilities

The City and surrounding area is served by Kirksville R-III School District (the “**School District**”), which is classified as “accredited,” the highest rating given by the Missouri Department of Elementary and Secondary Education. The School District has two elementary schools, one junior high school, one high school and an Area Technical Center, with a total School District enrollment of approximately 2,421 students for the 2018-2019 school year. In addition to the public school system, the City has four private schools offering primary and secondary classes. A.T. Still University is one university located in the City with six schools on two campuses and total enrollment of over 3,200 students, along with Truman State University with enrollment of approximately 6,100 students, and Moberly Area Community College with an approximate enrollment of 300 students.

Medical and Health Facilities

As the home of Kirksville College of Osteopathic Medicine, the local campus of A.T. Still University, the City has an abundance of healthcare professionals, services and institutions, with one of the highest doctor-to-patient ratios in the country. Northeast Regional Medical Center, a Level III Trauma Center, is a 93-bed regional hospital located in the City that provides City residents and residents of the surrounding area with access to a wide-range of medical care. Northeast Regional Medical Center has a medical staff of more than 200 physicians, representing over 30 specialties and subspecialties and offers a wide variety of medical, surgical, diagnostic, emergency, rehabilitation, primary care, home health and cancer treatment services.

Community and Recreational Facilities

In addition to the 29,000 square-foot Adair County Facility YMCA located in the City, the City also offers several public parks with shelter houses, picnic facilities, sports fields, tennis courts, playgrounds with many recreational opportunities including swimming, boating, sailing, water skiing, fishing, camping, hiking, biking and other citizen-oriented activities. The City is also planning extensive renovations, expansions, upgrades, additions and improvements to its existing outdoor and indoor aquatic complex with proceeds of the Series 2020 Certificates that will include indoor and outdoor pools and other features. See the caption “**THE IMPROVEMENTS**” in the Official Statement.

Employment

The City is the largest city in Adair County and serves as the center for the region’s business, industry, retail, healthcare, education and recreation. Listed below are some of the largest employers located in the City and the approximate number employed by each.

| <u>Name</u> | <u>Description</u> | <u>Approximate Number of Employees</u> |
|-----------------------------------|---------------------------|--|
| Adair Foods (Kraft Heinz) | Food | 900 |
| Truman State University | Education | 759 |
| A.T. Still University | Education | 703 |
| Kirksville R-III School District | Education | 453 |
| Northeast Regional Medical Center | Healthcare | 438 |
| Hy-Vee Food Stores | Grocery | 326 |
| Wal-Mart | Retail | 302 |
| Preferred Family Healthcare | Healthcare | 217 |
| Sodexo | Food Preparation Provider | 215 |
| Chariton Valley Association | Non-Profit | 195 |
| Northeast Missouri Health Council | Healthcare | 193 |

Source: Kirksville Regional Economic Development Inc.

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The following tables set forth employment figures for Adair County and the State of Missouri for the last five years:

Adair County Employment

| Average for Year | Total Labor Force | Unemployed | Unemployment Rate |
|-----------------------------|------------------------------|-------------------|------------------------------|
| 2019 ⁽¹⁾ | 10,551 | 411 | 3.9% |
| 2018 | 10,672 | 375 | 3.5 |
| 2017 | 10,488 | 448 | 4.3 |
| 2016 | 10,519 | 597 | 5.7 |
| 2015 | 10,512 | 591 | 5.6 |

State of Missouri Employment

| Average for Year | Total Labor Force | Unemployed | Unemployment Rate |
|-----------------------------|------------------------------|-------------------|------------------------------|
| 2019 ⁽¹⁾ | 3,066,336 | 99,288 | 3.2% |
| 2018 | 3,052,386 | 97,578 | 3.2 |
| 2017 | 3,061,441 | 115,101 | 3.8 |
| 2016 | 3,080,850 | 140,536 | 4.6 |
| 2015 | 3,075,227 | 154,466 | 5.0 |

Source: MERIC (Missouri Economic Research and Information Center).

⁽¹⁾ Average of January through October 2019.

Personal Income and Housing

The following tables show median household income data for the City, Adair County and the State of Missouri:

Median Household Income

| | |
|--------------------|----------|
| City of Kirksville | \$27,667 |
| Adair County | 38,750 |
| State of Missouri | 51,542 |

Source: Missouri Census Data Center American Community Survey Profiles (2013-2017 5-year estimate).

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The following table presents per capita personal income⁽¹⁾ for Adair County and the State of Missouri for the years 2013 through 2017, the latest date for which such information is available:

| <u>Year</u> | <u>County Per Capita Personal Income</u> | <u>State Per Capita Personal Income</u> |
|-------------|--|---|
| 2017 | \$32,037 | \$44,978 |
| 2016 | 31,186 | 43,587 |
| 2015 | 31,139 | 42,839 |
| 2014 | 30,036 | 41,538 |
| 2013 | 29,215 | 40,152 |

Source: U.S. Department of Commerce - Bureau of Economic Analysis.

⁽¹⁾ Per Capita Personal Income is the annual total personal income of residents divided by resident population as of July 1. **“Personal Income”** is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and transfer payments. **“Net Earnings”** is earnings by place of work — the sum of wage and salary disbursements (payrolls), other labor income, and proprietors’ income — less personal contributions for social insurance, plus an adjustment to convert earnings by place of work to a place-of-residence basis. Personal Income is measured before the deduction of personal income taxes and other personal taxes and is reported in current dollars (no adjustment is made for price changes).

The median value of owner-occupied housing units in the City, Adair County and the State of Missouri are as follows:

Median Value of Owner-Occupied Housing

| | |
|--------------------|-----------|
| City of Kirksville | \$108,300 |
| Adair County | 117,700 |
| State of Missouri | 145,400 |

Source: Missouri Census Data Center American Community Survey Profiles (2013-2017 5-year estimate).

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DEBT STRUCTURE OF THE CITY

Financial Overview

The following table summarizes certain financial information concerning the City. This information should be reviewed in conjunction with the other information contained in this Official Statement and the audited financial statements of the City for fiscal year ended December 31, 2018, in *Appendix B* to this Official Statement.

| | |
|---|---------------|
| 2019 Assessed Valuation ⁽¹⁾ | \$195,537,724 |
| 2019 Estimated Actual Valuation ⁽²⁾ | \$810,608,809 |
| Population (2018 Estimate)..... | 17,519 |
| Outstanding General Obligation Bonds (“ Direct Debt ”) ⁽³⁾ | \$0 |
| Lease Obligations (“ Lease Obligations ”) ⁽⁴⁾ | \$10,985,327* |
| Total Direct Debt and Lease Obligations ⁽⁴⁾ | \$10,985,327* |
| Ratio of Direct Debt and Lease Obligations to Assessed Valuation | 5.62%* |
| Ratio of Direct Debt and Lease Obligations to Estimated Actual Valuation | 1.36%* |
| Overlapping General Obligation Debt and Lease Obligations (“ Indirect Debt ”) ⁽⁵⁾ | \$8,663,550 |
| Total Direct Debt, Lease Obligations and Indirect Debt..... | \$19,648,877* |
| Per Capita Direct Debt, Lease Obligations and Indirect Debt..... | \$1,121.58* |
| Ratio of Direct Debt, Lease Obligations and Indirect Debt to Assessed Valuation | 10.05%* |
| Ratio of Direct Debt, Lease Obligations and Indirect Debt to Estimated Valuation..... | 2.42%* |

- (1) Includes 2019 real and personal property assessment as certified by the Adair County Clerk, after Board of Equalization adjustments. This assessed valuation figure includes state and locally assessed railroad and utility property, but excludes (a) the assessed valuation of property located within TIF Redevelopment Areas in the City that is attributable to the incremental increase in assessed valuation of such property over the established assessed valuation base of such property and (b) the assessed valuation of other property that has been abated as a result of redevelopment or industrial development projects permitted under Missouri law. For further details see the section captioned “**TAX INFORMATION – Property Valuations.**”
- (2) Estimated actual valuation is calculated by dividing different classes of property by the corresponding assessment ratio. For a detail of these different classes and ratios see the section captions “**TAX INFORMATION – Property Valuations**” herein.
- (3) The City currently has no outstanding general obligation bonds.
- (4) Includes \$8,495,000* aggregate principal amount of the Series 2020 Certificates being delivered on January 23, 2020*, as well as approximately \$2,490,327 in total principal amount of the City’s other outstanding capital lease obligations as further described under the section captioned “**DEBT STRUCTURE OF THE CITY - Other Obligations of the City**” herein.
- (5) For further details see “**Overlapping General Obligation Indebtedness and Leases**” herein.

Current General Obligation Indebtedness

The City currently has no outstanding general obligation bonds. Under Article VI, Section 26(b) of the Constitution of Missouri, the City may incur general obligation indebtedness for authorized City purposes not to exceed 20% of the valuation of taxable tangible property in the City, according to the last completed assessment, upon the approval of four-sevenths of the qualified voters in the City voting on the proposition at any municipal, primary or general election, or two-thirds voter approval on any other election date. The City Council has no current plans to submit a question to the voters that would authorize the issuance of general obligation bonds.

History of General Obligation Indebtedness

The City has not had any general obligation indebtedness outstanding in the last five years.

* Preliminary, subject to change.

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 plants 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 City does not currently have any general obligation bonds outstanding. Therefore, based on the City's assessed valuation for 2019, the current legal general obligation debt limit of the City is \$39,107,545 (equal to 20% of the City's 2019 assessed valuation of \$195,537,724⁽¹⁾), which is also the City's current legal general obligation debt margin (\$39,107,545) because the City does not currently have any general obligation debt outstanding.

⁽¹⁾ Includes state and locally assessed railroad and utility property, but excludes (a) the assessed valuation of property located within TIF Redevelopment Areas in the City that is attributable to the incremental increase in assessed valuation of such property over the established assessed valuation base of such property and (b) the assessed valuation of other property that has been abated as a result of redevelopment or industrial development projects permitted under Missouri law. If the assessed valuation of property located within TIF Redevelopment Areas in the City were included, the City's legal debt margin would be higher.

Overlapping General Obligation Indebtedness and Leases

The following table sets forth the approximate overlapping general obligation and lease obligation indebtedness of political subdivisions with boundaries overlapping the City following delivery of the Series 2020 Certificates, and the percent attributable (on the basis of assessed valuation for the 2018 calendar year) to the City, based on available information of the jurisdictions responsible for the debt. The City has not independently verified the accuracy or completeness of such information. Furthermore, political subdivisions may have ongoing programs requiring the issuance of additional bonds or lease obligations, the amounts of which cannot be determined at this time.

| <u>Jurisdiction</u> | <u>Outstanding General Obligation Debt</u> | <u>Approximate Outstanding Lease Obligations</u> | <u>Total Approximate Outstanding GO Debt and Lease Obligations</u> | <u>Approximate Percentage Applicable to City</u> | <u>Total Approximate GO Debt Lease Obligations Applicable to City</u> |
|----------------------------------|--|--|--|--|---|
| Kirksville R-III School District | \$11,150,000 | \$-0- | \$11,150,000 | 77.7% | \$8,663,550 |

Source: Missouri State Auditor, Bond Registration Reports; financial information and operating data from each jurisdiction that is available on the Municipal Securities Rulemaking Board's EMMA website.

Current Outstanding Revenue Bonds of the City

Combined Waterworks and Sewerage System Revenue Bonds. As of January 23, 2020, the City has outstanding the following revenue bonds; however, the principal and interest on such revenue obligations are payable solely from the revenues generated by the operation of the City’s combined waterworks and sewerage system:

| <u>Category of Indebtedness</u> | <u>Date of Indebtedness</u> | <u>Original Principal Amount</u> | <u>Principal Amount Outstanding⁽¹⁾</u> |
|---|-----------------------------|----------------------------------|---|
| Sewerage System Revenue Bonds (State Revolving Fund Program), Series 1999B | 12/1/1999 | \$1,790,000 | \$ 145,000 |
| Sewerage System Revenue Bonds (State Revolving Fund Program), Series 2001C | 11/1/2001 | 565,000 | 125,000 |
| Sewerage System Revenue Bonds (State Revolving Fund Program), Series 2002B | 11/7/2002 | 645,000 | 175,000 |
| Sewerage System Revenue Bonds (State Revolving Fund Program), Series 2003B | 4/9/2003 | 1,385,000 | 295,000 |
| Waterworks System Revenue Bonds (State Revolving Fund Program), Series 2004C | 12/9/2004 | 695,000 | 240,000 |
| Sewerage System Revenue Bonds (State Revolving Fund Program), Series 2005A | 11/30/2005 | 1,595,000 | 645,000 |
| Waterworks System Revenue Bonds (State Revolving Fund Program), Series 2005B | 11/30/2005 | 1,805,000 | 820,000 |
| Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program), Series 2007 | 5/1/2007 | 3,500,000 | 1,585,000 |
| Combined Waterworks and Sewerage System Revenue Bonds (Direct Loan Program), Series 2008 | 4/29/2008 | 1,500,000 | 655,000 |
| Combined Waterworks and Sewerage System Revenue Bonds (Direct Loan Program - ARRA), Series 2009 | 12/29/2009 | 515,000 | 292,200 |
| Taxable Combined Waterworks and Sewerage System Revenue Bonds (Recovery Zone Economic Development Bonds), Series 2010 | 6/30/2010 | 2,274,000 | 1,430,000 |
| Combined Waterworks and Sewerage System Revenue Bonds (Direct Loan Program), Series 2014 | 12/10/2014 | 1,485,000 | 1,200,000 |
| Combined Waterworks and Sewerage System Revenue Bonds (Direct Loan Program), Series 2016 | 2/22/2016 | 18,000,000 | <u>16,488,000</u> |
| Total | | | <u>\$24,095,200</u> |

Source: City.

⁽¹⁾ Reflects outstanding principal amount as of January 23, 2020, which is the estimated date of issuance and delivery of the Series 2020 Certificates.

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Series 2020 Certificates

The following schedule shows the yearly Basic Rent Payments that are payable by the City under the Lease, which are subject to annual appropriation, and that are distributable to owners of the Series 2020 Certificates.

| <u>Fiscal Year Ended</u> <u>December 31</u> | <u>Principal</u> <u>Portion*</u> | <u>Interest</u> <u>Portion</u> | <u>Total</u> |
|--|---|---|---------------------|
| 2020 | \$640,000.00 | | |
| 2021 | 555,000.00 | | |
| 2022 | 575,000.00 | | |
| 2023 | 590,000.00 | | |
| 2024 | 605,000.00 | | |
| 2025 | 625,000.00 | | |
| 2026 | 645,000.00 | | |
| 2027 | 665,000.00 | | |
| 2028 | 685,000.00 | | |
| 2029 | 705,000.00 | | |
| 2030 | 720,000.00 | | |
| 2031 | 735,000.00 | | |
| 2032 | <u>750,000.00</u> | | |
| Total | <u>\$8,495,000.00*</u> | | |

Other Obligations of the City

2012 Energy Savings Performance Contract Lease. On October 31, 2012, the City, as lessee, entered into an annually-renewable energy savings performance lease purchase agreement (“**2012 Lease**”) with U.S. Bancorp Government Leasing and Finance, Inc., as lessor, in the principal amount of \$4,747,668, bearing interest at 1.957% annually. The 2012 Lease requires the City to pay 120 monthly rental payments, which are subject to annual appropriation by the City Council, equal to \$43,592.50, which monthly rental payments began on November 30, 2012, with the final rental payment scheduled to become due on October 31, 2022. Below is a schedule reflecting the approximate amount of the remaining annual rental payments scheduled to become due under the Series 2012 Lease, subject to annual appropriation:

| <u>Fiscal Year Ended</u> <u>December 31</u> | <u>Principal</u> <u>Portion</u> | <u>Interest</u> <u>Portion</u> | <u>Total</u> |
|--|--|---|---------------------|
| 2020 | \$ 499,386 | \$23,724 | \$ 523,110 |
| 2021 | 509,244 | 13,866 | 523,110 |
| 2022 | <u>432,041</u> | <u>3,884</u> | <u>435,925</u> |
| Total | <u>\$1,440,671</u> | <u>\$41,474</u> | <u>\$1,482,145</u> |

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* Preliminary, subject to change.

2017 Asphalt Plant Construction Lease. On May 5, 2017, the City, as lessee, entered into an annually-renewable lease purchase agreement (the “**2017 Lease**”) with U.S. Bancorp Government Leasing and Finance, Inc., as lessor, in the principal amount of \$800,000, bearing interest at 2.39% annually. The 2017 Lease requires the City to pay 84 monthly rental payments equal to approximately \$10,352, subject to annual appropriation by the City Council, which monthly rental payments began on June 5, 2017, with the final rental payment scheduled to become due on May 5, 2024. Below is a schedule reflecting the approximate amount of the remaining annual rental payments scheduled to become due under the 2017 Lease, subject to annual appropriation:

| Fiscal Year Ended December 31 | Principal Portion | Interest Portion | Total |
|--|------------------------------|-----------------------------|------------------|
| 2020 | \$113,026 | \$11,200 | \$124,226 |
| 2021 | 115,757 | 8,469 | 124,226 |
| 2022 | 118,554 | 5,672 | 124,226 |
| 2023 | 121,419 | 2,807 | 124,226 |
| 2024 | <u>51,453</u> | <u>308</u> | <u>51,761</u> |
| Total | <u>\$520,209</u> | <u>\$28,456</u> | <u>\$548,665</u> |

2017 Fire Truck Lease. On June 12, 2017, the City, as lessee, entered into an annually-renewable lease purchase agreement (“**2017 Fire Truck Lease**”) with U.S. Bancorp Government Leasing and Finance, Inc., as lessor, in the principal amount of \$696,265, being interest at 2.49% annually. The 2017 Fire Truck Lease requires the City to pay 8 annual rental payments equal to approximately \$96,181 on January 30th of each year, subject to annual appropriation by the City Council, which annual rental payments began on January 30, 2018, with the final rental payment scheduled to become due on January 30, 2025. Below is a schedule reflecting the approximate amount of the remaining annual rental payments scheduled to become due under the 2017 Fire Truck Lease, subject to annual appropriation:

| Fiscal Year Ended December 31 | Principal Portion | Interest Portion | Total |
|--|------------------------------|-----------------------------|------------------|
| 2020 | \$ 82,846 | \$13,335 | \$ 96,181 |
| 2021 | 84,933 | 11,248 | 96,181 |
| 2022 | 87,072 | 9,109 | 96,181 |
| 2023 | 89,265 | 6,916 | 96,181 |
| 2024 | 91,513 | 4,668 | 96,181 |
| 2025 | <u>93,818</u> | <u>2,363</u> | <u>96,181</u> |
| Total | <u>\$529,447</u> | <u>\$47,639</u> | <u>\$577,086</u> |

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

FINANCIAL INFORMATION CONCERNING THE CITY

Accounting, Budgeting and Auditing Procedures

The City's government-wide financial statements are reported in accordance with the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, and the City's governmental fund financial statements are reported in accordance with the modified accrual basis of accounting, which are both accounting principal generally accepted in the United States, as more fully described in the notes to the City's audited financial statements for fiscal year ended December 31, 2018, contained in the City's Comprehensive Annual Financial Report attached as *Appendix B* to this Official Statement (the "2018 CAFR").

The City, like other Missouri state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds, as further described below:

- **Governmental Funds.** Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds, which focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. For the fiscal year ended December 31, 2018, the City maintained and reported five major governmental funds and ten (10) other nonmajor governmental funds. The City's major governmental funds include the following:
 - *General Fund:* This fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
 - *Airport Fund (special revenue fund):* This fund is a Special Revenue Fund used for the provision of airport facilities to the general public. It receives Federal and State grant revenues and collects fuel sales revenue.
 - *Highway 63 Alternate Route Fund:* This fund is a Special Revenue Fund that was originally established by the City in 2002 to account for the collection of the City's 0.50% Economic Development Sales Tax approved by the voters of the City (which expired on June 30, 2019) and was dedicated solely to pay the City's portion of the cost-share agreement entered into with the State of Missouri to finance the costs associated with constructing the Highway 63 alternate route around the City, which the City paid-off in early 2018. On April 5, 2016, voters of the City approved the renewal of the 0.50% Economic Development Sales Tax that expired on June 30, 2019. The renewal of the 0.50% Economic Development Sales Tax approved in April 2016 did not contain a sunset limitation and provided that 75% of the revenue generated from said sales tax would be used to finance street and stormwater improvements with the remaining 25% of the revenue generated from the sales tax being used to finance economic and community development. As a result, during the City's fiscal year ended December 31, 2019, and for each fiscal year thereafter, 75% of the revenues generated from the 0.50% Economic Development Sales Tax will be used to finance street and stormwater improvement and 25% of the revenues generated from the 0.50% Economic Development Sales Tax will be used to finance economic development projects.

- *Transportation Sales Tax Fund:* This fund is a Special Revenue Fund used to account for the collection of the City's 0.50% Transportation Sales Tax to be used for ongoing maintenance and construction of streets.
- *Capital Improvement Sales Tax Fund:* This fund accounts for the process of the City's 0.25% Capital Improvement Sales Tax and capital outlay expenditures.

The City's ten (10) non-major governmental funds include the Community Development Block Grant Fund, the Trail Grant Fund, the Highway 63 TIF Fund, the Downtown TIF Fund, Community Partnership Fund, the Parks and Recreation Fund, the Industrial Park Fund, the Veterans Memorial Fund, the Cemetery Fund and Revolving Loan Fund, which each account for specific revenues that are legally restricted to expenditures for particular purposes. For further details, see *Note A* to the City's audited financial statements included in the City's 2018 CAFR attached as **Appendix B** to this Official Statement.

- **Proprietary Funds.** Proprietary Funds are used to account for business-like activities of the City. The City maintains two types of Proprietary Funds: Enterprise Funds and Internal Service Funds. The Enterprise Fund accounts for the operations of the City's water, sewer and stormwater operations and management services to the residents of the City. The Internal Service Funds account for services provided to other departments or agencies of the City on a cost reimbursement basis. Services provided include fleet operations and self-insurance reserves and employee benefits for covered employees. For further details, see *Note A* to the City's audited financial statements included in the City's 2018 CAFR attached as **Appendix B** to this Official Statement.
- **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of those outside the City. These funds require fiscal responsibility by the City, but since their assets are restricted in purpose and do not represent discretionary assets or resources available for use in City operations, their activities are not reflected in the government-wide financial statements. The City maintains two private-purpose funds, the Tri-Centennial Trust and the Nancy Reed Fugate Trust. For further details, see *Note A* to the City's audited financial statements included in the City's 2018 CAFR attached as **Appendix B** to this Official Statement.

The City is required by law to prepare an annual budget of estimated receipts and disbursements for the coming fiscal year under the direction of the City Manager after consultation with each department which is presented to the City Council prior to January 1 of each year for approval after a public hearing. The City's fiscal year is January 1 through December 31. The budget lists estimated receipts by fund and sources and estimated disbursements by fund and purpose.

The financial records of the City are audited annually by a firm of independent certified public accountants. In recent years, the annual audit has been performed by Hochschild, Bloom & Company, LLP, Chesterfield, Missouri. Copies of the audit reports for the past five years are on file with the City and are available for review. For more details regarding the City's accounting, budgeting and auditing procedures see the section *Management's Discussion and Analysis* in the 2018 CAFR and *Note A* to the City's audited financial statements contained in the 2018 CAFR, which 2018 CAFR is attached as **Appendix B** to this Official Statement.

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Sources of General Fund Revenues

The City finances its general operations through a local property tax levy, sales taxes, franchise fees, licenses and permits, charges for services, fines and forfeitures and miscellaneous services and sources. The City’s major governmental funds, which account for City’s governmental activities, include: the General Fund, the Airport Fund, the Capital Improvement Sales Tax Fund, the Highway 63 Alternate Route Fund, and the Transportation Sales Tax Fund. The City’s budgeted sources of revenue for its general operations, which are accounted for in the City’s General Fund, for the City’s current fiscal year ending December 31, 2020, are as follows:

Budgeted Sources of General Fund Revenues

| <u>Source</u> | <u>Projected for Fiscal Year Ending December 31, 2020</u> | |
|--------------------------|---|-----------------------|
| | <u>Amount</u> | <u>%</u> |
| Taxes and Franchise Fees | \$7,850,599 | 75.02% |
| Licenses and Permits | 522,920 | 5.00 |
| Intergovernmental | 1,341,525 | 12.82 |
| Charges for Services | 409 | 0.00 |
| Fines and Costs | 28,615 | 0.27 |
| Investment Earnings | 86,445 | 0.83 |
| Management Fees | 482,405 | 4.61 |
| Miscellaneous | <u>151,994⁽¹⁾</u> | <u>1.45</u> |
| TOTAL REVENUE | \$10,464,912 | <u>100.00%</u> |

Source: City’s budget for fiscal year ending December 31, 2020.

⁽¹⁾ Excludes any budgeted “transfers in” to the General Fund.

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Summary of Revenues, Expenditures and General Fund Balances

The following table sets forth the City's total revenues and expenditures and ending balance in the General Fund for the fiscal years ended December 31, 2014 through December 31, 2018:

| | Fiscal Year Ended December 31 | | | | |
|---------------------------------------|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| REVENUES AN EXPENSES | | | | | |
| General Fund Revenues | \$8,502,510 | \$8,788,639 | \$9,092,808 | \$9,599,996 | \$9,964,695 |
| General Fund Expenditures | <u>7,941,039</u> | <u>8,414,533</u> | <u>8,650,770</u> | <u>9,998,451</u> | <u>8,569,744</u> |
| Excess Revenues Over (Under) Expenses | \$561,471 | \$374,106 | \$442,038 | \$(398,455) | \$1,394,951 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Sale of assets | \$6,026 | \$6,106 | \$33,376 | \$8,372 | \$36,531 |
| Issuance of capital leases | - | - | - | 800,000 | - |
| Insurance proceeds | 11,145 | 6,051 | 2,027 | 20,127 | 1,258 |
| Transfers In | 207,007 | 5,085 | 21,671 | 670,680 | 343,184 |
| Transfers (Out) | <u>(153,514)</u> | <u>(45,900)</u> | <u>(45,900)</u> | <u>(45,900)</u> | <u>(45,900)</u> |
| Total | \$70,664 | \$(28,658) | \$11,174 | \$1,453,279 | \$335,073 |
| NET CHANGE IN FUND BALANCE | \$632,135 | \$345,448 | \$453,212 | \$1,054,824 | \$1,730,024 |
| BEGINNING FUND BALANCE (01/01) | <u>2,402,851</u> | <u>3,034,986</u> | <u>3,380,434</u> | <u>3,833,646</u> | <u>4,888,470</u> |
| ENDING GENERAL FUND BALANCE (12/31) | <u>\$3,034,986</u> | <u>\$3,380,434</u> | <u>\$3,833,646</u> | <u>\$4,888,470</u> | <u>\$6,618,494</u> |

Source: City's audited financial statements in the City's CAFRs for fiscal years ended December 31, 2014 through 2018.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. The City management believes such coverage is sufficient to preclude any significant uninsured losses to the City. The City's settled claims resulting in these risks have not exceeded coverage in the past three years.

Employee Retirement and Pension Plans

The City participates in the Missouri Local Government Employees' Retirement System ("LAGERS"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS was created and is governed by state statute, and is a defined-benefit pension plan that provides retirement, disability and death benefits. The plan is qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended, and is tax-exempt. LAGERS is governed by a seven-member Board of Trustees ("LAGERS' Board") consisting of three trustees elected by participating employees, three trustees elected by participating employers and one trustee appointed by the Missouri Governor.

LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. The LAGERS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018 (the “**2018 LAGERS CAFR**”) is available at <http://www.molagers.org/financial.html>. The link to the 2018 LAGERS CAFR is provided for general background information only, and the information in the 2018 LAGERS CAFR is not incorporated by reference into this Official Statement. The 2018 LAGERS CAFR provides detailed information about LAGERS, including its financial position, investment policy and performance information, actuarial information and assumptions affecting plan design and policies, and certain statistical information about the plan.

All full-time general, police, and fire employees of the City are eligible to participate in LAGERS. As permitted by LAGERS, the City has elected the non-contributory plan, meaning its participating employees do not contribute to the pension plan. The City is required by statute to contribute at an actuarially determined rate for each category of participating employees, subject to certain limitations. An employer that participates in LAGERS has its actuarially determined contribution rate calculated as follows: using the financial assumptions adopted by the LAGERS’ Board, an actuary computes the contribution rate that, if paid annually by each employer during the total service of its participating employees, will be sufficient to provide the pension reserves required at the time of said employees’ retirements to cover the pensions that such employees may be entitled to receive. However, this actuarially-determined contribution rate cannot result in an employer contributing an amount in any fiscal year equal to more than 101% of its total contributions for the immediately preceding fiscal year.

For the City fiscal year ended December 31, 2018, the City contributed approximately \$744,560 to LAGERS on behalf of participating employees. The City’s uncapped actuarially determined contribution rate for the period ended December 31, 2018 was 12.9% of annual covered payroll for general employees, 10.0% of annual covered payroll for police employees and 15.2% of annual covered payroll for fire employees. In the fiscal year ended December 31, 2018 (the City’s audited financial statements for fiscal year ended December 31, 2019, are not yet available), the City’s contribution to LAGERS on behalf of its employees represented approximately 4.73% of the City’s total expenditures during the fiscal year. The City’s uncapped actuarially determined contribution rate for the period ending December 31, 2019 is 12.6% of annual covered payroll for general employees and 14.7% of annual covered payroll for fire employees. The City’s uncapped actuarially determined contribution rate for the period ending December 31, 2019, was calculated to be 11.3% of annual covered payroll for police employees, but because of the statutory increase limit of 1% mentioned above, the City’s capped actuarially determined contribution rate for the period ending December 31, 2019, is 11.0% of covered payroll for police employees.

The following table provides a historical comparison of the City’s actual contributions to LAGERS relative to the actuarially determined contributions for the last five fiscal years of the City:

Schedule of City Contributions

| Year Ended December 31 | Actuarially Determined Contribution | Actual Employer Contributions | Contribution Excess/(Deficiency) |
|---------------------------------------|--|--|---|
| 2018 | \$744,559.50 | \$744,560.12 | \$ 0.62 |
| 2017 | 531,035.81 | 523,404.79 | (7,631.02) |
| 2016 | 481,446.51 | 467,267.91 | (14,178.60) |
| 2015 | 523,710.67 | 513,771.99 | (9,938.68) |
| 2014 | 509,973.46 | 496,502.46 | (13,471.00) |

Source: The City; LAGERS – Schedule of Contributions.

The City has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *An Amendment of GASB Statement No. 68*. This Statement requires the City to record net pension liability and pension expense on its financial statements, among other things. The net pension liability is the difference between the City’s total pension liability and the City’s fiduciary net position under its plan. The pension expense recognized each fiscal year is equal to the change in the City’s net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability and investment experience.

As of June 30, 2018, the City had 305 participants (active members, retirees, beneficiaries and inactive, nonretired members) in LAGERS, consisting of 199 general participants, 56 police participants, and 50 fire participants. The City has exclusive financial responsibility for the liabilities relating to active City employees; once an employee retires, however, a lump sum payment is transferred from the City’s employer fund to the Benefit Reserve Fund equal to the present value of the employee’s pension, and the liability for that employee becomes solely an obligation of the LAGERS system.

According to information provided by LAGERS, the City’s recognized total pension expense (consisting of both the City’s expense for active members and a proportionate share of LAGERS’ expense for retired members from the City) for the year ended June 30, 2018 was \$2,099,027 and the net pension liability (asset) (consisting of both the City’s liability (asset) for active members and a proportionate share of LAGERS’ liability (asset) for retired members from the City) attributable to the City’s participation in LAGERS as of June 30, 2018 and the prior years shown, was as follows:

| Year Ended June 30 | Plan Fiduciary Net Position (FNP) | Total Pension Liability (TPL) | Net Pension Liability/ (Asset) (NPL) | FNP as % of TPL | Covered Payroll | NPL as % of Covered Payroll |
|---------------------------|--|--------------------------------------|---|------------------------|------------------------|------------------------------------|
| <u>General</u> | | | | | | |
| 2016 | \$13,034,688 | \$13,519,882 | \$485,194 | 96.41% | \$3,437,932 | 14.11% |
| 2017 | 14,413,882 | 14,163,866 | (250,016) | 101.77 | 3,595,292 | (6.95) |
| 2018 | 16,432,214 | 16,307,828 | (124,386) | 100.76 | 3,665,498 | (3.39) |
| <u>Police</u> | | | | | | |
| 2016 | \$4,745,793 | \$4,685,939 | \$(59,854) | 101.28% | \$1,115,909 | (5.36)% |
| 2017 | 5,204,863 | 4,605,596 | (599,267) | 113.01 | 1,084,032 | (55.28) |
| 2018 | 5,711,017 | 5,339,017 | (372,000) | 106.97 | 970,225 | (38.34) |
| <u>Fire</u> | | | | | | |
| 2016 | \$4,800,730 | \$4,914,475 | \$113,745 | 97.69% | \$938,559 | 12.12% |
| 2017 | 5,292,525 | 5,067,174 | (225,351) | 104.45 | 950,596 | (23.71) |
| 2018 | 5,856,956 | 5,592,747 | (264,209) | 104.72 | 924,512 | (28.58) |

[Remainder of this page intentionally left blank.]

The City's net pension liability is based on a 7.25% discount rate. 7.25% is also the current assumed investment rate of return of LAGERS. LAGERS advised the City that the City's net pension liability using a 1% higher or lower discount rate at June 30, 2018 would be as follows:

Net Pension Liability/(Asset) Sensitivity

| | 1.0% Decrease <u>(6.25%)</u> | <u>General</u> Current Discount Rate <u>(7.25%)</u> | 1.0% Increase <u>(8.25%)</u> |
|--------------------------------------|---|--|---|
| City's Net Pension Liability/(Asset) | \$2,223,912 | \$(124,386) | \$(2,057,071) |
| | | <u>Police</u> Current Discount Rate <u>(7.25%)</u> | |
| | 1.0% Decrease <u>(6.25%)</u> | 1.0% Increase <u>(8.25%)</u> | |
| City's Net Pension Liability/(Asset) | \$460,654 | \$(372,000) | \$(1,045,967) |
| | | <u>Fire</u> Current Discount Rate <u>(7.25%)</u> | |
| | 1.0% Decrease <u>(6.25%)</u> | 1.0% Increase <u>(8.25%)</u> | |
| City's Net Pension Liability/(Asset) | \$523,990 | \$(264,209) | \$(911,744) |

For additional information regarding the City's participation in LAGERS relating to the fiscal year ended December 31, 2018, see *Note G* in the City's audited financial statements for in the 2018 CAFR included as **Appendix B** to the Official Statement, and for additional information regarding LAGERS, see the 2018 LAGERS CAFR.

Deferred Compensation and Defined Contribution Plans

In addition to pensions, The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees, permits them to defer a portion of their salary (pre-tax or after-tax (Roth) basis) until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with the provisions of *GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the assets and liabilities of the deferred compensation plan are not included in the City's basic financial statements. See *Note H* to the City's audited financial statements in the 2018 CAFR included in **Appendix B** to this Official Statement.

Self-Insurance; City to Obtain Insurance from Anthem in 2020

Through the City's fiscal year ending December 31, 2019, the City maintained a self-funded health insurance program for City employees with claims processed by Healthscope on behalf of the City and paid costs of such self-funded health insurance program from moneys on deposit in the City's Insurance Fund (discussed in the next paragraph). However, in order to reduce cost and offer comprehensive health coverage to City employees, beginning with fiscal year ending December 31, 2020, the City will be transitioning from a self-insured health insurance program to a fully-funded insurance program, with medical and vision insurance for City employees being provided through Anthem (dental insurance for City employees will still be self-funded by the City with Delta Dental as administrator). As part of the new insurance coverage program, each department or fund will pay insurance premiums for City employees from 100% of single coverage to 70% of family coverage. Employees may also cover other family members and will pay a portion of the health insurance premiums based upon elected coverage. The City's Insurance Fund (discussed below) will be used to cover any

remaining self-insurance claims filed after December 31, 2019, wellness initiatives, employee health screenings and other administrative costs through fiscal year ended December 31, 2020, with any remaining balance in the Insurance Fund to be held for any changes to the City’s health plan.

As part of the City’s prior self-funded health insurance program, the City established a separate Insurance Fund (an internal service fund created on December 1, 1998), to account for and finance the health insurance program. As an integral part of the prior health insurance program, a reinsurance policy was purchased covering claims in excess of \$75,000 per individual per year. Settled claims did not exceed the commercial coverage limits for the past three fiscal years. In order to fund the Insurance Fund, all funds of the City from which employee salaries were paid participated in the program and made payments to the Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. Total contributions and transfers to the program for the year ended December 31, 2018, were \$1,449,459. See *Note K* to the City’s audited financial statements in the 2018 CAFR included in *Appendix B* to this Official Statement.

Changes in the City’s Insurance Fund’s claims liability for the past three fiscal years are as follows:

| | <u>Fiscal Years Ended December 31</u> | | |
|---------------------------------|--|--------------------|--------------------|
| | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| Beginning liability | \$67,315 | \$64,111 | \$81,122 |
| Claims and changes in estimates | 1,931,616 | 1,659,428 | 1,265,974 |
| Claims payments | <u>(1,888,227)</u> | <u>(1,656,224)</u> | <u>(1,282,985)</u> |
| Ending Liability | <u>\$110,704</u> | <u>\$67,315</u> | <u>\$64,111</u> |

Source: City’s CAFR for fiscal year ended December 31, 2018.

TAX INFORMATION

Property Valuations

Assessment Procedure. All taxable real and personal property within the City is assessed annually by the County Assessor of Adair County. Missouri law requires that, except as noted below, personal property be assessed at 33-1/3% of true value and 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% |

Although the assessment ratio for personal property is generally 33-1/3% of true value, subclasses of tangible personal property are assessed at the following assessment percentages: grain and other agricultural crops in an unmanufactured condition, 0.5%, livestock, 12%; farm machinery, 12%; historic motor vehicles, 5%; and poultry, 12%.

A general reassessment of real property occurred statewide in 1985. In order to maintain equalized assessed valuations following this reassessment, the state legislature adopted a maintenance law in 1986. On January 1 in every odd-numbered year, each county assessor must adjust the assessed valuation of all real property located within the county in accordance with a two-year assessment and equalization maintenance plan approved by the State Tax Commission.

The County Assessor of Adair County is responsible for preparing the tax roll each year and for submitting the tax roll to the Board of Equalization. The Adair 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 and the estimated actual valuation, by category, of all taxable tangible property situated in the City, according to the assessment of January 1, 2019, after Board of Equalization adjustments:

| | <u>Assessed Valuation</u> | <u>Assessment Rate</u> | <u>Estimated Total Valuation</u> | <u>% of Actual Valuation</u> |
|----------------------------------|-------------------------------|----------------------------|--------------------------------------|----------------------------------|
| Real Estate: | | | | |
| Residential | \$ 95,496,320 | 19.00% | \$502,612,211 | 62.00% |
| Agricultural | 248,480 | 12.00% | 2,070,667 | 0.26 |
| Commercial ⁽¹⁾ | <u>52,263,198</u> | 32.00% | <u>163,322,494</u> | <u>20.15</u> |
| Sub-Total | \$148,007,998 | | \$668,005,371 | 82.41 |
| Personal Property ⁽¹⁾ | <u>47,529,726</u> | 33.33% | <u>142,603,438</u> | <u>17.59</u> |
| TOTAL | <u>\$195,537,724</u> | | <u>\$810,608,809</u> | <u>100.00%</u> |

Source: Adair County Clerk.

⁽¹⁾ Includes state and locally assessed railroad and utility property, but excludes (a) \$5,035,000 in assessed valuation of property located within TIF Redevelopment Areas in the City that is attributable to the incremental increase in assessed valuation of such property over the established assessed valuation base of such property and (b) the assessed valuation of other property that has been abated under Missouri law.

History of Property Valuations. The total assessed valuation of all taxable tangible property situated in the City according to the assessments of January 1 in each of the following years (after Board of Equalization adjustments) has been as follows:

| <u>Year</u> | <u>Assessed Valuation</u> ⁽¹⁾ | <u>Percent Change</u> |
|-------------|--|---------------------------|
| 2019 | \$195,537,724 | 6.36% |
| 2018 | 183,843,570 | 6.57 |
| 2017 | 172,517,090 | 1.96 |
| 2016 | 169,197,323 | 0.41 |
| 2015 | 168,512,876 | N/A |

Source: Adair County Clerk.

⁽¹⁾ Includes state and locally assessed railroad and utility property, but excludes (a) the assessed valuation of property located within TIF Redevelopment Areas in the City that is attributable to the incremental increase in assessed valuation of such property over the established assessed valuation base of such property and (b) the assessed valuation of other property that has been abated as a result of redevelopment or industrial development projects permitted under Missouri law.

Property Tax Levies and Collections

Generally. Property taxes are levied and collected for the City by Adair County, for which Adair County receives a collection administration fee of approximately 4.2% of the gross tax collections made.

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, if the City were to issue any general obligation indebtedness in the future, it must state the amount required for the payment of interest, amortization and redemption charges on the City's general obligation indebtedness for the ensuing budget year. Such estimates are based on the assessed valuation figures provided by the Adair County Clerk. As required under SB 711 (hereinafter defined), the City must informally project nonbinding tax levies for the year and return such projected tax levies to the Adair County Clerk no later than April 8th. The City must fix its ad valorem property tax rates and certify them to the

Adair County Clerk no later than September 1st for entry in the tax books. Taxes are levied at the City's tax rate per \$100 of assessed valuation. The Missouri State Auditor is responsible for reviewing the rate of tax to insure that it does not exceed constitutional rate limits.

Real property within the City is assessed by the Adair County Assessor. The Adair County Assessor is responsible for preparing the tax rolls each year and for submitting tax rolls to the Board of Equalization of Adair County. The Board of Equalization has the authority to question and determine the proper value of property and then adjust and equalize individual properties appearing on the tax rolls. After local appeal procedures have been completed, the books are finalized and sent to the Adair County Collector. The Adair County Collector extends the taxes on the tax rolls and issues the tax statements in early December.

The Adair 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.

Rights in Event of Tax Delinquency. Taxes are due by December 31 and become delinquent if not paid to the Adair County Collector by that time. All tracts of land and city lots on which delinquent taxes are due are charged with a penalty of 18% of each year's delinquency. Taxes on real estate become delinquent on January 1 and the Adair County Collector is required to enforce the state's lien by offering the property for sale on the fourth Monday in August. If the offering does not produce a bid equal to the delinquent taxes plus interest, penalty, and costs, the property is offered for sale again the following year. If the second offering also does not produce a bid adequate to cover the amount due, the property is sold the following year to the highest bidder. Tax sales at the first or second offerings are subject to the owner's redemption rights. Delinquent personal property taxes constitute a debt of the person assessed with the taxes, and a personal judgment can be rendered for such taxes against the debtor. Personal property taxes become delinquent on January 1. Collection suits may be commenced on or after February 1 and must be commenced within three years

Tax Abatement and Tax Increment Financing

Under state law, tax abatement is available for redevelopers of areas determined by the governing body of a city to be "blighted." The Land Clearance for Redevelopment Authority Law authorizes ten-year tax abatement pursuant to Sections 99.700 to 99.715, RSMo. In lieu of ten-year tax abatement, a redeveloper that is an urban redevelopment corporation formed pursuant to Chapter 353, RSMo, may seek real property tax abatement for a total period of 25 years. In addition, the Industrial Development Law, Chapter 100, RSMo, authorizes real and personal property tax abatement for corporations for projects for industrial development. Currently, there are tax abatement projects located within the City. For further details, see Note O to the audited financial statements for fiscal year ended December 31, 2018, contained in the City's 2018 CAFR attached as ***Appendix B*** to this Official Statement.

In addition, the Real Property Tax Increment Allocation Redevelopment Act, Sections 99.800 to 99.865, RSMo, makes available tax increment financing for redevelopment projects in certain areas determined by the governing body of a city or county to be a "blighted area," "conservation area," or "economic development area," each as defined in such statute.

Currently, certain portions of the City are located in tax increment financing districts ("**TIF Redevelopment Areas**"). Tax increment financing does not diminish the amount of property tax revenues collected by the City in an affected area compared to the property tax revenues collected prior to the establishment of a TIF Redevelopment Area, but instead acts to freeze such revenues at current levels and deprives the City and other taxing districts of all or part of future increases in ad valorem real property tax revenues that otherwise would have resulted from increases in assessed valuation in such areas (the "**TIF Increment**"). The TIF Increment is captured by the TIF Redevelopment Areas until the tax increment financing obligations issued are repaid or the tax increment financing period terminates.

According to the Adair County Assessor's office, the assessed valuation of property located within TIF Redevelopment Areas in the City that is attributable to the incremental increase in assessed valuation of such property over the established assessed valuation base of such property (attributable to the TIF Increment) was approximately \$5,035,000 for the 2019 tax year. See also the caption "**TAX INFORMATION – Property Valuations – Current Assessed Valuation**" and "**– History of Property Valuations**" herein.

Tax Rates

No Debt Service Tax Levy. The City does not currently have any outstanding general obligation bond debt; therefore, the City does not impose any debt service property tax levy. If the City were to issue general obligation bonds in the future, once indebtedness has been approved by the voters and the general obligation bonds are issued, the City would be required under Article VI, Section 26(f) of the Missouri Constitution to levy an annual debt service tax on all taxable tangible property therein sufficient to pay the interest and principal of the general obligation bonds as such payments become due and to retire the bonds within 20 years from the date the bonds are issued. If such general obligation bonds are issued by the City in the future, the City Council would have the authority to set the tax rate for debt service, without limitation as to rate or amount, at the level required to make such payments on the general obligation bonds.

Operating Tax Levy for General Revenue. Currently, the City only imposes a property tax levy for its general revenue fund, which was equal to \$0.6778 per \$100 of assessed valuation for fiscal year ended December 31, 2019.

