

**PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 14, 2019**

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

**NEW ISSUE  
BANK QUALIFIED  
BOOK ENTRY ONLY**

**RATING: S&P: "AA-"  
See "Rating" herein.**

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

**OFFICIAL STATEMENT**

**\$3,625,000\*  
CITY OF SMITHVILLE, MISSOURI  
GENERAL OBLIGATION BONDS  
SERIES 2019**

**Dated: Date of Delivery**

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

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

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

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

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

*The Bonds are offered when, as and if issued by the City, subject to the approval of legality by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel. Certain legal matters related to the Official Statement will be passed upon by Gilmore & Bell, P.C., Kansas City, Missouri. It is expected that the Bonds will be available for delivery at The Depository Trust Company in New York, New York on or about March \_\_, 2019.*

Bids for the Bonds will only be received electronically through PARITY electronic bid submission system until 10:00 A.M., Central Time, on Tuesday, February 26, 2019.

The date of this Official Statement is February \_\_, 2019.

\* Preliminary, subject to change.

**\$3,625,000\***  
**CITY OF SMITHVILLE, MISSOURI**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2019**

**MATURITY SCHEDULE**

**Serial Bonds**

<b><u>Due</u></b> <b><u>March 1</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Price</u></b>	<b><u>Yield</u></b>
2020	\$85,000			
2021	90,000			
2022	100,000			
2023	105,000			
2024	115,000			
2025	120,000			
2026	130,000			
2027	140,000			
2028	145,000			
2029	155,000			
2030	220,000			
2031	230,000			
2032	245,000			
2033	255,000			
2034	270,000			
2035	285,000			
2036	300,000			
2037	310,000			
2038	325,000			

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\* Preliminary, subject to change.

**CITY OF SMITHVILLE, MISSOURI**  
**107 W Main Street**  
**Smithville, Missouri 64089**  
**(816) 532-3897**

**MAYOR AND BOARD OF ALDERMEN**

Damien Boley, Mayor  
Marvin Atkins, Alderman  
Jeff Bloemker, Alderman  
John Chevalier, Jr., Alderman  
Josh Hurlbert, Alderman  
Steve Sarver, Alderman  
Melissa Wilson, Alderman

**CITY ADMINISTRATION**

Cynthia Wagner, City Administrator  
Nickie Lee, Assistant City Administrator  
Dan Toleikis, Finance Director  
Linda Drummond, City Clerk

**CERTIFIED PUBLIC ACCOUNTANT**

CliftonLarsonAllen LLP  
St. Joseph, Missouri

**BOND COUNSEL**

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

**MUNICIPAL ADVISOR**

Piper Jaffray & Co.  
Leawood, Kansas

## **REGARDING USE OF THIS OFFICIAL STATEMENT**

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

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

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

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

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

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

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

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**OFFICIAL STATEMENT**  
**\$3,625,000\***  
**CITY OF SMITHVILLE, MISSOURI**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2019**

**INTRODUCTION**

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

**Purpose of the Official Statement**

The purpose of this Official Statement is to furnish information relating to (1) the City of Smithville, Missouri (the “City”) and (2) the City’s General Obligation Bonds, Series 2019 (the “Bonds”), to be issued in the aggregate principal amount of \$3,625,000\* to fund the costs of projects for the City. The projects include acquiring rights of way, and constructing, extending and improving the streets, roads and sidewalks within the City, including, without limitation, (a) constructing, extending and improving the South Commercial Avenue sidewalks and the 180th Street sidewalks, (b) constructing, extending and improving Main Street streetscape, (c) constructing, replacing and improving the Amory Road Bridge and the 2nd Creek Road Bridge, and (d) constructing, extending and improving pedestrian and bicycle sidewalk and trail connections along the 180th Street right of way corridor and along the Main Street/DD Highway right of way corridor (collectively, the “Projects”).