Any property taxes levied by the City (other than a debt service tax levy, which the City does not currently levy but may in the future if the City issues general obligation bonds), such as the City's general revenue property tax levy mentioned above (the "**operating 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 that, when charged against the City's assessed valuation 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 the lesser of (1) actual assessment growth, (2) 5% or (3) the Consumer Price Index.

Pursuant to Article X, Section 11(c) of the Missouri Constitution, any increase in the City's operating levies above \$1.00 must be approved by two-thirds of the voters voting on the proposition. 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 (as adjusted pursuant to the provisions of the Hancock Amendment and SB 711, more fully explained below). If the City were to issue general obligation bonds in the future, the tax levy for debt service on such general obligation bonds would be exempt from the calculations of and limitations upon the tax rate ceiling.

Article X, Section 22(a) of the Missouri Constitution (popularly known as the "**Hancock Amendment**"), approved in 1980, places limitations on total state revenues and the levying or increasing of taxes without voter approval. The Missouri Supreme Court has interpreted the definition of "total state revenues" to exclude voter-approved tax increases. The Hancock Amendment also includes provisions for rolling back tax rates. If the assessed valuation of property, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the Consumer Price Index from the previous year (or 5%, if greater), the maximum authorized current levy must be reduced to yield the same gross revenue from existing property, adjusted for changes in the Consumer Price Index, as could have been collected at the existing authorized levy on the prior assessed value. This reduction is often referred to as a "**Hancock rollback**." If the City were to issue general obligation bonds in the future, the tax levy for debt service on such general obligation bonds would be exempt from the Hancock rollback limitations.

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.

History of Tax Levies: The following table shows the City’s property tax levy for the general fund (per \$100 of assessed valuation) for each of the last five fiscal years:

| Fiscal Year Ended December 31 | General Fund |
|--|-------------------------|
| 2019 | \$0.6778 |
| 2018 | 0.6763 |
| 2017 | 0.6916 |
| 2016 | 0.6910 |
| 2015 | 0.6875 |

Source: Missouri State Auditor Property Tax Rate Reports for tax years 2015 through 2018; City for tax year 2019.

Tax Collection Record: The following table sets forth tax collection information for the City for the last five fiscal years:

| Fiscal Year Ended December 31 | Total Levy | Assessed Valuation⁽¹⁾ | Total Taxes Levied⁽²⁾ | Current and Delinquent Taxes Collected | |
|--|-----------------------|---|---|---|----------|
| | | | | Amount⁽³⁾ | % |
| 2018 | \$0.6763 | \$183,843,570 | \$1,243,334 | \$1,270,196 | 102.2% |
| 2017 | 0.6916 | 172,517,090 | 1,193,128 | 1,225,595 | 102.7 |
| 2016 | 0.6910 | 169,197,323 | 1,169,154 | 1,213,455 | 103.8 |
| 2015 | 0.6875 | 168,512,876 | 1,158,526 | 1,195,163 | 103.2 |
| 2014 | 0.6872 | 164,449,327 | 1,130,096 | 1,179,119 | 104.3 |

Source: Adair County Clerk; City’s audited financial statements contained in the City’s CAFRs for fiscal years ended December 31, 2014 through 2018.

- (1) Assessed valuation figures include state and locally assessed railroad and utility property, but excludes (a) the assessed valuation of property located within TIF Redevelopment Areas in the City that is attributable to the incremental increase in assessed valuation of such property over the established assessed valuation base of such property and (b) the assessed valuation of other property that has been abated as a result of redevelopment or industrial development projects permitted under Missouri law.
- (2) Total Taxes Levied is calculated by dividing Assessed Valuation by 100 and multiplying by the Total Levy.
- (3) Delinquent taxes are shown in the year payment is actually received, which may cause the percentage of Current and Delinquent Taxes Collected to exceed 100%.

Sales Tax Collections

In addition to the City property tax levy, the City levies and collects the following sales taxes:

- 1-cent (1.00%) general fund sales tax (the “**1.00% General Fund Sales Tax**”)
- ½-cent (0.50%) transportation sales tax (the “**0.50% Transportation Sales Tax**”)
- ½-cent (0.50%) local parks sales tax (the “**0.50% Local Parks Sales Tax**”)
- ¼-cent (0.25%) capital improvement sales tax (the “**0.25% Capital Improvement Sales Tax**”)
- ½-cent (0.50%) sales tax for the economic development fund (the “**0.50% Economic Development Sales Tax**”)

At an election held in April 2017, the qualified voters of the City approved the levy of the 0.50% Local Parks Sales Tax for a **period of 15 years**. The City began collecting the 0.50% Local Parks Sales Tax on October 1, 2017, and the 0.50% Local Parks Sales Tax is scheduled to terminate on **December 31, 2032**.

It is the current intention of the City to satisfy its obligations to make Basic Rent Payments under the Lease distributable to the Owners of the Series 2020 Certificates from revenues generated by its 0.50% Local Parks Sales Tax. However, the City’s obligation to make such Basic Rent Payments during the Original Term or any Renewal Term of the Lease is not limited to such 0.50% Local Parks Sales Tax revenues, and such revenues are not, and cannot be, pledged to the payment of Basic Rent Payments.

The City’s revenue for the past five fiscal years from its various sales tax levies were as follows:

| Fiscal Year Ended December 31 | 1.00% General Sales Tax | 0.25% Capital Improvements Sales Tax | 0.50% Transportation Sales Tax⁽¹⁾ | 0.50% Local Parks Sales Tax⁽²⁾ | 0.50% Economic Development Sales Tax⁽³⁾ |
|--|--|---|---|--|---|
| 2018 | \$3,841,018 | \$715,979 | \$1,431,959 | \$1,369,374 | \$1,558,402 |
| 2017 | 3,466,763 | 691,822 | 1,383,325 | 307,149 ⁽²⁾ | 1,471,915 |
| 2016 | 3,330,109 | 671,673 | 1,343,347 | -- | 1,427,184 |
| 2015 | 3,148,981 | 761,860 | 1,296,760 | -- | 1,250,868 |
| 2014 | 3,142,005 | 812,737 | 1,301,254 | -- | 1,242,454 |

Source: The City’s audited financial statements contained in the City’s CAFRs for fiscal years ended December 31, 2014 through December 31, 2018.

(1) At an election held in April 2014, the voters of the City approved the renewal of a 0.50% sales tax for transportation purposes without a sunset limitation. The City began collecting the renewed transportation sales tax on January 1, 2016.

(2) At an election held in April 2017, the voters of the City approved the 0.50% Local Parks Sales Tax for a **period of 15 years**. The City began collecting 0.50% Local Parks Sales Tax on October 1, 2017, and the 0.50% Local Parks Sales Tax is scheduled to terminate on **December 31, 2032**.

(3) At an election held in April 2016, the voters of the City approved a renewal of a 0.50% economic development sales tax that expired on June 30, 2019. The renewal of the economic development sales tax approved in April 2016 did not contain a sunset limitation and provided that 75% of the revenue generated from the sales tax would be used to finance street and stormwater improvements with the remaining 25% of the revenue generated from the sales tax being used to finance economic and community development. The City began collecting the renewed 0.50% economic development sales tax on July 1, 2019, after the current economic development sales tax expired (on June 30, 2019).

Major Property Taxpayers

Real Property. The following table sets forth a list of the largest real property taxpayers in the City based on the valuation of real property owned as of January 1, 2019. The City has not independently verified the accuracy or completeness of such information.

| <u>Owner</u> | <u>Type of Use</u> | <u>Real Property</u> | |
|--|--------------------|--|--|
| | | <u>Assessed Valuation</u> ⁽¹⁾ | <u>Percentage of Total 2019 Assessed Valuation</u> |
| Community Health Systems Inc. | Healthcare | \$ 3,800,760 | 1.94% |
| Kirksville Commons LLC | Retail | 2,355,170 | 1.20 |
| Wal-Mart Real Estate Business Trust #8013 | Retail | 2,153,000 | 1.10 |
| HD Development of Maryland Inc. (Home Depot) | Retail | 1,242,710 | 0.64 |
| Menard Inc. | Retail | 1,106,000 | 0.57 |
| Hy-Vee Food Stores Inc. | Grocery | 867,590 | 0.44 |
| U-Shin America Inc. | Manufacturing | 742,240 | 0.38 |
| 1960 II LLC | Motel | 657,540 | 0.34 |
| City of Kirksville | Government | 644,230 | 0.33 |
| Hometown Hospitality LLC | Hotel | <u>639,010</u> | <u>0.33</u> |
| Total | | \$14,208,250 | 7.27% |

Source: Adair County Assessor's Office.

⁽¹⁾ Excludes (a) the assessed valuation of any real property located within TIF Redevelopment Areas in the City that is attributable to the incremental increase in assessed valuation of such real property over the established assessed valuation base of such real property and (b) the assessed valuation of other property that has been abated as a result of redevelopment or industrial development projects permitted under Missouri law.

Personal Property. The following table sets forth a list of the largest personal property taxpayers in the City based on the valuation of personal property owned as of January 1, 2019. The City has not independently verified the accuracy or completeness of such information.:

| <u>Owner</u> | <u>Type of Use</u> | <u>Personal Property</u> | |
|--------------------------------|----------------------|--|--|
| | | <u>Assessed Valuation</u> ⁽¹⁾ | <u>Percentage of Total 2019 Assessed Valuation</u> |
| Kraft Heinz Foods Company | Food processing | \$8,489,066 | 4.34% |
| Hollister, Inc. | Manufacturing | 2,460,830 | 1.26 |
| Liberty Utilities | Utilities | 1,943,613 | .99 |
| NE Regional Medical Center | Healthcare | 1,277,590 | 0.65 |
| Menard Inc | Retail | 877,330 | 0.45 |
| Wal-Mart Stores East LP | Retail | 598,460 | 0.31 |
| Cenveo Worldwide Limited LLC. | Printing; production | 571,410 | 0.29 |
| Hartzell Industries Inc. | Lumber production | 562,250 | 0.29 |
| Enterprise Leasing Co STL, LLC | Car rental | 508,220 | 0.26 |
| Cable One Inc. | Telecommunications | <u>497,310</u> | <u>0.25</u> |
| Total | | \$17,786,079 | 9.10% |

Source: Adair County Assessor's Office.

⁽¹⁾ Excludes the assessed valuation of personal property that has been abated as a result of industrial development projects pursuant to Chapter 100 of the Revised Statutes of Missouri, as amended.

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT AND
AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR
ENDED DECEMBER 31, 2018**

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CITY OF KIRKSVILLE, MISSOURI



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018**

CITY OF KIRKSVILLE, MISSOURI

**Comprehensive Annual Financial Report
For The Fiscal Year Ended December 31, 2018**

Prepared by:
Department of Finance
Lacy A. King, Finance Director

CITY OF KIRKSVILLE, MISSOURI
FINANCIAL REPORT

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CITY OF KIRKSVILLE, MISSOURI
FINANCIAL REPORT

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INTRODUCTORY SECTION

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June 21, 2019

To the Honorable Mayor, Members of the City Council and the Citizens of the City of Kirksville:

The City of Kirksville, Missouri (City) issues a comprehensive annual financial report (CAFR) at the end of each fiscal year, as required by state law. The CAFR for the fiscal year ended December 31, 2018 is herewith submitted. This report represents a culmination of twelve months of financial activity, presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of certified public accountants.

The management of the City is responsible for the completeness and reliability of the information contained in this report. We believe the accompanying data is accurate in all material aspects and is reported in such a manner that presents fairly the financial position and results of operations of the various funds and entity-wide.

City management is also responsible for the system of internal controls which is designed to ensure that the financial and physical assets of the City are effectively safeguarded and that accurate accounting data is available for collection, compilation, and reporting purposes in conformity with generally accepted accounting principles. The City's internal control system is designed to promote operational efficiency and adherence to policy. The cost of internal controls should not outweigh their benefits. Therefore, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The CAFR conforms to the standards of financial reporting as set forth by the Governmental Accounting Standards Board (GASB) and the guidelines as recommended by the Government Finance Officers Association (GFOA). This document is presented in three distinct sections: introductory, financial, and statistical. GAAP requires that management provide a Management's Discussion and Analysis (MD&A), which is a narrative introduction, overview, and analysis to accompany the basic financial statements and is found following the auditor's report. This letter of transmittal is designed to complement the presentation found in the MD&A and to provide additional information useful to the users of the financial statements.

The City's financial statements have been audited by Hochschild, Bloom & Company LLP, a firm of licensed certified public accountants. The objective of an annual audit is to determine if the financial statements of the City are fairly presented, in all material respects, in conformity with GAAP and to express an opinion to that fact. The audit also involves

examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements as reported by management and tests of internal control procedures that have direct impact on the basic financial statements. An unmodified (“clean”) opinion was issued by the auditors for the year ended December 31, 2018, which can be found in the independent auditor’s report located at the front of the financial section of this document.

Profile of the Government and Structure

The City is the county seat of Adair County, encompasses a land area of 14.1 square miles, and hosts a population per the 2010 census of 17,505, a growth of 3% over the last decade. The City is located in the rural northeastern part of Missouri and serves as a regional trade center. The City fits the National League of Cities description of a “centerville”, which describes a core city in a micropolitan area that performs urban-like functions while maintaining its rural charisma. The City is the hub of the area, offering retail shopping, services, recreational activities, educational and employment opportunities.

Government - The City is a third class city under the State of Missouri Statutes and operates under the council-manager form of government. Policy-making and legislative authority are vested in the governing council, which consists of a mayor and a four-member council. The Council is responsible for passing ordinances, adopting the annual budget, appointing committees, setting policy, approving contracts, and hiring of both the city manager and the city attorney on a contractual basis. The city manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the government, and appointing department managers. The Council is elected on a non-partisan basis; each member is elected at-large for a three-year staggered term with annual selection of the Mayor by the Council members.

The City is a full-service city providing a broad range of services: police and fire protection; water, sewer, stormwater management, and contracted sanitation services; economic and community development support; thoroughfares and infrastructure; an airport; an aquatic facility; a recreational complex consisting of ball fields and a skate park; hike/bike trail network; and other citizen-oriented activities.

The financial reporting entity (the government) encompasses all the individual funds of the City, in addition to its five discretely-presented component units, the E-911 Central Dispatch, the South Highway 63 Community Improvement District, the Baltimore Commons Community Improvement District, the North Baltimore Street Community Improvement District, and the Franklin Street Community Improvement District. The component units are reported separately within the City’s financial statements and more information regarding their purpose and inclusion can be found in the notes to the financial statements.

Budgetary controls - All funds are budgeted, even though Missouri State Statutes only require that the General Fund and Special Revenue Funds be annually appropriated. Budgets are viewed as a management control tool to monitor and measure expenditure levels. Budgeting of the enterprise activity is necessary to ensure the level of user rates is

sufficient to cover costs and meet State Revolving Loan Fund (SRF) requirements for debt coverage.

The Council is required to adopt a final budget by no later than the close of the fiscal year. After budgets are established, the city manager and finance director are authorized to make budgetary changes within departments, between departments, and between functions. Changes or transfers at the fund level require approval by the City Council. The Council's budget policy sets the parameters for the annual budget process, including priority of services, balancing the budget, reserve levels, General Fund restriction, internal controls, etc.

Local Economic Condition and Future Outlook

Local economy - The City is a city of diversity, with offerings of various educational and medical degrees and opportunities, business and industry, cultural affairs, recreational activities, etc. From 1970 to 2010, the City experienced growth in population of 12.5%. Since 1990, the City's growth rate has slowed primarily due to economic ups and downs with major employers closing or downsizing. This uncertainty in the economic future and employment opportunities brought different entities together working toward the mutual purpose to secure a progressive climate in the City and surrounding area. An entity formed from such partnering is the Kirksville Regional Economic Development, Inc. (K-REDI), which focuses on industrial growth and attracting major employers to the City. The City provides the largest share of funding of this venture and is the major partner. The combined economic efforts have been advantageous to the City, as Kirksville is experiencing a period of economic growth.

The City has also been involved in the establishment of an Innovation Center through a partnership with MREIC (Missouri Rural Enterprise and Innovation Center) to help foster small business growth with the completion of an incubator space for small business. The City also offers funding through business improvement loans to qualifying businesses in efforts to promote job creation and expansion.

The City hosts a variety of manufacturing and industrial operations. Major industries located within the City limits produce such items as: medical supplies, wire rope and cables, meat products, printed envelopes, and hardwood lumber.

The City is also the home to five institutions of higher education: Truman State University, which is nationally acclaimed and is the State of Missouri's premier liberal arts university; Kirksville College of Osteopathic Medicine, Missouri School of Oral Health, which is the second dental school in Missouri; College of Graduate Health Studies, all of which are part of the Kirksville campus of the A.T. Still University of Health Sciences, the founding school of osteopathic medicine; and Moberly Area Community College satellite campus. A variety of medical and dental services are offered in the community through affiliation with the regional hospital, medical college, and dental school.

The unemployment rate in the City micropolitan area at the end of 2018 was 3.3%, compared to the average Missouri rate of 3.1% and the national rate of 3.7%. During the past ten years, the average local unemployment rate has fluctuated, with 2011 being the highest at 8.7%, mirroring the national economy which started to worsen in 2008. The City is fortunate to have rebounded due to economic growth within the City for 2018.

The historic downtown district is the site of many businesses and has seen renewed interest in revitalization with the concentration of eating and recreation establishments in this area. The completion of the Franklin Street Project has boosted traffic between four of the higher education institutions and the downtown district and creation of the Façade Assistance Program for property owners to rehabilitate or enhance commercial buildings to create an environment that will continue to attract new investors, businesses, and residents to the City.

Both the northern and southern corridors through the City have seen a surge with retail businesses and rehabilitation projects. The northern corridor continues to experience retail growth with the development of two parcels into retail commercial property and the establishment of businesses in previously unoccupied properties. The southern part of the City continues to benefit from the South Highway 63 Corridor improvement project, which facilitated improvements to a retail center in 2013 and the public right-of-way on its east border which was completed in 2012 by attracting shoppers to retail store fronts and the Franklin Street urban redevelopment project that targeted a parcel designated a blighted area and constructed a new hotel.

The City serves as a regional trade and employment center for the area. Four-laning of Highway 63 has been accomplished to the south of the City, due to the initiative of an economic development 1/2-cent sales tax to fund the additional lanes from Macon to Millard. This was the first project of this type in the State of Missouri and showed the support of the voters through a commitment to a ten-year sales tax to finance this project. The State funded the completion of four-laning from Millard to the city limits of the City in 2007, which completed accessibility from the south. Voters approved an extension of this sales tax in April 2008 to fund an alternate route around the City to ease the traffic burden through the City; construction commenced in 2009 and was completed in 2011. The City and State entered into a cost-share agreement to fund this project with the City beginning repayment of its share in 2013 with the final paid a year early in 2018.

The local tourism initiative has been successfully funded by collections from the 3.6% lodging tax that was implemented in 2007. These monies are used by the Tourism office of the Chamber of Commerce to attract conventions and locate hosting opportunities for the City, who has a contractual agreement to provide these services. This tax has continued to surpass original projections indicating that the City remains a draw for visitors, which is evident with the construction of two hotels.

The City provides funding support for two modes of public transportation: air and bus. Extensive infrastructure improvements continue to be made to the Kirksville Regional Airport to attract air traffic and sustain its daily commuter service to St. Louis. During

2010, Kirk-Tran bus operations became a separate legal entity with the City continuing to allocate a share of the ½-cent transportation sales tax towards its operation and ridership continues to increase.

The City is self-insured for employee medical claims. The City contributes approximately 74% of the premium cost with the employee contributions being 26%. Total health insurance contributions continue to increase, which has negatively impacted all divisions of personnel. Premiums are based on annual claims paid by the City and administered by a third party provider.

Over the past ten City fiscal years, the expenses for the primary government have increased 50% while revenues in total increased 58%. The primary government has experienced a positive change in net position for each year since 2008, except 2012 as a result of the four-laning project. Program revenues to fund specific governmental activities have seen an overall decrease of 20% due to the decrease in operating grants and contributions in 2018, while general revenues, transfers, and special items for the governmental activities increased 83% since 2008. The largest growth in general revenue is seen in other tax of 327% due to the increase in payments in lieu of taxes and the implementation of a 3.6% lodging tax in 2011. Sales tax is the largest source of revenue for governmental activities and has seen an increase of 83% since 2008.

Operating expenses for the provision of utility services have increased 58% from 2008 to 2018 due to an increase in chemicals for treatment, maintenance, the addition of staff to meet service demands and from pay raises and benefits, and the disposal of the old wastewater treatment plant per State mandate of \$687,875. During that time period, the individual funds for water and wastewater were combined into a single fund which, effective with 2010, also incorporated stormwater operations. Charges for services increased 88% during that time period due to the revision of the utility charge structure for volume rate adjustments, addition of a fixed service availability fee, imposition of stormwater charges, and increased demand by high volume users. Rate adjustments have been necessary to fund operations, satisfy debt service requirements, and attempt to fund capital reserve.

Long-term financial planning - The City's Comprehensive Plan first published in 2004 and revised in 2016 continues to provide the guide for future community physical growth and development. This Plan identifies the major goals and policies relative to City-provided services and infrastructure.

The City maintains a Capital Improvement Plan (CIP) which provides a detail of capital expenditures proposed for the next five fiscal years for rolling stock, building maintenance, computers, radios, parks, streets, airport improvements, utilities, and for any anticipated ongoing capital replacement program. This plan shows the means of funding for each capital item. The CIP is presented to the City Council on an annual basis prior to integration into the annual budget. The City's ½-cent transportation sales tax funds ongoing street projects. The City's ¼-cent capital improvements sales tax (CIST) allocation is based on the plan presented to the community in 2007. The intent of the CIST

annual allocation is to fund four categories of ongoing capital needs: equipment, maintenance and improvement projects, community projects, and one-time projects from the fund balance. The voter approved ½-cent parks and recreation sales tax in April 2017 will be used to fund capital expenditures for all park and recreation activities, including operations.

Under the Council policy pertaining to budget management policies and practices, the General Fund is required to maintain an unrestricted balance at the end of the year equal to 17% of budgeted General Fund expenditures, excluding capital and contingencies. The City has been able to maintain the policy for unrestricted fund balance which has enabled the excess to be available for capital or one-time purchases.

In order to participate in the SRF program, which assists in the financing of drinking and clean water system infrastructure, a separate operation and maintenance fund and replacement fund are required to be maintained for the drinking water financial operations. Operation and maintenance accounts are funded by a transfer from the operations revenues of the respective fund while the replacement fund is funded currently by a \$220,594 transfer. The accumulation of monies transferred in over the actual expenditures in the replacement fund is to build up a future reserve designated for capital replacement. A minimum capital reserve balance in the Utility Fund of the lesser of 15% of the current year budgeted annual operation and maintenance expense or the prior year's depreciation expense shall be maintained. A debt service reserve is to be funded from stormwater utility charges to pay debt service on the ARRA Recovery Zone Economic Development bonds issued for the stormwater management plan while the excess of revenues over debt service is to fund a surplus account used for operating expenses of the stormwater utility.

Relevant financial policies - The City has adopted a comprehensive set of financial policies that are reviewed and revised annually. For 2018, the Fund Balance Policy was clarified to easily determine the required minimum fund balances for the General Fund, Utility Fund, and Insurance Fund. In addition, the Budget Management Policy clarified the budget adjustment process for better department efficiency. Under Cash and Debt Management Policy, user charges are to undergo review and/or an annual rate study to determine the level to meet debt service coverage.

Major initiatives - In 2016, the City authorized the issuance of additional combined waterworks and sewerage system revenue bonds not to exceed \$18,000,000 for the wastewater treatment plant project which began in March 2016 and was completed in April 2018. The cost of this project is greater than the current capital reserves; therefore, without the reliance of outside sources, this project would have been impossible to complete.

In addition, the City approved the issuance of taxable industrial development revenue bonds not to exceed \$229,000,000 for the Kraft Heinz Foods Company plant expansion project located within the City. The project began in March 2016 and was completed at the beginning of 2018. It has created 482 new full-time positions and made its second payment in lieu of taxes on the expansion to the taxing agencies of the City.

The City completed design of the replacement downtown water tower and connecting water main in 2018. The two-year project will begin construction in 2019 and is estimated to cost \$2,381,007 upon completion.

Awards and Acknowledgements

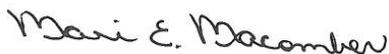
The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended December 31, 2017. This was the 34th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

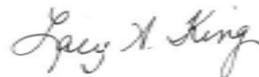
In addition, the City has also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for January 1, 2018 to December 31, 2018. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and as a communications device. The City has received this award for the past 31 years.

The preparation of this CAFR is due to the proficiency of the staff of the Finance Department, who maintains the financial reporting system of the City. Appreciation is extended to City management and all those that contributed in making this report possible. We would like to acknowledge the Mayor and the members of the City Council for their continued commitment to the City and for their conduct of the City's operations and finances in a professional and responsible manner.

Respectfully submitted,



Mari E. Macomber
City Manager



Lacy A. King
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Kirksville
Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

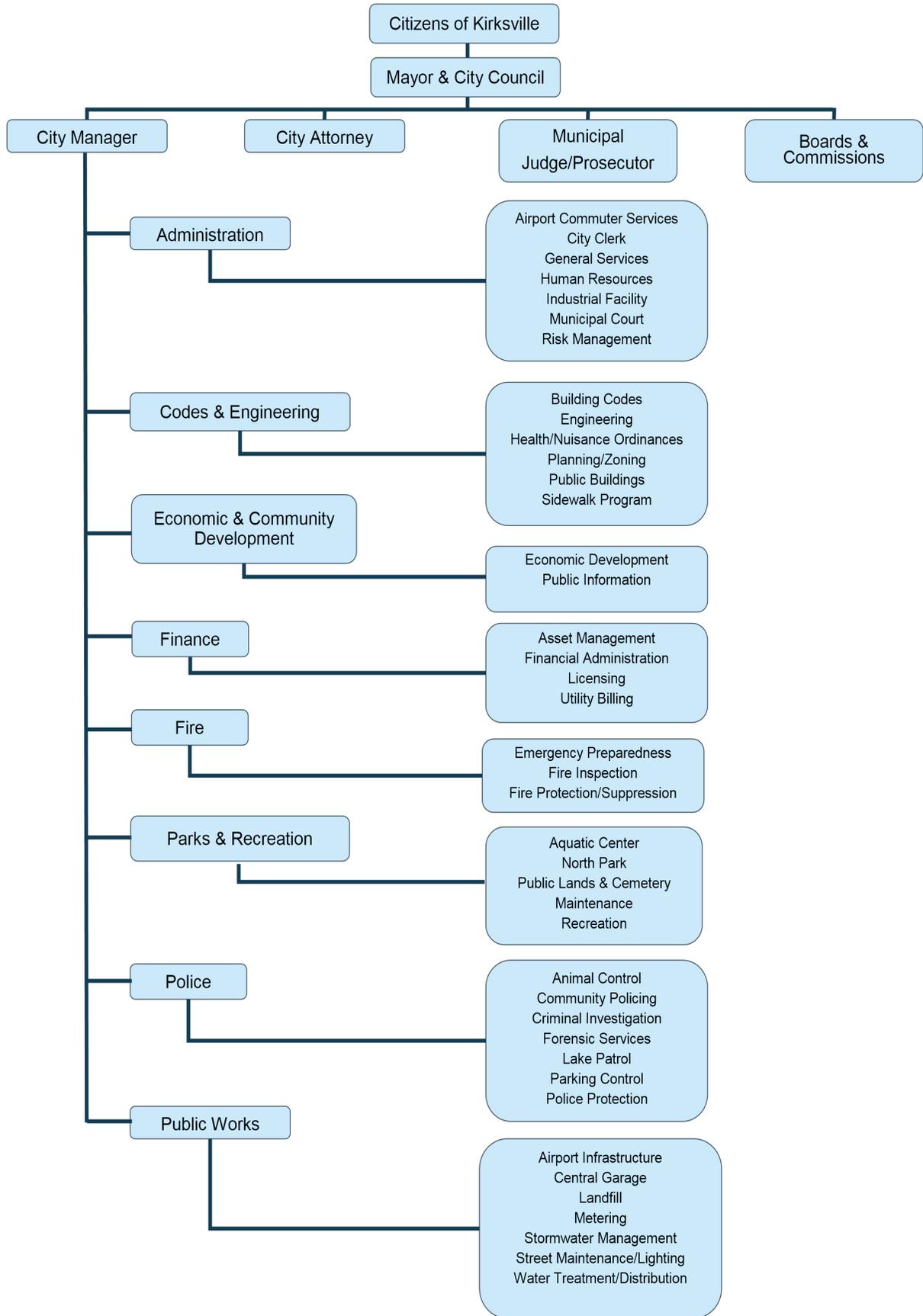
December 31, 2017

Christopher P. Morill

Executive Director/CEO

CITY OF KIRKSVILLE, MISSOURI

ORGANIZATIONAL CHART



MAYOR AND CITY COUNCIL

Chuck Long, Mayor 04/19
Phillip Biston, Mayor Pro Tem 04/21
Rick Steele 04/20
Richard Detweiler 04/19
Zac Burden 04/19
City Manager - Mari E. Macomber
City Attorney - John Slavin

DEPARTMENTS

Administration

Lindsay Leckbee, City Clerk
Patricia Meredith, Human Resource Director
Ashley W. Young, Assistant City Manager

Airport

Glenn Balliew, Airport Director

Code Enforcement & Engineering

Len Kollars, PE, Director

Economic & Community Development

Ashley W. Young, Assistant City Manager

Finance

Lacy A. King, Finance Director

Fire

James Hughes, Fire Chief

Parks & Recreation

Rodney Sadler, Parks & Recreation Director

Police

James Hughes, Police Chief

Public Works

Glenn Balliew, Public Works Director

FINANCIAL SECTION

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Hochschild, Bloom & Company LLP
Certified Public Accountants
Consultants and Advisors

INDEPENDENT AUDITOR'S REPORT

June 21, 2019

Honorable Mayor and Members of the City Council
CITY OF KIRKSVILLE, MISSOURI

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **CITY OF KIRKSVILLE, MISSOURI** (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

- 15450 South Outer Forty Road, Suite 135, Chesterfield, Missouri 63017-2066, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P. O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

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 City'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 City'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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information and introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was 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 other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Hochschild, Bloom + Company LLP

CERTIFIED PUBLIC ACCOUNTANTS
Chesterfield, Missouri

City of Kirksville, Missouri
Management's Discussion and Analysis
December 31, 2018

As management of the City of Kirksville, Missouri (the City), we have prepared this narrative overview and analysis of the City's financial statements to offer readers the opportunity to review the financial activities of the City for the fiscal year ended December 31, 2018. Readers should use this report in conjunction with additional information presented in the letter of transmittal, found immediately after the table of contents.

Management has designed this narrative to focus on significant financial issues, identify changes in the City's financial position, identify any material deviations from the approved financial plan (the budget), identify individual fund issues or concerns, and provide an overview of the City's financial activity for the 12 months of 2018.

Financial Highlights

- On a government-wide basis, the assets of the City exceeded its liabilities at December 31, 2018 by \$112,245,868 (net position). Of the net amount, governmental net position accounts for \$65,808,805, while business-type net position is \$46,437,063. Deferred outflows of resources were \$965,445, which is a decrease of \$433,122 from 2017 and deferred inflows of resources were \$1,356,472, which is an increase of \$570,888 from 2017. Unrestricted net position accounts for \$20,678,432 of the total. The unrestricted net position of the City's governmental activities is \$6,510,929. Staff turnover in the Street Department and shift reorganization in public safety when combined with cost savings measures is the primary factor impacting this amount. The unrestricted net position of the City's business-type activities is \$14,265,869 and is available to meet infrastructure needs and ongoing obligations necessary to provide City drinking water, sanitary sewer, and stormwater management services.
- The City's total net position increased \$2,962,560 over the prior fiscal year. Net position of the governmental activities increased by \$978,512 accounting for 33% of the total increase, while net position for the business-type activities increased by \$1,984,048.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,818,689, increasing 13% from the prior fiscal year. Approximately 39% of this total fund balance, or \$3,861,780, is unassigned and available for spending in accordance within the City's policy restrictions. In addition to staff shortages and cost savings measures, infrastructure and demo scheduled for completion in 2018 of \$352,785 was moved to 2019.
- At the end of 2018, unassigned fund balance for the General Fund was \$4,608,275, or 54% of total General Fund expenditures for the year. The General Fund unassigned fund balance increased by \$231,581 or 5% for the current year compared to the 2017 unassigned General Fund balance.
- In May 2016, the City authorized the issuance of combined waterworks and sewerage system revenue bonds not to exceed \$18,000,000 for the purpose of financing the wastewater treatment plant project which began construction in March 2016. The project was completed in April 2018 and at year-end the balance was \$17,628,000.
- In March 2016, the City authorized the issuance of taxable industrial development revenue bonds not to exceed \$229,000,000 as conduit debt for the express purpose of providing capital financing to a local manufacturer for a plant expansion project. The principal amount outstanding at year end is \$229,000,000.
- In 2016, the City approved the establishments of three additional community improvement districts to facilitate economic growth within the boundaries of the City. All of which are now fully active and are reported as a component unit in the financial report.

- In April 2018, the City approved a contract to provide consulting, design and construction administration services for an aquatic facility and community center project. There are two phases to the project: Phase I is concept design and community engagement completed in 2018, Phase II is design and construction to be completed in 2019. The amount spent on the project in 2018 was \$253,740.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. In addition to these statements, this report contains required supplemental information and other supplemental information that will help the reader better understand the financial activities of the City for the fiscal year ended December 31, 2018.

The basic financial statements are presented through two views: 1) government-wide financial statements, which focus on the City as a whole entity, and 2) fund financial statements, which provide more detail than the government-wide financial statements and focus on activities of the major individual funds.

The third section of the basic financial statements is the notes. The notes to financial statements provide the detail for some of the data contained in those statements. After the notes, two additional financial sections provide supplemental information about budgetary comparisons, details about the City's individual funds and combining statements.

Government-wide financial statements - The government-wide financial statements provide an overview of the City's financial operation as a whole in a format similar to a financial statement of a private-sector business. These statements integrate the City's current financial resources with capital assets and long-term obligations.

The statement of net position presents information on all the City's assets and liabilities, with the difference reported as net position. Over time, change in net position can serve as a valuable indicator of the financial position of the City.

The statement of activities presents information showing how the City's net position changed during the fiscal year. Change in net position is reported as soon as the underlying event causing the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will impact cash flows in future periods, e.g., deferred revenues, earned but unused vacation leave, net pension asset, depreciation, etc.

Both of the government-wide statements show a distinction between the functions of governmental and business-type activities. Governmental activities encompass basic City services, such as, general administrative, public safety, streets, public transportation, economic development, public building and land maintenance, and recreation, which are primarily supported by property and sales taxes, franchise taxes, intergovernmental revenues, program revenues, and available grants. The Utility Fund is the City's only business-type activity and mirrors a private sector-type operation, in that the charges for services are intended to cover all the costs of operations, including depreciation and debt service.

The government-wide financial statements include only the City itself, which is the primary government, and its five discretely presented component units, E911 Central Dispatch, South Highway 63 CID, Baltimore Commons CID, North Baltimore Street CID and Franklin Street CID.

- E911 is a separate entity, but the City provides over 50% of its financial support. The City retains the voting majority and can exercise direction over its operations. The City may be obligated to fund financial shortfalls that cannot be provided from the other members of the Joint Services Board. The employees of

E911 are on the City's payroll and are covered by the City's personnel benefits for health and dental insurance and retirement, as with other employees of the City.

- The South Highway 63 CID was incorporated in 2010 and organized to develop certain public and infrastructure improvements along the South Highway 63 corridor adjacent to the Raul Walters property. The City appoints all five directors with the consent of the property owners, three of which are City employees.
- The Baltimore Commons CID was established in 2016 for a twenty year period for the redevelopment, including infrastructure improvements, of a parcel of land located at 2604 North Baltimore Street, adjacent to the North Park Recreational Complex. The City appoints all five directors with the consent of the property owners, three of which are City employees.
- The North Baltimore Street CID was established in 2016 for a twenty-five year period for the development of commercial infrastructure for parcels of land located on North Baltimore Street. The City appoints all five directors with the consent of the property owners, three of which are City employees.
- The Franklin Street CID was established in 2016 for a twenty-five year period for the redevelopment of a parcel of land located at 2523 South Franklin Street. The City appoints all five directors with the consent of the property owners, two of which are City employees.

Due to their current and potential financial impact on the City, these component units are presented in separate column in the government-wide financial statements and each unit activity can be found on pages 30 and 31. The focus of these statements is on the primary government, but by including the component units in the presentation, highlights their relative relationship without commingling the financial resources. Change in the net position of the component units can be readily seen and readers can determine the impact on the City's financial position.

The government-wide financial statements can be found on pages 18 and 19 of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, under State Statutes and City Council policies. All of the funds of the City can be segregated into three categories: 1) governmental, 2) proprietary, and 3) fiduciary.

Governmental funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds, which focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information is useful in evaluating the City's current financial status and near-term financing capability.

Since the statements for the governmental funds present a more narrow view than the government-wide financial statements, it is recommended that the reader compare their presentation with the information for governmental activities in the government-wide financial statements. These statements complement each other and allow the reader to better understand the long-term impacts of the City's near-term financing decisions. Both the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide accompanying reconciliations to facilitate the comparison between governmental funds and governmental activities.

Funds that are significant in terms of revenues, expenditures, assets, or liabilities are identified as major funds in the basic financial statements and reported separately. Management has determined that there are five major governmental funds to report in 2018: General, Airport, Capital Improvement Sales Tax, Highway 63 Alternate Route, and Transportation Sales Tax. Each of these funds is presented separately on the governmental funds

balance sheet and on the governmental funds statement of revenues, expenditures, and changes in fund balances. For 2018, ten other governmental funds are classified as nonmajor and aggregated into a single column on these statements. This includes the creation of the Parks and Recreation Fund, which was established for the collection of the 1/2 cent parks and recreation sales tax, as approved by voters in April 2017 and completed its first full year of operations in 2018. Individual fund data for each of these nonmajor funds is provided in the form of combining statements presented in the other supplemental information section.

The City elects to adopt an annual budget for all of its funds. Included in the report are budgetary comparison statements for all major and nonmajor funds, which use the budgetary basis of accounting as found in the legal budget document. The budgetary comparison schedules for the General Fund, the major Special Revenue Funds, and the major Capital Projects Fund are presented in the required supplemental information (RSI) section while the other Special Revenue Funds and other Capital Projects Funds are located in the other supplemental information section.

The basic governmental funds financial statements can be found on pages 20 through 23 of this report.

Proprietary funds - The City maintains two types of proprietary funds: Enterprise and Internal Service. The Enterprise Fund is used to report the water, sewer, and stormwater operations presented as the business-type activity in the government-wide financial statements. Internal Service Funds are used to allocate internal costs for the operation of the central garage and the self-funded health and dental insurance programs. Internal services primarily benefit governmental rather than business-type activities and have been included within governmental activities in the government-wide financial statements.

An individual fund statement is included for the combined water, sewer, and stormwater operations, which is considered a major fund. This statement provides the same type of information as the government-wide financial statements, only in more detail. Both of the City's Internal Service Funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the Internal Service Funds is provided in the combining statements found in the other supplemental information section.

The basic proprietary fund financial statements can be found on pages 24 through 27 of this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of those outside the City. These funds require fiscal responsibility by the City, but since their assets are restricted in purpose and do not represent discretionary assets or resources available for use in City operations, their activities are not reflected in the government-wide financial statements. The City maintains two private-purpose funds, the Tri-Centennial Trust and the Nancy Reed Fugate Trust.

The basic fiduciary fund financial statements can be found on pages 28 and 29 of this report.

Notes to financial statements - The notes provide additional information that are essential for a more complete understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 32 through 59 of this report.

Required supplemental information - This report also contains certain required information presented as supplemental on pages 60 through 68 including budgetary information for the General Fund and the major Special Revenue Funds, and notes on budgetary data.

Other supplemental information - Other supplemental information is presented in the next section which includes the budget comparison schedule for the other major fund and the combining statements and budgetary schedules for the other governmental funds and Internal Service Funds statements. These statements and schedules can be found on pages 69 through 91 of this report.

Government-wide Financial Analysis

Net position - Over time, net position may serve as a useful indicator of a government's financial position. The assets of the City exceeded liabilities, including deferred amounts, by \$112,245,868 at December 31, 2018.

A significant portion of the City's net position, \$87,197,835, or 78%, represents the City's investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment), less any related debt outstanding and payables arising from the acquisition of those assets, plus any assets restricted solely for those debt issuances. Since capital assets are primarily used to provide services to citizens, these are not available for future spending. Although investment in capital assets is reported net, the resources needed to repay the associated debt service and/or maintenance costs must be provided from other governmental sources, since the City's infrastructure cannot usually be liquidated to repay the associated liabilities.

A portion of the City's net position (\$4,271,235 or 4%) represents resources that are subject to external restrictions on how they may be used. Such restrictions are imposed by regulations of other governments, contributors, grantors, or legal restrictions. Restricted business-type net position accounts for 1% of the net position of the business-type activity and represent restrictions due to bond indebtedness.

The remaining balance is unrestricted net position which totals \$20,776,798, which represents an increase of \$4,740,919 over the prior year. Governmental activities account ended in an unrestricted net position of \$6,510,929 which represents \$2,178,575 of the increase, while business-type activity ended with an unrestricted net position balance of \$14,265,869, which represents an increase of \$2,562,416, over the prior year.

A summary of the City's statements of net position as of December 31, 2018 and 2017 is presented below.

| | December 31 | | | | | |
|---------------------------------------|--------------------------------|--------------------------|---------------------------------|--------------------------|---------------------------|---------------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Assets | | | | | | |
| Current and other assets | \$12,060,376 | 11,965,985 | 16,453,892 | 14,383,591 | 28,514,268 | 26,349,576 |
| Capital assets, net | 56,919,022 | 57,657,934 | 60,173,524 | 62,149,956 | 117,092,546 | 119,807,890 |
| Total Assets | <u>68,979,398</u> | <u>69,623,919</u> | <u>76,627,416</u> | <u>76,533,547</u> | <u>145,606,814</u> | <u>146,157,466</u> |
| Deferred Outflows of Resources | | | | | | |
| Pension related | 805,941 | 1,195,145 | 159,514 | 203,432 | 965,455 | 1,398,577 |
| Liabilities | | | | | | |
| Noncurrent liabilities | 1,993,475 | 4,027,003 | 28,942,888 | 30,220,085 | 30,936,363 | 34,247,088 |
| Other liabilities | 780,476 | 1,260,402 | 1,253,090 | 1,979,661 | 2,033,566 | 3,240,063 |
| Total Liabilities | <u>2,773,951</u> | <u>5,287,405</u> | <u>30,195,978</u> | <u>32,199,746</u> | <u>32,969,929</u> | <u>37,487,151</u> |
| Deferred Inflows of Resources | | | | | | |
| Pension related | 1,202,583 | 701,366 | 153,889 | 84,218 | 1,356,472 | 785,584 |
| Net Position | | | | | | |
| Net investment in capital assets | 55,678,196 | 56,223,348 | 31,519,639 | 32,143,837 | 87,197,835 | 88,367,185 |
| Restricted | 3,619,680 | 4,274,591 | 651,555 | 605,725 | 4,271,235 | 4,880,316 |
| Unrestricted | <u>6,510,929</u> | <u>4,332,354</u> | <u>14,265,869</u> | <u>11,703,453</u> | <u>20,776,798</u> | <u>16,035,807</u> |
| Total Net Position | <u><u>\$65,808,805</u></u> | <u><u>64,830,293</u></u> | <u><u>46,437,063</u></u> | <u><u>44,453,015</u></u> | <u><u>112,245,868</u></u> | <u><u>109,283,308</u></u> |

Change in net position - Net position from the primary government's activities increased by \$2,962,560 during the current fiscal year. Governmental revenues for 2018 increased 3% from 2017, while governmental expenses increased 14%, attributing to an overall net increase in net position of \$978,512 for 2018. Business-type net position increased by \$1,984,048 or 4% which was mostly attributable to an increase in utility rates as part of a

five year plan to fund the State mandated Wastewater Treatment Project and increased efforts to identify water produced but not consumed or billed.

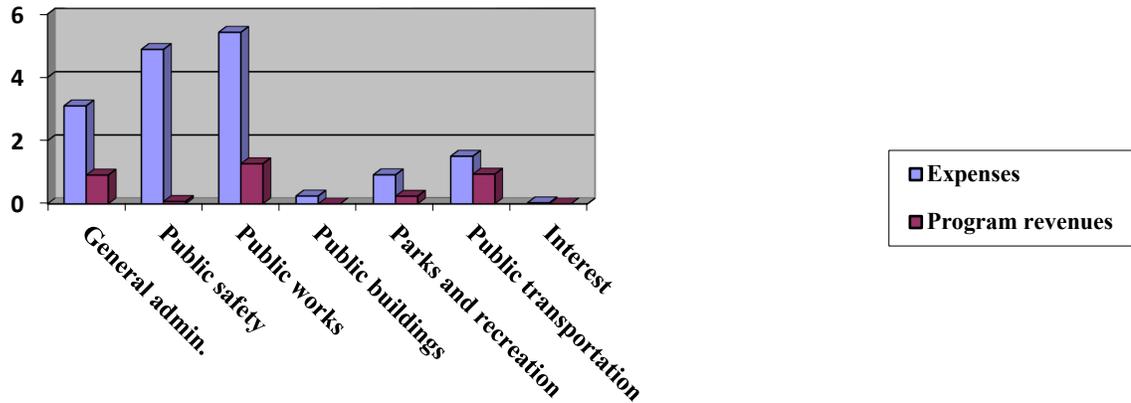
The following is a summary of the City's statements of activities for the fiscal periods ended December 31, 2018 and 2017. Revenue is categorized by either program or for general purposes. Program revenues can be identified with specific programs and consists of charges for services, operating grants and contributions, and capital grants and contributions. General revenues are for nonspecified purposes and consist primarily of taxes, investment earnings, and other unrestricted revenue sources. Expenses are shown by function of the government.

| | For The Years Ended December 31 | | | | | |
|------------------------------------|---------------------------------|-------------------|--------------------------|-------------------|--------------------|--------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,195,443 | 2,197,597 | 10,043,027 | 8,992,989 | 12,238,470 | 11,190,586 |
| Operating grants and contributions | 1,197,575 | 757,209 | 64,101 | 46,243 | 1,261,676 | 803,452 |
| Capital grants and contributions | 52,010 | 1,807,366 | - | - | 52,010 | 1,807,366 |
| General revenues: | | | | | | |
| Property taxes | 1,555,370 | 1,503,929 | - | - | 1,555,370 | 1,503,929 |
| Sales taxes | 8,916,732 | 7,320,974 | - | - | 8,916,732 | 7,320,974 |
| Franchise and other taxes | 2,998,283 | 2,809,126 | - | - | 2,998,283 | 2,809,126 |
| Investment income | 40,653 | 33,773 | 267,137 | 279,410 | 307,790 | 313,183 |
| Other | 259,036 | 268,781 | 11,392 | 22,070 | 270,428 | 290,851 |
| Gain (Loss) on sale of assets | 37,789 | - | - | 33,670 | 37,789 | 33,670 |
| Total Revenues | 17,252,891 | 16,698,755 | 10,385,657 | 9,374,382 | 27,638,548 | 26,073,137 |
| Expenses | | | | | | |
| General administration | 3,101,252 | 2,127,676 | - | - | 3,101,252 | 2,127,676 |
| Public safety | 4,883,902 | 4,119,179 | - | - | 4,883,902 | 4,119,179 |
| Public works | 5,423,230 | 5,700,247 | - | - | 5,423,230 | 5,700,247 |
| Public buildings | 248,035 | 236,559 | - | - | 248,035 | 236,559 |
| Parks and recreation | 920,012 | 686,346 | - | - | 920,012 | 686,346 |
| Public transportation | 1,509,193 | 1,206,335 | - | - | 1,509,193 | 1,206,335 |
| Interest on long-term debt | 33,517 | 20,216 | - | - | 33,517 | 20,216 |
| Utility | - | - | 8,556,847 | 6,206,679 | 8,556,847 | 6,206,679 |
| Total Expenses | 16,119,141 | 14,096,558 | 8,556,847 | 6,206,679 | 24,675,988 | 20,303,237 |
| Change in net position | 1,133,750 | 2,602,197 | 1,828,810 | 3,167,703 | 2,962,560 | 5,769,900 |
| Transfers | (155,238) | (50,000) | 155,238 | 50,000 | - | - |
| Change in net position | 978,512 | 2,552,197 | 1,984,048 | 3,217,703 | 2,962,560 | 5,769,900 |
| Net position, January 1 | 64,830,293 | 62,278,096 | 44,453,015 | 41,235,312 | 109,283,308 | 103,513,408 |
| Net position, December 31 | \$65,808,805 | 64,830,293 | 46,437,063 | 44,453,015 | 112,245,868 | 109,283,308 |

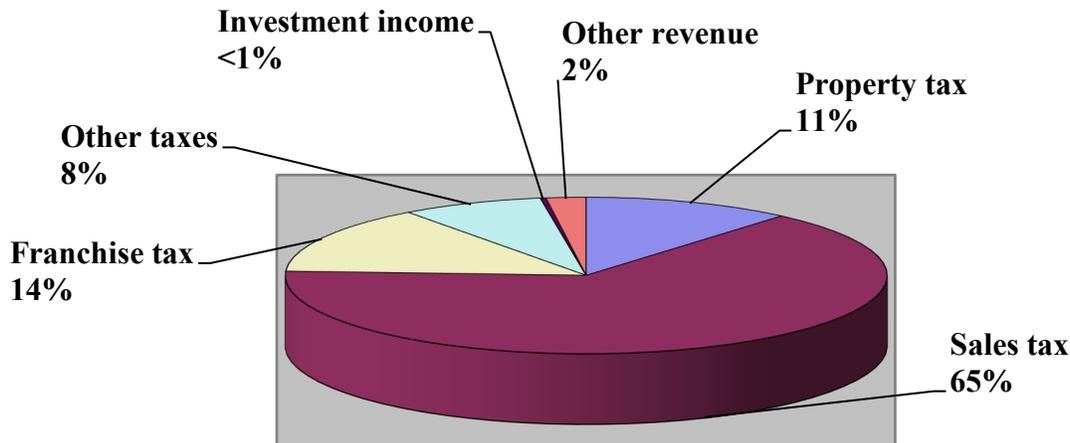
Governmental activities - Governmental activities increased the City's net position by \$978,512, accounting for 33% of the total increase in the net position of the City. As mentioned earlier, this is attributable to staff vacancies reducing operational costs, additional cost saving measures implemented during the 2018 budget process and infrastructure that will now be completed in 2019 instead of 2018.

The following graphs show the expenses by function for the governmental activities along with the corresponding program revenues and a depiction of general revenues by source for the governmental activities.

Expenses and Program Revenues - Governmental Activities (in millions)



General Revenues by Source - Governmental Activities



Business-type activities - The business-type activity increased the City’s net position by \$1,984,048. Revenues increased by 11% over the prior year primarily due to increases in user consumption rates and repairs/replacement of broken meters identified through efforts the City made to reduce water loss. Expenses increased by 38% over 2017 due to increases in repairs and maintenance of \$524,131 and changes at the wastewater treatment plant: depreciation increase on the new plant of \$564,099; disposal of old plant assets \$687,875 primarily for the wastewater treatment plant project completed in 2018. The new facility was completed in April 2018 and incorporated a portion of the existing facility in the new footprint. Two large capital projects, the downtown water tower replacement and the Highway 6 lift station project, were shifted to 2019 for completion.

Financial Analysis of the City’s Funds

The City uses fund accounting to ensure and satisfy compliance with finance-related legal requirements. The use of individual funds precludes use of resources from one fund for another fund’s activities unless specifically granted by Council.

Governmental funds - The focus of the governmental funds is to provide information on current resources, uses, and balances of resources available to spend. Such information becomes meaningful in assessing the City's financing requirements. In particular, the unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2018, the City's governmental funds reported a combined fund balance of \$9,818,689, an increase of \$1,117,057, or 13%, from the prior year. Approximately 46% is nonspendable, restricted or committed for new spending, or assigned for: 1) TIF funds \$1,286,795; 2) Parks and recreation \$881,891; 3) inventory, advances, and prepaid items \$643,050; 4) Capital Project Funds \$1,133,823; 5) Special Revenue Funds other than TIF \$87,927; 6) permanent funds \$388,193; 7) purchases on order \$48,232; and 8) subsequent years' budget \$1,486,997. The remainder of \$3,861,780 is unassigned and available for appropriation for the general purposes of the funds.

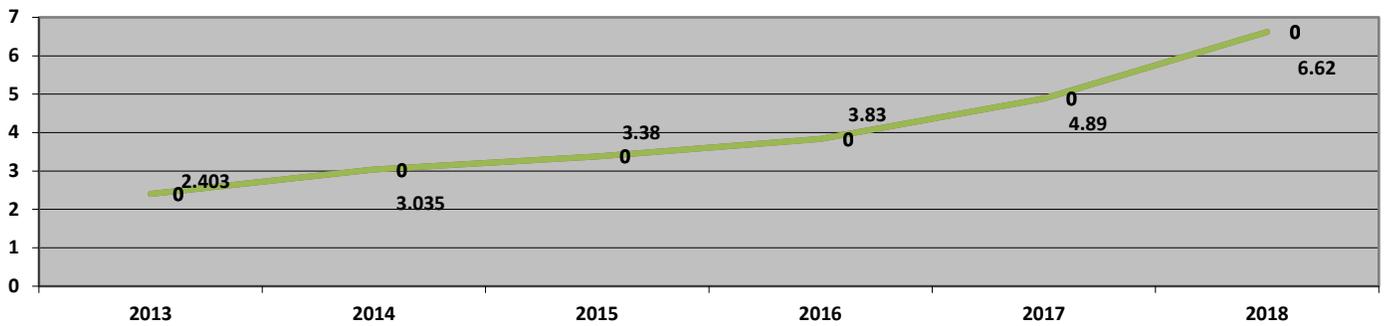
General Fund - The General Fund is the chief operating fund of the City. At December 31, 2018, its fund balance was \$6,618,494, with the unassigned portion of this balance being \$4,608,275. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance is equivalent to 54% of total General Fund expenditures, while total fund balance is 77% of that same amount. The liquidity of the General Fund increased this fiscal year due to an increase in sales, franchise, and other taxes from the prior year.

The fund balance of the City's General Fund increased by \$1,730,024 during 2018. The primary factors contributing to this growth include:

- Sales tax revenue for 2018 increased by 11% or \$374,255 due to the recent economic development of two new hotels and retail shopping establishments.
- Property tax revenue increased by 5% or \$69,059 over 2017 primarily due the reassessment of real estate property located in the city limits by the Adair County Assessor, as directed by the state tax commission.
- Franchise fees collected from utility companies have increase 9% or \$158,232 due to increases in utility rates and the impact of weather patterns.
- Payments from the Enterprise Fund for costs incurred by the general fund for computers, software, accounting services, etc., based on a percentage of utility revenue, has increased by \$55,522 primarily due to an increase in utility rates.

The following graph shows the ending balance for the General Fund since December 31, 2013. It has increased each year since 2013 with 2018 having the largest annual increase of 35%.

General Fund Balance by Year (in millions)



Airport Fund - The Airport Fund ended the year with a fund balance deficit of \$649,442. This fund was reclassified from an Enterprise Fund to a Special Revenue Fund in 2004 and all its capital assets and associated debt were moved from proprietary fund assets to governmental assets. The deficit balance presents the true picture of the operation of this fund, showing that operating revenues are unable to sustain operating expenditures. Monies allocated annually from the General Fund, Capital Improvements Sales Tax Fund, and the Transportation Sales Tax Fund helps sustain operations by financing capital needs and reducing the deficit balance.

Highway 63 Alternate Route Fund - The Highway 63 Alternate Route Fund is a Special Revenue Fund used to account for the collection of the 1/2-cent economic development sales tax and cost share payment for the construction of the Highway 63 alternate route and transportation needs around the City. In 2016, voters approved to continue this tax, without a sunset clause, to use excess 2016 funds towards the construction of a tractor-trailer parking lot and street improvements, in all other years until the final payment was made to the Missouri Highway and Transportation Commission in June 2018. The remaining fund balance of \$323,104 was transferred to the Transportation Sales Tax Fund and future collections will fund street and stormwater improvements using 75% of collections and economic development projects using 25% of collections.

Transportation Sales Tax Fund - The Transportation Sales Tax Fund balance experienced an increase of \$210,302, resulting in a fund balance of \$723,538 at the end of 2018 primarily due to the decrease in capital outlay as a result of employee shortages and completion of a major project that required all manpower for most of the construction season. Due to the early frost, the street department was unable to complete projected street overlays.

Capital Improvement Sales Tax Fund - The Capital Improvement Sales Tax Fund became a major fund in 2018 due to the acquisition through a previous year lease purchase of a fire truck for \$795,925. The 2018 Sutphen SA75 Aerial replaced a 1998 model. Overall, the fund decreased by \$839,815 due to the purchase of the fire truck and a parcel of land adjacent to City Hall, which resulted in an ending fund balance of \$470,828.

Nonmajor governmental funds - This category consists of the City's other ten governmental funds that did not meet the criteria of being a major, proprietary, private-purpose, or agency fund. In total, their fund balances increased \$758,020 for the year. Key reasons for the net changes in fund balances include:

- The Downtown TIF Fund was unable to begin work toward the façade project, which will include infrastructure improvements to designated street fronts. This project will be moved to 2019 and incorporate the fund balance increase of \$324,427 to the ending fund balance of \$1,286,795.

- The Parks and Recreation Fund was created with the passing of the 1/2 cent parks and recreation sales tax by voters in April 2017. Collections began in October 2017 and by 2018, this fund reported all consolidated activities for parks and recreation in the City, including the construction of a new aquatic facility. The 2018 activity resulted in an ending fund balance is \$889,494.

Proprietary funds - The City's proprietary funds statements provide the same type of information found in the government-wide financial statements, only in more detail. These funds are adjusted for internal service balances in the government-wide financial statements.

The Utility Fund is capital-intensive, which is evidenced by the \$31,519,639 investment in capital assets, or 68%, of total business-type net position. Restricted net position of the Utility Fund for bond service debt amounts to \$651,555, leaving an unrestricted net position balance of \$13,907,673. The growth in net position for the proprietary funds for the year was \$1,984,048, which was addressed earlier in this report.

General Fund budgetary highlights - It is often necessary for original budgets to be modified during or at the end of the fiscal year to appropriate additional monies for unanticipated projects or expenditures. Generally, budget amendments fall into one of three categories: 1) to adjust the estimates used to prepare the original budget when exact information becomes available; 2) to recognize new funding from external sources, such as federal and state grants; or 3) to address increases in appropriations necessary to maintain services or complete projects. During the fiscal year, the General Fund budget was amended to reduce the appropriation level to more accurate estimates and revenues were amended to reflect a conservative estimate.

Total general fund revenues were \$178,539 higher than budgeted for 2018 due to a variety of changes in various revenue sources. The most significant revenue increases were a direct result of economic activity in the City, which included a budget increase in sales tax revenues of \$222,418. In addition, franchise taxes from utilities were over budget by \$22,402 due to increased rates and economic expansion of infrastructure. All departments were under budget in operating expenses for a total of \$864,737. Overall, budgeted fuel and employee costs were down city-wide due to the steady fuel prices and staff shortages, primarily in the Street department, to operate city machinery and vehicles. Demolition of the old high school estimated at \$353,000 in the Council department was moved to 2019 due to inclement weather. The same weather issues caused the fencing project and building construction at the asphalt plant that were budgeted for \$97,135 in the Street department to be moved to 2019, as well.

Capital Assets and Debt Administration

Capital assets - The City's investment in capital assets combined for the governmental and business-type activities as of December 31, 2018, was \$117,092,546 (net of accumulated depreciation). This investment in capital assets includes buildings, water and wastewater systems, airport improvements, streets, sidewalks, street lighting, construction in progress, land, machinery and equipment, park facilities, and vehicles. In total, net capital assets decreased by 2% or \$2,715,344 for the current fiscal year while individually, governmental activities decreased overall by \$738,912 and the business-type activity assets decreased overall by \$1,976,432, primarily due to depreciation expense and the disposal of the aging wastewater treatment plant assets with a book value of \$687,875 that was replaced by the new facility in April 2018.

The City expended \$3.6 million for assets subject to capitalization. Major capital assets acquired or projects undertaken in 2018 included the following:

- \$1.57 million in capital improvements under the CIST allocation plan included: fire truck and safety equipment, fire training facility improvements, land purchase adjacent to City Hall, a generator for the public works complex, overhead garage door at the fire station, disaster recovery/redundancy for computer network, fencing for Forest-Llewellyn Cemetery and the communication tower and various department

equipment purchases. This was in addition to support provided for capital purchases in the General Fund, Airport Fund and for stormwater capital.

- \$0.8 million was capitalized for street rebuild and replacement of Illinois Street.
- \$0.06 million was spent at the airport for the fuel system replacement project.
- \$0.29 million was spent by Parks and Recreation towards the aquatic center facility project and facility improvements, including sidewalks, lighting, and netting, at Memorial Park, McKinney Bark Park, and North Park.
- The Utility Fund spent \$0.63 million for several feet of water main replacement from cast iron to C900, construction of a chemical building at the water treatment plant, Cottage Grove Avenue box culvert replacement, and various equipment and heavy equipment replacement as part of the five-year replacement plan.

A summary of capital assets, net of accumulated depreciation, is shown on the next page. These are segregated by category for both the governmental and business-type activities and in total.

| | December 31 | | | | | |
|-----------------------------------|-------------------------|-------------------|--------------------------|-------------------|--------------------|--------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 3,786,934 | 3,243,088 | 1,331,922 | 1,331,922 | 5,118,856 | 4,575,010 |
| Construction in progress | 330,924 | - | 140,699 | 20,092,195 | 471,623 | 20,092,195 |
| Buildings and improvements | 7,089,050 | 7,287,426 | - | - | 7,089,050 | 7,287,426 |
| Improvements other than buildings | 5,204,595 | 5,762,876 | - | - | 5,204,595 | 5,762,876 |
| Infrastructure | 37,364,639 | 39,025,113 | - | - | 37,364,639 | 39,025,113 |
| Machinery and equipment | 3,142,880 | 2,339,431 | 846,700 | 1,028,001 | 3,989,580 | 3,367,432 |
| System | - | - | 57,854,203 | 39,697,838 | 57,854,203 | 39,697,838 |
| Total Capital Assets, Net | \$ 56,919,022 | 57,657,934 | 60,173,524 | 62,149,956 | 117,092,546 | 119,807,890 |

Additional information on the City's capital assets can be found in Note C of this report. Prior to 2012, the City elected to adopt the modified approach for reporting infrastructure assets. Beginning in 2012, the City elected to use the straight-line depreciation basis on all capital assets.

Long-term debt - \$18,000,000 in combined waterworks and sewerage system revenue bonds was issued through the State Revolving Loan program to fund improving and extending the combined waterworks and sewerage system of the City, including an extensive upgrade of the wastewater treatment facility to comply with state requirements and to increase treatment capacity. The year-end balance was \$17,628,000 and is included in the total bonded debt listed below.

\$2,274,000 in revenue bonds was issued during 2010 through the American Recovery and Reinvestment Act (ARRA) Recovery Zone Bond program for the implementation of a stormwater management program. This opportunity was approved by the City voters in April 2010 with funding from a monthly stormwater fee imposed in August 2010 at a rate of \$2.20 per month. In addition, the City is eligible for the federal 45% interest rebate to offset the cost of debt service, which was reduced by 6.9% due to the sequestration reduction rate through September 30, 2018.

As of December 31, 2018, the City had total bonded debt of \$26,738,001, of which \$25,203,001 is for revenue bonds issued through the State Revolving Loan program secured solely by water and/or sewer charges and \$1,535,000 in ARRA Recovery Zone bonds issued in 2010 for the stormwater management program secured by stormwater charges.

At year-end, capital leases remains outstanding for the following: Guaranteed Energy Performance contract with Schneider Electric, signed in October 2012, for \$1,930,390; the asphalt plant construction, commencement date of May 2017, for \$630,566; and a fire truck purchase, commencement date of June 2017, for \$610,260.

In June 2018, the City made the final payment of \$1,885,079 on the promissory note for the Highway 63 alternate route project paid with the economic development sales tax.

| | December 31 | | | | | |
|----------------|-------------------------|------------------|--------------------------|-------------------|-------------------|-------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenue bonds | \$ - | - | 26,738,001 | 27,553,978 | 26,738,001 | 27,553,978 |
| Leases payable | 1,240,826 | 1,434,586 | 1,930,389 | 2,410,627 | 3,171,215 | 3,845,213 |
| Notes Payable | - | 1,885,079 | - | - | - | 1,885,079 |
| Total | \$ 1,240,826 | 3,319,665 | 28,668,390 | 29,964,605 | 29,909,216 | 33,284,270 |

The City has no plans to issue any general obligation debt in the near future. The City anticipates the issuance of certificates of participation to fund the aquatic center facility project, once the final design and project costs are determined. Parks and recreation sales tax revenues will be used to make payments on the certificates.

Additional information regarding the City’s long-term debt can be found in Note F of this report.

Economic Factors and Next Year’s Budgets and Rates

During the preparation of the 2019 budget, any potential economic impact on the community in the coming year was taken into account in forecasting revenues and expenditure levels. The 2019 budget is set at \$45,881,789, an overall increase of 53.4% over the amended 2018 budget. The fluctuation in budget appropriations resulted from personnel shortages in 2018 to full staff expectations in 2019, general liability and employment insurance increases of 48.4%, and increases in parks and recreation activity funded by the parks and recreation sales tax. City-wide infrastructure has increased 206.8% due to the extensive improvements planned in Special Revenue Funds, Capital Improvement Funds, and the Utility Fund. The following assumptions impacted the City’s budget for 2019:

- The City is considered a micropolitan area that performs urban-like functions while maintaining its rural charisma. In October 2018, the unemployment rate dropped to 2.3%, which reflects that current economic development and industrial expansion in the City is rebounding job growth. This rate was equal with Missouri and less than the national average. Job growth in the City has been impacted by the Kraft Foods expansion project, which was completed in 2018. It is the highest employer of the City at 988 employees, an increase of 482 employees since construction began in 2016 and 70 more employees than 2017. Other economic development projects were completed mid-2018, including four retail developments. Revenues for 2019 will reflect a full year of operations for these new businesses and additional workforce.
- Real and personal property values are projected to increase 1.7% in valuation due to several large economic development projects being completed in 2018.

- Downtown revitalization is continuing with \$1.7 million allocated for the façade project, sidewalk, and parking improvements to encourage economic growth, which connects four of the five institutions of higher learning located in the City with the area.
- Sales tax collections are anticipated growing 0.4% over 2018, which is a conservative approach to ensure anticipated sales from the economic growth of the City will continue. The City will continue to participate in the two state sales tax holidays as a continued benefit for customers and to also attract shoppers to Kirksville retailers.
- Lodging and franchise taxes are steady with 2018 now that the two new hotels have operated a full year and there is no expected utility increase in 2019. The lodging tax positively impacts the City's economy and tourism efforts.
- Transportation services provided by Kirk-Tran and the commuter air service will encourage access to the City. Kirk-Tran became a separate legal entity in 2010 which made it eligible for additional funding support.
- The 1/4-cent capital improvement sales tax continues to benefit the community by allocating monies to stormwater drainage, sidewalks, infrastructure, capital replacement, park improvements, housing demolition, business improvement loans, and for other economic development needs.
- Increase in the cost of personnel services due to steady growth in medical insurance premiums, contributions for retirement, and wage adjustments. The City has implemented various wellness programs and health incentives to curtail the cost of self-insured health and dental claims.
- Utility revenues are expected to increase 1% over 2018, as user consumption has been adjusted in 2019 to include new facility expansions and growth in economic developments at the 2018 rates and efforts made to reduce system water loss. Utility rates will continue to be reviewed annually to ensure they conform to the revenue models necessary for continued operations and capital growth.

Budget Highlights for the Year Ending December 31, 2019

Governmental activities - Funding for the City is mainly derived from three sources: taxes and franchise fees, intergovernmental; and charges for services. For 2019, government fund revenue sources are forecasted be \$19.82 million, or an increase 13% over amended 2018. Government fund expenditures for 2019, which include operating expense, capital outlay and debt service, are \$28.62 million and are broken down by major function: general government 14%; emergency service of police, fire and E911 20%; public works, street maintenance, codes and engineering 7%; transportation services 4%; parks and recreation services 2%; capital outlay 49%; and debt service 4%.

The Capital Improvement Sales Tax Fund will continue to support the lease financing of a new 75' aerial/pumper fire truck and apparatus, in addition to ongoing General Fund capital needs, an equipment storage building located at the fire department, generator replacement at City Hall, community needs, grant matches for a shooting park, recreational enhancements, and a sidewalk project, stormwater improvements and sidewalk replacement.

For the Street Department in the General Fund and Transportation Sales Tax Fund, the program will focus on arterial and collector streets, while the street construction crew will focus on residential streets. If prices hold steady, it is anticipated to rehabilitate six miles of streets in 2019. In addition, funding was increased for concrete slab repairs in an attempt to bring those streets back to an acceptable level over the next five to ten years.

The Highway 63 Alternate Route Fund will split its revenues in 2019 with 75% for streets and stormwater improvements and 25% for economic development as approved by the voters in 2016 for the renewal of the sales tax.

The Downtown TIF will continue the façade project, sidewalk, and parking lot improvements as funds allow.

The Parks and Recreation Fund will focus on the aquatic center facility project in 2019. The new facility will be located in the same location as the current facility. With construction to begin in 2019, the outdoor facility will not open in 2019 and the indoor facility will close mid-year. Extended hours for wading pools in area parks will still require seasonal workers and continued operational expense. However, admission and activity fees are expected to decrease with the close of the current aquatic facility.

The Airport will receive grant funds, with a 5% in-kind match, for a refuel system estimated to cost \$760,000 and the General Fund will continue to subsidize operations, since it is not sustainable on its own.

Business-type activity - Revenues for 2019 are expected to be \$10.3 million, which is an increase of 2% from amended 2018. There was no increase in rates for the volume portion of both the water and sewer charge, as the five-year rate schedule increase to accommodate operational increases and capital projects was completed. The stormwater fee did increase by \$1.00 per meter in the city limits, which is the first increase since its 2010 implementation. The sufficiency of revenues will be reviewed again in October 2019 to ensure the costs of operations, regulatory requirements, infrastructure improvements, and debt service is adequately covered by user charges per requirements for participation in the State Revolving Loan Fund program.

Capital outlay for 2019 is \$5.75 million and includes replacement of the downtown water tower, cast in place pipe construction, construction of a new laboratory for the wastewater treatment plant in close proximity to the new facility, engineering for an additional primary clarifier at the water plant, water main replacement on Normal Street, engineering for an additional primary clarifier, stormwater projects on Florence Street and Manor Road, and various equipment replacements or additions.

Requests for Information

This financial report is designed to provide an overview of the City's finances for all those with an interest in the City's financial operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Kirksville, 201 S. Franklin Street, Kirksville, Missouri 63501, call 660-627-1251, or e-mail to lking@kirksvillecity.com.

CITY OF KIRKSVILLE, MISSOURI
STATEMENT OF NET POSITION
DECEMBER 31, 2018

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|--------------------|--------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 8,021,409 | 12,128,876 | 20,150,285 | 300,867 |
| Investments | 42,000 | 1,169,424 | 1,211,424 | - |
| Receivables: | | | | |
| Property tax, net | 1,398,466 | - | 1,398,466 | - |
| Sales tax | 1,430,997 | - | 1,430,997 | 31,595 |
| Other taxes | 229,797 | - | 229,797 | - |
| Accounts, net | 383,581 | 1,213,358 | 1,596,939 | 7,997 |
| Accrued interest | 33 | - | 33 | - |
| Notes receivable | 82,634 | - | 82,634 | - |
| Intergovernmental | 193,522 | - | 193,522 | - |
| Internal balances | (874,468) | 874,468 | - | - |
| Inventories | 136,385 | 292,292 | 428,677 | - |
| Prepaid items | 268,235 | 97,141 | 365,376 | 533 |
| Cash and cash equivalents - restricted | 21,740 | 651,555 | 673,295 | - |
| Net pension asset | 726,045 | 26,778 | 752,823 | 7,772 |
| Capital assets: | | | | |
| Nondepreciable | 4,117,858 | 1,472,621 | 5,590,479 | - |
| Depreciable, net | 52,801,164 | 58,700,903 | 111,502,067 | 72,720 |
| Total Assets | <u>68,979,398</u> | <u>76,627,416</u> | <u>145,606,814</u> | <u>421,484</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred amounts related to pensions | <u>805,941</u> | <u>159,514</u> | <u>965,455</u> | <u>45,795</u> |
| LIABILITIES | | | | |
| Accounts payable | 386,355 | 457,074 | 843,429 | 2,258 |
| Accrued liabilities | 263,928 | 73,575 | 337,503 | 17,208 |
| Accrued interest | 15,020 | 153,004 | 168,024 | - |
| Restricted customer deposits | 920 | 561,555 | 562,475 | - |
| Unearned revenue | 3,549 | 7,882 | 11,431 | - |
| Claims liability | 110,704 | - | 110,704 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 379,332 | 2,381,528 | 2,760,860 | 16,843 |
| Due in more than one year | 1,614,143 | 26,519,596 | 28,133,739 | 50,531 |
| Due in more than one year - arbitrage | - | 41,764 | 41,764 | - |
| Total Liabilities | <u>2,773,951</u> | <u>30,195,978</u> | <u>32,969,929</u> | <u>86,840</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred amounts related to pensions | <u>1,202,583</u> | <u>153,889</u> | <u>1,356,472</u> | <u>44,678</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 55,678,196 | 31,519,639 | 87,197,835 | 72,720 |
| Restricted for: | | | | |
| Bond requirements | - | 651,555 | 651,555 | - |
| Capital projects | 1,194,366 | - | 1,194,366 | - |
| Parks and recreation | 636,194 | - | 636,194 | - |
| Block grant | 77,007 | - | 77,007 | - |
| Trail grant | 10,521 | - | 10,521 | - |
| Tax increment financing | 1,293,000 | - | 1,293,000 | - |
| Veterans memorial | 2,019 | - | 2,019 | - |
| Community partnership | 399 | - | 399 | - |
| Cemetery: | | | | |
| Expendable | 24,091 | - | 24,091 | - |
| Nonexpendable | 20,000 | - | 20,000 | - |
| Revolving loans | 362,083 | - | 362,083 | - |
| Unrestricted | <u>6,510,929</u> | <u>14,265,869</u> | <u>20,776,798</u> | <u>263,041</u> |
| Total Net Position | <u>\$ 65,808,805</u> | <u>46,437,063</u> | <u>112,245,868</u> | <u>335,761</u> |

CITY OF KIRKSVILLE, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues | | | Primary Government | | | Component Units |
|----------------------------------|---------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|--------------|-----------------|
| | | Charges For Services | Operating Grants And Contributions | Capital Grants And Contributions | Governmental Activities | Business-type Activities | Total | Total |
| Primary Government | | | | | | | | |
| Governmental Activities | | | | | | | | |
| General administration | \$ 3,101,252 | 498,936 | 412,281 | - | (2,190,035) | - | (2,190,035) | - |
| Public safety | 4,883,902 | 77,331 | - | - | (4,806,571) | - | (4,806,571) | - |
| Public works | 5,423,230 | 506,476 | 765,314 | - | (4,151,440) | - | (4,151,440) | - |
| Public building | 248,035 | - | - | - | (248,035) | - | (248,035) | - |
| Parks and recreation | 920,012 | 242,420 | - | - | (677,592) | - | (677,592) | - |
| Public transportation | 1,509,193 | 870,280 | 19,980 | 52,010 | (566,923) | - | (566,923) | - |
| Interest on long-term debt | 33,517 | - | - | - | (33,517) | - | (33,517) | - |
| Total Governmental Activities | 16,119,141 | 2,195,443 | 1,197,575 | 52,010 | (12,674,113) | - | (12,674,113) | - |
| Business-type Activities | | | | | | | | |
| Utility | 8,556,847 | 10,043,027 | 64,101 | - | - | 1,550,281 | 1,550,281 | - |
| Total Primary Government | \$ 24,675,988 | 12,238,470 | 1,261,676 | 52,010 | (12,674,113) | 1,550,281 | (11,123,832) | - |
| Component Units | | | | | | | | |
| Public safety | \$ 641,823 | 607,117 | - | 32,875 | - | - | - | (1,831) |
| Community development | 87,072 | - | - | - | - | - | - | (87,072) |
| Total Component Units | \$ 728,895 | 607,117 | - | 32,875 | - | - | - | (88,903) |
| General Revenues | | | | | | | | |
| Taxes: | | | | | | | | |
| Property | | | | | 1,555,370 | - | 1,555,370 | - |
| Sales | | | | | 8,916,732 | - | 8,916,732 | 118,357 |
| Franchise | | | | | 1,943,162 | - | 1,943,162 | - |
| Other | | | | | 1,055,121 | - | 1,055,121 | - |
| Investment income | | | | | 40,653 | 267,137 | 307,790 | 1,670 |
| Other | | | | | 259,036 | 11,392 | 270,428 | - |
| Gain on sale of capital assets | | | | | 37,789 | - | 37,789 | - |
| Transfers | | | | | (155,238) | 155,238 | - | - |
| Total General Revenues | | | | | 13,652,625 | 433,767 | 14,086,392 | 120,027 |
| CHANGE IN NET POSITION | | | | | 978,512 | 1,984,048 | 2,962,560 | 31,124 |
| NET POSITION, JANUARY 1 | | | | | 64,830,293 | 44,453,015 | 109,283,308 | 304,637 |
| NET POSITION, DECEMBER 31 | | | | | \$ 65,808,805 | 46,437,063 | 112,245,868 | 335,761 |

See notes to financial statements

CITY OF KIRKSVILLE, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2018

| | General | Airport | Highway 63 Alternate Route | Transportation Sales Tax | Capital Improvements Sales Tax | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|------------------|----------------------------------|-----------------------------|--------------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 4,196,121 | 150 | - | 224,809 | 352,102 | 2,076,432 | 6,849,614 |
| Investments | - | - | - | - | - | 42,000 | 42,000 |
| Receivables: | | | | | | | |
| Property tax, net | 1,104,060 | - | - | - | - | 294,406 | 1,398,466 |
| Sales tax | 630,529 | - | 217,229 | 226,281 | 113,140 | 243,818 | 1,430,997 |
| Other taxes | 229,797 | - | - | - | - | - | 229,797 |
| Accounts, net | 321,894 | 40,235 | - | - | - | 700 | 362,829 |
| Accrued interest | - | - | - | - | - | 33 | 33 |
| Note receivable | - | - | - | - | - | 82,634 | 82,634 |
| Intergovernmental | 113,094 | 52,010 | - | 6,255 | 22,163 | - | 193,522 |
| Inventories | - | 56,980 | - | 60,543 | - | - | 117,523 |
| Prepaid items | 234,530 | 18,560 | - | - | - | 11,978 | 265,068 |
| Cash and cash equivalents - restricted | 920 | - | - | - | - | - | 920 |
| Due from other funds | - | - | - | 217,229 | - | - | 217,229 |
| Advance to other funds | 240,460 | - | - | - | - | 45,028 | 285,488 |
| | <u>\$ 7,071,405</u> | <u>167,935</u> | <u>217,229</u> | <u>735,117</u> | <u>487,405</u> | <u>2,797,029</u> | <u>11,476,120</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 183,736 | 56,233 | - | 11,579 | 16,577 | 73,042 | 341,167 |
| Accrued liabilities | 233,459 | 8,787 | - | - | - | 12,684 | 254,930 |
| Court bonds | 920 | - | - | - | - | - | 920 |
| Due to other funds | - | 511,897 | 217,229 | - | - | 4,375 | 733,501 |
| Advance from other funds | - | 240,460 | - | - | - | 45,028 | 285,488 |
| Unearned revenue | 3,125 | - | - | - | - | 424 | 3,549 |
| | <u>421,240</u> | <u>817,377</u> | <u>217,229</u> | <u>11,579</u> | <u>16,577</u> | <u>135,553</u> | <u>1,619,555</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue - property taxes | 31,671 | - | - | - | - | 6,205 | 37,876 |
| FUND BALANCES (DEFICIT) | | | | | | | |
| Nonspendable: | | | | | | | |
| Inventories | - | 56,980 | - | 60,543 | - | - | 117,523 |
| Prepaid items | 234,530 | 18,560 | - | - | - | 11,978 | 265,068 |
| Endowment | - | - | - | - | - | 20,000 | 20,000 |
| Advance from other funds | 240,460 | - | - | - | - | - | 240,460 |
| Restricted for: | | | | | | | |
| Capital projects | - | - | - | 662,995 | 470,828 | - | 1,133,823 |
| Parks and recreation | - | - | - | - | - | 636,194 | 636,194 |
| Block grant | - | - | - | - | - | 77,007 | 77,007 |
| Trail grant | - | - | - | - | - | 10,521 | 10,521 |
| Tax increment financing | - | - | - | - | - | 1,286,795 | 1,286,795 |
| Veterans memorial | - | - | - | - | - | 2,019 | 2,019 |
| Cemetery | - | - | - | - | - | 24,091 | 24,091 |
| Revolving loans | - | - | - | - | - | 362,083 | 362,083 |
| Community partnership | - | - | - | - | - | 399 | 399 |
| Committed for: | | | | | | | |
| Parks and recreation | - | - | - | - | - | 245,697 | 245,697 |
| Assigned for: | | | | | | | |
| Purchases on order | 48,232 | - | - | - | - | - | 48,232 |
| Subsequent years' budget | 1,486,997 | - | - | - | - | - | 1,486,997 |
| Unassigned | 4,608,275 | (724,982) | - | - | - | (21,513) | 3,861,780 |
| | <u>6,618,494</u> | <u>(649,442)</u> | <u>-</u> | <u>723,538</u> | <u>470,828</u> | <u>2,655,271</u> | <u>9,818,689</u> |
| Total Liabilities, Deferred Inflows Of Resources, And Fund Balances (Deficit) | | | | | | | |
| | <u>\$ 7,071,405</u> | <u>167,935</u> | <u>217,229</u> | <u>735,117</u> | <u>487,405</u> | <u>2,797,029</u> | <u>11,476,120</u> |

CITY OF KIRKSVILLE, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF GOVERN-
MENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

| | |
|--|----------------------|
| Total Fund Balances - Governmental Funds | \$ 9,818,689 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$90,700,885 and the accumulated depreciation is \$33,781,863. | 56,919,022 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds. | 37,876 |
| Certain items are not financial resources and, therefore, are not reported in the governmental funds. These items consist of: | |
| Net pension asset | 726,045 |
| Deferred outflows related to pensions | 805,941 |
| Deferred inflows related to pensions | (1,202,583) |
| Internal Service Funds are used by management to charge the costs of certain activities such as central garage and insurance to individual funds. The assets and liabilities of certain Internal Service Funds are included in governmental activities in the statement of net position (net of adjustments for capital assets and long-term liabilities). | 712,310 |
| Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of: | |
| Capital leases payable | (1,240,826) |
| Accrued interest payable | (15,020) |
| Accrued compensated absences | (752,649) |
| Total Net Position Of Governmental Activities | <u>\$ 65,808,805</u> |

CITY OF KIRKSVILLE, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>General</u> | <u>Airport</u> | <u>Highway 63 Alternate Route</u> | <u>Transportation Sales Tax</u> | <u>Capital Improvements Sales Tax</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|------------------|---|-------------------------------------|---|---|---|
| REVENUES | | | | | | | |
| Taxes: | | | | | | | |
| Property | \$ 1,270,196 | - | - | - | - | 297,039 | 1,567,235 |
| Sales | 3,841,018 | - | 1,389,631 | 1,431,959 | 715,979 | 1,538,145 | 8,916,732 |
| Franchise | 1,943,162 | - | - | - | - | - | 1,943,162 |
| Other | 898,898 | - | - | - | - | - | 898,898 |
| Intergovernmental | 787,307 | 71,990 | - | 194,743 | 22,163 | - | 1,076,203 |
| Licenses and permits | 506,063 | - | - | - | - | - | 506,063 |
| Charges for services | 413 | 870,280 | - | - | - | 238,308 | 1,109,001 |
| Fines and forfeitures | 77,331 | - | - | - | - | - | 77,331 |
| Investment income | 20,475 | - | 2,539 | 2,676 | 2,425 | 12,538 | 40,653 |
| Payments from Enterprise Fund | 483,949 | - | - | - | - | - | 483,949 |
| Other | 135,883 | 24,335 | - | - | 167,500 | 22,864 | 350,582 |
| Total Revenues | <u>9,964,695</u> | <u>966,605</u> | <u>1,392,170</u> | <u>1,629,378</u> | <u>908,067</u> | <u>2,108,894</u> | <u>16,969,809</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 2,211,127 | - | - | - | - | 95,400 | 2,306,527 |
| Public safety | 3,972,551 | - | - | - | - | - | 3,972,551 |
| Public works | 2,042,582 | - | - | 114,189 | - | - | 2,156,771 |
| Public building | 219,258 | - | - | - | - | 7,961 | 227,219 |
| Parks and recreation | - | - | - | - | - | 733,340 | 733,340 |
| Public transportation | - | 967,096 | - | 28,648 | - | - | 995,744 |
| Capital outlay | - | 61,033 | - | 1,233,804 | 1,568,740 | 370,688 | 3,234,265 |
| Debt service: | | | | | | | |
| Principal | 107,755 | - | 1,885,079 | - | 86,005 | - | 2,078,839 |
| Interest | 16,471 | 2,817 | - | - | 10,176 | 590 | 30,054 |
| Total Expenditures | <u>8,569,744</u> | <u>1,030,946</u> | <u>1,885,079</u> | <u>1,376,641</u> | <u>1,664,921</u> | <u>1,207,979</u> | <u>15,735,310</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>1,394,951</u> | <u>(64,341)</u> | <u>(492,909)</u> | <u>252,737</u> | <u>(756,854)</u> | <u>900,915</u> | <u>1,234,499</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Sale of capital assets | 36,531 | - | - | - | - | - | 36,531 |
| Insurance proceeds | 1,258 | - | - | - | - | - | 1,258 |
| Transfers in | 343,184 | 138,873 | - | 323,104 | 165,000 | 22,961 | 993,122 |
| Transfers out | (45,900) | - | (323,104) | (365,539) | (247,961) | (165,856) | (1,148,360) |
| Total Other Financing Sources (Uses) | <u>335,073</u> | <u>138,873</u> | <u>(323,104)</u> | <u>(42,435)</u> | <u>(82,961)</u> | <u>(142,895)</u> | <u>(117,449)</u> |
| NET CHANGES IN FUND BALANCES | <u>1,730,024</u> | <u>74,532</u> | <u>(816,013)</u> | <u>210,302</u> | <u>(839,815)</u> | <u>758,020</u> | <u>1,117,050</u> |
| FUND BALANCES (DEFICIT), JANUARY 1 | <u>4,888,470</u> | <u>(723,974)</u> | <u>816,013</u> | <u>513,236</u> | <u>1,310,643</u> | <u>1,897,251</u> | <u>8,701,639</u> |
| FUND BALANCES (DEFICIT), DECEMBER 31 | <u>\$ 6,618,494</u> | <u>(649,442)</u> | <u>-</u> | <u>723,538</u> | <u>470,828</u> | <u>2,655,271</u> | <u>9,818,689</u> |

CITY OF KIRKSVILLE, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

Net Changes In Fund Balances - Governmental Funds \$ 1,117,050

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$4,118,440) exceeded the capitalization threshold (\$3,121,873) in the current period. (996,567)

The net effect of various miscellaneous transactions involving capital assets (i.e.; sales, trade-ins, and donations) is to decrease net position.
 Contributed capital assets 257,655

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds adjusted for unavailable revenue. (12,289)

The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. Also, the governmental funds report the effect of premiums, discount, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.
 Repayments of principal:
 Note payable 1,885,079
 Capital leases 193,760

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 the governmental funds.
 Accrued interest on capital leases (6,280)
 Accrued compensated absences (45,311)
 Pension expense (1,170,662)

The Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the Internal Service Funds are reported with governmental activities in the statement of activities (net of adjustments for capital assets and long-term liabilities). (243,923)

Change In Net Position Of Governmental Activities \$ 978,512

CITY OF KIRKSVILLE, MISSOURI
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2018

| | Business-type Activity - Enterprise Fund - Utility Fund | Internal Service Funds |
|---|--|-----------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 12,128,876 | 1,171,795 |
| Investments | 1,169,424 | - |
| Accounts receivable | 1,213,358 | 20,752 |
| Inventories | 292,292 | 18,862 |
| Prepaid items | 97,141 | 3,167 |
| Due from other funds | 516,272 | - |
| Total Current Assets | 15,417,363 | 1,214,576 |
| Noncurrent Assets | | |
| Cash and cash equivalents - restricted | 651,555 | 20,820 |
| Net pension asset | 26,778 | 3,455 |
| Capital assets: | | |
| Nondepreciable | 1,472,621 | 24,900 |
| Depreciable, net | 58,700,903 | 12,535 |
| Total Capital Assets | 60,173,524 | 37,435 |
| Total Noncurrent Assets | 60,851,857 | 61,710 |
| Total Assets | 76,269,220 | 1,276,286 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred amounts related to pensions | 159,514 | 20,859 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | 457,074 | 45,188 |
| Accrued liabilities | 73,575 | 8,998 |
| Accrued interest | 153,004 | - |
| Claims liability | - | 110,704 |
| Compensated absences - current | 61,810 | 10,489 |
| Note payable - current | 489,718 | - |
| Unearned revenue | 7,882 | - |
| Bonds payable - current | 1,830,000 | - |
| Total Current Liabilities | 3,073,063 | 175,379 |
| Noncurrent Liabilities | | |
| Restricted customer deposits | 561,555 | - |
| Arbitrage rebate payable | 41,764 | - |
| Compensated absences | 185,429 | 31,466 |
| Note payable | 1,440,672 | - |
| Bonds payable | 24,893,495 | - |
| Total Noncurrent Liabilities | 27,122,915 | 31,466 |
| Total Liabilities | 30,195,978 | 206,845 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred amounts related to pensions | 153,889 | 19,857 |
| NET POSITION | | |
| Net investment in capital assets | 31,519,639 | 37,435 |
| Restricted for bond requirements | 651,555 | - |
| Unrestricted | 13,907,673 | 1,033,008 |
| Total Net Position | 46,078,867 | 1,070,443 |
| Adjustment to reflect the consolidation of the Internal Service Fund's activities related to Enterprise Funds | 358,196 | |
| Net Position Of Business-type Activity | \$ 46,437,063 | |