**The City**

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

**The Bonds**

The Bonds are being issued pursuant to an ordinance (the “Bond Ordinance”) adopted by the governing body of the City for the purpose of funding the costs of the Projects and costs related to the issuance of the Bonds. The Bonds represent the remaining \$3,625,000 of the \$5,625,000 general obligation bonds authorized for the Projects authorized by the required majority of the voters of the City at an election held on April 3, 2018 (the “Voted Authority”). On October 2, 2018, the City issued \$2,000,000 of the Voted Authority as the Series 2018 Bonds. See the caption “**THE BONDS**” herein.

**Security and Source of Payment**

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

**Financial Statements**

Audited financial statements of the City, as of and for the year ended October 31, 2018, are included in **Appendix B** to this Official Statement. These financial statements have been audited by CliftonLarsonAllen LLP, independent certified public accountants located in St. Joseph, Missouri, to the extent and for the periods indicated in their report which is also included in **Appendix B** hereto.

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\* Preliminary, subject to change.

## Risk Factors

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

## THE CITY

The City is a fourth-class city and political subdivision organized and existing under the laws of the State of Missouri. The City is located in the northwestern part of Clay County, Missouri, approximately 20 miles north of Kansas City, Missouri. The City has a current estimated population of 9,069 persons. See “**APPENDIX A: THE CITY**” and “**APPENDIX B: ACCOUNTANT’S REPORT AND AUDITED FINANCIAL STATEMENTS.**”

## PLAN OF FINANCING

### Authorization and Purpose of Bonds

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

### The Projects

The Bonds represent the final installment of the Voted Authority authorized by the required majority of voters of the City at an election held April 3, 2018 to fund the remaining costs for the Projects. The City will deposit \$\_\_\_\_\_ of the proceeds of the Bonds in the Project Fund established under the Bond Ordinance to pay the remaining costs of the Projects.

### Sources and Uses of Funds

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

#### *Sources of Funds:*

Principal Amount of the Bonds .....	\$3,625,000.00
Net Original Issue Premium .....	
Total.....	\$

#### *Uses of Funds:*

Deposit for costs of the Projects .....	\$
Costs of Issuance including Underwriter’s Discount.....	
Total.....	\$

## THE BONDS

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

### General Description

The Bonds will be issued in the principal amounts stated on the inside cover page of this Official Statement, will be dated their date of delivery, and will consist of fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. The Bonds will mature, subject to redemption as described below, on March 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement.

Interest on the Bonds will be payable semiannually on March 1 and September 1 in each year, beginning on September 1, 2019. Principal will be payable upon presentation and surrender of the Bonds by the Registered Owners thereof at the payment office of UMB Bank, N.A., Kansas City, Missouri, Paying Agent. Interest shall be paid to the Registered Owners of the Bonds as shown on the Bond Register at the close of business on the Record Date for such interest (a) by check or draft mailed by the Paying Agent to the address of such Registered Owners shown on the Bond Register, (b) at such other address as is furnished to the Paying Agent in writing by any Registered Owner or (c) in the case of an interest payment to any Registered Owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer to such Registered Owner upon written notice given to the Paying Agent by such Registered Owner, not less than 5 days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank (which shall be in the continental United States), ABA routing number and account name and account number to which such Registered Owner wishes to have such transfer directed.

### **Redemption Provisions\***

*Optional Redemption.* At the option of the City, Bonds may be called for redemption and payment prior to maturity on March 1, 2027 and thereafter, in whole or in part at any time at the redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date.

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

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

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

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

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

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\* Preliminary, subject to change.



## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### General Obligations

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

### The Bond Ordinance

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

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

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

## RISK FACTORS

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

### Ad Valorem Property Taxes

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

limited to general obligation debt of 15%, 10% and 5% of assessed valuation of taxable tangible property, respectively.

Concentration of property ownership in the City would expose the City's ability to collect ad valorem property taxes to the financial strength and ability and willingness of major taxpayers to pay property taxes. In calendar year 2018, no single property owner owned more than 2% of the total taxable property in the City. See **"PROPERTY TAX INFORMATION CONCERNING THE CITY – Property Valuations – Current Assessed Valuation"** and **"PROPERTY TAX INFORMATION CONCERNING THE CITY – Major Property Taxpayers"** in *Appendix A* of this Official Statement.