CITY OF KIRKSVILLE, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Business-type Activity Enterprise Fund - Utility Fund | Internal Service Funds |
|---|--|-----------------------------------|
| OPERATING REVENUES | | |
| Charges for services | \$ 9,904,067 | 420,517 |
| Fuel sales | - | 181,540 |
| Contributions | - | 1,449,459 |
| Other | 11,392 | 454,994 |
| Total Operating Revenues | 9,915,459 | 2,506,510 |
| OPERATING EXPENSES | | |
| Personnel services | 1,992,583 | 269,261 |
| Insurance | 97,833 | - |
| Contractual services | 729,243 | 1,434 |
| Repairs and maintenance | 1,023,156 | 5,692 |
| Utilities | 445,290 | 8,888 |
| Chemicals | 184,883 | - |
| Payments to General Fund | 483,949 | - |
| Depreciation and amortization | 2,057,623 | 4,315 |
| Fuel and lubricants | - | 321,758 |
| Self-insured health claims | - | 2,257,574 |
| Other | 189,339 | 6,750 |
| Total Operating Expenses | 7,203,899 | 2,875,672 |
| OPERATING INCOME (LOSS) | 2,711,560 | (369,162) |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment income | 267,137 | 7,892 |
| Interest expense | (616,238) | - |
| Intergovernmental | 64,101 | - |
| Rental income | 138,960 | - |
| Loss on sale of capital assets | (648,649) | - |
| Total Nonoperating Revenues (Expenses) | (794,689) | 7,892 |
| INCOME (LOSS) BEFORE TRANSFERS | 1,916,871 | (361,270) |
| TRANSFERS IN | 175,000 | - |
| TRANSFERS OUT | (19,762) | - |
| CHANGE IN NET POSITION | 2,072,109 | (361,270) |
| NET POSITION, JANUARY 1 | 44,006,758 | 1,431,713 |
| NET POSITION, DECEMBER 31 | 46,078,867 | 1,070,443 |
| Adjustment to reflect the consolidation of the Internal Service Fund's activities related to Enterprise Funds | (88,061) | |
| Change In Net Position Of Business-type Activity | \$ 1,984,048 | |

CITY OF KIRKSVILLE, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Business-type Activity - Enterprise Fund - Utility Fund | Internal Service Funds |
|--|--|-----------------------------------|
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | |
| Cash flows from operating activities: | | |
| Receipts from customers and users | \$ 9,723,582 | 2,096,744 |
| Payments to interfund services provided | (483,949) | - |
| Payments to suppliers | (3,392,598) | (2,536,347) |
| Payments to employees | (1,808,475) | (243,612) |
| Other | 11,392 | 454,994 |
| Net Cash Provided By (Used In) Operating Activities | 4,049,952 | (228,221) |
| Cash flows from investing activities: | | |
| Investment income received | 267,137 | 7,891 |
| Purchase of investments, net | (304,409) | - |
| Net Cash Provided By (Used In) Investing Activities | (37,272) | 7,891 |
| Cash flows from noncapital financing activities: | | |
| Net receipts (payments) to (from) other funds | 150,363 | - |
| Intergovernmental grants | 64,101 | - |
| Net Cash Provided By Noncapital Financing Activities | 214,464 | - |
| Cash flows from capital and related financing activities: | | |
| Acquisition and construction of capital assets | (774,968) | - |
| Proceeds from sale of capital assets | 46,262 | - |
| Payments of debt principal | (1,984,237) | - |
| Issuance of revenue bonds | 673,314 | - |
| Payment of interest | (612,333) | - |
| Collections for rent | 138,960 | - |
| Net Cash Used In Capital And Related Financing Activities | (2,513,002) | - |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,714,142 | (220,330) |
| CASH AND CASH EQUIVALENTS, JANUARY 1 | 11,066,289 | 1,412,945 |
| CASH AND CASH EQUIVALENTS, DECEMBER 31 | \$ 12,780,431 | 1,192,615 |

CITY OF KIRKSVILLE, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Business-type Activity - Enterprise Fund - Utility Fund | Internal Service Funds |
|---|--|-----------------------------------|
| | <u> </u> | <u> </u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ 2,711,560 | (369,162) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 2,057,623 | 4,315 |
| (Increase) decrease in: | | |
| Accounts receivable | (144,197) | 45,228 |
| Inventories | (20,244) | (2,403) |
| Prepaid items | 4,122 | 628 |
| Net pension asset | 25,384 | 3,740 |
| Deferred outflows - pension related | 43,918 | 7,201 |
| Increase (decrease) in: | | |
| Accounts payable | (706,735) | 24,135 |
| Accrued liabilities | 11,862 | 678 |
| Claims liability | - | 43,389 |
| Customer deposits | (44,170) | - |
| Compensated absences | 33,273 | 5,789 |
| Deferred inflows - pension related | 69,674 | 8,241 |
| Deferred revenue | 7,882 | - |
| Total Adjustments | <u>1,338,392</u> | <u>140,941</u> |
| Net Cash Provided By (Used In) Operating Activities | <u>\$ 4,049,952</u> | <u>(228,221)</u> |

CITY OF KIRKSVILLE, MISSOURI
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2018

| | Private- Purpose Trust Funds |
|-----------------------------------|---|
| ASSETS | |
| Cash and short-term investments | \$ 6,518 |
| Interest receivable | 32 |
| Total Assets | <u>6,550</u> |
| LIABILITIES | <u>-</u> |
| NET POSITION | |
| Held in trust for private-purpose | <u>\$ 6,550</u> |

CITY OF KIRKSVILLE, MISSOURI
STATEMENT OF CHANGE IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Private- Purpose Trust Funds</u> |
|----------------------------------|---|
| ADDITIONS | |
| Interest income | \$ 66 |
| DEDUCTIONS | |
| Repayments | <u>46</u> |
| CHANGE IN NET POSITION | 20 |
| NET POSITION, JANUARY 1 | <u>6,530</u> |
| NET POSITION, DECEMBER 31 | <u><u>\$ 6,550</u></u> |

CITY OF KIRKSVILLE, MISSOURI
COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS
DECEMBER 31, 2018

| | <u>E911</u> | <u>Baltimore Commons CID</u> | <u>Franklin Street CID</u> | <u>Highway 63 CID</u> | <u>North Baltimore CID</u> | <u>Totals</u> |
|---------------------------------------|-------------------|--------------------------------------|--------------------------------|---------------------------|------------------------------------|----------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 216,996 | 11,755 | 12,069 | 22,234 | 37,813 | 300,867 |
| Receivables: | | | | | | |
| Sales tax, net | - | 2,656 | 2,428 | 8,537 | 17,974 | 31,595 |
| Accounts, net | 7,997 | - | - | - | - | 7,997 |
| Prepaid items | 533 | - | - | - | - | 533 |
| Net pension asset | 7,772 | - | - | - | - | 7,772 |
| Capital assets: | | | | | | |
| Depreciable, net | 72,720 | - | - | - | - | 72,720 |
| Total Assets | <u>306,018</u> | <u>14,411</u> | <u>14,497</u> | <u>30,771</u> | <u>55,787</u> | <u>421,484</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred amounts related to pensions | <u>45,795</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>45,795</u> |
| LIABILITIES | | | | | | |
| Accounts payable | 2,258 | - | - | - | - | 2,258 |
| Accrued liabilities | 17,208 | - | - | - | - | 17,208 |
| Noncurrent liabilities: | | | | | | |
| Due within one year | 16,843 | - | - | - | - | 16,843 |
| Due in more than one year | 50,531 | - | - | - | - | 50,531 |
| Total Liabilities | <u>86,840</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>86,840</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred amounts related to pensions | <u>44,678</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>44,678</u> |
| NET POSITION | | | | | | |
| Net investment in capital assets | 72,720 | - | - | - | - | 72,720 |
| Unrestricted | <u>147,575</u> | <u>14,411</u> | <u>14,497</u> | <u>30,771</u> | <u>55,787</u> | <u>263,041</u> |
| Total Net Position | <u>\$ 220,295</u> | <u>14,411</u> | <u>14,497</u> | <u>30,771</u> | <u>55,787</u> | <u>335,761</u> |

CITY OF KIRKSVILLE, MISSOURI
COMBINING STATEMENT OF ACTIVITIES - COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>E911</u> | <u>Baltimore Commons CID</u> | <u>Franklin Street CID</u> | <u>Highway 63 CID</u> | <u>North Baltimore CID</u> | <u>Totals</u> |
|----------------------------------|-------------------|--------------------------------------|--------------------------------|---------------------------|------------------------------------|-----------------|
| Expenses | | | | | | |
| Public safety | \$ 641,823 | - | - | - | - | 641,823 |
| Community development | - | 1,310 | 4,264 | 78,616 | 2,882 | 87,072 |
| Total Expenses | <u>641,823</u> | <u>1,310</u> | <u>4,264</u> | <u>78,616</u> | <u>2,882</u> | <u>728,895</u> |
| Program Revenues | | | | | | |
| Charges for services | 607,117 | - | - | - | - | 607,117 |
| Capital grants and contributions | 32,875 | - | - | - | - | 32,875 |
| Total Program Revenues | <u>639,992</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>639,992</u> |
| Net program expenses | <u>(1,831)</u> | <u>(1,310)</u> | <u>(4,264)</u> | <u>(78,616)</u> | <u>(2,882)</u> | <u>(88,903)</u> |
| General Revenues | | | | | | |
| Sales taxes | - | 15,310 | 18,734 | 39,479 | 44,834 | 118,357 |
| Investment income | 1,120 | 19 | 27 | 389 | 115 | 1,670 |
| Total General Revenues | <u>1,120</u> | <u>15,329</u> | <u>18,761</u> | <u>39,868</u> | <u>44,949</u> | <u>120,027</u> |
| CHANGE IN NET POSITION | (711) | 14,019 | 14,497 | (38,748) | 42,067 | 31,124 |
| NET POSITION, JANUARY 1 | <u>221,006</u> | <u>392</u> | <u>-</u> | <u>69,519</u> | <u>13,720</u> | <u>304,637</u> |
| NET POSITION, DECEMBER 31 | <u>\$ 220,295</u> | <u>14,411</u> | <u>14,497</u> | <u>30,771</u> | <u>55,787</u> | <u>335,761</u> |

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **CITY OF KIRKSVILLE, MISSOURI** (the City) was incorporated in 1857 and established a Mayor/City Council form of government. The City's major operations include law enforcement, fire protection, water and sewer services, community enrichment and development, and various social services.

The accounting and financial reporting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The following is a summary of the more significant policies:

1. Reporting Entity

The financial statements of the City include the financial activities of the City and any component units, entities which are financially accountable to the City. The component units discussed below are included in the City's reporting entity because of the significance of operational or financial relationships with the City.

Enhanced 911 (E911) -- The City provides more than half of E911's funding, receives the majority of its services, can dissolve it through withdrawal of funding, and may be obligated to fund financial shortfalls that cannot be provided by other members of the E911's Joint Services Board. The E911 is governed by its Board of Trustees, comprised of nine members, of which four are appointed by the City Council and the City can impose its will on its operations. E911 is a component unit of the City and is discretely presented as such in the financial statements. E911 does not issue separate financial statements.

Baltimore Commons Community Improvement District (CID) -- This CID was established in 2016 under the CID Act and is a separate legal entity. The CID is organized to develop certain public and infrastructure improvements. The City Council appoints all Board of Directors which consists of three City employees and two others and has the ability to impose its will on the board. The CID is a component unit of the City and is discretely presented as such in the financial statements. The CID does not issue separate financial statements.

Franklin Street Community Improvement District (CID) -- This CID was established in 2016 under the CID Act and is a separate legal entity. The CID is organized to develop certain public and infrastructure improvements. The City Council appoints all Board of Directors which consists of two City employees and three others and has the ability to impose its will on the board. The CID is a component unit of the City and is discretely presented as such in the financial statements. The CID does not issue separate financial statements.

Highway 63 Community Improvement District (CID) -- The CID was established in 2010 under the CID Act and is a separate legal entity. The CID is organized to develop certain public and infrastructure improvements. The City Council appoints all Board of Directors which consists of three City employees and two others and has the ability to impose its will on the board. The CID is a component unit of the City and is discretely presented as such in the financial statements. The CID does not issue separate financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Reporting Entity (Continued)

North Baltimore Community Improvement District (CID) -- This CID was established in 2016 under the CID Act and is a separate legal entity. The CID is organized to develop certain public and infrastructure improvements. The City Council appoints all Board of Directors which consists of three City employees and two others and has the ability to impose its will on the board. The CID is a component unit of the City and is discretely presented as such in the financial statements. The CID does not issue separate financial statements.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from the statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the City is reported separately from certain legally separate component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, court fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund -- This fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Airport Fund -- This fund is a Special Revenue Fund used for the provision of airport facilities to the general public. It receives Federal and State grant revenues and collects fuel sales revenue.

Highway 63 Alternate Route Fund -- This fund is a Special Revenue Fund used to account for the collection of the 1/2-cent economic development sales tax and cost share payment for the construction and other related expenditures of the Highway 63 alternate route around the City.

Transportation Sales Tax Fund -- This fund is a Special Revenue Fund used to account for the collection of sales taxes to be used for ongoing maintenance and construction of streets.

Capital Improvement Sales Tax Fund -- This fund accounts for the process of the City's 1/4-cent capital improvement sales tax and capital outlay expenditures in accordance with the allocation plan presented to voters with the 2007 renewal.

The City reports the following proprietary funds:

Utility Fund -- This Enterprise Fund accounts for the provision of water, sewer, and stormwater management services to the residents of the City.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Internal Service Funds -- These funds are used to account for services provided to other departments or agencies of the City on a cost reimbursement basis. Services provided include fleet operations and self-insurance reserves and employee benefits for covered employees.

Additionally, the City reports the following fund types:

Private-Purpose Trust Funds -- These funds are Fiduciary Funds used to account for resources held by the City in a trustee capacity and distributed in accordance with the provisions of the trusts for the Tri-Centennial Trust and the Nancy Reed Fugate Trust Funds. The principal and interest accumulated under the Tri-Centennial Trust is to be distributed in the year 2076 for the celebration of the Declaration of Independence. The Nancy Reed Fugate Trust was established for the relief of the poor and distressed in the City. All interest received on the trust principal is immediately distributed to the Fugate Committee.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payment-in-lieu of taxes and other charges and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contribution, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds and Internal Service Fund are charges for sales and services. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

4. Pooled Cash, Cash Equivalents, and Investments

The City maintains a cash money-market pool that is used by all funds except the Fiduciary Funds which have their own accounts. Interest income is allocated to each fund in proportion to each fund's ownership of the pool each month.

For purposes of the statement of cash flows, all highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents. Because a statement of cash flows is prepared only for proprietary funds under accounting principles gener-

CITY OF KIRKSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Pooled Cash, Cash Equivalents, and Investments (Continued)

ally accepted in the United States of America, cash and cash equivalents are distinguished only for those funds.

GASB statements require that all investments be reported in the financial statements at fair value. Fair value is established as readily determinable current fair value for equity and debt securities. State statutes authorize the City to invest in obligations of the U.S. Treasury, federal agencies, commercial paper, corporate bonds, and repurchase agreements.

5. Accounts Receivable

Accounts receivable result primarily from wastewater and water services accounted for in the Utility Fund. All unbilled receivables are included in accounts receivable in the accompanying financial statements as of December 31, 2018.

6. Allowance for Doubtful Accounts

The allowance for uncollectible receivables is as follows:

| | <u>December 31, 2018</u> |
|------------------------------------|--------------------------|
| | <u>Governmental</u> |
| | <u>Activities</u> |
| General Fund - property taxes | \$ 18,312 |
| Downtown TIF Fund - property taxes | <u>1,904</u> |
| Total | <u>\$ 20,216</u> |

7. Inventories

Inventories in the governmental funds are valued at cost (first-in, first-out) and the expense is recognized when inventory items are consumed in operations. Inventories in the proprietary funds are stated at cost.

8. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid items. Prepaid items are equally offset by a fund balance amount which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. The expense is recognized when prepaid items are consumed in operations.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased and capitalized in the proprietary fund statements. All capital assets are valued at historical cost or estimated historical cost if the actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated.

Capital assets are defined by the City as assets with an initial individual cost of \$1,000 or more, and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset or that significantly increase the efficiency of capacity or an asset are capitalized. Other costs, such as capital outlays incurred for repairs and maintenance, are expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the statement of activities with accumulated depreciation reflected in the statement of net position. Depreciation is provided on the straight-line basis over the following estimated useful lives:

| Assets | Years |
|---|--------------|
| Buildings and improvements | 20 - 50 |
| Improvements other than buildings | 20 - 30 |
| Infrastructure | 20 - 30 |
| Machinery and equipment | 5 - 20 |
| Water and sewer mains | 50 - 85 |
| Sewer treatment plant | 24 - 85 |
| Pump house, wells, hydrants, and valves | 40 - 60 |
| Water storage tanks | 75 |

The cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of sale or retirement and any resulting gain or loss is reflected in the basic financial statements.

Fully depreciated capital assets are included in the capital assets accounts until their disposal.

10. Restricted Assets

Certain General Fund monies are classified as restricted assets on the balance sheet because their use is limited to refunding court bonds.

Certain Utility Fund monies are restricted for the repayment of the outstanding debt, interest, and capital improvements in accordance with debt ordinances and the related trust indentures.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. 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 represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows related to the pension. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds balance sheet under the modified accrual basis of accounting, reports unavailable revenues which are from property taxes. The government-wide financial statements also report deferred inflows related to the pension. These amounts are deferred and recognized as an inflow of resources in the period that the amounts have become available.

12. Long-term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13. Compensated Absences

Under the terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts, based upon length of service. Employees may accrue up to a maximum of 300 hours of vacation leave if they have been employed with the City for less than 15 years or 400 hours of vacation leave if they have been employed by the City for 15 or more years. Attendance records will be reconciled annually. If the employee has accrued vacation leave in excess of the maximum allowed amount on December 31, they will forfeit excess vacation leave. The Fire Department's maximum vacation leave accrual is 480 hours. In the event of termination of separation, an employee is paid for accumulated vacation up to the maximum

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. Compensated Absences (Continued)

amount. The total amount of accrued vacation is included in accrued expenses in the proprietary fund statements and the government-wide financial statements.

Retiring employees hired prior to August 1, 2009 will be paid 50% of their total accrued sick leave balance up to a maximum of 480 hours, at his or her hourly rate, upon their retirement from the City. Employees employed after August 1, 2009 will not be eligible for sick leave benefits upon retirement, with the exclusion of the Fire Department. Fire Department employees employed after June 1, 2013 will not be eligible for sick leave benefits upon retirement.

14. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental fund types. Since appropriations lapse at year-end, outstanding encumbrances are reappropriated in the subsequent fiscal year's budget to provide for the liquidation of the prior commitments. Encumbrances do not constitute current year expenditures or liabilities. Encumbrances outstanding at year-end were \$48,232 for the General Fund, \$129,643 for the Capital Improvement Sales Tax Fund, \$17,974 for the Transportation Sales Tax Fund, \$14,324 for the Airport Fund, \$479,880 for the Parks and Rec Fund, and \$226,467 for the Utility Fund.

15. Fund Balance Policies

The fund balance amounts are reported in the following applicable categories listed from the most restrictive to the least restrictive:

Nonspendable -- The portion of fund balance that is not in a spendable form or is required to be maintained intact.

Restricted -- The portion of fund balance that is subject to external restrictions and constrained to specific purposes imposed by agreement, through constitutional provisions, or by enabling legislation.

Committed -- The portion of fund balance with constraints or limitations by formal action (ordinance) of the City Council, the highest level of decision-making authority.

Assigned -- The portion of fund balance that the City intends to use for a specific purpose as determined by the City Manager to which the City Council has designated authority. Intent can be expressed by the City Council in the form of a motion. Action by the City Council must occur prior to year-end.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Fund Balance Policies (Continued)

Unassigned -- Amounts that are available for any purpose; these positive amounts are reported only in the General Fund.

When an expenditure is incurred in governmental funds which may be paid using either restricted or unrestricted resources, the City's policy is to pay the expenditure from the restricted fund balance and then from less restrictive classification - committed, assigned, and then unassigned fund balances.

The fund balance of the City's General Fund has been accumulated to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The target is to maintain an unassigned fund balance of not less than 17% of annual operating expenditures for the fiscal year.

16. Grant Revenue

Resources received by the City from other governments are accounted for within applicable funds based on the purpose and requirements of each grant. Revenues are recognized on an accounting basis consistent with the fund's measurement objective.

Revenues related to expenditure-driven grants are recognized to the extent expenditures are incurred. Any excess or deficiency of grant revenues received compared to expenditures incurred is recorded as deferred revenue or amounts receivable from the grantor.

17. Property Taxes

The City's property taxes are levied each October based on the assessed valuation for all real property located in the City as of the previous January 1. Taxes are due upon receipt of billing and become delinquent after December 31. Liens are placed on property for delinquent taxes on January 1 following the due date.

The Adair County Assessor establishes assessed values and the County tax collector makes collections. The assessed value at January 1, 2018 upon which the 2018 levy was based for real estate, personal property, and railroads and utilities taxes was \$189,072,550.

The City's tax rate was levied at 0.6763 per \$100 of assessed valuation which is used completely for general governmental services.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

19. Pensions

For purposes of measuring the net pension asset/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. LAGERS' investments are reported at fair value.

NOTE B - CASH AND INVESTMENTS

1. Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation.

As of December 31, 2018, the City's and the component units' bank balances were entirely secured or collateralized with securities held by the banking agent in the City's or component units' name.

2. Investments

As of December 31, 2018, the City had the following investments:

CITY OF KIRKSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

2. Investments (Continued)

| <u>Investments</u> | <u>Fair Value</u> | <u>Maturities</u> | | | | | <u>Credit Risk</u> |
|--------------------------------|-------------------|--------------------|---------------------------|--------------------|---------------------|---------------------------|--------------------|
| | | <u>No Maturity</u> | <u>Less Than One Year</u> | <u>1 - 5 Years</u> | <u>6 - 10 Years</u> | <u>More Than 10 Years</u> | |
| Governmental Funds | | | | | | | |
| Certificates of deposit | \$ 42,000 | - | - | 42,000 | - | - | N/A |
| Proprietary Funds | | | | | | | |
| Money market funds | \$ 1,046,311 | 1,046,311 | - | - | - | - | Not rated |
| Governmental bonds | 206 | - | - | 202 | 1 | 3 | AAA |
| Guaranteed investment contract | 59,129 | - | - | 56,250 | 2,879 | - | A |
| Guaranteed investment contract | 63,778 | - | - | 63,778 | - | - | AA |
| Total Proprietary Funds | \$ 1,169,424 | 1,046,311 | - | 120,230 | 2,880 | 3 | |

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with its formal investment policy, the City minimizes credit risk by diversifying the portfolio to reduce potential losses on individual securities, without adhering to a formal credit rating limitation.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. In accordance with its formal investment policy, the City minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, therefore; avoiding the need to sell securities on the open market prior to maturity, and investing in primarily shorter term securities.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. In accordance with its formal investment policy, the City minimizes concentration of credit risk by diversifying the investment portfolio.

Concentration of credit risk is required to be disclosed by the City for investments in any one issuer that represent 5% or more of total investments (investments issued by or explicitly guaranteed by the United States Government, investments in mutual funds, investments in external investment pools, and investments in other pooled investments are exempt). At December 31, 2018, the City had the following investment concentrations.

CITY OF KIRKSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

2. Investments (Continued)

Proprietary Funds

| <u>Investments</u> | <u>Fair Value</u> | <u>Percent Of Total Investments</u> |
|--------------------|-------------------|-------------------------------------|
| Money market funds | \$ 1,046,311 | 89.5% |

3. Fair Value Measurements

The City classifies its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are prices quoted in active markets for those securities; Level 2 inputs are significant other observable inputs using a matrix pricing technique; and Level 3 inputs are significant unobservable inputs. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The inputs and methodologies used for valuing investment securities are not necessarily an indication of risk associated with investing in those securities.

At December 31, 2018, the City had the following recurring fair value level measurements:

| | <u>Total</u> | <u>December 31, 2018</u> | | |
|---|---------------------|--------------------------|----------------|----------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Primary Government | | | | |
| Investments not subject to fair value level classifications: | | | | |
| Certificates of deposit | \$ 42,000 | | | |
| Proprietary Funds | | | | |
| Investments by fair value level: | | | | |
| Governmental bonds | \$ 206 | - | 206 | - |
| Investments not subject to fair value level classifications: | | | | |
| Money market funds | 1,046,311 | | | |
| Guaranteed investment contracts | 122,907 | | | |
| Total Investments Not Subject To Fair Value Level Classifications | <u>1,169,218</u> | | | |
| Total Proprietary Funds Investments | <u>\$ 1,169,424</u> | | | |

CITY OF KIRKSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS

Capital asset activity was as follows:

For The Year Ended December 31, 2018

| | Balance December 31 2017 | Increases | Decreases | Balance December 31 2018 |
|--|---|--------------------|----------------------|---|
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 3,243,088 | 543,846 | - | 3,786,934 |
| Construction in progress | - | 1,354,537 | 1,023,613 | 330,924 |
| Total Capital Assets Not Being Depreciated | <u>3,243,088</u> | <u>1,898,383</u> | <u>1,023,613</u> | <u>4,117,858</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 10,162,840 | 82,468 | - | 10,245,308 |
| Improvements other than buildings | 12,005,814 | 88,766 | 20,898 | 12,073,682 |
| Infrastructure | 53,493,887 | 901,388 | - | 54,395,275 |
| Machinery and equipment | 8,753,542 | 1,432,136 | 316,916 | 9,868,762 |
| Total Capital Assets Being Depreciated | <u>84,416,083</u> | <u>2,504,758</u> | <u>337,814</u> | <u>86,583,027</u> |
| Less - Accumulated depreciation for: | | | | |
| Buildings and improvements | 2,875,414 | 280,845 | - | 3,156,259 |
| Improvements other than buildings | 6,242,938 | 647,047 | 20,898 | 6,869,087 |
| Infrastructure | 14,468,774 | 2,561,861 | - | 17,030,635 |
| Machinery and equipment | 6,414,144 | 628,687 | 316,916 | 6,725,915 |
| Total Accumulated Depreciation | <u>30,001,237</u> | <u>4,118,440</u> | <u>337,814</u> | <u>33,781,896</u> |
| Total Capital Assets Being Depreciated, Net | <u>54,414,846</u> | <u>(1,613,682)</u> | <u>-</u> | <u>52,801,131</u> |
| Total Governmental Activities Capital Assets, Net | <u>\$ 57,657,934</u> | <u>284,701</u> | <u>1,023,613</u> | <u>56,918,989</u> |

CITY OF KIRKSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS (Continued)

For The Year Ended December 31, 2018

| | Balance December 31 2017 | Increases | Decreases | Balance December 31 2018 |
|---|---|------------------|------------------|---|
| Business-type Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,331,922 | - | - | 1,331,922 |
| Construction in progress | 20,092,195 | 406,919 | 20,358,415 | 140,699 |
| Total Capital Assets Not Being Depreciated | 21,424,117 | 406,919 | 20,358,415 | 1,472,621 |
| Capital assets being depreciated: | | | | |
| Machinery and equipment | 2,935,723 | 39,162 | 141,349 | 2,833,536 |
| System | 68,241,796 | 20,687,302 | 4,728,109 | 84,200,989 |
| Total Capital Assets Being Depreciated | 71,177,519 | 20,726,464 | 4,869,458 | 87,034,525 |
| Less - Accumulated depreciation for: | | | | |
| Machinery and equipment | 1,907,722 | 215,881 | 136,767 | 1,986,836 |
| System | 28,543,958 | 1,840,605 | 4,037,777 | 26,346,786 |
| Total Accumulated Depreciation | 30,451,680 | 2,056,486 | 4,174,544 | 28,333,622 |
| Total Capital Assets Being Depreciated, Net | 40,725,839 | 18,669,978 | 694,914 | 58,700,903 |
| Total Business-type Activities Capital Assets, Net | \$ 62,149,956 | 19,076,897 | 21,053,329 | 60,173,524 |
| Component Unit (E911) | | | | |
| Capital assets being depreciated: | | | | |
| Improvements other than buildings | \$ 334,080 | - | - | 334,080 |
| Machinery and equipment | 271,455 | - | - | 271,455 |
| Total Capital Assets Being Depreciated | 605,535 | - | - | 605,535 |
| Less - Accumulated depreciation for: | | | | |
| Improvements other than buildings | 252,457 | 15,862 | - | 268,319 |
| Machinery and equipment | 259,540 | 4,956 | - | 264,496 |
| Total Accumulated Depreciation | 511,997 | 20,818 | - | 532,815 |
| Total Component Unit (E911) Capital Assets, Net | \$ 93,538 | (20,818) | - | 72,720 |

CITY OF KIRKSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS (Continued)

Depreciation expense for governmental activities was charged to functions/programs of the City as follows:

| | For The Year Ended December 31 2018 |
|-------------------------------------|--|
| Governmental Activities | |
| General administration | \$ 230,142 |
| Public safety | 289,193 |
| Public works | 2,914,049 |
| Parks and recreation | 181,708 |
| Public transportation | 499,033 |
| Internal Service Funds | 4,315 |
| | <u>4,315</u> |
| Total | <u>\$ 4,118,440</u> |
| Business-type Activities | |
| Utility | <u>\$ 2,056,486</u> |

NOTE D - INTERFUND TRANSACTIONS

Interfund transfers are as follows:

| <u>Transfers In</u> | <u>Transfers Out</u> | For The Year Ended December 31 2018 |
|--------------------------------|--------------------------------|--|
| General | Utility Fund | \$ 19,762 |
| General | Nonmajor | 856 |
| General | Transportation Sales Tax | 322,566 |
| Airport | General | 45,900 |
| Airport | Transportation Sales Tax | 42,973 |
| Airport | Capital Improvements Sales Tax | 50,000 |
| Transportation Sales Tax | Highway 63 Alternate Route | 323,104 |
| Capital Improvements Sales Tax | Nonmajor | 165,000 |
| Nonmajor | Capital Improvements Sales Tax | 22,961 |
| Utility Fund | Capital Improvements Sales Tax | 175,000 |
| | | <u>175,000</u> |
| Total | | <u>\$ 1,168,122</u> |

Interfund transfers were used to: 1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them, 2) use unrestricted revenues collected in the General Fund to finance other funds in accordance with budgetary authorization, or 3) move revenues in excess of current year expenditures to other funds.

CITY OF KIRKSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - INTERFUND TRANSACTIONS (Continued)

Individual interfund assets and liabilities balances are as follows:

| Receivable Fund | Payable Fund | December 31 2018 |
|--------------------------|----------------------------|-----------------------------|
| Transportation Sales Tax | Highway 63 Alternate Route | \$ 217,229 |
| Utility | Airport | 511,897 |
| Utility | Nonmajor | 4,375 |
| Total | | \$ 733,501 |

The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. All interfund balances are expected to be repaid during the fiscal year ending December 31, 2019.

Advances From/To Other Funds

| Receivable Fund | Payable Fund | December 31 2018 |
|------------------------|---------------------|-----------------------------|
| General | Airport | \$ 240,460 |
| Nonmajor | Highway 63 TIF | 45,028 |
| Total | | \$ 285,488 |

The outstanding balances between funds result from: payments to fund construction of facade improvements within the TIF District and payments to fund the purchase of real property for the Airport. The balance for the TIF District is expected to be repaid in annual installments of \$10,000 on or before the 31st day of December with interest payable at 1.083%. The balance for the Airport Fund is to be repaid in equal monthly installments of \$1,937 with interest payable at 1.12%.

NOTE E - LEASE REVENUE

The City leases space on the City's water towers to various businesses for the placement of antennae. Leases are structured to require annual payments, due monthly, and allow for a 2% increase in lease fees for a term of five years. A total of \$138,960 was received during the year ended December 31, 2018.

CITY OF KIRKSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - LONG-TERM DEBT

The following is a summary of the long-term debt transactions:

| | For The Year Ended December 31, 2018 | | | Balance December 31 2018 | Amounts Due Within One Year |
|---------------------------------|---|------------------|-------------------|---|--|
| | Balance December 31 2017 | Additions | Reductions | | |
| Governmental Activities | | | | | |
| Note payable | \$ 1,885,079 | - | 1,885,079 | - | - |
| Capital leases payable | 1,434,586 | - | 193,760 | 1,240,826 | 191,170 |
| Compensated absences | 707,338 | 428,263 | 382,952 | 752,649 | 188,162 |
| | <u>\$ 4,027,003</u> | <u>428,263</u> | <u>2,461,791</u> | <u>1,993,475</u> | <u>379,332</u> |
| Business-type Activities | | | | | |
| Revenue bonds | \$ 27,568,687 | 673,314 | 1,504,000 | 26,738,001 | 1,830,000 |
| Plus - Premium | 12,693 | - | 2,400 | 10,293 | - |
| Less - Discount | (27,402) | - | (2,603) | (24,799) | - |
| Note payable | 2,410,627 | - | 480,237 | 1,930,390 | 489,718 |
| Compensated absences | 213,966 | 127,934 | 94,661 | 247,239 | 61,810 |
| | <u>\$ 30,178,571</u> | <u>801,248</u> | <u>2,078,695</u> | <u>28,901,124</u> | <u>2,381,528</u> |
| Component Unit (E911) | | | | | |
| Compensated absences | <u>\$ 73,811</u> | <u>33,364</u> | <u>39,801</u> | <u>67,374</u> | <u>16,843</u> |

Compensated absences are generally liquidated by the General, Airport, Central Garage, Utility, and E911 Funds. Regarding governmental activity debt, the note payable is liquidated by the Highway 63 Alternate Route Fund and the capital leases are liquidated by the General and Capital Improvement Sales Tax Funds. Business-type activities debt is generally liquidated by the Utility Fund.

Revenue Bonds

The Enterprise Funds revenue bonds are composed of the following:

State Revolving Loan

In 1998, 1999, 2001, 2002, 2003, 2004, 2005, and 2007, the City issued \$1,180,000 (Series 1998B); \$1,790,000 (Series 1999B); \$565,000 (Series 2001C); \$645,000 (Series 2002B); \$1,385,000 (Series 2003B); \$695,000 (Series 2004C); \$1,595,000 (Series 2005C); \$1,805,000 (Series 2005C); and \$3,500,000 (Series 2007A) in State Environmental Improvement and Energy Resources Authority Water Pollution Revenue Bonds and Public Drinking Water Bonds for the purpose of financing construction of certain wastewater treatment, sanitary sewerage of water facilities, and costs associated with the issuance of the bonds. In connection with the issuance of these bonds, the City participates in a revolving loan program established by the Missouri Department of Natural Resources (DNR). The State of Missouri manages and invests the bond proceeds on behalf of the City. As the City incurs

NOTE F - LONG-TERM DEBT (Continued)

approved expenditures, DNR reimburses the City for the expenditures from the Construction Escrow Fund. For issuances prior to 2008, an amount representing 70% of the construction costs is deposited into a Bond Reserve Fund in the City's name and is held as a guarantee against the outstanding bond obligation. Interest earned from this reserve fund can be used by the City to fund interest payments on the revenue bonds. A portion of the reserve fund is transferred back to the State of Missouri as principal payments are made on the revenue bonds.

Direct Loan Program

In 2008, the City received a \$1,500,000 direct loan from DNR. At the inception of the loan, DNR deposited 10% of the loan balance into a reserve fund. These funds are City funds and are held in the City's name as a guarantee against the outstanding bond obligation. Interest earned from this reserve fund can be used by the City to fund interest payments on the revenue bonds.

In 2009, the City received a \$497,601 direct loan from DNR. This loan is similar to a line-of-credit, whereas the entire loan balance is held by DNR in DNR's name. The City is required to make principal and interest payments calculated on the entire loan. In 2014, the City received \$1,485,000 direct loan from DNR. The City is required to make principal and interest payments calculated on the entire loan. In 2016, the City began receiving loan proceeds for a new direct loan from DNR for a total amount of \$18,000,000 for the purpose of financing the wastewater treatment plant.

Recovery Zone Economic Development Bonds

In 2010, the City issued \$2,274,000 of Taxable Combined Waterworks and Sewerage System Revenue Bonds (Recovery Zone Economic Development Bonds) Series 2010. The proceeds were being used for the cost of improving the stormwater sewer system of the City.

Bonds payable are comprised of the following individual issues:

CITY OF KIRKSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - LONG-TERM DEBT (Continued)

| | Original Amount | Interest Rate | Maturity Date | Balance December 31 2018 |
|-----------------------------|----------------------------|--------------------------|--------------------------|---|
| Revenue Bonds: | | | | |
| 2016 Revenue Bonds | \$ 18,000,000 | 1.13 % | 7/1/2037 | \$ 17,628,000 |
| 2014 Revenue Bonds | 1,485,000 | 1.35 | 1/1/2035 | 1,298,000 |
| 2010 RZB Stormwater | 2,274,000 | 2.64 - 6.921 | 7/1/2030 | 1,535,000 |
| 2009 Revenue Bonds | 497,601 | 1.49 | 1/1/2030 | 316,001 |
| 2008 Revenue Bonds | 1,500,000 | 1.55 | 1/1/2028 | 806,000 |
| 2007A Public Drinking Water | 3,500,000 | 4 - 4.75 | 1/1/2027 | 1,955,000 |
| 2005C Public Drinking Water | 1,805,000 | 3.25 - 5.25 | 7/1/2026 | 915,000 |
| 2005C Water Pollution Bonds | 1,595,000 | 3 - 5.25 | 7/1/2025 | 735,000 |
| 2004C Public Drinking Water | 695,000 | 3 - 5.25 | 1/1/2025 | 320,000 |
| 2003B Water Pollution Bonds | 1,385,000 | 2 - 5.25 | 1/1/2023 | 470,000 |
| 2002B Water Pollution Bonds | 645,000 | 2 - 5.5 | 7/1/2022 | 225,000 |
| 2001C Water Pollution Bonds | 565,000 | 3 - 5.375 | 7/1/2022 | 165,000 |
| 1999B Water Pollution Bonds | 1,790,000 | 4.125 - 6 | 7/1/2020 | 280,000 |
| 1998B Water Pollution Bonds | 1,180,000 | 3.45 - 5.25 | 1/1/2019 | 90,000 |
| Total | | | | <u>\$ 26,738,001</u> |

Annual principal and interest requirements to maturity on the other revenue bonds are as follows:

| For The Years Ending December 31 | Revenue Bonds | | |
|---|----------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2019 | \$ 1,830,000 | 571,860 | 2,401,860 |
| 2020 | 1,802,000 | 516,352 | 2,318,352 |
| 2021 | 1,712,000 | 460,445 | 2,172,445 |
| 2022 | 1,768,000 | 411,224 | 2,179,224 |
| 2023 | 1,714,000 | 358,850 | 2,072,850 |
| 2024 - 2028 | 7,725,000 | 1,140,023 | 8,865,023 |
| 2029 - 2033 | 5,700,001 | 459,222 | 6,159,223 |
| 2034 - 2037 | 4,487,000 | 113,852 | 4,600,852 |
| Total | <u>\$ 26,738,001</u> | <u>4,031,828</u> | <u>30,769,829</u> |

The City has pledged future utility customer revenues, net of current specified operating expenditures, to repay the revenue bonds. Proceeds from the bonds provided financing for the construction and maintenance of water treatment and distribution and wastewater treatment and sewerage facilities. The bonds are payable solely from utility customer net revenues and are payable through 2037. Net revenues available for debt service are not to be less than 110% of the amount required to be paid annually of principal and interest. Principal and interest paid for the current year and total customer net revenues were \$2,120,238 and \$4,769,183, respectively.

CITY OF KIRKSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - LONG-TERM DEBT (Continued)

Note Payable

In 2008, the City entered into a cost share agreement with the Missouri Highways and Transportation Commission (MHTC) for the construction of the Highway 63 alternate route in the amount of \$7,500,000. This project was completed in 2012. The interest rate is 0% with annual payments that commenced June 30, 2013 for seven years. The cost is to be paid by the 1/2 cent Highway 63 Alternate Route Fund sales tax collected by the City. If the sales tax collected is less than the annual payment, then the City is liable for the difference. The note was paid in full during 2018.

In October 2012, the City entered into a loan agreement for an energy retrofit project. The original note was \$4,747,668 with monthly payments of \$43,593. The interest rate is 1.96% and the final payment will be October 31, 2022.

| <u>For The Years Ending December 31</u> | <u>Business-type Activities</u> | | |
|---|---------------------------------|-----------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2019 | \$ 489,718 | 33,392 | 523,110 |
| 2020 | 499,386 | 23,724 | 523,110 |
| 2021 | 509,245 | 13,866 | 523,111 |
| 2022 | 432,041 | 3,884 | 435,925 |
| Total | <u>\$ 1,930,390</u> | <u>74,866</u> | <u>2,005,256</u> |

Capital Leases

The City leases certain capital assets under capital leases. The original cost of equipment applicable to such capital leases is \$2,039,970 and the accumulated depreciation is \$124,569 as of December 31, 2018. Interest rates ranging from 2.39% - 2.49%.

The following summarizes the future minimum lease payments under the above capital lease (total payments), interest due, and the present value of the future net minimum lease payments (principal) at December 31, 2018.

| <u>For The Years Ending December 31</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|---------------------|-----------------|------------------|
| | 2019 | \$ 191,170 | 29,237 |
| 2020 | 195,872 | 24,535 | 220,407 |
| 2021 | 200,690 | 19,717 | 220,407 |
| 2022 | 205,626 | 14,781 | 220,407 |
| 2023 | 210,683 | 9,723 | 220,406 |
| 2024 - 2025 | 236,785 | 7,339 | 244,124 |
| Total | <u>\$ 1,240,826</u> | <u>105,332</u> | <u>1,346,158</u> |

NOTE G - EMPLOYEE RETIREMENT BENEFIT PLAN

Plan Description

The City’s defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The City 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 supplemental information. This report may be obtained by accessing the LAGERS’ website at www.molagers.org.

Benefits Provided

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

| | <u>2018</u> <u>Valuation</u> |
|----------------------|---|
| Benefit multiplier | 1.75% |
| Final average salary | 5 years |
| Member contributions | - % |

The City adopted a benefit change increasing the benefit multiplier during 2018.

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, 2018 the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 104 |
| Inactive employees entitled to but not yet receiving benefits | 70 |
| Active members | <u>131</u> |
| Total | <u>305</u> |

NOTE G - EMPLOYEE RETIREMENT BENEFIT PLAN (Continued)

Contributions

The City 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 City do not contribute to the pension plan. The City contribution rates are 12.9% (General), 10.0% (Police), and 15.2% (Fire) of annual covered payroll.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of February 28, 2018.

Actuarial Assumptions

The total pension liability in the February 28, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.25% wage inflation, 2.50% price inflation |
| Salary increase | 3.25% to 6.55% including wage inflation |
| Investment rate of return | 7.25%, net of investment expenses |

The healthy retiree mortality tables for post-retirement mortality were RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables for post-retirement mortality were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees' mortality tables for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2018 valuations 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:

CITY OF KIRKSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE G - EMPLOYEE RETIREMENT BENEFIT PLAN (Continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate Of Return</u> |
|--------------------|--------------------------|---|
| Equity | 43.00 % | 5.16 % |
| Fixed income | 26.00 | 2.86 |
| Real assets | 21.00 | 3.23 |
| Strategic assets | 10.00 | 5.59 |

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rate 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.

Changes in Net Pension Liability (Asset)

| | <u>Increase (Decrease)</u> | | |
|---|--|--|--|
| | <u>Total Pension Liability</u> <u>(a)</u> | <u>Plan Fiduciary Net Position</u> <u>(b)</u> | <u>Net Pension Liability (Asset)</u> <u>(a)-(b)</u> |
| Balances at June 30, 2017 | <u>\$ 23,836,636</u> | <u>24,911,270</u> | <u>(1,074,634)</u> |
| Changes for the year | | | |
| Service cost | 499,982 | - | 499,982 |
| Interest | 1,713,732 | - | 1,713,732 |
| Changes in benefit terms | 1,886,194 | - | 1,886,194 |
| Difference between expected and actual experience | 208,049 | - | 208,049 |
| Contributions - employer | - | 630,399 | (630,399) |
| Net investment income | - | 3,084,109 | (3,084,109) |
| Benefit payments, including refunds | (905,001) | (905,001) | - |
| Administrative expense | - | (23,646) | 23,646 |
| Other changes | - | 303,056 | (303,056) |
| Net Changes | <u>3,402,956</u> | <u>3,088,917</u> | <u>314,039</u> |
| Balances at June 30, 2018 | <u>\$ 27,239,592</u> | <u>28,000,187</u> | <u>(760,595)</u> |

CITY OF KIRKSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE G - EMPLOYEE RETIREMENT BENEFIT PLAN (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability (asset) would be using a discount rate that is 1% point lower (6.25%) or 1% point higher (8.25%) than the current rate.

| | 1% Decrease | Current Single Discount Rate Assumption | 1% Increase |
|-------------------------------|--------------------|--|--------------------|
| Net pension liability (asset) | \$ 3,208,367 | (760,595) | (4,014,782) |

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

For the year ended December 31, 2018, the City recognized pension expense of \$2,099,027. Reported deferred outflows and inflows of resources are related to the following sources:

| | Outflows | Inflows | Net Outflows |
|---|-----------------|----------------|---------------------|
| Difference in experience | \$ 278,297 | (652,352) | (374,055) |
| Assumption changes | 357,828 | (748,798) | (390,970) |
| Contributions subsequent to the measurement date* | 375,125 | - | 375,125 |
| Total | \$ 1,011,250 | (1,401,150) | (389,900) |

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an increase in the net pension liability (asset) for the next fiscal year.

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

| For The Plan Years Ending June 30 | | | |
|--|--|----|-----------|
| 2019 | | \$ | 84,284 |
| 2020 | | | (72,911) |
| 2021 | | | (533,170) |
| 2022 | | | (247,286) |
| 2023 | | | 4,058 |
| Total | | \$ | (765,025) |

NOTE G - EMPLOYEE RETIREMENT BENEFIT PLAN (Continued)

Payable to the Pension Plan

At December 31, 2018, the City reported a payable of \$34,591 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2018.

E911

The amounts for the E911 component unit are included in the above totals as the separate amounts are not available by the Plan. The contribution for E911 for the year ended December 31, 2018 was \$42,879 which is 7% of the total employer contribution for the year. There was no significant change in this rate from the previous year.

NOTE H - DEFERRED COMPENSATION AND DEFINED CONTRIBUTION PLANS

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time City employees, permits them to defer a portion of their salary (pre-tax or after-tax (Roth) basis) until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the assets and liabilities of the deferred compensation plan are not included in the City's basic financial statements.

NOTE I - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims resulting in these risks have not exceeded coverage in the past three years.

NOTE J - CONTINGENCIES

The City is a defendant in a number of lawsuits pertaining to matters which are incidental to performing routine governmental and other functions. Based on the current status of these legal proceedings, it is the opinion of management that they will not have a material effect on the City's financial position.

CITY OF KIRKSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE K - SELF-INSURANCE

The City maintains a self-funded health insurance program with claims processed by Healthscope on behalf of the City. A separate Insurance Fund (an internal service fund) was created on December 1, 1998, to account for and finance the health insurance program. As an integral part of the health insurance program, a reinsurance policy has been purchased covering claims in excess of \$75,000 per individual per year. Settled claims have not exceeded the commercial coverage limits for the past three fiscal years.

All funds of the City from which employee salaries are paid participate in the health insurance program and make payments to the Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. Total contributions and transfers to the program for the year ended December 31, 2018, were \$1,449,459. Changes in the Insurance Fund's claims liability for the past three fiscal years are as follows:

| | December 31 | | |
|---------------------------------|--------------------|-------------|-------------|
| | 2018 | 2017 | 2016 |
| Beginning liability | \$ 67,315 | 64,111 | 81,122 |
| Claims and changes in estimates | 1,931,616 | 1,659,428 | 1,265,974 |
| Claims payments | (1,888,227) | (1,656,224) | (1,282,985) |
| Ending Liability | \$ 110,704 | 67,315 | 64,111 |

NOTE L - COMMITMENTS

The City has entered into agreements with contractors for various construction projects. As of December 31, 2018, the remaining contract commitments were \$788,391.

NOTE M - RELATED PARTIES

The City Council is responsible for appointing the members of the Commission of the Kirksville Housing Authority. The City's accountability for this organization does not extend beyond making the appointment.

The City has various purchases from businesses that are owned in part or in full by certain employees and/or their spouses amounting to \$133,069 for the year ended December 31, 2018.

NOTE N - CONDUIT DEBT

The City issued taxable industrial development revenue bonds during 2016 to provide financial assistance to the Kraft Heinz Foods Company (the Company) for an expansion project of 238,305 square feet to their existing Kirksville facility which includes site acquisition, design, construction, and manufacturing equipment. The bonds are secured by a pledge and the property is financed from amounts payable solely out of the rents, reve-

NOTE N - CONDUIT DEBT (Continued)

nues, and receipts derived by the City from the project and lease. Upon repayment of the bonds, ownership of the acquired facility and equipment transfers back to the Company served by the issuance. The bonds and the interest thereon shall not constitute general obligations or indebtedness of the City and neither the City, the State, nor related political subdivision shall be liable thereon. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The bonds shall be paid in full by maturity no later than December 1, 2026. At December 31, 2018, the total authorized amount is \$229,000,000 and the amount outstanding is \$229,000,000.

NOTE O - TAX ABATEMENT AGREEMENTS

The Missouri Tax Increment Financing Act (TIF) authorizes cities to establish districts using a portion of sales and property taxes to redevelop blighted areas and promote economic growth. Property tax revenue payments to local taxing authorities are frozen at the pre-TIF level and the incremental amount may be used to fund construction of certain public use facilities within the designated project areas as directed by the appointed TIF Commission. In addition, one-half of the incremental revenues generated by economic activity taxes (EATS) may be used as well. The City has two TIF districts, the Downtown TIF District and the South Highway 63 TIF District. For the fiscal year ended December 31, 2018, the amount of abated sales and property taxes totaled \$426,331.

Chapter 353 tax abatement is an incentive that can be utilized by cities to encourage the redevelopment of blighted areas by providing real property tax abatement to for-profit Urban Redevelopment Corporations whose articles of association must be prepared in accordance with general corporation laws of Missouri and must contain certain items set forth in Section 353.030, RSMo of the Urban Redevelopment Corporations Laws. Tax abatement is available for a period of 25 years, which begins when the Urban Redevelopment Corporation takes title to the property. During the first 10 years, the property is not subject to real property tax except in the amount assessed on the land, exclusive of improvements. During the next 15 years, the real property may be assessed up to 50% of its true value, providing a substantial tax benefit for the 25-year period. The City has one Chapter 353 tax abatement to revitalize a blighted area, Franklin Street Redevelopment Corporation created in 2016 with development completed in 2017. For the fiscal year ended December 31, 2018, the amount of abated property taxes totaled \$5,268.

The City entered into an Industrial Development Incentive Agreement on August 20, 2012 with Hartzell Hardwoods, Inc. for facility expansion and job creation. Under the agreement, the City shall abate 50% of all eligible real property taxes through the Adair County Enhanced Enterprise Zone on the facility expansion for 10 years. For the fiscal year ended December 31, 2018, the amount of abated property taxes totaled \$4,554.

Under the Missouri Chapter 100 Industrial Development Bond program, the City issued taxable industrial development revenue bonds during 2016 to provide financial assistance to the Kraft Heinz Foods Company (the Company) for an expansion project of their existing Kirksville facility for site acquisition, design, construction, and manufacturing equipment which will increase job opportunities and improve economic activity. To finance the project, the Company passed title of the property and encompassing equipment to the City and will pay rent to the City under a lease agreement sufficient to pay the debt. Due to the City having title to the property, the property is tax exempt during the lease term thus resulting in a tax abatement for the Company. As part of the

NOTE O - TAX ABATEMENT AGREEMENTS (Continued)

agreement, the Company is responsible for paying property tax on the original facility and equipment and will make payments in lieu of taxes on the facility expansion and new equipment equal to 50% of the property tax abated during the ten year period. For the fiscal year ended December 31, 2018, the amount of abated property tax totaled \$111,535.

NOTE P - DEFICIT BALANCES

At December 31, 2018, the Airport Fund's accumulated deficit of \$649,442 and the Highway 63 TIF Fund's accumulated deficit of \$17,138 are the result of expenditures which exceeded revenues in 2018 plus prior years. The accumulated deficits will be offset by future revenues received by the funds.

NOTE Q - RESTRICTED NET POSITION

The government-wide statement of net position reports \$4,271,235 of restricted net position, of which \$3,619,680 is restricted by enabling legislation.

NOTE R - SUBSEQUENT EVENTS

In March 2019 the City entered into a contract for a new water tower for \$2,057,000 and ordered a new fire pumper for \$522,833. The City approved a "Go to Market" resolution on May 6, 2019 for funding the new aquatic center later in the year.

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REQUIRED SUPPLEMENTAL INFORMATION SECTION

CITY OF KIRKSVILLE, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Over (Under) Budget</u> |
|-------------------------------|----------------------------|-------------------------|------------------|------------------------------------|
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 1,271,687 | 1,262,826 | 1,270,196 | 7,370 |
| Sales | 3,456,525 | 3,618,600 | 3,841,018 | 222,418 |
| Franchise | 1,657,150 | 1,920,760 | 1,943,162 | 22,402 |
| Other | 1,074,328 | 986,951 | 898,898 | (88,053) |
| Intergovernmental | 914,275 | 792,543 | 787,307 | (5,236) |
| Licenses and permits | 494,260 | 503,195 | 506,063 | 2,868 |
| Charges for services | 475 | 475 | 413 | (62) |
| Fines and forfeitures | 99,636 | 44,787 | 77,331 | 32,544 |
| Investment income | 36,230 | 38,676 | 20,475 | (18,201) |
| Payments from Enterprise Fund | 431,878 | 469,786 | 483,949 | 14,163 |
| Other | 131,659 | 147,557 | 135,883 | (11,674) |
| Total Revenues | <u>9,568,103</u> | <u>9,786,156</u> | <u>9,964,695</u> | <u>178,539</u> |
| EXPENDITURES | | | | |
| General government | | | | |
| Council | 748,601 | 1,035,341 | 655,842 | (379,499) |
| Administration | 363,423 | 333,673 | 331,971 | (1,702) |
| Human resources | 111,312 | 107,747 | 105,964 | (1,783) |
| Economic development | 529,464 | 485,169 | 463,747 | (21,422) |
| Finance | 430,667 | 391,329 | 385,174 | (6,155) |
| Information systems | 224,912 | 214,388 | 167,311 | (47,077) |
| Municipal court | 188,508 | 104,126 | 101,118 | (3,008) |
| Total General Government | <u>2,596,887</u> | <u>2,671,773</u> | <u>2,211,127</u> | <u>(460,646)</u> |
| Public safety | | | | |
| Police | 2,590,581 | 2,263,329 | 2,181,465 | (81,864) |
| Fire | 2,020,180 | 1,810,379 | 1,791,086 | (19,293) |
| Total Public Safety | <u>4,610,761</u> | <u>4,073,708</u> | <u>3,972,551</u> | <u>(101,157)</u> |
| Public works | | | | |
| Administration | 99,538 | 100,151 | 98,206 | (1,945) |
| Streets | 1,816,349 | 1,717,210 | 1,446,356 | (270,854) |
| Codes administration | 418,841 | 390,591 | 386,740 | (3,851) |
| Engineering | 136,991 | 118,123 | 111,280 | (6,843) |
| Total Public Works | <u>2,471,719</u> | <u>2,326,075</u> | <u>2,042,582</u> | <u>(283,493)</u> |

(Continued)

CITY OF KIRKSVILLE, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|---|----------------------------|-------------------------|---------------------|------------------------------------|
| EXPENDITURES (Continued) | | | | |
| Public building | 247,106 | 238,699 | 219,258 | (19,441) |
| Debt service | | | | |
| Principal | 107,755 | 107,755 | 107,755 | - |
| Interest | 16,471 | 16,471 | 16,471 | - |
| Total Debt Service | 124,226 | 124,226 | 124,226 | - |
| Total Expenditures | 10,050,699 | 9,434,481 | 8,569,744 | (864,737) |
| REVENUES OVER (UNDER) | | | | |
| EXPENDITURES | (482,596) | 351,675 | 1,394,951 | 1,043,276 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of capital assets | 2,500 | 40,031 | 36,531 | (3,500) |
| Insurance proceeds | 4,000 | 3,915 | 1,258 | (2,657) |
| Transfers in | 681,399 | 450,654 | 343,184 | (107,470) |
| Transfers out | (45,900) | (45,900) | (45,900) | - |
| Total Other Financing Sources (Uses) | 641,999 | 448,700 | 335,073 | (113,627) |
| NET CHANGE IN FUND BALANCE | \$ 159,403 | 800,375 | 1,730,024 | 929,649 |
| FUND BALANCE, JANUARY 1 | | | 4,888,470 | |
| FUND BALANCE, DECEMBER 31 | | | \$ 6,618,494 | |

CITY OF KIRKSVILLE, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE (DEFICIT) -
BUDGET AND ACTUAL - AIRPORT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|--|----------------------------|-------------------------|---------------|------------------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ 475,000 | 95,619 | 71,990 | (23,629) |
| Charges for services | 778,082 | 892,179 | 870,280 | (21,899) |
| Other | 24,149 | 24,719 | 24,335 | (384) |
| Total Revenues | 1,277,231 | 1,012,517 | 966,605 | (45,912) |
| EXPENDITURES | | | | |
| Public transportation | 885,302 | 1,007,647 | 967,096 | (40,551) |
| Capital outlay | 515,000 | 83,648 | 61,033 | (22,615) |
| Debt service - interest | 23,245 | 23,245 | 2,817 | (20,428) |
| Total Expenditures | 1,423,547 | 1,114,540 | 1,030,946 | (83,594) |
| REVENUES UNDER EXPENDITURES | (146,316) | (102,023) | (64,341) | 37,682 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 127,485 | 138,302 | 138,873 | 571 |
| NET CHANGE IN FUND BALANCE | \$ (18,831) | 36,279 | 74,532 | 38,253 |
| FUND BALANCE (DEFICIT), JANUARY 1 | | | (723,974) | |
| FUND BALANCE (DEFICIT), DECEMBER 31 | | | \$ (649,442) | |

CITY OF KIRKSVILLE, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - HIGHWAY 63 ALTERNATE ROUTE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|--|----------------------------|-------------------------|------------------|------------------------------------|
| REVENUES | | | | |
| Sales tax | \$ 1,330,728 | 1,364,810 | 1,389,631 | 24,821 |
| Investment income | 4,500 | 4,500 | 2,539 | (1,961) |
| Total Revenues | 1,335,228 | 1,369,310 | 1,392,170 | 22,860 |
| EXPENDITURES | | | | |
| Debt service - principal | 1,885,079 | 1,885,079 | 1,885,079 | - |
| REVENUES UNDER EXPENDITURES | (549,851) | (515,769) | (492,909) | 22,860 |
| OTHER FINANCING USES | | | | |
| Transfers out | (242,377) | (300,244) | (323,104) | 22,860 |
| NET CHANGE IN FUND BALANCE | \$ (792,228) | (816,013) | (816,013) | - |
| FUND BALANCE, JANUARY 1 | | | 816,013 | |
| FUND BALANCE, DECEMBER 31 | | | \$ - | |

CITY OF KIRKSVILLE, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - TRANSPORTATION SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|---|----------------------------|-------------------------|-------------------|------------------------------------|
| REVENUES | | | | |
| Sales tax | \$ 1,386,175 | 1,413,400 | 1,431,959 | 18,559 |
| Intergovernmental | 220,390 | 194,743 | 194,743 | - |
| Investment income | 1,500 | 2,200 | 2,676 | 476 |
| Total Revenues | 1,608,065 | 1,610,343 | 1,629,378 | 19,035 |
| EXPENDITURES | | | | |
| Public works | 115,000 | 114,189 | 114,189 | - |
| Public transportation | 27,724 | 28,268 | 28,648 | 380 |
| Capital outlay | 1,489,639 | 1,267,116 | 1,233,804 | (33,312) |
| Total Expenditures | 1,632,363 | 1,409,573 | 1,376,641 | (32,932) |
| REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | (24,298) | 200,770 | 252,737 | 51,967 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 207,242 | 265,109 | 323,104 | 57,995 |
| Transfers out | (298,811) | (437,388) | (365,539) | (71,849) |
| Total Other Financing Sources (Uses) | (91,569) | (172,279) | (42,435) | 129,844 |
| NET CHANGE IN FUND BALANCE | \$ (115,867) | 28,491 | 210,302 | 181,811 |
| FUND BALANCE, JANUARY 1 | | | 513,236 | |
| FUND BALANCE, DECEMBER 31 | | | \$ 723,538 | |

CITY OF KIRKSVILLE, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - NOTES TO
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2018

Budgetary Data

The City follows the procedures outlined below in establishing the budgetary data reflected in the financial statements:

- a. Prior to December, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A public hearing is conducted to obtain taxpayer comments. The proposed budget is available for public inspection prior to the public hearing.
- c. Prior to January 1, the budget is legally enacted through passage of an ordinance. Budgets are adopted on a basis generally consistent with accounting principles generally accepted in the United States of America except certain transfers and other financing sources for debt issues are not budgeted.
- d. The City Manager and Finance Director are authorized to make changes within departments, between departments, and between functions within each fund. Changes or transfers at the fund level require approval by the City Council.
- e. All appropriations lapse at year-end.

The primary basis of budgetary control is at the department level. Departments may not legally exceed their total appropriation without City Council approval. A review of the current year's budget is made by the departments in September of each year and interdepartmental transfers are made with City Council approval. Any remaining unencumbered appropriations lapse at fiscal year-end. Any increase in appropriations during the fiscal year must be approved by the City Council.

CITY OF KIRKSVILLE, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF CHANGES
IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
FOR THE YEARS ENDED DECEMBER 31

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|--------------------|-------------------|--------------------|
| Total Pension Liability | | | | |
| Service cost | \$ 499,982 | 489,901 | 463,708 | 438,572 |
| Interest on total pension liability | 1,713,732 | 1,665,691 | 1,519,080 | 1,480,198 |
| Changes in benefit terms | 1,886,194 | - | - | - |
| Difference between expected and actual experience | 208,049 | (653,665) | (36,885) | (531,706) |
| Changes of assumptions | - | - | 864,170 | - |
| Benefit payments, including refunds | (905,001) | (785,587) | (815,356) | (909,224) |
| Net Change In Total Pension Liability | <u>3,402,956</u> | <u>716,340</u> | <u>1,994,717</u> | <u>477,840</u> |
| Total Pension Liability Beginning | <u>23,836,636</u> | <u>23,120,296</u> | <u>21,125,579</u> | <u>20,647,739</u> |
| Total Pension Liability Ending (a) | <u>\$ 27,239,592</u> | <u>23,836,636</u> | <u>23,120,296</u> | <u>21,125,579</u> |
| Plan Fiduciary Net Position | | | | |
| Contributions - employer | \$ 630,399 | 498,933 | 491,760 | 501,032 |
| Net investment income (loss) | 3,084,109 | 2,697,907 | (40,988) | 440,279 |
| Benefit payments, including refunds of employee contributions | (905,001) | (785,587) | (815,356) | (909,224) |
| Administrative expense | (23,646) | (22,841) | (22,546) | (24,512) |
| Other changes | 303,056 | (58,353) | 95,324 | (171,983) |
| Net Change In Plan Fiduciary Net Position | <u>3,088,917</u> | <u>2,330,059</u> | <u>(291,806)</u> | <u>(164,408)</u> |
| Plan Fiduciary Net Position Beginning | <u>24,911,270</u> | <u>22,581,211</u> | <u>22,873,017</u> | <u>23,037,425</u> |
| Plan Fiduciary Net Position Ending (b) | <u>\$ 28,000,187</u> | <u>24,911,270</u> | <u>22,581,211</u> | <u>22,873,017</u> |
| Net Pension Liability (Asset) Ending (a)-(b) | <u>\$ (760,595)</u> | <u>(1,074,634)</u> | <u>539,085</u> | <u>(1,747,438)</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 102.79 % | 104.51 | 97.67 | 108.27 |
| Covered Payroll (for February 28/29 Valuation) | \$ 5,560,235 | 5,629,920 | 5,492,400 | 5,177,763 |
| Net Pension Liability (Asset) as a Percentage of Covered Payroll | (13.68) % | (19.09) | 9.82 | (33.75) |

Notes:

Information is not available for fiscal years prior to 2015.

The amounts noted above are as of the measurement date which is June 30 prior to the end of the fiscal year.

CITY OF KIRKSVILLE, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

| | For The Years Ended December 31 | | | | | | | | | |
|--|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| Actuarially determined pension contribution | \$ 744,560 | 531,036 | 481,447 | 523,710 | 509,973 | 529,416 | 552,930 | 494,222 | 534,914 | 298,324 |
| Contributions in relation to the actuarially determined contribution | 744,560 | 523,405 | 467,268 | 513,772 | 496,502 | 488,655 | 443,756 | 394,818 | 353,631 | 286,217 |
| Contribution Deficiency | \$ - | 7,631 | 14,179 | 9,938 | 13,471 | 40,761 | 109,174 | 99,404 | 181,283 | 12,107 |
| Covered Payroll | \$ 5,845,023 | 5,729,131 | 5,611,661 | 5,438,200 | 5,068,356 | 5,044,326 | 5,018,736 | 5,026,812 | 5,157,379 | 4,908,872 |
| Contributions as a Percentage of Covered Payroll | 12.74 % | 9.14 | 8.33 | 9.45 | 9.80 | 9.69 | 8.84 | 7.85 | 6.86 | 5.83 |

Notes to schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of February 28/29 prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method
 Amortization method

Entry age normal and modified terminal funding
 A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period or (ii) 15 years.

Remaining amortization period
 Asset valuation method
 Inflation
 Salary increases
 Investment rate of return
 Retirement age
 Mortality

Multiple bases from 14 to 17 years
 5 years smoothed market; 20% corridor
 3.25% wage inflation; 2.50% price inflation
 3.25% to 6.55% including wage inflation
 7.25%, net of investment expenses
 Experience-based table of rates that are specific to the type of eligibility condition
 The healthy retiree mortality tables for post-retirement mortality were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables for post-retirement mortality were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees' mortality tables for males and females. Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Other information:

There were no benefit changes during the year.

OTHER SUPPLEMENTAL INFORMATION SECTION

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Community Development Block Grant (CDBG) Fund -- This fund administers CDBG grants awarded from the Missouri Department of Economic Development (DED) to enhance community infrastructure for economic development purposes and also accounts for demolition and housing rehabilitation expenditures as a continuance of a housing rehabilitation program originally awarded through DED.

Trail Grant Fund -- This fund supports construction of walking and cycling trails in the community that are funded by grants.

Highway 63 TIF Fund -- This fund accounts for payments in lieu of taxes and the incremental economic activity taxes received in the Highway 63 TIF District as required by state statute.

Downtown TIF Fund -- This fund accounts for payments in lieu of taxes and the incremental economic activity taxes received in the Downtown TIF District as required by state statute.

Community Partnership Fund -- This fund serves as a conduit to account for joint projects with community groups funded through fees, donations, or grants.

Parks and Recreation Fund -- This fund accounts for the proceeds of the City's 1/2-cent sales tax to support parks and recreation.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Industrial Park Fund -- This fund accounts for the expenditures related to the 3010 Industrial Building of the Kirksville Industrial Park.

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
NONMAJOR GOVERNMENTAL FUNDS (Continued)

PERMANENT FUNDS

Permanent Funds are used to generate and disperse money to those entitled to receive payments by qualification or agreement.

Veterans Memorial Fund -- This fund supports the donations received and expenditures for the engraving of names on the wall at the Adair County Veterans Memorial.

Cemetery Fund -- The City is the trustee for this fund which is used to account for the principal and interest generated to offset maintenance costs of the cemetery in addition to receipt of monies from plot sales and donations.

Revolving Loan Fund -- This fund was established to account for loan repayments from the Ortech Corporation and Wire Rope of America, Inc., which generated the monies that are currently available for qualifying economic development loans or projects.

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

| | Special Revenue Funds | | | | | | |
|--|--|------------------------|---------------------------|-------------------------|----------------------------------|---------------------------------|--|
| | Community Development Block Grant | Trail Grant | Highway 63 TIF | Downtown TIF | Community Partnership | Parks And Recreation | Total Special Revenue Funds |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 77,007 | 10,521 | 18,194 | 991,340 | 399 | 740,473 | 1,837,934 |
| Investments | - | - | - | - | - | - | - |
| Receivables: | | | | | | | |
| Property tax, net | - | - | 28 | 294,378 | - | - | 294,406 |
| Sales tax, net | - | - | 9,668 | 7,920 | - | 226,230 | 243,818 |
| Accounts, net | - | - | - | - | - | 700 | 700 |
| Accrued interest | - | - | - | - | - | - | - |
| Notes receivable | - | - | - | - | - | - | - |
| Prepaid items | - | - | - | - | - | 7,603 | 7,603 |
| Advance to other funds | - | - | - | - | - | - | - |
| | <u>-\$ 77,007</u> | <u>10,521</u> | <u>27,890</u> | <u>1,293,638</u> | <u>399</u> | <u>975,006</u> | <u>2,384,461</u> |
| Total Assets | | | | | | | |
| | <u>\$ 77,007</u> | <u>10,521</u> | <u>27,890</u> | <u>1,293,638</u> | <u>399</u> | <u>975,006</u> | <u>2,384,461</u> |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ - | - | - | 638 | - | 72,404 | 73,042 |
| Accrued liabilities | - | - | - | - | - | 12,684 | 12,684 |
| Due to other funds | - | - | - | - | - | - | - |
| Advance from other funds | - | - | 45,028 | - | - | - | 45,028 |
| Unearned revenue | - | - | - | - | - | 424 | 424 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>45,028</u> | <u>638</u> | <u>-</u> | <u>85,512</u> | <u>131,178</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenue | - | - | - | 6,205 | - | - | 6,205 |
| FUND BALANCES (DEFICITS) | | | | | | | |
| Nonspendable: | | | | | | | |
| Prepaid items | - | - | - | - | - | 7,603 | 7,603 |
| Endowment | - | - | - | - | - | - | - |
| Restricted for: | | | | | | | |
| Parks and recreation | - | - | - | - | - | 636,194 | 636,194 |
| Block grant | 77,007 | - | - | - | - | - | 77,007 |
| Trail grant | - | 10,521 | - | - | - | - | 10,521 |
| Tax increment financing | - | - | - | 1,286,795 | - | - | 1,286,795 |
| Veterans memorial | - | - | - | - | - | - | - |
| Cemetery | - | - | - | - | - | - | - |
| Revolving loans | - | - | - | - | - | - | - |
| Community partnership | - | - | - | - | 399 | - | 399 |
| Committed: | | | | | | | |
| Parks and recreation | - | - | - | - | - | 245,697 | 245,697 |
| Unassigned | - | - | (17,138) | - | - | - | (17,138) |
| Total Fund Balances | <u>77,007</u> | <u>10,521</u> | <u>(17,138)</u> | <u>1,286,795</u> | <u>399</u> | <u>889,494</u> | <u>2,247,078</u> |
| Total Liabilities, Deferred Inflows Of Resources, And Fund Balances | <u>\$ 77,007</u> | <u>10,521</u> | <u>27,890</u> | <u>1,293,638</u> | <u>399</u> | <u>975,006</u> | <u>2,384,461</u> |

CITY OF KIRKSVILLE, MISSOURI

OTHER SUPPLEMENTAL INFORMATION - COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (Continued)

DECEMBER 31, 2018

| | Capital Projects | Permanent Funds | | | Total Permanent Funds | Total Nonmajor Governmental Funds |
|--|------------------|--------------------|----------------------|----------------|-----------------------------|--|
| | Funds | Industrial Park | Veterans Memorial | Cemetery | | |
| ASSETS | | | | | | |
| Cash and cash equivalents | - | - | 2,019 | 2,058 | 234,421 | 238,498 |
| Investments | - | - | - | 42,000 | - | 42,000 |
| Receivables: | | | | | | |
| Property tax, net | - | - | - | - | - | 294,406 |
| Sales tax, net | - | - | - | - | - | 243,818 |
| Accounts, net | - | - | - | - | - | 700 |
| Accrued interest | - | - | 33 | - | 33 | 33 |
| Note receivable | - | - | - | 82,634 | 82,634 | 82,634 |
| Prepaid items | 4,375 | - | - | - | - | 11,978 |
| Advance to other funds | - | - | - | 45,028 | 45,028 | 45,028 |
| | <u>4,375</u> | <u>2,019</u> | <u>44,091</u> | <u>362,083</u> | <u>408,193</u> | <u>2,797,029</u> |
| LIABILITIES | | | | | | |
| Accounts payable | - | - | - | - | - | 73,042 |
| Accrued liabilities | - | - | - | - | - | 12,684 |
| Due to other funds | 4,375 | - | - | - | - | 4,375 |
| Advance from other funds | - | - | - | - | - | 45,028 |
| Unearned revenue | - | - | - | - | - | 424 |
| Total Liabilities | <u>4,375</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>135,553</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue | - | - | - | - | - | 6,205 |
| FUND BALANCES (DEFICITS) | | | | | | |
| Nonspendable: | | | | | | |
| Prepaid items | 4,375 | - | - | - | - | 11,978 |
| Endowment | - | - | 20,000 | - | 20,000 | 20,000 |
| Restricted for: | | | | | | |
| Parks and recreation | - | - | - | - | - | 636,194 |
| Block grant | - | - | - | - | - | 77,007 |
| Trail grant | - | - | - | - | - | 10,521 |
| Tax increment financing | - | - | - | - | - | 1,286,795 |
| Veterans memorial | - | 2,019 | - | - | 2,019 | 2,019 |
| Cemetery | - | - | 24,091 | - | 24,091 | 24,091 |
| Revolving loans | - | - | - | 362,083 | 362,083 | 362,083 |
| Community partnership | - | - | - | - | - | 399 |
| Committed for: | | | | | | |
| Parks and recreation | - | - | - | - | - | 245,697 |
| Unassigned | (4,375) | - | - | - | - | (21,513) |
| Total Fund Balances | <u>-</u> | <u>2,019</u> | <u>44,091</u> | <u>362,083</u> | <u>408,193</u> | <u>2,655,271</u> |
| Total Liabilities, Deferred Inflows Of Resources, And Fund Balances | <u>4,375</u> | <u>2,019</u> | <u>44,091</u> | <u>362,083</u> | <u>408,193</u> | <u>2,797,029</u> |

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Special Revenue Funds | | | | | | |
|---|--|------------------------|---------------------------|-------------------------|----------------------------------|---------------------------------|--|
| | Community Development Block Grant | Trail Grant | Highway 63 TIF | Downtown TIF | Community Partnership | Parks And Recreation | Total Special Revenue Funds |
| REVENUES | | | | | | | |
| Property tax | \$ - | - | 28 | 297,011 | - | - | 297,039 |
| Sales tax | - | - | 68,026 | 100,745 | - | 1,369,374 | 1,538,145 |
| Charges for services | - | - | - | - | - | 238,308 | 238,308 |
| Investment income | 1,146 | 54 | 393 | 4,958 | 6 | 2,710 | 9,267 |
| Other | - | - | - | - | - | 4,679 | 4,679 |
| Total Revenues | <u>1,146</u> | <u>54</u> | <u>68,447</u> | <u>402,714</u> | <u>6</u> | <u>1,615,071</u> | <u>2,087,438</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | - | - | 95,000 | - | - | - | 95,000 |
| Public building | - | - | - | - | - | - | - |
| Parks and recreation | - | - | - | - | - | 733,340 | 733,340 |
| Capital outlay | - | - | - | 78,287 | - | 292,401 | 370,688 |
| Debt service - interest | - | - | 590 | - | - | - | 590 |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>95,590</u> | <u>78,287</u> | <u>-</u> | <u>1,025,741</u> | <u>1,199,618</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>1,146</u> | <u>54</u> | <u>(27,143)</u> | <u>324,427</u> | <u>6</u> | <u>589,330</u> | <u>887,820</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | (150,000) | - | - | - | - | - | (150,000) |
| Total Other Financing Sources (Uses) | <u>(150,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(150,000)</u> |
| NET CHANGE IN FUND BALANCES | (148,854) | 54 | (27,143) | 324,427 | 6 | 589,330 | 737,820 |
| FUND BALANCES, JANUARY 1 | <u>225,861</u> | <u>10,467</u> | <u>10,005</u> | <u>962,368</u> | <u>393</u> | <u>300,164</u> | <u>1,509,258</u> |
| FUND BALANCES (DEFICIT), DECEMBER 31 | <u>\$ 77,007</u> | <u>10,521</u> | <u>(17,138)</u> | <u>1,286,795</u> | <u>399</u> | <u>889,494</u> | <u>2,247,078</u> |

(Continued)

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - COMBINING STATEMENT REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR GOVERNMENTAL FUNDS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Capital Projects Funds | Permanent Funds | | | Total Nonmajor Governmental Funds |
|---|-----------------------------------|------------------------------|-----------------|---------------------------|--|
| | Industrial Park | Veterans Memorial | Cemetery | Revolving Loan | |
| REVENUES | | | | | |
| Property tax | - | - | - | - | 297,039 |
| Sales tax | - | - | - | - | 1,538,145 |
| Charges for services | - | - | - | - | 238,308 |
| Investment income | - | 11 | 566 | 2,694 | 12,538 |
| Other | - | 200 | 1,465 | 16,520 | 22,864 |
| Total Revenues | <u>-</u> | <u>211</u> | <u>2,031</u> | <u>19,214</u> | <u>21,456</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | - | 400 | - | - | 95,400 |
| Public building | 7,961 | - | - | - | 7,961 |
| Parks and recreation | - | - | - | - | 733,340 |
| Capital outlay | - | - | - | - | 370,688 |
| Debt service - interest | - | - | - | - | 590 |
| Total Expenditures | <u>7,961</u> | <u>400</u> | <u>-</u> | <u>-</u> | <u>1,207,979</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(7,961)</u> | <u>(189)</u> | <u>2,031</u> | <u>19,214</u> | <u>21,056</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 7,961 | - | - | 15,000 | 22,961 |
| Transfers out | - | - | (15,856) | - | (165,856) |
| Total Other Financing Sources (Uses) | <u>7,961</u> | <u>-</u> | <u>(15,856)</u> | <u>15,000</u> | <u>(856)</u> |
| NET CHANGE IN FUND BALANCES | - | (189) | (13,825) | 34,214 | 20,200 |
| FUND BALANCES, JANUARY 1 | <u>-</u> | <u>2,208</u> | <u>57,916</u> | <u>327,869</u> | <u>1,897,251</u> |
| FUND BALANCES (DEFICIT), DECEMBER 31 | <u>-</u> | <u>2,019</u> | <u>44,091</u> | <u>362,083</u> | <u>2,655,271</u> |

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|---|----------------------------|-------------------------|------------------|------------------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ 455,660 | - | - | - |
| Investment income | 800 | 1,000 | 1,146 | 146 |
| Total Revenues | 456,460 | 1,000 | 1,146 | 146 |
| EXPENDITURES | | | | |
| General government | 25,000 | 10,350 | - | (10,350) |
| Capital outlay | 540,660 | - | - | - |
| Total expenditures | 565,660 | 10,350 | - | (10,350) |
| REVENUES OVER (UNDER) EXPEN- DITURES | (109,200) | (9,350) | 1,146 | 10,496 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 25,000 | - | - | - |
| Transfers out | - | (150,000) | (150,000) | - |
| Total Other Financing Sources (Uses) | 25,000 | (150,000) | (150,000) | - |
| NET CHANGE IN FUND BALANCE | \$ (84,200) | (159,350) | (148,854) | 10,496 |
| FUND BALANCE, JANUARY 1 | | | 225,861 | |
| FUND BALANCE, DECEMBER 31 | | | \$ 77,007 | |

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - TRAIL GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|---|----------------------------|-------------------------|------------------|------------------------------------|
| REVENUES | | | | |
| Intergovernmental | \$ 150,000 | - | - | - |
| Investment income | 110 | 60 | 54 | (6) |
| Total Revenues | 150,110 | 60 | 54 | (6) |
| EXPENDITURES | | | | |
| Capital outlay | 191,754 | - | - | - |
| REVENUES OVER (UNDER) EXPEN- DITURES | | | | |
| | (41,644) | 60 | 54 | (6) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 41,754 | - | - | - |
| NET CHANGE IN FUND BALANCE | \$ 110 | 60 | 54 | (6) |
| FUND BALANCE, JANUARY 1 | | | 10,467 | |
| FUND BALANCE , DECEMBER 31 | | | \$ 10,521 | |

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE (DEFICIT) -
BUDGET AND ACTUAL - HIGHWAY 63 TIF FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|--|----------------------------|-------------------------|--------------------|------------------------------------|
| REVENUES | | | | |
| Property tax | \$ - | - | 28 | 28 |
| Sales tax | 86,060 | 89,660 | 68,026 | (21,634) |
| Investment income | 225 | 520 | 393 | (127) |
| Total Revenues | 86,285 | 90,180 | 68,447 | (21,733) |
| EXPENDITURES | | | | |
| General government | 55,000 | 95,000 | 95,000 | - |
| Debt service - interest | 10,000 | 10,000 | 590 | (9,410) |
| Total Expenditures | 65,000 | 105,000 | 95,590 | (9,410) |
| NET CHANGE IN FUND BALANCE | \$ 21,285 | (14,820) | (27,143) | (12,323) |
| FUND BALANCE, JANUARY 1 | | | 10,005 | |
| FUND BALANCE (DEFICIT), DECEMBER 31 | | | \$ (17,138) | |

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - DOWNTOWN TIF FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|-----------------------------------|----------------------------|-------------------------|---------------------|------------------------------------|
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 276,435 | 267,720 | 297,011 | 29,291 |
| Sales | 109,870 | 113,150 | 100,745 | (12,405) |
| Investment income | 2,850 | 5,750 | 4,958 | (792) |
| Other | 112,500 | - | - | - |
| Total Revenues | 501,655 | 386,620 | 402,714 | 16,094 |
| EXPENDITURES | | | | |
| Capital outlay | 1,292,500 | 91,070 | 78,287 | (12,783) |
| NET CHANGE IN FUND BALANCE | \$ (790,845) | 295,550 | 324,427 | 28,877 |
| FUND BALANCE, JANUARY 1 | | | 962,368 | |
| FUND BALANCE, DECEMBER 31 | | | \$ 1,286,795 | |

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - COMMUNITY PARTNERSHIP FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|-----------------------------------|----------------------------|-------------------------|---------------|------------------------------------|
| REVENUES | | | | |
| Investment income | \$ 10 | 10 | 6 | (4) |
| EXPENDITURES | - | - | - | - |
| NET CHANGE IN FUND BALANCE | \$ 10 | 10 | 6 | (4) |
| FUND BALANCE, JANUARY 1 | | | 393 | |
| FUND BALANCE, DECEMBER 31 | | | \$ 399 | |

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - PARKS AND RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|-----------------------------------|----------------------------|-------------------------|-------------------|------------------------------------|
| REVENUES | | | | |
| Sales tax | \$ 1,315,966 | 1,343,190 | 1,369,374 | 26,184 |
| Intergovernmental | 65,000 | - | - | - |
| Charges for services | 240,740 | 229,289 | 238,308 | 9,019 |
| Investment income | 1,900 | 2,200 | 2,710 | 510 |
| Other | 2,975 | 4,642 | 4,679 | 37 |
| Total Revenues | 1,626,581 | 1,579,321 | 1,615,071 | 35,750 |
| EXPENDITURES | | | | |
| Parks and recreation | 876,225 | 762,129 | 733,340 | (28,789) |
| Capital outlay | 799,300 | 297,224 | 292,401 | (4,823) |
| Total Expenditures | 1,675,525 | 1,059,353 | 1,025,741 | (33,612) |
| NET CHANGE IN FUND BALANCE | \$ (48,944) | 519,968 | 589,330 | 69,362 |
| FUND BALANCE, JANUARY 1 | | | 300,164 | |
| FUND BALANCE, DECEMBER 31 | | | \$ 889,494 | |

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - INDUSTRIAL PARK FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|------------------------------------|----------------------------|-------------------------|---------------|------------------------------------|
| REVENUES | \$ - | - | - | - |
| EXPENDITURES | | | | |
| Public building | 8,099 | 7,962 | 7,961 | (1) |
| REVENUES UNDER EXPENDITURES | (8,099) | (7,962) | (7,961) | 1 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 8,099 | 7,962 | 7,961 | (1) |
| NET CHANGE IN FUND BALANCE | \$ - | - | - | - |
| FUND BALANCE, JANUARY 1 | | | - | |
| FUND BALANCE, DECEMBER 31 | | | \$ - | |

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - VETERANS MEMORIAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|-----------------------------------|----------------------------|-------------------------|-----------------|------------------------------------|
| REVENUES | | | | |
| Investment income | \$ 11 | 11 | 11 | - |
| Other | 400 | 400 | 200 | (200) |
| Total Revenues | 411 | 411 | 211 | (200) |
| EXPENDITURES | | | | |
| General government | 400 | 400 | 400 | - |
| NET CHANGE IN FUND BALANCE | \$ 11 | 11 | (189) | (200) |
| FUND BALANCE, JANUARY 1 | | | 2,208 | |
| FUND BALANCE, DECEMBER 31 | | | \$ 2,019 | |

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL - CEMETERY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|-----------------------------------|----------------------------|-------------------------|---------------|------------------------------------|
| REVENUES | | | | |
| Contributions | \$ - | 1,950 | 1,465 | (485) |
| Investment income | 400 | 533 | 566 | 33 |
| Total Revenues | 400 | 2,483 | 2,031 | (452) |
| EXPENDITURES | - | - | - | - |
| REVENUES OVER EXPENDITURES | 400 | 2,483 | 2,031 | (452) |
| OTHER FINANCING USES | | | | |
| Transfers out | (400) | (15,533) | (15,856) | 323 |
| NET CHANGE IN FUND BALANCE | \$ - | (13,050) | (13,825) | (775) |
| FUND BALANCE, JANUARY 1 | | | 57,916 | |
| FUND BALANCE, DECEMBER 31 | | | \$ 44,091 | |

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - REVOLVING LOAN FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|---|----------------------------|-------------------------|-------------------|------------------------------------|
| REVENUES | | | | |
| Investment income | \$ 11,400 | 11,595 | 2,694 | (8,901) |
| Other | 8,196 | 24,975 | 16,520 | (8,455) |
| Total Revenues | 19,596 | 36,570 | 19,214 | (17,356) |
| EXPENDITURES | | | | |
| General government | 115,000 | - | - | - |
| REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | (95,404) | 36,570 | 19,214 | (17,356) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 15,000 | 15,000 | 15,000 | - |
| NET CHANGE IN FUND BALANCE | \$ (80,404) | 51,570 | 34,214 | (17,356) |
| FUND BALANCE, JANUARY 1 | | | 327,869 | |
| FUND BALANCE, DECEMBER 31 | | | \$ 362,083 | |

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL IMPROVEMENT SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Original Budget | Final Budget | Actual | Over (Under) Budget |
|---|----------------------------|-------------------------|-------------------|------------------------------------|
| REVENUES | | | | |
| Sales tax | \$ 693,100 | 706,700 | 715,979 | 9,279 |
| Intergovernmental | 1,030,471 | 22,163 | 22,163 | - |
| Investment income | 2,500 | 2,500 | 2,425 | (75) |
| Other | 222,626 | 167,500 | 167,500 | - |
| Total Revenues | 1,948,697 | 898,863 | 908,067 | 9,204 |
| EXPENDITURES | | | | |
| Capital outlay | 1,799,380 | 1,624,330 | 1,568,740 | (55,590) |
| Debt service: | | | | |
| Principal | 86,006 | 86,005 | 86,005 | - |
| Interest | 10,176 | 10,176 | 10,176 | - |
| Total Expenditures | 1,895,562 | 1,720,511 | 1,664,921 | (55,590) |
| REVENUES OVER (UNDER) EX- PENDITURES | 53,135 | (821,648) | (756,854) | 64,794 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 165,000 | 165,000 | - |
| Transfers out | (328,491) | (247,962) | (247,961) | (1) |
| Total Other Financing Sources (Uses) | (328,491) | (82,962) | (82,961) | (1) |
| NET CHANGE IN FUND BALANCE | \$ (275,356) | (904,610) | (839,815) | 64,795 |
| FUND BALANCE, JANUARY 1 | | | 1,310,643 | |
| FUND BALANCE, DECEMBER 31 | | | \$ 470,828 | |

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - COMBINING STATEMENT
OF FIDUCIARY NET POSITION - PRIVATE-PURPOSE TRUST FUNDS
DECEMBER 31, 2018

| | Tri-Centennial Trust Fund | Nancy Reed Fugate Trust Fund | Total |
|-----------------------------------|--------------------------------------|---|--------------|
| ASSETS | | | |
| Cash and short-term investments | \$ 394 | 6,124 | 6,518 |
| Interest receivable | - | 32 | 32 |
| Total Assets | 394 | 6,156 | 6,550 |
| LIABILITIES | | | |
| | - | - | - |
| NET POSITION | | | |
| Held in trust for private-purpose | \$ 394 | 6,156 | 6,550 |

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - COMBINING STATEMENT OF
CHANGES IN FIDUCIARY NET POSITION - PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Tri-Centennial Trust Fund</u> | <u>Nancy Reed Fugate Trust Fund</u> | <u>Total</u> |
|----------------------------------|--------------------------------------|---|---------------------|
| ADDITIONS | | | |
| Interest income | \$ 5 | 61 | 66 |
| DEDUCTIONS | | | |
| Repayments | <u> -</u> | <u>46</u> | <u>46</u> |
| CHANGE IN NET POSITION | 5 | 15 | 20 |
| NET POSITION, JANUARY 1 | <u>389</u> | <u>6,141</u> | <u>6,530</u> |
| NET POSITION, DECEMBER 31 | <u><u>\$ 394</u></u> | <u><u>6,156</u></u> | <u><u>6,550</u></u> |

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - COMBINING
STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS
DECEMBER 31, 2018

| | Central Garage | Self- insurance | Total |
|--|---------------------------|----------------------------|--------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 51,964 | 1,119,831 | 1,171,795 |
| Accounts receivable | - | 20,752 | 20,752 |
| Inventories | 18,862 | - | 18,862 |
| Prepaid items | 3,167 | - | 3,167 |
| Total Current Assets | 73,993 | 1,140,583 | 1,214,576 |
| Noncurrent Assets | | | |
| Cash and cash equivalents - restricted | - | 20,820 | 20,820 |
| Net pension asset | 3,455 | - | 3,455 |
| Capital assets: | | | |
| Nondepreciable | 24,900 | - | 24,900 |
| Depreciable, net | 12,535 | - | 12,535 |
| Total Noncurrent Assets | 40,890 | 20,820 | 61,710 |
| Total Assets | 114,883 | 1,161,403 | 1,276,286 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred amounts related to pensions | 20,859 | - | 20,859 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable | 40,633 | 4,555 | 45,188 |
| Accrued liabilities | 8,998 | - | 8,998 |
| Claims liability | - | 110,704 | 110,704 |
| Compensated absences - current | 10,489 | - | 10,489 |
| Total Current Liabilities | 60,120 | 115,259 | 175,379 |
| Noncurrent Liabilities | | | |
| Compensated absences | 31,466 | - | 31,466 |
| Total Liabilities | 91,586 | 115,259 | 206,845 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred amounts related to pensions | 19,857 | - | 19,857 |
| NET POSITION | | | |
| Net investment in capital assets | 37,435 | - | 37,435 |
| Unrestricted | (13,136) | 1,046,144 | 1,033,008 |
| Total Net Position | \$ 24,299 | 1,046,144 | 1,070,443 |

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - COMBINING STATEMENT OF REVENUES,
EXPENSES, AND CHANGE IN NET POSITION - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Central Garage | Self- insurance | Total |
|----------------------------------|---------------------------|----------------------------|------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 420,517 | - | 420,517 |
| Fuel sales | 181,540 | - | 181,540 |
| Contributions | - | 1,449,459 | 1,449,459 |
| Other | - | 454,994 | 454,994 |
| Total Operating Revenues | <u>602,057</u> | <u>1,904,453</u> | <u>2,506,510</u> |
| OPERATING EXPENSES | | | |
| Personnel services | 269,261 | - | 269,261 |
| Contractual services | 1,434 | - | 1,434 |
| Repairs and maintenance | 5,692 | - | 5,692 |
| Utilities | 8,888 | - | 8,888 |
| Depreciation | 4,315 | - | 4,315 |
| Fuel and lubricants | 321,758 | - | 321,758 |
| Self-insured health claims | - | 2,257,574 | 2,257,574 |
| Other | 6,750 | - | 6,750 |
| Total Operating Expenses | <u>618,098</u> | <u>2,257,574</u> | <u>2,875,672</u> |
| OPERATING LOSS | (16,041) | (353,121) | (369,162) |
| NONOPERATING REVENUES | | | |
| Investment income | - | 7,892 | 7,892 |
| CHANGE IN NET POSITION | (16,041) | (345,229) | (361,270) |
| NET POSITION, JANUARY 1 | <u>40,340</u> | <u>1,391,373</u> | <u>1,431,713</u> |
| NET POSITION, DECEMBER 31 | <u>\$ 24,299</u> | <u>1,046,144</u> | <u>1,070,443</u> |

CITY OF KIRKSVILLE, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - COMBINING STATEMENT OF
CASH FLOWS - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Central Garage | Self- insurance | Total |
|--|---------------------------|----------------------------|--------------|
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| Cash flows from operating activities: | | | |
| Receipts from customers and users | \$ 602,057 | 1,494,687 | 2,096,744 |
| Payments to suppliers | (321,869) | (2,214,478) | (2,536,347) |
| Payments to employees | (243,612) | - | (243,612) |
| Other | - | 454,994 | 454,994 |
| Net Cash Provided By (Used In) Operating Activities | 36,576 | (264,797) | (228,221) |
| Cash flows provided by investing activities: | | | |
| Investment income received | - | 7,891 | 7,891 |
| | - | 7,891 | 7,891 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 36,576 | (256,906) | (220,330) |
| CASH AND CASH EQUIVALENTS, JANUARY 1 | 15,388 | 1,397,557 | 1,412,945 |
| CASH AND CASH EQUIVALENTS, DECEMBER 31 | \$ 51,964 | 1,140,651 | 1,192,615 |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | |
| Operating loss | \$ (16,041) | (353,121) | (369,162) |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities: | | | |
| Depreciation | 4,315 | - | 4,315 |
| (Increase) decrease in: | | | |
| Accounts receivable | - | 45,228 | 45,228 |
| Inventories | (2,403) | - | (2,403) |
| Prepaid items | 628 | - | 628 |
| Net pension asset | 3,740 | - | 3,740 |
| Deferred outflows - pension related | 7,201 | - | 7,201 |
| Increase (decrease) in: | | | |
| Accounts payable | 24,428 | (293) | 24,135 |
| Accrued liabilities | 678 | - | 678 |
| Claims liability | - | 43,389 | 43,389 |
| Compensated absences | 5,789 | - | 5,789 |
| Deferred inflows - pension related | 8,241 | - | 8,241 |
| Total Adjustments | 52,617 | 88,324 | 140,941 |
| Net Cash Provided By (Used In) Operating Activities | \$ 36,576 | (264,797) | (228,221) |

STATISTICAL SECTION

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This part of the City’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City’s overall financial health.

| Contents | Pages |
|--|--------------|
| Financial Trends These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time. | 93 - 97 |
| Revenue Capacity These schedules contain information to help the reader assess the City’s most significant local revenue sources. | 98 - 104 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future. | 105 - 109 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place. | 110 - 111 |
| Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs. | 112 - 114 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF KIRKSVILLE, MISSOURI
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

| | December 31 | | | | | | | | | |
|----------------------------------|-----------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| Governmental Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 55,678,196 | 56,223,348 | 57,646,444 | 57,464,322 | 58,518,622 | 59,913,046 | 58,729,776 | 60,030,622 | 60,198,287 | 59,332,731 |
| Restricted | 3,619,680 | 4,274,591 | 3,187,295 | 2,918,721 | 2,634,438 | 2,338,300 | 1,739,701 | 1,192,855 | 729,308 | 905,520 |
| Unrestricted | 6,510,929 | 4,332,354 | 1,444,357 | (218,086) | (1,595,693) | (5,913,664) | (6,846,652) | 407,859 | 476,045 | 937,457 |
| Total Governmental Activities | | | | | | | | | | |
| Net Position | <u>\$ 65,808,805</u> | <u>64,830,293</u> | <u>62,278,096</u> | <u>60,164,957</u> | <u>59,557,367</u> | <u>56,337,682</u> | <u>53,622,825</u> | <u>61,631,336</u> | <u>61,403,640</u> | <u>61,175,708</u> |
| Business-type Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 31,519,639 | 32,143,837 | 30,605,641 | 29,445,421 | 27,143,630 | 27,987,542 | 26,598,691 | 25,784,268 | 24,979,883 | 25,870,212 |
| Restricted | 651,555 | 605,725 | 602,825 | 574,350 | 543,785 | 1,080,367 | 800,253 | 725,794 | 742,682 | 741,825 |
| Unrestricted | 14,265,869 | 11,703,453 | 10,026,846 | 8,978,650 | 9,077,375 | 5,536,760 | 6,748,452 | 5,252,572 | 5,560,554 | 3,322,023 |
| Total Business-type Activities | | | | | | | | | | |
| Net Position | <u>\$ 46,437,063</u> | <u>44,453,015</u> | <u>41,235,312</u> | <u>38,998,421</u> | <u>36,764,790</u> | <u>34,604,669</u> | <u>34,147,396</u> | <u>31,762,634</u> | <u>31,283,119</u> | <u>29,934,060</u> |
| Primary Government | | | | | | | | | | |
| Net investment in capital assets | \$ 87,197,835 | 88,367,185 | 88,252,085 | 86,909,743 | 85,662,252 | 87,900,588 | 85,328,467 | 85,814,890 | 85,178,170 | 85,202,943 |
| Restricted | 4,271,235 | 4,880,316 | 3,790,120 | 3,493,071 | 3,178,223 | 3,418,667 | 2,539,954 | 1,918,649 | 1,471,990 | 1,647,345 |
| Unrestricted | 20,776,798 | 16,035,807 | 11,471,203 | 8,760,564 | 7,481,682 | (376,904) | (98,200) | 5,660,431 | 6,036,599 | 4,259,480 |
| Total Primary Government | | | | | | | | | | |
| Net Position | <u>\$ 112,245,868</u> | <u>109,283,308</u> | <u>103,513,408</u> | <u>99,163,378</u> | <u>96,322,157</u> | <u>90,942,351</u> | <u>87,770,221</u> | <u>93,393,970</u> | <u>92,686,759</u> | <u>91,109,768</u> |

Source: Basic financial statements

CITY OF KIRKSVILLE, MISSOURI
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS

| | For The Years Ended December 31 | | | | | | | | | |
|---------------------------------------|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| EXPENSES | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| General administration | \$ 3,101,252 | 2,127,676 | 2,081,046 | 2,394,957 | 1,855,099 | 2,078,920 | 1,956,578 | 2,346,823 | 2,071,732 | 2,911,218 |
| Public safety | 4,883,902 | 4,119,179 | 4,322,106 | 3,866,575 | 3,688,805 | 3,813,824 | 3,781,933 | 2,913,851 | 3,413,337 | 3,139,495 |
| Public works | 5,423,230 | 5,700,247 | 5,470,942 | 5,266,443 | 5,737,057 | 4,603,460 | 12,044,796 | 3,201,080 | 2,837,853 | 3,590,509 |
| Public building | 248,035 | 236,559 | 279,168 | 242,499 | 227,224 | 241,662 | 236,325 | 325,364 | 232,426 | 178,836 |
| Parks and recreation | 920,012 | 686,346 | 644,072 | 555,336 | 553,850 | 485,737 | 525,997 | 523,582 | 616,851 | 576,625 |
| Public transportation | 1,509,193 | 1,206,335 | 1,092,479 | 1,134,572 | 1,258,851 | 1,348,022 | 1,257,117 | 1,270,252 | 1,260,987 | 560,191 |
| Interest on long-term debt | 33,517 | 20,216 | 2,162 | 5,528 | 23,458 | 29,266 | 34,365 | 148,447 | 25,576 | 19,160 |
| Total Governmental Activities | | | | | | | | | | |
| Expenses | 16,119,141 | 14,096,558 | 13,891,975 | 13,465,910 | 13,344,344 | 12,600,891 | 19,837,111 | 10,729,399 | 10,458,762 | 10,976,034 |
| Business-type Activities | | | | | | | | | | |
| Utility | 8,556,847 | 6,206,679 | 6,339,190 | 6,005,743 | 6,000,374 | 5,711,703 | 5,404,669 | 6,663,804 | 6,370,809 | 5,428,715 |
| Total Primary Government | | | | | | | | | | |
| Expenses | 24,675,988 | 20,303,237 | 20,231,165 | 19,471,653 | 19,344,718 | 18,312,594 | 25,241,780 | 17,393,203 | 16,829,571 | 16,404,749 |
| PROGRAM REVENUES | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General administration | 498,936 | 446,035 | 583,058 | 590,009 | 540,822 | 496,314 | 502,898 | 403,285 | 259,144 | 277,499 |
| Public safety | 77,331 | 89,035 | 133,112 | 140,957 | 122,951 | 143,718 | 144,880 | 172,267 | 103,513 | 100,041 |
| Public works | 506,476 | 602,812 | 573,053 | 420,510 | 387,993 | 388,289 | 416,583 | 401,956 | 392,825 | 478,397 |
| Parks and recreation | 242,420 | 243,500 | 86,380 | 88,103 | 87,679 | 87,991 | 79,683 | 115,377 | 225,658 | 227,974 |
| Public transportation | 870,280 | 816,215 | 658,907 | 755,872 | 891,494 | 891,440 | 795,476 | 792,605 | 666,607 | 622,487 |
| Operating grants and contributions | 1,197,575 | 757,209 | 1,694,166 | 876,491 | 646,987 | 1,213,310 | 1,324,777 | 904,057 | 1,005,831 | 1,231,071 |
| Capital grants and contributions | 52,010 | 1,807,366 | 1,164,820 | 571,506 | 754,978 | 1,709,744 | 407,500 | 113,785 | 343,221 | 1,353,339 |
| Total Governmental Activities | | | | | | | | | | |
| Program Revenues | 3,445,028 | 4,762,172 | 4,893,496 | 3,443,448 | 3,432,904 | 4,930,806 | 3,671,797 | 2,903,332 | 2,996,799 | 4,290,808 |
| Business-type Activities | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Utility | 10,043,027 | 8,992,989 | 8,202,351 | 7,824,245 | 7,249,841 | 6,483,260 | 6,682,888 | 6,562,037 | 5,960,268 | 5,333,826 |
| Capital grants and contributions | 64,101 | 46,243 | 51,649 | 64,963 | 53,255 | 53,041 | 209,999 | 61,808 | 1,234,117 | - |
| Total Business-type Activities | | | | | | | | | | |
| Program Revenues | 10,107,128 | 9,039,232 | 8,254,000 | 7,889,208 | 7,303,096 | 6,536,301 | 6,892,887 | 6,623,845 | 7,194,385 | 5,333,826 |
| Total Primary Government | | | | | | | | | | |
| Program Revenues | 13,552,156 | 13,801,404 | 13,147,496 | 11,332,656 | 10,736,000 | 11,467,107 | 10,564,684 | 9,527,177 | 10,191,184 | 9,624,634 |

CITY OF KIRKSVILLE, MISSOURI
CHANGE IN NET POSITION (Continued)
LAST TEN FISCAL YEARS

| | For The Years Ended December 31 | | | | | | | | | |
|---|--|--------------------|---------------------|--------------------|--------------------|--------------------|---------------------|--------------------|--------------------|--------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| NET REVENUES (EXPENSES) | | | | | | | | | | |
| Governmental activities | (12,674,113) | (9,334,386) | (8,998,479) | (10,022,462) | (9,911,440) | (7,670,085) | (16,165,314) | (7,826,067) | (7,461,963) | (6,685,226) |
| Business-type activities | 1,550,281 | 2,832,553 | 1,914,810 | 1,883,465 | 1,302,722 | 824,598 | 1,488,218 | (39,959) | 823,576 | (94,889) |
| Total Primary Government Net Revenues (Expenses) | <u>(11,123,832)</u> | <u>(6,501,833)</u> | <u>(7,083,669)</u> | <u>(8,138,997)</u> | <u>(8,608,718)</u> | <u>(6,845,487)</u> | <u>(14,677,096)</u> | <u>(7,866,026)</u> | <u>(6,638,387)</u> | <u>(6,780,115)</u> |
| GENERAL REVENUES AND TRANSFERS | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Sales | 8,916,732 | 7,320,974 | 6,772,313 | 6,458,469 | 6,498,449 | 6,381,196 | 5,026,140 | 4,499,267 | 4,343,186 | 4,321,402 |
| Property | 1,555,370 | 1,503,929 | 1,492,866 | 1,439,729 | 1,438,604 | 1,364,846 | 1,364,878 | 1,339,133 | 1,144,031 | 1,217,459 |
| Franchise | 1,943,162 | 1,784,930 | 1,601,119 | 1,693,202 | 1,678,349 | 1,693,599 | 1,541,560 | 1,605,036 | 1,646,875 | 1,584,974 |
| Other | 1,055,121 | 1,024,196 | 841,646 | 776,122 | 734,059 | 702,318 | 385,235 | 382,249 | 341,623 | 246,881 |
| Investment income | 40,653 | 33,773 | 32,847 | 27,216 | 36,029 | 27,820 | 48,909 | 52,934 | 9,733 | 5,877 |
| Other | 259,036 | 268,781 | 370,827 | 229,208 | 249,305 | 196,633 | 249,903 | 224,643 | 253,947 | 102,814 |
| Gain on sale of assets | 37,789 | - | - | 6,106 | 14,266 | - | - | - | - | - |
| Transfers | (155,238) | (50,000) | - | - | 500 | 18,530 | (538,107) | (49,499) | (49,500) | 500 |
| Total Governmental Activities General Revenues And Transfers | <u>13,652,625</u> | <u>11,886,583</u> | <u>11,111,618</u> | <u>10,630,052</u> | <u>10,649,561</u> | <u>10,384,942</u> | <u>8,078,518</u> | <u>8,053,763</u> | <u>7,689,895</u> | <u>7,479,907</u> |
| Business-type Activities | | | | | | | | | | |
| Investment income | 267,137 | 279,410 | 303,582 | 325,086 | 351,039 | 396,122 | 412,838 | 437,766 | 457,824 | 400,894 |
| Other | 11,392 | 22,070 | 11,799 | 13,720 | 21,935 | 113,668 | 8,618 | 32,209 | 18,159 | - |
| Transfers | 155,238 | 50,000 | - | - | (500) | (18,530) | 538,107 | 49,499 | 49,500 | (500) |
| Special item | - | - | - | - | - | (858,585) | - | - | - | - |
| Gain on sale of assets | - | 33,670 | 6,700 | 11,360 | 391 | - | - | - | - | - |
| Total Business-type Activities General Revenues, Transfers, And Special Items | <u>433,767</u> | <u>385,150</u> | <u>322,081</u> | <u>350,166</u> | <u>372,865</u> | <u>(367,325)</u> | <u>959,563</u> | <u>519,474</u> | <u>525,483</u> | <u>400,394</u> |
| Total Primary Government General Revenues, Transfers, And Special Items | <u>14,086,392</u> | <u>12,271,733</u> | <u>11,433,699</u> | <u>10,980,218</u> | <u>11,022,426</u> | <u>10,017,617</u> | <u>9,038,081</u> | <u>8,573,237</u> | <u>8,215,378</u> | <u>7,880,301</u> |
| CHANGE IN NET POSITION | | | | | | | | | | |
| Governmental activities | 978,512 | 2,552,197 | 2,113,139 | 607,590 | 738,121 | 2,714,857 | (8,086,796) | 227,696 | 227,932 | 794,681 |
| Business-type activities | 1,984,048 | 3,217,703 | 2,236,891 | 2,233,631 | 1,675,587 | 457,273 | 2,447,781 | 479,515 | 1,349,059 | 305,505 |
| Total Primary Government Change In Net Position | <u>\$ 2,962,560</u> | <u>5,769,900</u> | <u>\$ 4,350,030</u> | <u>2,841,221</u> | <u>2,413,708</u> | <u>3,172,130</u> | <u>(5,639,015)</u> | <u>707,211</u> | <u>1,576,991</u> | <u>1,100,186</u> |

Source: Basic financial statements

CITY OF KIRKSVILLE, MISSOURI
FUND BALANCES (DEFICITS), GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

| | December 31 | | | | | | | | | |
|-------------------------------------|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 474,990 | 511,430 | 487,899 | 495,014 | 459,186 | 115,598 | 116,388 | 112,480 | - | - |
| Assigned | 1,535,229 | 346 | 10,889 | 498,597 | 531,486 | 11,570 | 85,428 | 6,126 | - | - |
| Unassigned | 4,608,275 | 4,376,694 | 3,334,858 | 2,386,823 | 2,044,314 | 2,275,683 | 1,803,055 | 1,971,796 | - | - |
| Reserved | - | - | - | - | - | - | - | - | 92,346 | 104,405 |
| Unreserved | - | - | - | - | - | - | - | - | 2,361,510 | 2,322,970 |
| Total General Fund | <u>\$ 6,618,494</u> | <u>4,888,470</u> | <u>3,833,646</u> | <u>3,380,434</u> | <u>3,034,986</u> | <u>2,402,851</u> | <u>2,004,871</u> | <u>2,090,402</u> | <u>2,453,856</u> | <u>2,427,375</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Nonspendable | \$ 168,061 | 356,531 | 127,679 | 76,402 | 58,555 | 140,831 | 57,294 | 84,830 | - | - |
| Restricted | 3,532,932 | 4,252,843 | 3,202,436 | 2,898,011 | 2,632,884 | 2,358,068 | 1,674,970 | 1,140,802 | - | - |
| Committed | 245,697 | - | - | - | - | - | - | - | - | - |
| Unassigned | (746,495) | (796,205) | (986,034) | (975,213) | (1,029,559) | (831,726) | (890,595) | (1,053,969) | - | - |
| Reserved | - | - | - | - | - | - | - | - | 810,718 | 707,849 |
| Unreserved: | | | | | | | | | | |
| Special Revenue Funds | - | - | - | - | - | - | - | - | (1,462,270) | (1,668,719) |
| Capital Projects Funds | - | - | - | - | - | - | - | - | (224,370) | 270,626 |
| Total All Other Governmental Funds | <u>\$ 3,200,195</u> | <u>3,813,169</u> | <u>2,344,081</u> | <u>1,999,200</u> | <u>1,661,880</u> | <u>1,667,173</u> | <u>841,669</u> | <u>171,663</u> | <u>(875,922)</u> | <u>(690,244)</u> |

Source: Basic financial statements

GASB 54 was implemented in 2011.

CITY OF KIRKSVILLE, MISSOURI
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

| | For The Years Ended December 31 | | | | | | | | | |
|---|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| REVENUES | | | | | | | | | | |
| Taxes | \$ 13,326,027 | 11,471,017 | 10,554,102 | 10,245,796 | 10,224,627 | 10,059,842 | 8,201,345 | 7,748,831 | 8,165,484 | 7,338,116 |
| Intergovernmental | 1,076,203 | 2,647,775 | 2,794,157 | 1,479,462 | 1,488,885 | 2,273,532 | 1,278,925 | 1,033,784 | 1,006,249 | 2,176,788 |
| Licenses and permits | 506,063 | 601,773 | 572,124 | 420,510 | 387,993 | 388,289 | 416,583 | 402,307 | 393,176 | 376,321 |
| Charges for services | 1,109,001 | 1,060,754 | 924,971 | 1,040,382 | 1,151,758 | 1,145,938 | 1,061,501 | 1,063,267 | 907,129 | 844,000 |
| Fines and forfeitures | 77,331 | 89,035 | 133,112 | 140,957 | 122,951 | 143,718 | 144,880 | 191,685 | 122,931 | 109,935 |
| Investment income | 40,653 | 33,773 | 32,847 | 27,216 | 36,029 | 27,820 | 48,909 | 52,934 | 9,733 | 5,877 |
| Payments from Enterprise Fund | 483,949 | 428,427 | 389,036 | 373,603 | 345,477 | 308,245 | 316,556 | 248,000 | 244,280 | 267,605 |
| Other | 350,582 | 319,672 | 409,942 | 298,900 | 293,137 | 255,510 | 327,844 | 346,663 | 278,424 | 332,898 |
| Total Revenues | <u>16,969,809</u> | <u>16,652,226</u> | <u>15,810,291</u> | <u>14,026,826</u> | <u>14,050,857</u> | <u>14,602,894</u> | <u>11,796,543</u> | <u>11,087,471</u> | <u>11,127,406</u> | <u>11,451,540</u> |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 2,306,527 | 2,224,700 | 2,266,694 | 2,196,749 | 1,957,872 | 1,902,392 | 1,979,118 | 1,946,365 | 2,139,080 | 2,590,430 |
| Public safety | 3,972,551 | 3,810,211 | 3,829,321 | 3,540,645 | 3,402,246 | 3,384,551 | 3,271,837 | 3,273,365 | 3,223,232 | 2,949,244 |
| Public works | 2,156,771 | 3,331,236 | 2,024,221 | 2,232,149 | 2,170,407 | 2,258,002 | 9,654,182 | 1,968,646 | 2,270,433 | 1,952,520 |
| Public building | 227,219 | 254,048 | 269,109 | 277,753 | 228,472 | 244,496 | 304,013 | 324,741 | 263,327 | 191,725 |
| Parks and recreation | 733,340 | 551,958 | 494,077 | 409,495 | 412,289 | 636,860 | 534,632 | 528,400 | 772,434 | 484,268 |
| Public transportation | 995,744 | 875,453 | 817,201 | 882,235 | 1,021,400 | 1,044,171 | 944,934 | 1,051,798 | 937,957 | 828,424 |
| Capital outlay | 3,234,265 | 3,182,357 | 3,958,285 | 2,387,893 | 2,542,004 | 3,710,361 | 1,316,504 | 1,718,017 | 1,803,106 | 2,528,185 |
| Debt service: | | | | | | | | | | |
| Principal | 2,078,839 | 1,358,774 | 1,381,884 | 1,418,722 | 1,704,085 | 220,379 | 218,629 | 139,795 | 80,767 | 16,412 |
| Interest | 30,054 | 14,521 | 6,809 | 10,574 | 26,178 | 31,343 | 36,144 | 139,423 | 21,662 | 19,226 |
| Total Expenditures | <u>15,735,310</u> | <u>15,603,258</u> | <u>15,047,601</u> | <u>13,356,215</u> | <u>13,464,953</u> | <u>13,432,555</u> | <u>18,259,993</u> | <u>11,090,550</u> | <u>11,511,998</u> | <u>11,560,434</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>1,234,499</u> | <u>1,048,968</u> | <u>762,690</u> | <u>670,611</u> | <u>585,904</u> | <u>1,170,339</u> | <u>(6,463,450)</u> | <u>(3,079)</u> | <u>(384,592)</u> | <u>(108,894)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Issuance of long-term debt | - | - | - | - | - | - | - | - | 250,000 | - |
| Issuance of capital leases | - | 1,496,265 | - | - | - | - | - | 720,888 | - | - |
| Issuance of notes payable | - | - | - | - | - | - | 7,500,000 | - | - | - |
| Sale of capital assets | 36,531 | 8,552 | 33,376 | 6,106 | 20,292 | 34,615 | 86,032 | 15,821 | 24,895 | 16,552 |
| Insurance proceeds | 1,258 | 20,127 | 2,027 | 6,051 | 20,146 | - | - | - | - | - |
| Transfers in | 993,122 | 932,742 | 568,485 | 237,680 | 540,593 | 746,226 | 825,910 | 618,662 | 908,170 | 681,728 |
| Transfers out | (1,148,360) | (982,742) | (568,485) | (237,680) | (540,093) | (727,696) | (1,364,017) | (668,161) | (957,670) | (681,228) |
| Total Other Financing Sources (Uses) | <u>(117,449)</u> | <u>1,474,944</u> | <u>35,403</u> | <u>12,157</u> | <u>40,938</u> | <u>53,145</u> | <u>7,047,925</u> | <u>687,210</u> | <u>225,395</u> | <u>17,052</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ 1,117,050</u> | <u>2,523,912</u> | <u>798,093</u> | <u>682,768</u> | <u>626,842</u> | <u>1,223,484</u> | <u>584,475</u> | <u>684,131</u> | <u>(159,197)</u> | <u>(91,842)</u> |
| Debt service as a percentage of noncapital expenditures | 16.7 % | 11.7 | 12.3 | 12.7 | 14.9 | 2.7 | 1.6 | 2.9 | 1.1 | 0.2 |

Source: Basic financial statements

CITY OF KIRKSVILLE, MISSOURI
TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

| Fiscal Year | Property Taxes | Sales/Use Taxes | Franchise Taxes | PILOT | Lodging | Other | Total |
|--------------------|-----------------------|------------------------|------------------------|--------------|----------------|--------------|---------------|
| 2018 | \$ 1,567,235 | \$ 8,916,732 | \$ 1,943,162 | \$ 599,602 | \$ 222,508 | \$ 76,788 | \$ 13,326,027 |
| 2017 | 1,498,176 | 7,320,974 | 1,784,930 | 531,387 | 237,979 | 97,571 | 11,471,017 |
| 2016 | 1,488,446 | 6,772,313 | 1,601,119 | 392,493 | 198,586 | 101,145 | 10,554,102 |
| 2015 | 1,463,152 | 6,458,469 | 1,693,202 | 376,859 | 166,352 | 87,762 | 10,245,796 |
| 2014 | 1,441,304 | 6,498,449 | 1,678,349 | 345,477 | 160,132 | 100,916 | 10,224,627 |
| 2013 | 1,409,610 | 6,381,196 | 1,693,599 | 310,739 | 155,981 | 108,717 | 10,059,842 |
| 2012 | 1,357,454 | 5,026,140 | 1,541,560 | 2,559 | 155,669 | 117,963 | 8,201,345 |
| 2011 | 1,353,231 | 4,499,267 | 1,605,036 | 2,488 | 169,914 | 118,895 | 7,748,831 |
| 2010 | 1,256,089 | 4,343,186 | 1,646,875 | 2,636 | 152,400 | 764,298 | 8,165,484 |
| 2009 | 1,194,078 | 4,286,556 | 1,584,974 | 2,671 | 150,056 | 119,781 | 7,338,116 |

Source: Required supplemental information and basic financial statements

Effective January 1, 2013, a 2 1/2-cent use tax was implemented in the City by voter approval.

Effective October 1, 2017, a 1/2-cent parks and recreation sales tax was implemented in the City by voter approval.

CITY OF KIRKSVILLE, MISSOURI
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

| Fiscal Year | Real Property | | Personal Property | | Total | | Ratio Of Total Assessed Value To Total Estimated Actual Value | Total Direct Tax Rate |
|--------------------|-----------------------|-------------------------------|--------------------------|-------------------------------|-----------------------|-------------------------------|--|------------------------------|
| | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | | |
| 2018 | \$ 140,511,070 | \$ 645,372,675 | \$ 39,481,614 | \$ 118,456,688 | \$ 179,992,684 | \$ 763,829,363 | 23.6 % | 0.6763 |
| 2017 | 127,776,401 | 582,525,722 | 39,559,603 | 118,678,809 | 167,336,004 | 701,204,531 | 23.9 | 0.6916 |
| 2016 | 125,951,746 | 574,036,397 | 37,938,440 | 113,815,331 | 163,890,186 | 687,851,728 | 23.8 | 0.6910 |
| 2015 | 124,493,320 | 567,150,134 | 36,997,736 | 110,993,219 | 161,491,056 | 678,143,353 | 23.8 | 0.6875 |
| 2014 | 123,505,809 | 561,796,984 | 35,805,550 | 107,416,650 | 159,311,359 | 669,213,634 | 23.8 | 0.6872 |
| 2013 | 122,187,800 | 555,110,219 | 35,432,676 | 106,298,028 | 157,620,476 | 661,408,247 | 23.8 | 0.6824 |
| 2012 | 124,602,845 | 530,225,900 | 33,836,961 | 101,612,495 | 158,439,806 | 631,838,395 | 25.1 | 0.6823 |
| 2011 | 127,395,706 | 541,840,918 | 32,528,772 | 92,974,098 | 159,924,478 | 634,815,016 | 25.2 | 0.6633 |
| 2010 | 124,203,411 | 554,248,607 | 30,964,001 | 93,830,306 | 155,167,412 | 648,078,913 | 23.9 | 0.6633 |
| 2009 | 122,164,117 | 546,092,618 | 32,900,930 | 99,699,788 | 155,065,047 | 645,792,406 | 24.0 | 0.6547 |

Source: Adair County Assessor

Residential property is assessed at 19% of appraised value, agriculture at 12%, and commercial and industrial at 32%.

Personal property is valued at one-third of the property market value.

The City's property tax is levied each October on assessed value as of the prior January 1 for all property located in the City. Assessed valuations are established by the County Assessor. Property taxes are due in total by December 31 following the levy date.

Schedule does not include railroad and utility assessments.

CITY OF KIRKSVILLE, MISSOURI
PROPERTY TAX RATES, DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

| <u>Fiscal Year</u> | <u>City General</u> | <u>R-III School District</u> | <u>County</u> | <u>State</u> | <u>Special Road District</u> | <u>Other</u> | <u>Total Direct And Overlapping</u> |
|--------------------|---------------------|------------------------------|---------------|--------------|------------------------------|--------------|-------------------------------------|
| 2018 | 0.6763 | 4.1624 | 0.8910 | 0.0300 | 0.2760 | 0.6483 | 5.8821 |
| 2017 | 0.6916 | 4.2122 | - | 0.0300 | 0.2766 | 0.6500 | 5.8604 |
| 2016 | 0.6910 | 4.2013 | - | 0.0300 | 0.2764 | 0.6500 | 5.8487 |
| 2015 | 0.6875 | 4.2246 | - | 0.0300 | 0.2744 | 0.6473 | 5.8638 |
| 2014 | 0.6872 | 4.2300 | - | 0.0300 | 0.2757 | 0.6500 | 5.1857 |
| 2013 | 0.6824 | 4.1228 | - | 0.0300 | 0.2752 | 0.6500 | 5.0780 |
| 2012 | 0.6823 | 4.1228 | - | 0.0300 | 0.2752 | 0.6500 | 5.0780 |
| 2011 | 0.6633 | 4.1403 | - | 0.0300 | 0.2703 | 0.6496 | 5.0902 |
| 2010 | 0.6633 | 4.1181 | - | 0.0300 | 0.2703 | 0.6496 | 5.0680 |
| 2009 | 0.6547 | 4.1277 | - | 0.0300 | 0.2687 | 0.6488 | 5.0752 |

Source: Adair County Assessor

Overlapping debt is the total debt levy attributed to all taxing entities in a given city or county.

Other includes:

Adair County Health Department, Library District, Nursing Home, and SB 40 operating and debt service.

CITY OF KIRKSVILLE, MISSOURI
PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

| Taxpayer | 2018 | | | 2009 | | |
|--|-----------------------------------|-------------|--|-----------------------------------|-------------|--|
| | Taxable Assessed Valuation | Rank | Percentage Of Total City Taxable Assessed Value | Taxable Assessed Valuation | Rank | Percentage Of Total City Taxable Assessed Value |
| Community Health Systems (Northeast Regional Health) | \$ 5,343,060 | 1 | 2.97 % | \$ 3,056,870 | 3 | 1.97 % |
| Kraft Heinz Foods Company (formerly Adair Foods Company) | 4,235,352 | 2 | 2.35 | 4,502,630 | 1 | 2.90 |
| Wal-Mart Real Estate and Stores | 2,612,960 | 3 | 1.45 | 3,461,940 | 2 | 2.23 |
| Liberty Utilities (formerly ATMOS Energy) | 2,111,409 | 4 | 1.17 | 995,520 | 9 | 0.64 |
| Hollister, Inc. | 1,841,700 | 5 | 1.02 | 1,048,170 | 8 | 0.68 |
| The Home Depot | 1,417,840 | 6 | 0.79 | 1,560,030 | 4 | 1.01 |
| Hy-Vee Food Stores, Inc. | 1,332,678 | 7 | 0.74 | 1,436,950 | 5 | 0.93 |
| Cenveo (Commercial Envelope Manufacturing) | 1,324,090 | 8 | 0.74 | 1,110,960 | 6 | 0.72 |
| Kirksville Commons | 1,279,290 | 9 | 0.71 | - | - | - |
| Menards | 1,229,242 | 10 | 0.68 | - | - | - |
| Hartzell Hardwoods | - | - | - | - | - | - |
| University Housing Company | - | - | - | 901,390 | 10 | 0.58 |
| Yuhshin USA Ltd. (Ortech Co.) | - | - | - | 1,071,390 | 7 | 0.69 |
| Total | <u>\$ 22,727,621</u> | | <u>12.62 %</u> | <u>\$ 19,145,850</u> | | <u>12.35 %</u> |

Source: Adair County Assessor

CITY OF KIRKSVILLE, MISSOURI
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

| Fiscal Year | Total Tax Levy For Fiscal Year | Current Year Collections | | Subsequent Year Collections | Total Collections To Date | |
|--------------------|---------------------------------------|---------------------------------|--------------------------|------------------------------------|----------------------------------|--------------------------------|
| | | Amount | Percent Collected | | Amount | Percent Of Net Tax Levy |
| 2018 | \$ 1,135,052 | \$ 1,066,306 | 93.9 % | \$ 64,469 | \$ 1,130,775 | 99.6 % |
| 2017 | 1,108,608 | 1,019,800 | 92.0 | 61,772 | 1,081,572 | 97.6 |
| 2016 | 1,088,844 | 1,006,424 | 92.4 | 62,596 | 1,069,020 | 98.2 |
| 2015 | 1,065,841 | 986,951 | 92.6 | 58,975 | 1,045,926 | 98.1 |
| 2014 | 1,050,996 | 974,948 | 92.8 | 65,703 | 1,040,651 | 99.0 |
| 2013 | 1,075,601 | 952,136 | 88.5 | 116,047 | 1,068,183 | 99.3 |
| 2012 | 1,003,444 | 947,808 | 94.5 | 51,332 | 999,140 | 99.6 |
| 2011 | 997,820 | 900,368 | 90.2 | 94,444 | 994,812 | 99.7 |
| 2010 | 974,108 | 912,616 | 93.7 | 55,630 | 968,246 | 99.4 |
| 2009 | 962,323 | 878,430 | 91.3 | 70,764 | 949,194 | 98.6 |

Total tax levy is net of 4.2% administration fee paid to the Adair County for the collection of the property tax levies and does not include business surtax or railroad and utility taxes.

CITY OF KIRKSVILLE, MISSOURI
SALES TAX RATES, DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

| Fiscal Year | City | | | | | Economic Development | County | State | State Conservation | State Parks And Soil | County Ambulance District | Total Direct And Overlapping |
|-------------|---------|----------------|----------------------|--------------------|-------------------|----------------------|--------|--------|--------------------|----------------------|---------------------------|------------------------------|
| | General | Transportation | Capital Improvements | Parks & Recreation | Total Direct Rate | | | | | | | |
| 2018 | 1.0000 | 0.5000 | 0.2500 | 0.5000 | 2.2500 | 0.5000 | 1.0000 | 4.0000 | 0.1250 | 0.1000 | 0.3750 | 8.3500 |
| 2017 | 1.0000 | 0.5000 | 0.2500 | 0.5000 | 2.2500 | 0.5000 | 1.0000 | 4.0000 | 0.1250 | 0.1000 | 0.3750 | 8.3500 |
| 2016 | 1.0000 | 0.5000 | 0.2500 | - | 1.7500 | 0.5000 | 1.0000 | 4.0000 | 0.1250 | 0.1000 | 0.3750 | 7.8500 |
| 2015 | 1.0000 | 0.5000 | 0.2500 | - | 1.7500 | 0.5000 | 1.0000 | 4.0000 | 0.1250 | 0.1000 | 0.3750 | 7.8500 |
| 2014 | 1.0000 | 0.5000 | 0.2500 | - | 1.7500 | 0.5000 | 1.0000 | 4.0000 | 0.1250 | 0.1000 | 0.3750 | 7.8500 |
| 2013 | 1.0000 | 0.5000 | 0.2500 | - | 1.7500 | 0.5000 | 1.0000 | 4.0000 | 0.1250 | 0.1000 | 0.3750 | 7.8500 |
| 2012 | 1.0000 | 0.5000 | 0.2500 | - | 1.7500 | 0.5000 | 1.0000 | 4.0000 | 0.1250 | 0.1000 | 0.3750 | 7.8500 |
| 2011 | 1.0000 | 0.5000 | 0.2500 | - | 1.7500 | 0.5000 | 1.0000 | 4.0000 | 0.1250 | 0.1000 | 0.3750 | 7.8500 |
| 2010 | 1.0000 | 0.5000 | 0.2500 | - | 1.7500 | 0.5000 | 1.0000 | 4.0000 | 0.1250 | 0.1000 | 0.3750 | 7.8500 |
| 2009 | 1.0000 | 0.5000 | 0.2500 | - | 1.7500 | 0.5000 | 1.0000 | 4.0000 | 0.1250 | 0.1000 | 0.3750 | 7.8500 |

Source: Missouri Department of Revenue

On October 1, 2017 collections began for the Parks and Recreation 0.5% sales tax that was voter approved in April 2017.

The City currently has four community improvement districts that imposes an additional 1.0% sales tax on items sold within the boundaries of the districts bringing the total direct and overlapping tax to 9.35%.

CITY OF KIRKSVILLE, MISSOURI
SALES/USE TAX REVENUE BY TYPE
LAST TEN FISCAL YEARS

| Fiscal Year | Governmental | | | | | Total | Component Unit - CIDs |
|-------------|--------------|---------------------|----------------|----------------------|----------------------|--------------|-----------------------|
| | General | Capital Improvement | Transportation | Economic Development | Parks And Recreation | | |
| 2018 | \$ 3,841,018 | \$ 715,979 | \$ 1,431,959 | \$ 1,558,402 | \$ 1,369,374 | \$ 8,916,732 | \$ 118,356 |
| 2017 | 3,466,763 | 691,822 | 1,383,325 | 1,471,915 | 307,149 | 7,320,974 | 60,187 * |
| 2016 | 3,330,109 | 671,673 | 1,343,347 | 1,427,184 | - | 6,772,313 | 47,642 |
| 2015 | 3,148,981 | 761,860 | 1,296,760 | 1,250,868 | - | 6,458,469 | 44,395 |
| 2014 | 3,142,005 | 812,737 | 1,301,254 | 1,242,454 | - | 6,498,450 | 42,977 |
| 2013 | 2,825,797 | 901,408 | 1,352,242 | 1,301,749 | - | 6,381,196 | 42,566 |
| 2012 | 2,556,378 | 701,084 | 1,225,188 | 543,490 | - | 5,026,140 | 48,124 |
| 2011 | 2,541,025 | 743,505 | 1,214,737 | - | - | 4,499,267 | - |
| 2010 | 2,491,957 | 597,173 | 1,194,339 | - | - | 4,283,469 | - |
| 2009 | 2,425,559 | 579,610 | 1,159,219 | - | - | 4,164,388 | - |

Increase 2009 to 2018 58 % 24 24 N/A N/A 114 N/A

On October 1, 2017 collections began for the Parks and Recreation 0.5% sales tax that was voter approved in April 2017.

*2017 represents the first year for collections on three additional Community Improvement Districts.

CITY OF KIRKSVILLE, MISSOURI
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

| Fiscal Year | Governmental Activities | | Business-type Activities | | Total Primary Government | Percentage Of Personal Income (1) | Per Capita (1) |
|--------------------|--------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|--|-----------------------|
| | Capital Leases | Note Payable | Revenue Bonds | Note Payable | | | |
| 2018 | \$ 1,240,826 | \$ - | \$ 26,723,495 | \$ 1,930,390 | \$ 29,894,711 | * | 1,708 |
| 2017 | 1,434,586 | 1,885,079 | 27,553,978 | 2,410,627 | 33,284,270 | 9.16 % | 1,901 |
| 2016 | - | 3,182,174 | 19,211,860 | 2,881,567 | 25,275,601 | 7.39 | 1,444 |
| 2015 | 97,110 | 4,466,948 | 12,372,885 | 3,343,390 | 20,280,333 | 5.92 | 1,159 |
| 2014 | 243,262 | 5,739,518 | 13,325,759 | 3,796,273 | 23,104,812 | 6.52 | 1,320 |
| 2013 | 686,866 | 7,000,000 | 12,752,632 | 4,240,388 | 24,679,886 | 6.94 | 1,410 |
| 2012 | 907,244 | 7,500,000 | 13,613,506 | 4,675,906 | 26,696,656 | 7.76 | 1,535 |
| 2011 | 1,125,873 | - | 14,438,379 | - | 15,564,252 | 4.76 | 1,023 |
| 2010 | 544,780 | - | 15,246,165 | - | 15,790,945 | 4.74 | 902 |
| 2009 | 375,547 | - | 13,656,349 | - | 14,031,896 | 4.35 | 808 |

Note: Details regarding the City's outstanding debt can be found in the notes to financial statements.

(1) See Demographic and Economic Statistics table.

Data not available for the City denoted by an *.

CITY OF KIRKSVILLE, MISSOURI
RATIOS OF GENERAL BONDED DEBT
LAST TEN FISCAL YEARS

| Fiscal Year | Population | Assessed Valuation | Gross Bonded Debt | Less - Debt Service Fund | Debt Payable From Enterprise Revenues | Ratio Of Bonded Debt To Assessed Valuation | Bonded Debt per Capita |
|--------------------|-------------------|---------------------------|--------------------------|---------------------------------|--|---|-------------------------------|
| 2018 | 17,505 | \$ 179,992,684 | \$ - | \$ - | \$ - | - % | \$ - |
| 2017 | 17,505 | 167,336,004 | - | - | - | - | - |
| 2016 | 17,505 | 163,890,186 | - | - | - | - | - |
| 2015 | 17,505 | 161,491,056 | - | - | - | - | - |
| 2014 | 17,505 | 159,311,359 | - | - | - | - | - |
| 2013 | 17,505 | 157,620,476 | - | - | - | - | - |
| 2012 | 17,505 | 158,439,806 | - | - | - | - | - |
| 2011 | 17,505 | 159,924,478 | - | - | - | - | - |
| 2010 | 17,505 | 155,167,412 | - | - | - | - | - |
| 2009 | 17,368 | 155,065,047 | - | - | - | - | - |

Source: U.S. Census Bureau

CITY OF KIRKSVILLE, MISSOURI
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2018

| <u>Name Of Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share Of Overlapping Debt</u> |
|-----------------------------------|-----------------------------|--|--|
| R-III School District | \$ 12,610,000 | 81 % | \$ 10,166,182 |
| City governmental direct debt | <u>1,240,826</u> | 100 | <u>1,240,826</u> |
| Total Direct And Overlapping Debt | <u><u>\$ 13,850,826</u></u> | | <u><u>\$ 11,407,008</u></u> |

Overlapping governments are those that coincide, in part or in total, with the geographic boundaries of the City. The above percentage applicable to the City shows the portion of debt of the overlapping government unit that is borne by the City's taxpayers. The percentage of overlapping debt applicable is estimated using assessed property values. The applicable percentage is estimated by dividing the City's assessed valuation by the school district's total assessed valuation.

CITY OF KIRKSVILLE, MISSOURI
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

| | Fiscal Years | | | | | | | | | |
|--|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
| Assessed valuation, January 1 | <u>\$ 179,992,684</u> | <u>167,336,004</u> | <u>163,890,186</u> | <u>161,491,056</u> | <u>159,311,359</u> | <u>157,620,476</u> | <u>158,439,806</u> | <u>159,924,478</u> | <u>155,167,412</u> | <u>155,065,047</u> |
| Debt limit | \$ 35,998,537 | 33,467,201 | 32,778,037 | 32,298,211 | 31,862,272 | 31,524,095 | 31,687,961 | 31,984,896 | 31,033,482 | 31,013,009 |
| Net debt applicable to limit | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Legal Debt Margin | <u>\$ 35,998,537</u> | <u>33,467,201</u> | <u>32,778,037</u> | <u>32,298,211</u> | <u>31,862,272</u> | <u>31,524,095</u> | <u>31,687,961</u> | <u>31,984,896</u> | <u>31,033,482</u> | <u>31,013,909</u> |
| Total Net Debt Applicable To The Limit As Percentage Of Debt Limit | - % | - | - | - | - | - | - | - | - | - |

The Missouri State Constitution permits a city, by vote of two-thirds of the voting electorate, to incur general obligation indebtedness for "city purposes" not to exceed 10% of the assessed value of taxable tangible property and to incur additional general obligation indebtedness not exceeding, in the aggregate, an additional 10% of the value of taxable tangible property, for the purpose of acquiring rights-of-way, assessed construction, extending and improving streets and avenues, and/or sanitary or storm sewer systems; and purchasing or constructing waterworks, electric, or other light plants, provided that the total general obligation indebtedness of the City does not exceed 20% of the assessed valuation of taxable property.

CITY OF KIRKSVILLE, MISSOURI
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

Utility Revenue Bonds

| <u>Fiscal Year</u> | <u>Service Charges And Other</u> | <u>Less - Operating Expenses</u> | <u>Net Available Revenue</u> | <u>Debt Service</u> | | | <u>Coverage</u> |
|---|--|--|--------------------------------------|---------------------|-----------------|--------------|-----------------|
| | | | | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | |
| Combined Water & Sewer Bonds | | | | | | | |
| 2018 | \$ 10,385,657 | 5,146,276 | 5,239,381 | 1,504,000 | 616,238 | 2,120,238 | 2.48 % |
| 2017 | 9,374,382 | 4,275,953 | 5,098,429 | 1,094,000 | 465,162 | 1,559,162 | 3.27 |
| 2016 | 8,576,081 | 4,322,288 | 4,253,793 | 1,052,000 | 509,424 | 1,561,424 | 2.72 |
| 2015 | 8,239,073 | 4,006,244 | 4,232,829 | 953,000 | 539,100 | 1,492,100 | 2.84 |
| 2014 | 7,675,116 | 4,051,249 | 3,623,867 | 912,000 | 604,407 | 1,516,407 | 2.39 |
| 2013 | 7,046,091 | 3,972,379 | 3,073,712 | 861,000 | 602,426 | 1,463,426 | 2.10 |
| 2012 | 7,175,648 | 3,583,191 | 3,592,457 | 825,000 | 650,056 | 1,475,056 | 2.43 |
| 2011 | 7,094,731 | 4,342,117 | 2,752,614 | 807,916 | 679,857 | 1,487,773 | 1.85 |
| 2010 | 7,663,383 | 4,448,122 | 3,215,261 | 661,000 | 682,609 | 1,343,609 | 2.39 |
| 2009 | 5,734,720 | 3,713,755 | 2,020,965 | 634,000 | 596,248 | 1,230,248 | 1.64 |

Excludes depreciation and nonoperating expenses.

Details regarding the City's outstanding debt can be found in the notes to financial statements.

CITY OF KIRKSVILLE, MISSOURI
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

| Fiscal Year | School Enrollment | Unemployment Rate | Adair County Per Capita Income | City Per Capita Income | Personal Income | Cost Of Living Index (US=100) | Median Age |
|--------------------|--------------------------|--------------------------|---------------------------------------|-------------------------------|------------------------|--------------------------------------|-------------------|
| 2018 | 10,052 | 3.6 % | * | * | * | 84.3 % | 23.1 |
| 2017 | 10,745 | 4.5 | \$ 21,778 | \$ 17,771 | \$ 363,530,863 | 82.3 | 23.5 |
| 2016 | 10,379 | 5.8 | 19,804 | 17,387 | 342,179,047 | 82.3 | 23.6 |
| 2015 | 11,467 | 4.3 | 19,671 | 17,058 | 342,556,879 | 84.0 | 24.0 |
| 2014 | 10,251 | 5.2 | 19,076 | 16,763 | 354,197,270 | 83.7 | 23.9 |
| 2013 | 10,189 | 5.6 | 19,258 | 17,340 | 355,834,247 | 93.0 | 23.9 |
| 2012 | 9,983 | 6.1 | 18,331 | 16,323 | 344,033,335 | 93.0 | 23.8 |
| 2011 | 9,958 | 7.5 | 17,997 | 15,538 | 326,958,993 | 93.1 | 23.8 |
| 2010 | 10,461 | 7.3 | 18,307 | 18,364 | 321,461,820 | 81.7 | 23.4 |
| 2009 | 10,461 | 6.3 | 25,686 | 18,635 | 323,652,680 | 82.2 | 26.3 |

Census Information

| Fiscal Year | Adair County | City | Percentage Of Population In The City |
|--------------------|---------------------|-------------|---|
| 2010 | 25,607 | 17,505 | 68.4 % |
| 2000 | 24,977 | 17,304 | 69.3 |
| 1990 | 24,577 | 17,152 | 69.8 |
| 1980 | 24,870 | 17,167 | 69.0 |
| 1970 | 22,472 | 15,560 | 69.2 |

Sources: The City's private schools, Kirksville R-III School District, Truman State University, Moberly Area Community College, and the A.T. Still University
U.S. Census Bureau (actual and estimated)
Missouri Economic Research & Information Center

Data not available for the City denoted by an *.

CITY OF KIRKSVILLE, MISSOURI
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

| Employer | 2018 | | | 2009 | | |
|---|------------------|-------------|---|------------------|-------------|---|
| | Employees | Rank | Percent Of Total City Employment | Employees | Rank | Percent Of Total City Employment |
| Kraft Heinz Foods Company (Adair Foods Company) | 988 | 1 | 8.0 % | 520 | 4 | 3.37 % |
| Truman State University | 759 | 2 | 6.1 | 830 | 1 | 5.38 |
| A.T. Still University of Health Sciences | 703 | 3 | 5.7 | 631 | 2 | 4.09 |
| Kirksville R-III School District | 453 | 4 | 3.7 | 435 | 5 | 2.82 |
| Northeast Regional Medical Center | 438 | 5 | 3.5 | 562 | 3 | 3.64 |
| Hy-Vee Food Stores, Inc. | 326 | 6 | 2.6 | 219 | 9 | 1.42 |
| Wal-Mart | 302 | 7 | 2.4 | 396 | 6 | 2.57 |
| Preferred Family HealthCare | 217 | 8 | 1.8 | 193 | 10 | 1.25 |
| Sodexo | 215 | 9 | 1.7 | 220 | 8 | 1.43 |
| Chariton Valley Association, Inc. | 195 | 10 | 1.6 | - | - | - |
| Maritz Research | - | - | - | 300 | 7 | 1.95 |
| Total | 4,596 | | 37.1 % | 4,306 | | 27.92 % |

Source: The City Economic Development Department and Missouri Economic Research and Information Center

CITY OF KIRKSVILLE, MISSOURI
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTIONS/PROGRAMS
LAST TEN FISCAL YEARS

| FUNCTIONS/PROGRAMS | Fiscal Years | | | | | | | | | |
|-----------------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| General government: | | | | | | | | | | |
| Administrative | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Human resources | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Economic development | 2 | 2 | 2 | 3 | 3 | 2 | 2 | 2 | 2 | 2 |
| Finance | 7 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Municipal court | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Public buildings | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 |
| Public safety: | | | | | | | | | | |
| Administration | 7 | 8 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Law enforcement | 28 | 24 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Fire/EMS | 17 | 18 | 18 | 19 | 19 | 18 | 18 | 18 | 18 | 18 |
| E911 central dispatch | 9 | 10 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Public works: | | | | | | | | | | |
| General Fund: | | | | | | | | | | |
| Administration | 1.3 | 1.3 | 1.3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Streets | 12 | 15 | 15 | 13 | 13 | 13 | 13 | 13 | 13 | 14 |
| Codes | 6 | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Engineering | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| GIS Consortium | - | - | - | - | - | - | - | - | 1 | 1 |
| Utility: | | | | | | | | | | |
| Administration | 1 | 1 | 1 | 1 | 1 | 1 | 5 | 5 | 5 | 5 |
| Water | 24.25 | 24.25 | 24.25 | 23 | 23 | 22 | 22 | 22 | 22 | 22 |
| Wastewater | 6.25 | 6.25 | 6.25 | 6 | 6 | 6 | 6 | 6 | 7 | 6 |
| Parks and recreation | 4 | 3 | 3 | 2 | 2 | 3 | 3 | 3 | 3 | 3 |
| Central garage | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Airport | 4.2 | 4.2 | 4.2 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Total | 144 | 145 | 144 | 141 | 141 | 139 | 143 | 143 | 145 | 144 |

Source: City budget

CITY OF KIRKSVILLE, MISSOURI
OPERATING INDICATORS BY FUNCTIONS/PROGRAMS
LAST TEN FISCAL YEARS

| FUNCTIONS/PROGRAMS | Fiscal Years | | | | | | | | | |
|--|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| Public safety: | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Offenses per 1,000 population | N/A | N/A | N/A | N/A | N/A | N/A | 75 | 131 | 150 | 142 |
| Arrests/protective custody detainees | 772 | 820 | 787 | 734 | 722 | 747 | 1,542 | 1,542 | N/A | N/A |
| Number of foot patrols | 795 | 751 | 773 | 919 | 815 | 458 | 481 | 481 | 400 | 400 |
| Fire/EMS: | | | | | | | | | | |
| Number of incident calls | 1,669 | 1,422 | 1,383 | 1,278 | 1,357 | 1,204 | 1,221 | 1,093 | 1,066 | 1,069 |
| Number of EMS calls | 1,243 | 948 | 1,019 | 910 | 829 | 710 | 802 | 784 | 752 | 653 |
| Public works: | | | | | | | | | | |
| Miles of snow plowed | 5,394 | 3,928 | 4,737 | 7,350 | 10,601 | 10,135 | 5,955 | 9,744 | 18,057 | 14,562 |
| Number of property code inspections | 5,952 | 6,467 | 6,016 | 5,523 | 4,524 | 4,104 | 3,789 | 4,151 | 1,696 | 751 |
| Utility/building code inspections | 4,474 | 2,927 | 2,875 | 2,511 | 2,894 | 2,437 | 2,498 | 2,573 | 2,542 | 2,862 |
| Percent of street system inventoried | 100% | 100% | 100% | 12% | 25% | 40% | 40% | 55% | 10% | 25% |
| Number of new structure building permits issued | 75 | 87 | 78 | 53 | 73 | 39 | 50 | 28 | 52 | 61 |
| Value of building permits issued | \$ 17,737,409 | \$ 128,065,129 | \$ 32,770,027 | \$ 24,921,161 | \$ 11,622,047 | \$ 18,089,178 | \$ 22,739,497 | \$ 11,575,029 | \$ 9,101,927 | \$ 8,067,446 |
| Utility: | | | | | | | | | | |
| Percent of billed to pumped water loss | 86% | 84% | 75% | 84% | 79% | 84% | 88% | 88% | 86% | 85% |
| Number of water quality complaints | 1 | - | 2 | 2 | 4 | 2 | 4 | 2 | 19 | 4 |
| Number of water main breaks | 40 | 41 | 53 | 42 | 69 | 87 | 86 | 46 | 41 | 65 |
| Water mains installed (feet) | 11,413 | 8,264 | 8,528 | 10,694 | 5,987 | 8,977 | 13,570 | 10,173 | 6,300 | 7,068 |
| Number of odor and sewer back-ups | 134 | 101 | 73 | 112 | 120 | 120 | 136 | 87 | 125 | 144 |
| Parks and recreation: | | | | | | | | | | |
| Total pool attendance | 27,622 | 28,387 | 31,537 | 32,718 | 31,254 | 30,232 | 36,407 | 32,967 | 37,470 | 39,500 |
| Number of tournaments/special events | N/A | N/A | N/A | N/A | 52 | 42 | 71 | 45 | 45 | 12 |
| Number of participants for recreation sponsored events | 5,819 | 6,598 | 4,270 | 5,422 | 677 | N/A | N/A | N/A | N/A | N/A |
| Transportation: | | | | | | | | | | |
| Number of air commuter passengers served | 10,245 | 8,834 | 9,727 | 9,811 | 11,087 | 12,650 | 11,195 | 9,967 | 3,050 | 2,500 |

Source: City department records

CITY OF KIRKSVILLE, MISSOURI
CAPITAL ASSETS STATISTICS BY FUNCTIONS/PROGRAMS
LAST TEN FISCAL YEARS

| FUNCTIONS/PROGRAMS | Fiscal Years | | | | | | | | | |
|---|--------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| Administration: | | | | | | | | | | |
| Area (square miles) | 14.1 | 14.1 | 14.1 | 14.1 | 14.1 | 14.1 | 14.1 | 14.1 | 14.1 | 14.1 |
| Public safety: | | | | | | | | | | |
| Police stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public works: | | | | | | | | | | |
| Miles of streets | 128 | 128 | 128 | 128 | 123 | 123 | 123 | 123 | 123 | 123 |
| Number of street and pedestrian lights | 1,410 | 1,410 | 1,410 | 1,297 | 1,297 | 1,297 | 1,297 | 1,297 | 1,297 | 1,245 |
| Utility: | | | | | | | | | | |
| Water mains (miles) | 155.0 | 155.0 | 155.0 | 155.0 | 155.0 | 155.0 | 155.0 | 154.8 | 154.8 | 154.8 |
| Average daily consumption (million gallons) | 2.50 | 2.40 | 1.80 | 2.00 | 2.20 | 2.19 | 2.21 | 2.32 | 2.47 | 2.54 |
| Number of water treatment plants | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of wastewater treatment plants | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Sewer mains (miles) | 115 | 115 | 115 | 115 | 115 | 114 | 114 | 114 | 100 | 100 |
| Parks and recreation: | | | | | | | | | | |
| Number of parks | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Park acreage | 75.78 | 75.78 | 75.78 | 75.78 | 75.78 | 75.78 | 75.78 | 75.78 | 75.78 | 75.78 |
| Number of swimming pools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of wading pools | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 4 |

Source: City department records

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APPENDIX C

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF PRINCIPAL DOCUMENTS

The summaries of the Declaration of Trust, the Lease and the Base Lease contained in this *Appendix C* do not purport to be comprehensive or definitive and are qualified in their entirety by reference to such documents, copies of which may be viewed at the designated corporate office of the Trustee, or will be provided by the Trustee to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.

DEFINITIONS

The definitions of certain words and terms used in this Official Statement are set forth below:

“Additional Certificates” means any Certificates executed and delivered pursuant to the Declaration of Trust.

“Architect” means SFS Architecture, Kansas City, Missouri, providing architect and engineering services, or any other architect or engineer hired by the City with respect to the Improvements.

“Authorized Representative” means the Mayor, the City Manager, the Assistant City Manager, the City Clerk or the Finance Director or any other person designated as an Authorized Representative by the Mayor, such designation being approved by the City Council of the City by a resolution or ordinance that is filed with the Trustee.

“Available Revenues” means, for any Fiscal Year, any balances of the City from previous Fiscal Years encumbered to pay Rent, amounts budgeted or appropriated by the City for such Fiscal Year plus any unencumbered balances of the City from previous Fiscal Years that are legally available to pay Rent during such Fiscal Year, plus all moneys and investments, including earnings thereon, held by the Trustee pursuant to the Declaration of Trust.

“Base Lease” means the Base Lease dated as of January 1, 2020, between the City, as lessor, and the Trustee, as lessee.

“Basic Rent” means the Basic Rent Payments comprised of a Principal Portion and an Interest Portion.

“Basic Rent Payment” means a payment of Basic Rent.

“Basic Rent Payment Date” means each March 1 and September 1 during the Lease Term, commencing on September 1, 2020*.

“Business Day” means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the principal payment office or designated payment office of the Trustee is located are required or authorized by law to remain closed, or (c) a day on which the Securities Depository or the New York Stock Exchange is closed.

“Cede & Co.” means Cede & Co., as nominee name of The Depository Trust Company, New York, New York, and any successor nominee of the Securities Depository with respect to the Certificates.

“Certificate Payment” means the payments to be made to the Owners of the Certificates, whether representing Interest Portion only or Principal Portion and Interest Portion of Basic Rent under the Lease.

* Preliminary, subject to change.

“Certificates” means the Series 2020 Certificates and any Additional Certificates.

“City” means the City of Kirksville, Missouri, a body politic and corporate duly organized and existing under and by virtue of the laws of the State of Missouri, and its successors.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“Completion Certificate” means the certificate of the City given in accordance with the Lease.

“Completion Date” means the date of completion of the Improvements as that date shall be certified as provided in the Lease.

“Construction Agreement” means one of any agreements between the City and various parties, if any, providing for the acquisition, construction and installation of various portions of the Improvements.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement dated as of January 6, 2020, entered into between the City, and BOKF, N.A., as dissemination agent, which will apply to the Series 2020 Certificates, as from time to time amended.

“Costs of Improvements” means all reasonable or necessary expenses related or incidental to the acquisition and construction of the Improvements, including the expenses of studies, surveys, title policies, architectural and engineering services, legal and other special services and all other necessary and incidental expenses, including the Interest Portion of Basic Rent to the Completion Date. The term Costs of Improvements includes “Costs of Issuance.”

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City or the Trustee and related to the authorization, execution, sale and delivery of the Certificates, including advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, legal fees of parties to the transaction and all other initial fees and disbursements contemplated by the Lease and the Declaration of Trust.

“Declaration of Trust” means the Declaration of Trust dated as of January 1, 2020, made by the Trustee, as the same may from time to time be amended or supplemented in accordance with its terms.

“Directive” means an instrument in writing executed in one or more counterparts by the Owners of Certificates, as determined from the records of the Trustee, or their lawful attorneys-in-fact, representing no less than a majority of the aggregate unpaid Principal Portion distributable to Owners of the then Outstanding Certificates.

“Event of Default” with respect to the Lease has the meaning specified under the caption **“SUMMARY OF THE LEASE - Events of Default”** and with respect to the Declaration of Trust has the meaning specified under the caption **“SUMMARY OF THE DECLARATION OF TRUST - Events of Default.”**

“Event of Lease Default” means an Event of Default under the Lease.

“Event of Nonappropriation” means an Event of Nonappropriation as described under the caption **“SUMMARY OF THE LEASE - Nonappropriation.”**

“Fiscal Year” means the fiscal year of the City, currently the twelve-month period beginning January 1 and ending on December 31.

“Funds” means, collectively, the Project Fund, the Lease Revenue Fund, the Rebate Fund, and all accounts therein.

“Government Obligations” means (a) direct noncallable obligations of the United States of America and obligations the timely payment of principal and interest on which is fully and unconditionally guaranteed by the United States of America, and (b) trust receipts or certificates evidencing participation or other direct ownership interests in principal or interest payments to be made upon obligations described in clause (a) above that are held in a custody or trust account free and clear of all claims of persons other than the holders of such trust receipts or certificates and (c) obligations that are noncallable or for which the call date has been irrevocably determined as a result of the advance refunding of such obligations by the deposit of direct noncallable obligations of the United States of America in a trust or escrow account segregated and exclusively set aside for the payment of such obligations and that mature as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to timely pay such principal and interest.

“Improvements” means constructing, renovating, expanding, furnishing and equipping the City’s existing aquatic center complex as well as related site improvements and architectural and design work, including any modifications, additions, improvements, replacements or substitutions thereto or therefor.

“Interest Portion” means the portion of each Basic Rent Payment that represents the payment of interest.

“Investment Securities” means and includes any of the following securities, if and to the extent the same are permitted by law:

(a) Government Obligations;

(b) negotiable certificates of deposit, demand deposits and other deposit arrangements, repurchase agreements, and investment agreements issued by banks or trust companies, including without limitation, the Trustee and its affiliates, continuously secured (to the extent not fully insured by the Federal Deposit Insurance Corporation), for the benefit of the Trustee by lodging with a bank or trust company (which may or may not be the bank or trust company issuing such negotiable certificates of deposit, repurchase agreement or investment agreement), as collateral security, Government Obligations having a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit, demand deposits and other deposit arrangements; and

(c) any other securities or investments that are lawful for the investment of moneys held in such funds or accounts under the laws of the State of Missouri.

“Lease” or **“Lease Agreement”** means the Lease Purchase Agreement dated as of January 1, 2020, between the Trustee, as lessor, and the City, as lessee, as amended and supplemented from time to time in accordance with its terms.

“Lease Revenue Fund” means the fund by that name established pursuant to the Declaration of Trust.

“Lease Revenues” means the Basic Rent Payments, Supplemental Rent Payments and all other amounts due and owing pursuant to or with respect to the Lease, including prepayments, insurance proceeds, condemnation proceeds, and any and all interest, profits or other income derived from the investment thereof in any fund or account established pursuant to the Declaration of Trust.

“Leased Property” means the Real Property and the Improvements.

“Net Proceeds” means the amount remaining from the gross proceeds of any insurance claim, condemnation award or sale under threat of condemnation after deducting all reasonable expenses, including attorneys’ fees, incurred in the collection thereof.

“Notice by Mail” or **“Notice”** of any action or condition **“by Mail”** means a written notice meeting the requirements of the Declaration of Trust mailed by first-class mail to the Owners of specified Certificates at the addresses shown on the registration books maintained by the Registrar.

“Opinion of Counsel” means a written opinion of counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the City.

“Original Term” means the period from the date of delivery of the Series 2020 Certificates, until the end of the City’s Fiscal Year then in effect (December 31, 2020).

“Outstanding” means, as of the date of determination, all Certificates theretofore executed and delivered pursuant to the Declaration of Trust except (i) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation, (ii) Certificates for the transfer or exchange of or in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Declaration of Trust, (iii) Certificates whose payment or prepayment has been provided for, and (iv) Certificates paid or deemed to be paid pursuant to the Declaration of Trust.

“Owner” of a Certificate means the registered owner of such Certificate as shown on the register kept by the Registrar.

“Participants” means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

“Prepayment Date” means any date set for prepayment of the Principal Portion of Basic Rent distributable to Owners of Certificates.

“Prepayment Price” means with respect to any Certificate (or portion thereof) the amount specified in the Declaration of Trust.

“Principal Portion” means the principal portion of the Basic Rent Payments.

“Proceeds” means the aggregate moneys initially paid to the Trustee for the Certificates.

“Project Fund” means the fund by that name established pursuant to the Declaration of Trust.

“Purchase Price” means the amount designated as such in the Lease that the City shall pay to the Trustee to purchase the Trustee’s interest in the Leased Property.

“Real Property” means certain real property owned by the City upon which the City’s existing aquatic center complex is located, together with all existing improvements, facilities, and buildings currently located thereon, as further described in the Lease.

“Rebate Fund” means the fund by that name established pursuant to the Declaration of Trust.

“Record Date” means the 15th day of the month (whether or not a Business Day) prior to the applicable Basic Rent Payment Date.

“Registrar” means the Trustee when acting in that capacity, or its successor as Registrar.

“Renewal Term” means each renewal term of the Lease, each having a duration of one year and a term coextensive with the then current Fiscal Year as provided in the Lease, except that the last possible Renewal Term shall end on September 2, 2032*.

“Rent” means, collectively, Basic Rent and Supplemental Rent.

“Rent Payment” means a payment of Rent.

“Representation Letter” means the Blanket Representation Letter from the City to the Securities Depository.

“Securities Depository” means, initially, The Depository Trust Company, New York, New York, and its successors and assigns.

“Series 2020 Certificates” means the \$8,495,000* aggregate principal amount City of Kirksville, Missouri, Certificates of Participation (Aquatic Center Project), Series 2020, evidencing a proportionate interest in Basic Rent Payments to be made by the City of Kirksville, Missouri, pursuant to an Annually Renewable Lease Purchase Agreement, executed and delivered pursuant to the Declaration of Trust.

“Special Counsel” means Gilmore & Bell, P.C., or any other attorney or firm of attorneys (which is mutually acceptable to the City and the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“State” means the State of Missouri.

“Supplemental Declaration of Trust” means any amendment or supplement to the Declaration of Trust entered pursuant to the Declaration of Trust.

“Supplemental Lease” means any amendment or supplement to the Lease entered pursuant to the Lease.

“Supplemental Rent” means all amounts due under the Lease other than Basic Rent.

“Supplemental Rent Payment” means a payment of Supplemental Rent.

“Tax Compliance Agreement” means, with respect to a series of Certificates, the Tax Compliance Agreement entered by the City and the Trustee in connection with the execution and delivery of each series of Certificates.

“Trust Estate” means the assets, property and interests held by the Trustee pursuant to the Declaration of Trust and the Lease.

“Trustee” means BOKF, N.A., Kansas City, Missouri, and its successor or successors and their respective assigns.

“Underwriter” means [Underwriter], the original purchaser of the Series 2020 Certificates.

* Preliminary, subject to change.

SUMMARY OF THE DECLARATION OF TRUST

General Provisions

The Declaration of Trust is made by the Trustee. The Declaration of Trust authorizes the Trustee to execute and deliver the Series 2020 Certificates, provides the terms of the Series 2020 Certificates and provides for various Funds related to the Leased Property and the Lease.

Trust Estate

The Trustee has executed and delivered the Declaration of Trust in order to secure the payment of the Principal Portions of Basic Rent Payments, premium, if any, and Interest Portions of Basic Rent Payments distributable to Owners of the Certificates, and to secure the performance and observance of all covenants and conditions contained in the Certificates and the Declaration of Trust. The Trustee has further declared that it will hold all of the assets, property and interests received by it under the terms of the Declaration of Trust, the Base Lease and the Lease and all agreements and instruments contemplated thereby (except amounts in the Rebate Fund, and except any compensation, indemnification or other amounts that are due directly to the Trustee thereunder) (collectively, the “**Trust Estate**”), as trustee, upon the terms and trusts set forth in the Declaration of Trust, for the equal and proportionate benefit, security and protection of all present and future Owners of the Certificates, without privilege, priority or distinction as to the lien or otherwise of any of the Certificates over any of the other Certificates.

Additional Certificates

Additional Certificates evidencing the right of the Owners thereof to receive the Principal Portion and the Interest Portion of such additional Basic Rent may be executed and delivered under and equally and ratably secured by the Declaration of Trust on a parity with the Series 2020 Certificates and any other Additional Certificates, at any time and from time to time, upon compliance with the conditions provided in the Declaration of Trust, for any of the following purposes:

- (i) To provide funds to pay all or any part of the costs of repairing, replacing or restoring the Leased Property in the event of damage, destruction or condemnation thereto or thereof, but only to the extent that such costs exceed the Net Proceeds of the insurance or condemnation awards out of which such costs are to be paid pursuant to the Lease.
- (ii) To provide funds to pay all or any part of the costs of the acquisition, construction, renovation, furnishing and equipping of additions to the Leased Property or other facilities that may be added to the Leased Property, all as the City may deem necessary or desirable.
- (iii) To provide funds for refunding all or any portion of the Certificates of any series then Outstanding, including the payment of any premium thereon and interest to accrue to the designated Prepayment Date and any expenses in connection with such refunding.
- (iv) Any other purpose permitted by law as the City may deem necessary or desirable.

The principal amount of any Additional Certificates may include an amount sufficient to pay the costs and expenses of delivery, any required funding of reserves and such capitalized amounts as are permitted by law.

Establishment of Funds

There is established with the Trustee the following funds and accounts:

- (a) Project Fund;

- (b) Lease Revenue Fund; and
- (c) Rebate Fund.

All funds and accounts established pursuant to the Declaration of Trust, except the Rebate Fund, shall be held by the Trustee in trust for the benefit of the Certificate Owners. The money in all of the funds and the accounts will be held in trust and applied as provided in the Declaration of Trust.

Application of Lease Revenues

Lease Revenues will be deposited, as received, pursuant to the Lease, as follows:

- (a) The Basic Rent will be deposited to the Lease Revenue Fund.
- (b) Optional prepayments of the Principal Portion of Basic Rent (in amounts equal to the applicable Prepayment Price) will be deposited to the Lease Revenue Fund.
- (c) Payments of Supplemental Rent pursuant to the Lease will be applied as provided in the Lease.

Undesignated payments of Rent that are insufficient to discharge the full amount then due will be applied first to the Interest Portion of Basic Rent, next to the Principal Portion of Basic Rent and finally to Supplemental Rent.

Disbursements from the Project Fund

Moneys in the Project Fund will be used to pay Costs of Improvements. Payment will be made from moneys in the Project Fund upon receipt by the Trustee of a requisition certificate therefor signed by an Authorized Representative of the City and, except for requisitions for Costs of Issuance, an architect, engineer or contractor (which architect, engineer or contractor shall not be an employee of the City).

In making disbursements for Costs of Improvements, the Trustee will be entitled to conclusively rely upon each written requisition certificate executed by the Authorized Representative of the City and, if required, by an architect, engineer or contractor, without inquiry or investigation. It is understood that the Trustee will *not* make any inspections of the Leased Property, make any provision to obtain completion bonds, mechanic's or materialmen's lien releases or otherwise supervise any phase of the construction or furnishing of the Leased Property. The approval of each requisition certificate by the Authorized Representative of the City will constitute unto the Trustee an irrevocable determination that all conditions precedent to the payment of the specified amounts from the Project Fund have been completed. The Trustee will make disbursements to pay Costs of Improvements for which any such request is made within five Business Days of the receipt of a properly executed certificate with all necessary supporting information.

The Completion Date of the Improvements and the payment of all Costs of Improvements (other than Costs of Improvements for which sufficient amounts are retained in the Project Fund in accordance with the Lease) will be evidenced by the filing with the Trustee of the Completion Certificate pursuant to the Lease. Upon receipt of the Completion Certificate, any moneys remaining in the Project Fund will be transferred by the Trustee without further authorization to the Lease Revenue Fund.

In the event of the acceleration of all of the Certificates pursuant to the Declaration of Trust, any moneys then remaining in any account of the Project Fund will be transferred and deposited to the credit of the Lease Revenue Fund and will be used to pay Basic Rent to be distributed to the Owners of Certificates of the same series from which the account within the Project Fund was established.

Application of Moneys in the Lease Revenue Fund

Except as otherwise provided in the Declaration of Trust, all amounts in the Lease Revenue Fund will be used and withdrawn by the Trustee solely to pay Basic Rent distributable to Owners of the Certificates when due and payable or on a Prepayment Date.

Payments Due on Days other than Business Days

In any case where the date of maturity of Principal Portions of Basic Rent Payments, premium, if any, or Interest Portions of Basic Rent Payments distributable to Owners of the Certificates or the date fixed for prepayment of any Certificates is not a Business Day, then payment of Principal Portions of Basic Rent Payments, premium, if any, or Interest Portions of Basic Rent Payments distributable to Owners of the Certificates need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest will accrue for the period after such date.

Separate Accounting of Funds Allocable to each Series of Certificates

The Trustee will maintain separate accounts for funds and securities attributable to each series of Certificates in the Funds held by the Trustee under the Declaration of Trust so that the calculations for each series of Certificates can be made separately for such series. Any transfer of funds or securities or earnings thereon from one fund or account to another will be made to the appropriate account or subaccount of the same series of Certificates to which such funds or securities are attributed. If, at any time, a payment is made to any such fund that is less than the amount due and payable to such fund, the amount payable will be credited *pro rata* to each such separate account within such fund, based on the amount owed to each such account.

Investment of Moneys in Various Funds

Moneys held in the Funds will, subject to the requirements of the Tax Compliance Agreement and as provided in the Declaration of Trust, be invested and reinvested by the Trustee, pursuant to written direction of the City, signed by an Authorized Representative of the City, in Investment Securities that mature or are subject to prepayment by the holder prior to the date such funds will be needed.

The Trustee will sell and reduce to cash a sufficient amount of such Investment Securities held by the Trustee in any fund held under the Declaration of Trust whenever the cash balance in such Fund is insufficient for the purpose of such Fund. Any such Investment Securities will be held by or under the control of the Trustee and will be deemed at all times a part of the Fund or account in which such moneys are originally held, and the interest accruing thereon and any profit realized from such Investment Securities will be credited to such Fund or account, and any loss resulting from such Investment Securities will be charged to such Fund or account.

For purposes of determining the amount in any Fund or account, the value of any investments will be computed at the market value thereof (excluding accrued interest), the purchase price thereof (excluding accrued interest) or principal amount, whichever is lower.

The Trustee may, in making or disposing of any investment permitted by the Declaration of Trust, deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

Amendments to the Declaration of Trust, the Lease or the Base Lease

The Declaration of Trust, the Lease and the Base Lease and the rights and obligations of the City and of the Owners of the Certificates and of the Trustee may be modified or amended from time to time and at any time by an amendment or supplement hereto or thereto that the parties hereto or thereto may enter into when the

written consent of the Trustee and the City, if not a party hereto or thereto, and the Owners of a majority in aggregate Principal Portion of Basic Rent Payments distributable to Owners of the Certificates then Outstanding has been filed with the Trustee. No such modification or amendment will (i) extend the stated maturity of any Certificate, or reduce the amount of principal represented thereby, or extend the time of payment or reduce the amount of any Prepayment Price provided in the Declaration of Trust for the payment of any Certificate, or reduce the rate of interest with respect thereto, or extend the time of payment of interest with respect thereto without the consent of the Owner of each Certificate so affected, (ii) reduce the aforesaid percentage of Certificates the consent of the Owners of which is required to effect any such modification or amendment or, except in connection with the delivery of any Additional Certificates, permit the creation of any lien on the moneys in the Project Fund, the Lease Revenue Fund, or deprive the Owners of the trust created by the Declaration of Trust with respect to the moneys in the Project Fund or the Lease Revenue Fund, or (iii) create a preference or priority of any Certificate or Certificates over any other Certificate or Certificates without the consent of the Owners of all of the Certificates then Outstanding. Promptly after the execution by the Trustee of any amendment pursuant to the Declaration of Trust, the Trustee will give Notice by Mail, setting forth in general terms the substance of such amendment to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to the Declaration of Trust. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such amendment.

Notwithstanding the foregoing paragraph, the Declaration of Trust, the Lease or the Base Lease and the rights and obligations of the City, of the Trustee and of the Owners of the Certificates may also be modified or amended from time to time and at any time by an agreement that the parties hereto or thereto may enter into without the consent of any Certificate Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Trustee in the Declaration of Trust, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Certificates (or any portion thereof), or to surrender any right or power in the Declaration of Trust that is reserved to or conferred upon the City; provided, however, that no such covenant, agreement, pledge, assignment or surrender will in the sole judgment of the Trustee materially adversely affect the interests of the Trustee or the Owners of the Certificates;

(ii) to add to the covenants and agreements of the City in the Base Lease or the Lease, other covenants and agreements thereafter to be observed or to surrender any right or power therein reserved to or conferred upon the Trustee or the City; provided, however, that no such covenant, agreement or surrender will in the sole judgment of the Trustee materially adversely affect the interests of the Owners of the Certificates;

(iii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Declaration of Trust, the Base Lease or the Lease, or in regard to matters or questions arising under the Declaration of Trust, the Base Lease or the Lease as the Trustee and the City may deem necessary or desirable and not inconsistent with said agreements, or as may be requested by the City or the Trustee and that will not, in any such case in the sole judgment of the Trustee materially adversely affect the interests of the Owners of the Certificates;

(iv) to modify, amend or supplement the Declaration of Trust in such manner as to permit the qualification of the Declaration of Trust under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and that will not in the sole judgment of the Trustee materially adversely affect the interests of the Owners of the Certificates;

(v) to provide for any additional procedures, covenants or agreements necessary to maintain the exclusion of the Interest Portion of Basic Rent from gross income for purposes of federal income taxation with respect to any tax-exempt Certificates Outstanding;

(vi) to provide for the execution and delivery of Additional Certificates; or

(vii) to make any other change that in the sole judgment of the Trustee does not have a materially adverse effect on the rights of the Certificate Owners.

Opinion of Counsel

Notwithstanding anything to the contrary in the Declaration of Trust, before the Trustee or the City consents to any modification or amendment of the Declaration of Trust, the Base Lease or the Lease, there will be delivered to the Trustee an Opinion of Special Counsel to the effect that such amendment (1) is permitted by the Declaration of Trust and the instrument modified or amended (if other than the Declaration of Trust), (2) complies with their terms, (3) will, upon execution and delivery thereof, be valid and binding upon the City in accordance with the terms of the instrument modified or amended, and (4) will not adversely affect the exclusion from gross income for purposes of federal income taxation of the Interest Portion of Basic Rent Payments distributable to Owners of the Certificates. In any instance in which the Trustee may be required to determine that a modification or amendment will not materially adversely affect the interest of the Owners of the Certificates, prior to consenting to such modification or amendment, the Trustee will be entitled to require that there be delivered to it an Opinion of Counsel to the effect that no such materially adverse effect would result from such modification or amendment. The Trustee will be fully protected and will incur no liability in relying upon such Opinion of Counsel in making such determination.

Defaults

The occurrence of any of the following events, subject to the provisions permitting waivers of defaults, is defined as an “**Event of Default**” under the Declaration of Trust:

(a) Default in the due and punctual payment of any Interest Portion of Basic Rent distributable to Owners of a Certificate; or

(b) Default in the due and punctual payment of the Principal Portion of Basic Rent distributable to Owners of a Certificate, whether at the stated payment date thereof or the Prepayment Date set therefor in accordance with the terms of the Declaration of Trust; or

(c) Any Event of Lease Default.

Acceleration

Upon the occurrence of an Event of Default under the Declaration of Trust, the Trustee may, and upon receipt of a Directive will, by notice in writing delivered to the City, declare the Principal Portion and Interest Portion of Basic Rent distributable to Owners of all Certificates Outstanding to the end of the then current Fiscal Year immediately due and payable.

Other Remedies Upon an Event of Default

Upon the occurrence of an Event of Lease Default or Event of Nonappropriation, the Trustee may exercise any remedies available under the Lease and, to the extent consistent therewith, may sell, lease or manage any portion of the Leased Property or Trustee’s interest in the Leased Property and apply the net proceeds thereof in accordance with the Declaration of Trust and, whether or not it has done so, may pursue any other remedy available to it under the Lease or at law or in equity.

No remedy by the terms of the Declaration of Trust conferred upon or reserved to the Trustee or to the Certificate Owners is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to any other remedy given to the Trustee or to the Certificate Owners hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default hereunder whether by the Trustee or by the Certificate Owners will extend to or will affect any subsequent default or will impair any rights or remedies consequent thereon.

Rights of Certificate Owners

If an Event of Default or an Event of Nonappropriation has occurred and is continuing and if instructed to do so by a Directive and if indemnified as provided in the Declaration of Trust, the Trustee will be obligated to exercise such one or more of the rights and the remedies conferred by the Declaration of Trust as the Trustee, upon the advice of counsel, deems to be in the interests of the Certificate Owners; provided that such Directive will not be otherwise than in accordance with the provisions of law and of the Declaration of Trust, and provided further that the Trustee will have the right to decline to follow any such Directive if the Trustee in good faith determines that the proceedings so directed would involve it in personal liability.

Notwithstanding any contrary provision in the Declaration of Trust, the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding will have the right, at any time, by a Directive, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the Declaration of Trust, or for the appointment of a receiver or any other proceedings hereunder; provided that such Directive will not be otherwise than in accordance with the provisions of law and of the Declaration of Trust, and provided, further, that the Trustee has been indemnified as provided in the Declaration of Trust, and will have the right to decline to follow any such direction if the Trustee in good faith determines that the proceeding so directed would involve it in personal liability.

Limitation on Rights of Certificate Owners

No Owner of any Certificates will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Base Lease, the Lease or the Declaration of Trust, for the execution of any trust thereof, for the appointment of a receiver or to enforce any other remedy thereunder or hereunder, unless (i) an Event of Default or an Event of Nonappropriation has occurred and is continuing; (ii) the Owners of at least a majority in aggregate principal amount of all Certificates then Outstanding have given a Directive to the Trustee and have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (iii) such Certificate Owners have provided to the Trustee indemnification satisfactory to the Trustee; and (iv) the Trustee thereafter fails or refuses to exercise the powers hereinbefore granted or to institute such action suit or proceedings in its, his, her or their name or names.

Such notification, request and indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and the trusts of the Declaration of Trust and to any action or cause of action for the enforcement of the Declaration of Trust or for the appointment of a receiver or for any other right or remedy thereunder. No one or more Owners of the Certificates will have any right in any manner whatsoever to affect, to disturb or to prejudice the lien of the Declaration of Trust by its, his, her or their action or to enforce any right or remedy under the Declaration of Trust except in the manner provided in the Declaration of Trust and all proceedings at law or in equity will be instituted, had and maintained in the manner provided therein, and for the equal benefit of the Owners of all Certificates then Outstanding.

Nothing in the Declaration of Trust contained will, however, affect or impair the right of any Certificate Owner to enforce the payment of the Principal Portion of and the Interest Portion of the Basic Rent distributable to Owners of any Certificate at and after the maturity or earlier Mandatory Prepayment thereof.

Defeasance; Deposit of Moneys or Securities

When (i) the obligations of the City under the Lease have been satisfied in connection with the exercise by the City of its option to purchase the Leased Property in accordance with the Lease by the irrevocable deposit in escrow of moneys or Government Obligations (maturing as to principal and interest in such amounts and at such times as are sufficient to make any required payments without reinvestment of any earnings thereon) or both moneys and Government Obligations, and (ii) the City has deposited sufficient moneys to pay the fees, charges and expenses of the Trustee (or has made provision satisfactory to the Trustee for their payment), thereupon the obligations created by the Declaration of Trust will cease, determine and become void, except for the right of the Certificate Owners and the obligation of the Trustee to apply such moneys and Government Obligations to the payment of the Certificates as set forth in the Declaration of Trust; provided, however, that all provisions of the Declaration of Trust relating to the compensation or indemnification of the Trustee will survive the satisfaction and discharge of the Declaration of Trust. In determining the sufficiency of the moneys and Government Obligations so deposited, the Trustee shall receive, at the expense of the City, and may rely upon: (x) an Opinion of Special Counsel to the effect that (A) the conditions for such discharge contained in the Declaration of Trust have been satisfied or irrevocably provided for, and (B) defeasance of the Certificates will not cause the Interest Portion distributable to Owners of any tax-exempt Certificates to be includable in gross income for federal income tax purposes; and (y) if sufficiency of the deposited moneys is dependent upon investment earnings, an accountant's certificate verifying the sufficiency of moneys or Government Obligations or both so deposited for the payment of the Principal Portion and Interest Portion of the Certificates and any applicable Prepayment Price to be paid with respect to the Certificates.

After all amounts owing to the Certificate Owners have been paid hereunder and under the Lease, the Trustee will turn over to the City any surplus in the Lease Revenue Fund and all balances remaining in any other funds or accounts other than moneys and Government Obligations held for the payment of the Certificates at maturity or on prepayment, which moneys and Government Obligations will continue to be held by the Trustee in trust for the benefit of the Certificate Owners and will be applied by the Trustee to the payment, when due, of the Principal Portions and any premium and Interest Portions of Basic Rent distributable to Owners of the Certificates.

If moneys or Government Obligations as provided in the Declaration of Trust, are deposited with and held by the Trustee or other commercial bank or trust company, the Trustee or other commercial bank or trust company will within 20 days after such Government Obligations have been deposited with it give Notice by Mail, to the Owners at the addresses listed on the registration books kept by the Registrar pursuant to the Declaration of Trust, setting forth (i) the maturity date or Prepayment Date, as the case may be, of the Certificates, (ii) a description of the moneys and/or Government Obligations, if any, so held by it, and (iii) that the Declaration of Trust has been released in accordance with the provisions of the Declaration of Trust. Whenever in the Declaration of Trust or the Lease it is provided or permitted that there be deposited with or held in trust by the Trustee or other commercial bank or trust company moneys or Government Obligations in the necessary amount to pay or prepay any Certificates, the money or Government Obligations so to be deposited or held may include money or Government Obligations held by the Trustee in the Funds established pursuant to the Declaration of Trust (exclusive of the Project Fund) the principal of and interest on which when due together with any moneys held by the Trustee for such purpose will provide moneys sufficient to pay the Principal Portions and Interest Portions of the Basic Rent distributable to Owners of the Certificates as same becomes due, except that, in the case of Certificates that are to be prepaid prior to maturity and in respect of which irrevocable notice of such prepayment have been given as provided in the Declaration of Trust or irrevocable provision satisfactory to the Trustee has been made for the giving of such notice, the amount to be deposited or held will be the Prepayment Price with respect to such Certificates and all unpaid interest to the Prepayment Date.

The Trustee

The Trustee will, prior to an Event of Default or Event of Nonappropriation, and after the curing of all Events of Default or Events of Nonappropriation that may have occurred, perform only such duties as are specifically set forth in the Declaration of Trust. The Trustee will have no implied duties. The permissive right or power to take any action may not be construed as a duty to take action under any circumstances, and the Trustee will not be liable except in the event of its gross negligence or willful misconduct. The Trustee will, during the existence of any Event of Default or Event of Nonappropriation, exercise such of the rights and powers vested in it by the Declaration of Trust, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee will not be obligated to risk its own funds in the administration of the Trust Estate. Notwithstanding any contrary provision of the Declaration of Trust, the Trustee need not take any action under the Declaration of Trust that may involve it in any expense or liability until indemnified to its satisfaction for any expense or liability, including liability related to environmental contamination, it reasonably believes it may incur.

The Trustee is not responsible for any recitals contained in the Declaration of Trust or in the Certificates, or for the recording, filing, reRecording or refileing of the Declaration of Trust or security agreements (excluding the continuation of Uniform Commercial Code financing statements) in connection therewith, or for insuring the Leased Property or for collecting any insurance moneys or for the sufficiency of the security for the Certificates. The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the validity or sufficiency of the Declaration of Trust or of the Certificates. The Trustee will not be accountable for the use or application by the City of any of the Certificates or the proceeds thereof or of any money paid to or upon the order of the City under any provision of the Declaration of Trust or the Lease.

The Trustee will not be required to give any bond or surety or report to any court despite any statute, custom or rule to the contrary.

The Trustee may execute any of the duties under the Declaration of Trust by or through agents, attorneys, trustees or receivers and the Trustee will not be responsible for any misconduct or negligence on the part of any agent, attorney, trustee or receiver appointed with due care by it hereunder.

The Trustee will not be required to take notice or be deemed to have notice of any default, or Event of Default, Event of Nonappropriation or other fact or event under the Declaration of Trust other than the City's failure to pay Basic Rent Payments required by the Lease, unless the Trustee is specifically notified in writing of the default or Event of Default, Event of Nonappropriation, fact or event by the City or the Owners of not less than 25% of the unpaid Principal Portion of Basic Rent Payments distributable to Owners of the Certificates then Outstanding.

The Trustee may consult legal counsel, may conclusively rely on the opinion or advice of such legal counsel and will not be liable for any act or omission taken or suffered pursuant to the opinion or advice of such counsel. The fees and expenses of the counsel will be deemed to be a proper expense of the Trustee.

Unless specifically required by the terms of the Declaration of Trust, the Trustee need not take notice of or enforce any other document or relationship, including any contract, settlement, arrangement, plan, assignment, pledge, release, decree or the like, other than the Lease, but its duties will be solely as set out in the Declaration of Trust.

The Trustee may be removed at any time by a Directive. The Trustee will give written notice of any such removal to the City. The Trustee will resign at any time the Trustee ceases to be eligible in accordance with the Declaration of Trust, or becomes incapable of acting, or is adjudged as bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the property or affairs

of the Trustee for the purpose of rehabilitation, conservation or liquidation, and thereupon a successor Trustee will be appointed by a Directive.

The Trustee may at any time resign by giving written notice of such resignation to the City and by giving the Certificate Owners Notice by Mail of such resignation at the addresses listed on the registration books kept by the Registrar. Upon receiving such notice of resignation, a successor Trustee will be appointed by a Directive.

Any removal or resignation of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and has accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Certificate Owner (on behalf of himself and all other Certificate Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Declaration of Trust will signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, will become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee held by it as security for the Certificates, including its interest in the Base Lease and Lease, with like effect as if originally named Trustee in the Declaration of Trust, and the duties and obligations of the predecessor Trustee hereunder will thereafter cease and terminate; but, nevertheless at the request of the City or the request of the successor Trustee, such predecessor Trustee will execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be requested for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Declaration of Trust and will pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Declaration of Trust. Upon request of the predecessor or the successor Trustee, the City will execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in the Declaration of Trust, such successor Trustee will cause Notice by Mail to all Owners of such acceptance.

Any Trustee appointed under the provisions of the Declaration of Trust, in succession to the Trustee, will be a state or national trust company or bank having the powers of a trust company and being duly authorized to execute trust powers having a designated payment office in the State, in good standing in the State, having a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision and examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for these purposes, the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee will cease to be eligible in accordance the Declaration of Trust, the Trustee will resign immediately in the manner and with the effect specified in the Declaration of Trust.

Any action taken by the Trustee pursuant to and in accordance with the Declaration of Trust upon the request or authority or consent of any person who, at the time of making such request or giving such authority or consent is the Owner of any Certificate will be conclusive and binding upon all future Owners of the same Certificate and upon Certificates delivered in exchange therefor or upon transfer or in place thereof.

The Trustee will have the right, but will not be required, to demand, in respect of the execution of any Certificate, the withdrawal of any moneys, the release of any property, or any action whatsoever within the purview of the Declaration of Trust, appraisals or other information, or corporate action or evidence thereof, in addition to that required by the terms of the Declaration of Trust, as a condition of such action by the Trustee as are deemed desirable for the purpose of establishing the right of the City to any such action.

The Trustee may become the owner of Certificates with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Certificate Owners, whether or not such committee will represent the Owners of a majority in principal amount of the Certificates then Outstanding.

Any entity into which the Trustee may be merged or converted or with which it may be consolidated or any entity resulting from any merger, conversion or consolidation to which it will be a party or any entity to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company will be eligible to be the successor to such Trustee (as described above), without the execution or filing of any paper or any further act, anything in the Declaration of Trust to the contrary notwithstanding.

Liability of Trustee; Indemnity

The Trustee will not be liable in connection with the performance of its duties hereunder, except for its own gross negligence or willful misconduct.

Before taking any action under the Declaration of Trust, the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all reasonable fees, costs and expenses (including without limitation attorney's fees and expenses) to which it may be put and to protect it against all liability, except liability that is adjudicated to have resulted from its gross negligence or willful misconduct by reason of any action so taken. The Trustee may rely upon an Opinion of Counsel in determining whether any action may result in such liability.

The Trustee may elect not to proceed in accordance with the directions of the Owners of the Certificates without incurring any liability to the Certificate Owners if in the opinion of the Trustee such direction may result in environmental or other liability to the Trustee, in its individual capacity, for which the Trustee has not received indemnity from the Certificate Owners, and the Trustee may rely upon an Opinion of Counsel addressed to the Trustee in determining whether any action directed by Certificate Owners may result in such liability.

The Trustee may inform the Certificate Owners of environmental hazards that the Trustee has reason to believe exist, and the Trustee has the right to take no further action and, in such event no fiduciary duty exists that imposes any obligation for further action with respect to the Trust Estate or any portion thereof if the Trustee, in its individual capacity, determines that any such action would materially and adversely subject the Trustee to environmental or other liability for which the Trustee has not received indemnity pursuant to the Declaration of Trust.

Notwithstanding any other provision of the Declaration of Trust to the contrary, any provision intended to provide authority to act, right to payment of fees and expenses, protection, immunity and indemnification to the Trustee will be interpreted to include any action of the Trustee whether it is deemed to be in its capacity as Trustee, Registrar or Paying Agent.

The Trustee will not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the Declaration of Trust.

SUMMARY OF THE LEASE

General

The Lease has been entered into between the Trustee and the City and contains the terms and conditions under which the Leased Property will be leased to and used by the City.

Lease Term

The Original Term of the Lease shall terminate the last day of the current Fiscal Year (December 31, 2020). The Lease Term may be continued, solely at the option of the City, at the end of the Original Term or any Renewal Term for an additional one year, provided that the final Renewal Term shall not extend beyond September 2, 2032*. At the end of the Original Term and at the end of each Renewal Term, unless the City has terminated the Lease and for no other reason, the City shall be deemed to have exercised its option to continue the Lease for the next Renewal Term. The terms and conditions during any Renewal Term shall be the same as the terms and conditions during the Original Term, except for any difference in the Rent as provided in the Lease.

Continuation of Lease Term by the City

The City reasonably believes that legally available funds in an amount sufficient to make all payments of Rent during the Original Term and each of the Renewal Terms can be obtained. The City covenants in the Lease that its responsible financial officer shall do all things lawfully within his power to obtain and maintain funds from which the Rent may be paid, including making provision for such payments to the extent necessary in each proposed budget or appropriation request submitted for adoption in accordance with applicable provisions of law and to exhaust all available reviews and appeals in the event such portion of the budget or appropriation request is not approved. Notwithstanding the foregoing, the decision to budget and appropriate funds or to extend the Lease for any Renewal Term is to be made in accordance with the City's normal procedures for such decisions by the then current governing body of the City.

Nonappropriation

The City is obligated only to pay periodic payments under the Lease as may lawfully be made from Available Revenues. If an Event of Nonappropriation occurs, the Lease will be deemed terminated at the end of the then current Original Term or Renewal Term. An Event of Nonappropriation will be deemed to have occurred if the City fails to budget, appropriate or otherwise provide for sufficient funds to pay Basic Rent and any reasonably anticipated Supplemental Rent to come due during the immediately following Renewal Term. The City agrees to deliver notice to the Trustee of such termination at least 90 days prior to the end of the then current Original Term or Renewal Term, but failure to give such notice will not extend the term beyond such Original Term or Renewal Term. If the Lease is terminated in accordance with such provision, the City agrees peaceably to transfer and surrender possession of the Leased Property to the Trustee.

Payment for Construction of the Improvements

In compliance with the Declaration of Trust, costs and expenses of every nature incurred in the construction of the Improvements that qualify as Costs of Improvements shall be paid by the Trustee from the Project Fund upon receipt by the Trustee of a completed request of the City signed by the Authorized Representative of the City and, except for requisitions for Costs of Issuance, the Architect and containing the statements, representations and certifications set forth in the form of such request attached to the Declaration of Trust.

Completion Date; Excess Funds

The Completion Date shall be evidenced to Trustee upon receipt by the Trustee of a certificate signed by the Authorized Representative of the City (the "**Completion Certificate**") stating (a) the date on which the Improvements were substantially completed, (b) that all other facilities necessary in connection with the Improvements have been purchased, constructed and installed, (c) that the Improvements and such other facilities have been purchased, constructed, made and installed in accordance with the plans and specifications therefor and in conformance with all applicable zoning, planning, building, environmental and other similar

* Preliminary, subject to change.

governmental regulations, (d) that, except for Costs of Improvements described in accordance with clause (e), all Costs of Improvements have been paid, and (e) the amounts, if any, to be retained in the Project Fund for the payment of Costs of Improvements, if any, not yet due or Costs of Improvements whose liability the City is contesting, and amounts that otherwise should be retained and the reasons they should be retained. The Completion Certificate may state that it is given without prejudice to any rights of the City that then exist or may subsequently come into being against third parties. Upon receipt of the Completion Certificate, any moneys remaining in the Project Fund will be transferred by the Trustee without further authorization to the Lease Revenue Fund.

Enjoyment of Leased Property

The Trustee shall provide the City during the Lease Term with quiet use and enjoyment of the Leased Property, and the City shall during the Lease Term peaceably and quietly have, hold and enjoy the Leased Property, without suit, trouble or hindrance from the Trustee, except as expressly set forth in the Lease. The City shall have the right to use the Leased Property for any essential governmental or proprietary purpose of the City, subject to the limitations contained in the Lease. Notwithstanding any other provision in the Lease, the Trustee shall have no responsibility to cause the Improvements to be constructed or to maintain, repair or insure the Leased Property.

The City shall comply with all statutes, laws, ordinances, orders, judgments, decrees, regulations, directions and requirements of all federal, state, local and other governments or governmental authorities, now or hereafter applicable to the Leased Property, as to the manner and use or the condition of the Leased Property. The City shall also comply with the mandatory requirements, rules and regulations of all insurers under the policies required to be carried by the provisions of the Lease. The City shall pay all costs, expenses, claims, fines, penalties and damages that may in any manner arise out of, or be imposed as a result of, the failure of the City to comply with the foregoing provisions. Notwithstanding any provision contained in the Lease, however, the City shall have the right, at its own cost and expense, to contest or review by legal or other appropriate procedures the validity or legality of any such governmental statute, law, ordinance, order, judgment, decree, regulation, direction or requirement, or any such requirement, rule or regulation of an insurer and during such contest or review, the City may refrain from complying therewith, if the City furnishes, on request, to the Trustee, at the City's expense, indemnity satisfactory to the Trustee.

Basic Rent

The City will promptly pay all Basic Rent, subject to its right to terminate the Lease as described under **“Nonappropriation”** on each Basic Rent Payment Date. A portion of each Basic Rent Payment is paid as, and represents payment of, interest as set forth in the Lease (said interest to be attributable to the various Principal Portions in accordance with the per annum rates set forth in the Lease). To provide for the timely payment of Basic Rent, the City shall pay to the Trustee for deposit in the Lease Revenue Fund not less than five Business Days before each Basic Rent Payment Date, the amount due on such Basic Rent Payment Date.

The City will, in accordance with the requirements of law and its normal budgeting procedures, fully budget and appropriate sufficient funds for the current Fiscal Year to make the Rent Payments scheduled to come due during the Original Term, and to meet its other obligations for the Original Term and such funds will not be expended for other purposes.

Supplemental Rent

The City will pay, subject to its right to terminate the Lease as described under “**Nonappropriation,**” as Supplemental Rent (a) all Impositions (as defined in the Lease); (b) all amounts required and all other payments which the City has agreed to pay or assume under the Lease; (c) all expenses, including attorneys’ fees to the extent permitted by law, incurred in connection with the enforcement of any rights under the Lease or the Base Lease by the Trustee; (d) all fees and charges of the Trustee as provided in the Lease and (e) any payments required to be made pursuant to the Tax Compliance Agreement.

Rent Payments to Constitute a Current Expense and Limited Obligation of the City

THE OBLIGATION OF THE CITY TO PAY RENT UNDER THE LEASE IS LIMITED TO PAYMENT FROM AVAILABLE REVENUES AND CONSTITUTES A CURRENT EXPENSE OF THE CITY AND WILL NOT IN ANY WAY BE CONSTRUED TO BE A DEBT OF THE CITY IN CONTRAVENTION OF ANY APPLICABLE CONSTITUTIONAL OR STATUTORY LIMITATION OR REQUIREMENT CONCERNING THE CREATION OF INDEBTEDNESS BY THE CITY, NOR SHALL ANYTHING CONTAINED THEREIN CONSTITUTE A PLEDGE OF THE GENERAL TAX REVENUES, FUNDS OR MONEYS OF THE CITY, AND ALL PROVISIONS OF THE LEASE WILL BE CONSTRUED SO AS TO GIVE EFFECT TO SUCH INTENT.

Net Lease; Rent Payments to be Unconditional

The Lease is intended to be net, net, net to the Trustee. Subject to the right of the City to terminate the Lease described under the caption “Nonappropriation,” the obligations of the City to make payment of the Rent Payments and to perform and observe the other covenants and agreements contained therein will be absolute and unconditional in all events without abatement, diminution, deduction, setoff or defense, for any reason, including any failure of the Leased Property to be constructed or installed, any defects, malfunctions, breakdowns or infirmities in the Leased Property or any accident, condemnation or unforeseen circumstances.

Nothing in the Lease will be construed as a waiver by the City of any rights or claims the City may have against the Trustee, but any recovery upon such rights and claims shall be from the Trustee separately.

Increased Basic Rent

Notwithstanding any other provision of this Lease, the Trustee and the City may enter into a Supplemental Lease or Supplemental Leases that increase the amount of Basic Rent payable by the City on any Basic Rent Payment Date to provide funds to pay the costs of (a) repairing, replacing or restoring the Leased Property, (b) improving, upgrading or modifying the Leased Property, (c) additional improvements to the Leased Property or the acquisition of additional real property to be included in the Leased Property or the acquisition, purchase, construction or equipping of additions to or expansions or remodeling or modification of the Leased Property, and (d) refunding any or all of the Certificates. Each such Supplemental Lease will include an amended payment schedule reflecting separately the Principal Portion and the Interest Portion of Basic Rent allocable to the original Lease and to each Supplemental Lease due on each Basic Rent Payment Date as well as the total Basic Rent on each Basic Rent Payment Date.

Disclaimer of Warranties

THE TRUSTEE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY OR ANY PART THEREOF, OR WARRANTY WITH RESPECT THERETO. IN NO EVENT WILL THE TRUSTEE BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGE IN CONNECTION WITH OR ARISING OUT OF

THE LEASE OR THE EXISTENCE, FURNISHING, FUNCTIONING OR THE CITY'S USE OF THE LEASED PROPERTY OR ANY PART THEREOF.

Deficiency of Project Fund

If the Project Fund is insufficient to pay fully all Costs of Improvements and to complete fully the Leased Property lien free, the City shall pay, in cash, the full amount of any such deficiency by making payments directly to the contractors and to the suppliers of materials and services as the same shall become due. The Trustee is not obligated to pay and shall not be responsible for any such deficiency, and the City shall save the Trustee whole and harmless from any obligation to pay such deficiency. The City's obligation to pay any such deficiency will be limited to its current budgeted appropriations for the Leased Property, and the City will have no obligation to appropriate additional funds therefore and may amend the Leased Property to reduce or eliminate such deficiency.

Impositions

The City shall bear, pay and discharge, before the delinquency thereof, as Supplemental Rent, all taxes and assessments, general and special, if any, which may be lawfully taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the Leased Property, including any taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and including all water and sewer charges, assessments and other general governmental charges and impositions whatsoever, foreseen or unforeseen, which if not paid when due would impair the security of the Trustee or encumber the Leased Property (all of the foregoing being referred to as "**Impositions**").

Contest of Impositions

The City shall have the right, in its own name or in the Trustee's name, to contest the validity or amount of any Imposition which the City is required to bear, pay and discharge pursuant to the terms of the Lease by appropriate legal proceedings instituted at least ten days before the Imposition complained of becomes delinquent and may permit the Imposition so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Trustee shall notify the City that, in the opinion of counsel, by nonpayment of any such items the interest of the Trustee in the Leased Property will be endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Trustee with full security against any loss which may result from nonpayment in form satisfactory to the Trustee.

Insurance

The City will, during the Lease Term, cause the Leased Property to be kept continuously insured against such risks customarily insured against for facilities such as the Leased Property and will pay (except as otherwise provided in the Lease) as the same become due, all premiums in respect thereof, such insurance to include the following policies of insurance:

(a) Insurance insuring the Leased Property against loss or damage by fire, lightning and all other risks covered by the extended coverage insurance endorsement then in use in the State in an amount not less than the replacement value of the Leased Property, and issued by such insurance company or companies authorized to do business in the State as may be selected by the City. The policy or policies of such insurance shall name the City and the Trustee as insureds, as their respective interests may appear. All proceeds from such policies of insurance shall be applied as provided in the Lease;

(b) To the extent appropriate, during the acquisition, construction and installation of the Improvements and in lieu of the insurance required in subparagraph (a) above, builder's risk-completed

value insurance insuring the Improvements against fire, lightning and all other risks covered by the extended coverage endorsement then in use in the State to the full insurable value of the Improvements (subject to reasonable loss deductible clauses) issued by such insurance company or companies authorized to do business in the State as may be selected by the City. Such policy or policies of insurance shall name the City and the Trustee as insureds, as their respective interests may appear, and all payments received under such policy or policies by the City shall be paid over to the Trustee.

(c) Comprehensive general accident and public liability insurance (including coverage for all losses whatsoever arising from the ownership, maintenance, operation or use of any automobile, truck or other motor vehicle), under which the City and the Trustee are named as insureds, in an amount not less than \$500,000 combined single limit for bodily injuries and property damage; and

(d) Workers' compensation and unemployment coverages to the extent, if any, required by the laws of the State.

(e) Owner's policy of title insurance, issued on ALTA forms by a title insurance underwriter acceptable to the Underwriter, insuring the Trustee's leasehold estate created by the Base Lease, in an amount equal to the original principal amount of the Series 2020 Certificates, subject only to exceptions acceptable to the Underwriter, with endorsements and affirmative coverages reasonably required by the Underwriter.

(f) Performance and labor and material payment bonds with respect to the Construction Agreements in the full amount of the Construction Agreements from surety companies qualified to do business in the State.

Nothing in the Lease will be construed as preventing the City from satisfying the insurance requirements set forth in the Lease by using blanket policies of insurance or self-insurance (including through Midwest Public Risk ("MPR")), a nonprofit association formed by political subdivisions in the States of Missouri and Kansas, organized to operate as a group self-insurer; provided, however, that each and all of the requirements and specifications of the Lease respecting insurance shall be complied with.

The City may elect to be self-insured for all or any part of the insurance requirements under the Lease, if (i) the City annually obtains a written evaluation with respect to such self-insurance program from an individual or firm selected by the City and acceptable to the Trustee qualified to survey risks and to recommend insurance coverage for entities engaged in operations similar to those of the City and having a favorable reputation for skill and experience in making such surveys and recommendations (an "**Insurance Consultant**"), (ii) the evaluation is to the effect that the self-insurance program is sound, (iii) unless the evaluation states that such reserves are not necessary, the City maintains adequate reserves for the self-insurance program, and (iv) in the case of workers' compensation, adequate reserves created by the City for such self-insurance program are maintained in such amount and manner as are acceptable to the State. The City will pay any fees and expenses of such Insurance Consultant in connection therewith. The requirements of this paragraph shall not apply if the City is satisfying the insurance requirements of the Lease through participation in MPR.

In accordance with the requirements of Section 427.120, Revised Statutes of Missouri, unless the City provides evidence of the insurance coverage required under the Lease, the Trustee may (but shall not be obligated to) purchase insurance at the City's expense to protect its interest in the Leased Property. This insurance may, but need not, protect the City's interests. The coverage that the Trustee purchases may not pay any claim that the City makes or any claim that is made against the City in connection with the Leased Property. The City may later cancel any insurance purchased by the Trustee, but only after providing evidence to the Trustee that the City has obtained insurance as required in the Lease. If the Trustee purchases insurance for the Leased Property, the City shall promptly reimburse the Trustee for the costs of that insurance as Supplemental Rent as provided in in the Lease together with interest equal to the prime lending rate of the Trustee plus 2% or the maximum

amount permitted by law, whichever is less. The costs of the insurance that the Trustee obtains may be more than the cost of insurance the City may be able to obtain on its own.

Maintenance and Modification of Leased Property by the City

The City will at its own expense (a) keep the Leased Property in a safe condition, (b) with respect to the Leased Property, comply with all applicable health and safety standards and all other industrial requirements or restrictions enacted or promulgated by the State, or any political subdivision or agency thereof, or by the government of the United States of America or any agency thereof, and (c) keep the Leased Property in good repair and in good operating condition and make from time to time all necessary repairs thereto and renewals and replacements thereof; provided, however, that the City will have no obligation to operate, maintain, preserve, repair, replace or renew any element or unit of the Leased Property the maintenance, repair, replacement or renewal of which becomes uneconomical to the City because of damage, destruction or obsolescence, or change in economic or business conditions, or change in government standards and regulations. The City shall not permit or suffer others to commit a nuisance in or about the Leased Property or itself commit a nuisance in connection with its use or occupancy of the Leased Property. The City will pay all costs and expenses of operation of the Leased Property.

The City may, also at its own expense, make from time to time any additions, modifications or improvements to the Leased Property that it may deem desirable for its business purposes and that do not materially impair the structural strength or effective use, or materially decrease the value, of the Leased Property. All such additions, modifications or improvements made by the City shall (a) be made in a workmanlike manner and in strict compliance with all laws and ordinances applicable thereto, (b) when commenced, be pursued to completion with due diligence and (c) when completed, be deemed a part of the Leased Property.

During the Lease Term, the Leased Property will be used by the City only for the purpose of performing essential governmental or proprietary functions of the City consistent with the permissible scope of the City's authority.

Tax Covenants

The City ratifies and confirms all of its covenants, representations and warranties contained in the Tax Compliance Agreement, as though set forth in full in the Lease. The City will, in addition, adopt such other resolutions and ordinances and take such other actions as may be necessary to comply with the Code and with all other applicable future laws, regulations, published rulings and judicial decisions, in order to ensure that the Interest Portion of the Basic Rent will remain excluded from federal gross income, to the extent any such actions can be taken by the City. Notwithstanding anything to the contrary contained in the Lease, the Tax Compliance Agreement may be amended or replaced if, in the opinion of Special Counsel, such amendments will not adversely affect the exclusion from gross income for federal income tax purposes of the Interest Portion of the Basic Rent.

Continuing Disclosure

The City covenants and agrees that it will comply and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Lease, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered a default or an Event of Default under the Lease; provided, however, that the Trustee, pursuant to the Declaration of Trust may (and, at the request of the Owners of Certificates of at least a majority in aggregate principal amount of Outstanding Certificates, and if indemnified to its satisfaction, will) or any Owners of Certificates may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations under the Continuing Disclosure Agreement.

Damage, Destruction and Condemnation

The City will bear the risk of loss with respect to the Leased Property during Lease Term. If (a) the Leased Property or any portion thereof is destroyed, in whole or in part, or is damaged by fire or other casualty or (b) title to, or the temporary use of, the Leased Property or any part thereof shall be nonexistent or deficient or taken under the exercise or threat of the power of eminent domain by any governmental body or by any person, firm or corporation acting pursuant to governmental authority, the City and the Trustee will cause the Net Proceeds of any insurance claim, condemnation award or sale under threat of condemnation to be applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property, unless the City shall have exercised its option to purchase the Trustee's interest in the Leased Property by making payment of the Purchase Price as provided in the Lease. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the City and shall be held and appropriated by the City for the exclusive purpose of paying Rent under the Lease.

If the City determines that the repair, restoration, modification or improvement of the Leased Property is not economically feasible or in the best interest of the City, then, in lieu of making such repair, restoration, modification or improvement and if permitted by law, the City shall promptly purchase the Trustee's interest in the Leased Property pursuant to the Lease by paying the Purchase Price. The Net Proceeds shall be applied by the City to payment of the Purchase Price. Any balance of the Net Proceeds remaining after paying the Purchase Price shall belong to the City.

In the Lease, the City acknowledges the provisions pertaining to eminent domain in the Base Lease. The Trustee and City agree that the terms of the Base Lease are and shall be incorporated in and made a part of the Lease to the same extent as if set forth in full at this point. This Section shall survive the termination of the Lease for any reason.

If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement referred to above, and the City has not elected to purchase the Trustee's interest in the Leased Property, the City shall complete such replacement, repair, restoration, modification or improvement and pay any costs thereof in excess of the amount of the Net Proceeds and, if the City shall make any payments as provided in this paragraph, the City will not be entitled to any reimbursement therefor from the Trustee nor will the City be entitled to any diminution of Rent.

Purchase Option

The City shall have the option to purchase the Trustee's interest in the Leased Property, upon giving written notice to the Trustee at least 35 days before the date of purchase (or such shorter period as the Trustee may agree), at the following times and on the following terms:

(a) On or after the date when all Outstanding Certificates are subject to optional prepayment by the City, upon payment in full of Rent Payments then due under the Lease plus a Purchase Price equal to 100% of the remaining Principal Portions of Basic Rent for the maximum Lease Term plus Interest Portions of Basic Rent accrued to the Prepayment Date.

(b) Upon deposit of moneys or Government Obligations or both with the Trustee in accordance with the Declaration of Trust in the amount necessary to provide for the Basic Rent Payments until and on the Prepayment Date, and the Purchase Price calculated as described in (a) above on the Certificates to such Prepayment Date.

(c) In the event of substantial damage to or destruction or condemnation (other than condemnation by the City or any entity controlled by or otherwise affiliated with the City) of, or loss of title to, substantially all of the Leased Property, or as a result of changes in the constitution of the State or legislative or administrative action by the State or the United States, the Base Lease or the Lease

becomes unenforceable, on the date the City specifies as the purchase date in the City's notice to the Trustee of its exercise of the purchase option, upon payment in full of the Rent Payments then due under the Lease plus then remaining Principal Portions of Basic Rent for the maximum Lease Term, plus Interest Portions of Basic Rent accrued to the Prepayment Date.

The Trustee's interest in the Leased Property shall be transferred to the City (i) on the date on which the City has indicated its intention to purchase the Leased Property, provided the City pays to the Trustee the amounts required to be paid on or before such date; or (ii) on the date on which the City has paid all Rent Payments for all Renewal Terms and all then accrued Supplemental Rent. It is the intent of the parties hereto that any transfer of the Trustee's interest in the Leased Property pursuant to this provision shall occur automatically without the necessity of any deed, bill of sale, certificate of title or other instrument of conveyance. Nevertheless, the Trustee shall execute and deliver any such instruments as the City may request as are required to evidence such transfer.

Partial Prepayment

The City will have the option to prepay the Basic Rent Payments in part, upon giving written notice to the Trustee at least 30 days before the date of such prepayment, on September 1, 2027*, and any date thereafter, at the Prepayment Price equal to the Principal Portion of Basic Rent being so prepaid plus the Interest Portion of Basic Rent accrued thereon to such Prepayment Date. The Principal Portion of Basic Rent prepaid will be in integral multiples of \$5,000 and will be credited to the Principal Portions of Basic Rent Payments designated by the City. Upon any partial prepayment, the amount of each Interest Portion of Basic Rent coming due thereafter will be reduced by the amount of such Interest Portion attributable to such prepaid Principal Portion determined by applying the annual interest rate corresponding to such prepaid Principal Portion as shown in the Lease.

Assignment and Subleasing by the City

Except as provided in the Lease, none of the City's right, title and interest in, to and under the Base Lease, the Lease and in the Leased Property may be assigned or encumbered by the City for any reason; except that the City may sublease any one or more parts of the Leased Property if the City obtains an opinion of Special Counsel that such subleasing will not adversely affect the exclusion of the Interest Portion of the Basic Rent Payments from gross income for purposes of federal income taxation. Any such sublease of all or part of the Leased Property shall be subject to the Base Lease, the Lease and the rights of the Trustee in, to and under the Base Lease, the Lease, the Tax Compliance Agreement and the Leased Property.

Conditions for Partial Release of Leased Property

So long as no Event of Default or Nonappropriation has occurred under the Lease or the Declaration of Trust, the Trustee will release, without the consent of any of the Owners of the Certificates or any Additional Certificates, a portion of the Real Property, other than the portion Real Property that includes or will include any of the buildings, facilities, public access or parking infrastructure that comprise the aquatic center complex upon completion of the Improvements, which being paid for, in part, with proceeds of the Series 2020 Certificates (the "**Essential Leased Property**"), upon receipt by the Trustee of the following:

(a) A written request of the City for such release, describing the portion of the Real Property to be released (the "**Released Property**"), and certifying that the Released Property is not needed for the operation and use of the buildings, facilities, public access or parking infrastructure constituting the Essential Leased Property;

(b) An ALTA/ASCM survey showing the boundaries of that portion of the Real Property remaining after the Released Property is removed, and showing the location of all buildings, facilities,

* Preliminary, subject to change.

public access or parking infrastructure that comprise or will comprise, upon completion of the Improvements, the aquatic center complex on the remaining portion of the Real Property, which shall show that the Essential Leased Property is not part of the Released Property; and

(c) An endorsement to the title insurance policy required under this Lease, recognizing the amendment to release the Released Property from the Base Lease and this Lease, reaffirming the existing coverage and reflecting no exceptions other than those included in the title insurance policy originally delivered.

Events of Default

Any of the following shall constitute an “Event of Default” under the Lease:

(a) Failure by the City to make any deposits required by the Lease to pay Basic Rent in the Lease Revenue Fund at the time specified in the Lease;

(b) Failure by the City to make any Supplemental Rent Payment when due and the continuance of such failure for ten days after written notice specifying such failure and requesting that it be remedied is given to the City by the Trustee;

(c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease, other than as referred to in subparagraph (a) or (b) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied is given to the City by the Trustee unless such party shall agree in writing to an extension of such time prior to its expiration; provided that, if the failure stated in the notice cannot be corrected within the applicable period, such party will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected;

(d) Any statement, representation or warranty made by the City in or pursuant to the Base Lease or the Lease or the execution, delivery or performance of either of them shall prove to have been false, incorrect or misleading or breached in any material respect on the date when made;

(e) Any provision of the Lease or the Base Lease at any time for any reason cease to be valid and binding on the City, or is declared to be null and void, or the validity or enforceability thereof is contested by the City or any governmental agency or authority if the loss of such provision would materially adversely affect the rights or security of the Trustee; or

(f) The City becomes insolvent or admits in writing its inability to pay its debts as they mature or applies for, consents to, or acquiesces in the appointment of a trustee, receiver or custodian for the City or a substantial part of its property; or in the absence of such application, consent or acquiescence, a trustee, receiver or custodian for the City or a substantial part of its property; or in the absence of such application, consent or acquiescence, a trustee, receiver or custodian is appointed by the City or a substantial part of its property and is not discharged within 60 days; or any bankruptcy, reorganization, debt arrangement, moratorium or any proceeding under bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is instituted by or against the State and, if instituted against the City, is consented to or acquiesced in by the City or is not dismissed within 60 days.

In the event the City fails to comply with the Continuing Disclosure Agreement, such failure shall not be an Event of Default under the Lease.

Remedies on Default

Whenever any Event of Default under the Lease exists, the Trustee will have the right, without any further demand or notice, to take one or any combination of the following remedial steps:

- (a) By written notice to the City, the Trustee may declare all Rent payable by the City under the Lease to the end of the then current Original Term or Renewal Term to be due;
- (b) With or without terminating the Lease, the Trustee may take possession of the Leased Property (in which event the City shall take all actions necessary to authorize, execute and deliver to the Trustee for the remainder of the Trustee's leasehold term under the Base Lease all documents necessary to vest in the Trustee for the remainder of the Trustee's leasehold term under the Base Lease all of the City's interest in the Leased Property), and sell the Trustee's interest in the Leased Property or lease the Leased Property or, for the account of the City, sublease the Leased Property continuing to hold the City liable for the difference between (a) the Rent payable by the City under the Lease for the then current Original Term or Renewal Term, as the case may be, and (b) the net proceeds of any such sale, leasing or subleasing (after deducting all expenses of the Trustee in exercising its remedies under the Lease, including without limitation all expenses of taking possession, removing, storing, reconditioning, and selling or leasing or subleasing the Leased Property and all brokerage, auctioneers and attorneys' fees);
- (c) The Trustee may terminate any rights the City may have in any moneys held by the Trustee under the Declaration of Trust; and
- (d) The Trustee may take whatever action at law or in equity necessary or desirable to enforce its rights in the Leased Property and under the Lease.

SUMMARY OF THE BASE LEASE

Generally

The City and the Trustee have entered into the Base Lease under which the City leases the Real Property to the Trustee for the rentals and upon the terms and conditions set forth therein.

Term

The term of the Base Lease commences as of the date of delivery of the Series 2020 Certificates, and will continue until September 1, 2052*, unless extended or terminated as provided therein.

Rental

As and for rental under the Base Lease and in consideration for the leasing of the Real Property to the Trustee, the Trustee take the following actions: (a) simultaneously with the delivery of the Base Lease, enter into the Lease; (b) simultaneously with the delivery of the Base Lease, pay to the City the sum of \$10.00 and provide such other consideration as the Trustee and City may agree; and (c) deposit funds in the amount and in the funds and accounts established and as set forth in the Declaration of Trust, to be used to pay costs of the Improvements and the costs of executing and delivering the Base Lease, the Lease, the Declaration of Trust and the Series 2020 Certificates.

* Preliminary, subject to change.

Assignments and Subleases

The Trustee will hold the Base Lease and its rights thereunder for the benefit of owners of the Certificates. The Trustee and its assigns may assign the Base Lease and its rights thereunder or lease or sublease the Leased Property without the written consent of the City (i) if the Lease is terminated for any reason, or (ii) if any Event of Default under the Lease has occurred.

Termination

The Base Lease will terminate at the end of its stated term, provided, however, in the event the City makes payment of the Purchase Price or makes all of the Rent Payments pursuant to the Lease and exercises its option to purchase the Trustee's interest in the Leased Property, then the Base Lease is considered assigned to the City and terminated through merger of the leasehold interest under the Base Lease with the fee interest of the City if the City is the owner of the fee interest.

* * *

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** dated as of January 6, 2020 (this “**Continuing Disclosure Agreement**”), is executed and delivered by **CITY OF KIRKSVILLE, MISSOURI** (the “**City**”) and **BOKF, N.A.**, as dissemination agent (the “**Dissemination Agent**”).

RECITALS

1. This Continuing Disclosure Agreement is executed and delivered by the City and the Dissemination Agent in connection with the issuance of \$_____ **Certificates of Participation (Aquatic Center Project), Series 2020** (the “**Series 2020 Certificates**”), delivered by BOKF, N.A. (the “**Trustee**”) pursuant to a Declaration of Trust dated as of January 1, 2020 (the “**Declaration of Trust**”) granted by the Trustee, which Series 2020 Certificates evidence interests in the right to receive Basic Rent Payments payable by the City under a Lease Purchase Agreement dated as of January 1, 2020 (the “**Lease**”) entered into between the City, as lessee, and the Trustee, as lessor.

2. The City and the Dissemination Agent are entering into this Continuing Disclosure Agreement for the benefit of the Beneficial Owners of the Series 2020 Certificates and in order to assist the Participating Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the “**Rule**”). The City is the only “**obligated person**” with responsibility for continuing disclosure hereunder.

In consideration of the mutual covenants and agreements herein, the City and the Dissemination Agent covenant and agree as follows:

Section 1. Definitions. In addition to the definitions set forth in the Declaration of Trust and the Lease, which apply to any capitalized term used in this Continuing Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report provided by the City pursuant to, and as described in, **Section 2** of this Continuing Disclosure Agreement.

“**Beneficial Owner**” means any registered owner of any Series 2020 Certificates and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2020 Certificates (including persons holding Series 2020 Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2020 Certificates for federal income tax purposes.

“**Business Day**” means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the principal corporate trust office or designated payment office of the Trustee or the Dissemination Agent is located are required or authorized by law to remain closed, or (c) a day on which the Securities Depository or the New York Stock Exchange is closed.

“**Dissemination Agent**” means BOKF, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

“EMMA” means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; *provided however*, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the 12-month period beginning on **January 1** and ending on **December 31** or any other 12-month period selected by the City as the Fiscal Year of the City for financial reporting purposes.

“Material Events” means any of the events listed in **Section 3(a)** of this Continuing Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

“Participating Underwriter” means any of the original underwriter(s) of the Series 2020 Certificates required to comply with the Rule in connection with the offering of the Series 2020 Certificates.

Section 2. Provision of Annual Reports.

- (a) The City shall, or shall cause the Dissemination Agent to, not later than **June 30th** immediately following the end of the City’s Fiscal Year, commencing with the Fiscal Year ending December 31, 2019, file with the MSRB, through EMMA, the following financial information and operating data (the “**Annual Report**”):
 - (1) The audited financial statements of the City for the prior Fiscal Year, prepared in accordance with the accounting principles stated in the notes to the financial statements attached as **Appendix B** to the Official Statement relating to the Series 2020 Certificates. If audited financial statements are not available by the time the Annual Report is required to be provided pursuant to this Section, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Series 2020 Certificates, and the audited financial statements shall be provided in the same manner as the Annual Report promptly after they become available.
 - (2) Updates as of the end of the Fiscal Year of certain financial information and operating data contained in the final Official Statement related to the Series 2020 Certificates, as described in **Exhibit A**, in substantially the same format contained in the final Official Statement with such adjustments to formatting or presentation determined to be reasonable by the City.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an “**obligated person**” (as defined by the Rule), which have been provided to the MSRB and are available through EMMA or the Securities and Exchange Commission. If the document included by

reference is a final official statement, it must be available from the MSRB on EMMA. The City shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event under **Section 3**, and the Annual Report deadline provided above shall automatically become the last day of the sixth month after the end of the City's new fiscal year.

- (b) Not later than the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall either (1) provide the Annual Report to the Dissemination Agent, with written instructions to file the Annual Report as specified in subsection (a), or (2) provide written notice to the Dissemination Agent that the City has provided the Annual Report to the MSRB (or will do so prior to the deadline specified in subsection (a)).
- (c) If the Dissemination Agent has not received either an Annual Report with filing instructions or a written notice from the City that it has provided an Annual Report to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as **Exhibit B**.
- (d) The Dissemination Agent shall, unless the City has provided the Annual Report to the MSRB, promptly following receipt of the Annual Report and instructions required in subsection (b) above, provide the Annual Report to the MSRB and provide a report to the City certifying that the Annual Report has been provided pursuant to this Continuing Disclosure Agreement, stating the date it was provided to the MSRB.
- (e) The Annual Report shall be filed with the MSRB in such manner and format as is prescribed by the MSRB.

Section 3. Reporting of Material Events.

- (a) Not later than **10 Business Days** after the occurrence of any of the following events, the City shall give, or cause to be given to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Series 2020 Certificates ("**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 Series 2020 Certificates, or other material events affecting the tax status of the Series 2020 Certificates;
 - (7) modifications to rights of Series 2020 Certificate holders, if material;

- (8) Series 2020 Certificate calls, if material, and tender offers;
 - (9) defeasances;
 - (10) release, substitution or sale of property securing repayment of the Series 2020 Certificates, if material;
 - (11) rating changes;
 - (12) bankruptcy, insolvency, receivership or similar event of the obligated person;
 - (13) the consummation of a merger, consolidation, or acquisition involving the obligated person or the sale of all or substantially all of the assets of the obligated person, 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;
 - (14) appointment of a successor or additional trustee or the change of name of the trustee, if material;
 - (15) incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
 - (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.
- (b) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that it believes may constitute a Material Event, contact the Finance Director of the City or his or her designee, or such other person as the City shall designate in writing to the Dissemination Agent from time to time, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (d). If in response to a request under this subsection (b), the City determines that the event does not constitute a Material Event, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (d).
- (c) Whenever the City obtains knowledge of the occurrence of a Material Event, because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the City shall promptly notify and instruct the Dissemination Agent in writing to report the occurrence pursuant to subsection (d).
- (d) If the Dissemination Agent receives written instructions from the City to report the occurrence of a Material Event, the Dissemination Agent shall promptly file a notice of such occurrence to the MSRB, with a copy to the City.

Section 4. Termination of Reporting Obligation. The City's obligations under this Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2020 Certificates. If the City's obligations under this Continuing Disclosure Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Continuing Disclosure Agreement in the same manner as if it were the City, and the City shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Series 2020 Certificates, the City shall give notice of such termination or substitution in the same manner as for a Material Event under **Section 3**.

Section 5. Dissemination Agents. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign as dissemination agent hereunder at any time upon **30** days prior written notice to the City. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Report) prepared by the City pursuant to this Continuing Disclosure Agreement. The initial Dissemination Agent is BOKF, N.A.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the City and the Dissemination Agent may amend this Continuing Disclosure Agreement and any provision of this Continuing Disclosure Agreement may be waived, provided that Special Counsel or other counsel experienced in federal securities law matters provides the City and the Dissemination Agent with its written opinion that the undertaking of the City contained herein, 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 this Continuing Disclosure Agreement.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Agreement, the City shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event under **Section 3**, 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.

Section 7. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that required by this Continuing Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that specifically required by this Continuing Disclosure Agreement, the City shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 8. Default. If the City or the Dissemination Agent fails to comply with any provision of this Continuing Disclosure Agreement, any Participating Underwriter or any Beneficial Owner of the Series 2020 Certificates may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement shall not be deemed an event of default under the Declaration of Trust, the Lease or the Series 2020 Certificates, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Continuing Disclosure Agreement shall be an action to compel performance.

Section 9. Duties and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and, to the extent permitted by law, the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or

Section 15. Governing Law. This Continuing Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of Missouri.

IN WITNESS WHEREOF, the City and the Dissemination Agent have caused this Continuing Disclosure Agreement to be executed as of the day and year first above written.

CITY OF KIRKSVILLE, MISSOURI

By: _____

Name: Zac Burden

Title: Mayor

By: _____

Name: Lacy King

Title: Finance Director

BOKF, N.A.,
as Dissemination Agent

By: _____

Title: Authorized Officer

**EXHIBIT A
TO CONTINUING DISCLOSURE AGREEMENT**

**FINANCIAL INFORMATION AND OPERATING DATA TO BE
INCLUDED IN ANNUAL REPORT**

The financial information and operating data contained in the tables under the following described sections contained in *Appendix A* of the final Official Statement relating to the Series 2020 Certificates:

- **TAX INFORMATION**
 - **Property Valuations**
 - *History of Property Valuations* (table)
 - **Tax Rates**
 - *History of Tax Levies* (table)
 - *Tax Collection Record* (table)
 - **Sales Tax Collections** (table)

EXHIBIT B

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Kirksville, Missouri

Name of Security Issue: \$_____ Certificates of Participation (Aquatic Center Project), Series 2020 (the “**Series 2020 Certificates**”)

Name of Obligated Person: City of Kirksville, Missouri (the “**City**”)

Date of Issuance: January __, 2020

NOTICE IS HEREBY GIVEN that the City of Kirksville, Missouri has not provided an Annual Report with respect to the above-named Series 2020 Certificates as required by the Continuing Disclosure Agreement dated as of January 6, 2020, between the City and BOKF, N.A., as Dissemination Agent. [The City has informed the Dissemination Agent that the Issuer anticipates that the Annual Report will be provided by _____.]

Dated: _____, _____

BOKF, N.A., as Dissemination Agent
on behalf of City of Kirksville, Missouri

cc: City of Kirksville, Missouri

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APPENDIX E

FORM OF OPINION OF SPECIAL COUNSEL

January ____, 2020

City of Kirksville, Missouri
Kirksville, Missouri

BOKF, N.A., as Trustee
Kansas City, Missouri

[Underwriter]

Re: \$8,495,000* City of Kirksville, Missouri, Certificates of Participation (Aquatic Center Project), Series 2020, evidencing proportionate interests of the owners thereof in Basic Rent Payments to be made by the City of Kirksville, Missouri

Ladies and Gentlemen:

We have acted as special counsel to the City of Kirksville, Missouri (the “**City**”), in connection with a transaction involving the above-referenced Series 2020 Certificates, evidencing proportionate interests of the owners thereof in Basic Rent Payments to be made by the City under a Lease Purchase Agreement dated as of January 1, 2020, between BOKF, N.A., a national banking association organized and existing under the laws of the United States (the “**Trustee**”), as lessor, and the City, as lessee (the “**Lease**”). Capitalized terms used herein and not otherwise defined herein will have the meanings assigned to such terms in the Lease.

We have examined (a) the Lease, (b) the Base Lease dated as of January 1, 2020, between the City, as lessor, and the Trustee, as lessee (the “**Base Lease**”), (b) the Declaration of Trust dated as of January 1, 2020, made and delivered by the Trustee (the “**Declaration of Trust**”), (c) the Tax Compliance Agreement, (d) certifications of officers and officials of the City and others and (e) the form of the Series 2020 Certificates. In addition, we have reviewed and considered the Internal Revenue Code of 1986, as amended (the “**Code**”), and the applicable regulations thereunder promulgated by the United States Treasury Department.

In rendering the opinions set forth herein, we have assumed without undertaking to verify the same by independent investigation, (a) as to questions of fact, the accuracy of all representations of the Trustee and the City set forth in the Base Lease, the Lease, the Declaration of Trust, the Tax Compliance Agreement and all certificates of officials of the Trustee, the City and others examined by us, and (b) the conformity to original documents of all documents submitted to us as copies and the authenticity of such original documents and all documents submitted to us as originals.

Based on and subject to the foregoing, we are of the opinion, under existing law, as follows:

1. The Declaration of Trust has been approved by the City, and the Lease, the Base Lease and the Tax Compliance Agreement have been duly authorized, executed and delivered by the City and constitute legal, valid and binding agreements of the City, enforceable in accordance with their terms, except that the Lease is enforceable only during each Fiscal Year for which sufficient funds have been appropriated.

2. The Series 2020 Certificates have been duly authorized, executed and delivered in accordance with the Declaration of Trust, are entitled to the benefits and security of the Declaration of Trust and evidence

* Preliminary, subject to change.

interests in the right to receive Basic Rent Payments under the Lease, which right to receive Basic Rent Payments is enforceable against the City in accordance with the terms of the Series 2020 Certificates, the Declaration of Trust and the Lease.

3. The Interest Portion of each Basic Rent Payment represented by the Series 2020 Certificates (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 federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the execution and delivery of the Lease and the Series 2020 Certificates in order that the interest portions of Basic Rent Payments represented by the Series 2020 Certificates be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest portions of Basic Rent Payments in gross income for federal and Missouri income tax purposes retroactive to the date of execution and delivery of the Lease and the Series 2020 Certificates. The City's obligation to pay Basic Rent Payments under the Lease is a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code.

We express no opinion regarding (a) other federal or Missouri tax consequences arising with respect to the Basic Rent or the Series 2020 Certificates, (b) the treatment for federal or Missouri income tax purposes of any money received by registered owners of the Series 2020 Certificates following an Event of Nonappropriation or an Event of Default, other than Basic Rent Payments made by the City pursuant to the Lease, (c) the title to or the description of the property subject to the Lease or (d) the accuracy, completeness or sufficiency of the Official Statement or other offering material related to the Series 2020 Certificates (except to the extent, if any, stated in the Official Statement).

The rights of the owners of the Series 2020 Certificates and the enforceability of the Series 2020 Certificates, the Declaration of Trust, the Base Lease, the Lease and the Tax Compliance Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

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,