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

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

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

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

No debt service reserve fund will be funded and no financial guaranty insurance policy, letter of credit or other credit enhancement will be issued to insure payment of the Bonds. Accordingly, any potential purchaser of the Bonds should consider the financial ability of the City to pay the Bonds. As described under **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Bond Ordinance"** in this Official Statement, the City has irrevocably pledged its full faith, credit and resources for the prompt payment of the Bonds and levied a direct annual tax, without limitation, on all taxable tangible property in the City in an amount sufficient to pay principal and interest on the Bonds.

### **Rating**

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

### **Bankruptcy**

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

## **Pensions and Other Postemployment Benefits**

The City contributes to an agent multiple-employer defined-benefit pension plan on behalf of its employees. See “**THE CITY – GENERAL – Pension and Employee Retirement Plans**” in *Appendix A* of this Official Statement. See “**FINANCIAL INFORMATION CONCERNING THE CITY – Pension and Employee Retirement Plans**” in *Appendix A* of this Official Statement. Future required contribution increases beyond the current fiscal year may require the City to increase its revenues, reduce its expenditures, or some combination thereof, which may impact the City’s operations or limit the City’s ability to generate additional revenues in the future.

For more information specific to the City’s participation, including the City’s past contributions, net pension liability, and pension expense, see Note 6 to the City’s financial statements included in *Appendix B* to this Official Statement.

## **Amendment of the Bond Ordinance**

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

## **Loss of Premium from Redemption**

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

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

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

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

## **Defeasance Risks**

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

include the rating of Bonds defeased with Defeasance Obligations to the extent the Defeasance Obligations have a change or downgrade in rating.

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

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

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

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

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

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

Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

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

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

## **LEGAL MATTERS**

### **Legal Proceedings**

As of the date hereof, there is no controversy, suit or other proceeding of any kind pending or threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the City or its boundaries, or the right or title of any of its officers to their respective offices, or the legality of any official act in connection with the authorization, issuance and sale of the Bonds, or the constitutionality or validity of the Bonds or any of the proceedings had in relation to the authorization, issuance or

sale thereof, or the levy and collection of a tax to pay the principal and interest thereof, or which might affect the City's financial condition or ability to meet its obligations to pay the Bonds.

### **Approval of Legality**

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

### **TAX MATTERS**

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

### **Opinion of Bond Counsel**

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

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

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

*Bank Qualification.* The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

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

### **Other Tax Consequences**

*Original Issue Discount.* For federal income tax purposes, original issue discount (“OID”) is the excess of the stated redemption price at maturity of a Bond over its issue price. The issue price of a Bond is the first price at which a substantial amount of the Bonds of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Section 1288 of the Code, OID on tax-exempt bonds accrues on a compound basis. The

amount of OID that accrues to an owner of a Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Bond during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in that Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

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

*Sale, Exchange or Retirement of Bonds.* Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Bond. To the extent a Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Bond has been held for more than 12 months at the time of sale, exchange or retirement.

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

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

## CONTINUING DISCLOSURE

The City is entering into a Continuing Disclosure Undertaking for the benefit of the owners and Beneficial Owners of the Bonds in order to comply with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). See "FORM OF CONTINUING DISCLOSURE UNDERTAKING" in *Appendix D* hereto. The City is the only "obligated person" with responsibility for continuing disclosure.

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

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

DEBT STRUCTURE OF THE CITY

Current Indebtedness of the City  
Other Obligations  
Legal Debt Capacity

FINANCIAL INFORMATION CONCERNING THE CITY

Sources of Revenue  
Retail Sales Taxes  
Property Valuations  
*History of Property Valuation*  
Tax Rates – *The table showing tax levies*  
Tax Rates - *Tax Collection Record*

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

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



- termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (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.

A 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.

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

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

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

The City has engaged in undertakings similar to the Continuing Disclosure Undertaking with respect to certain prior obligations of the City, to provide to the national information repositories (presently, only the MSRB) the City's audited financial statements and certain operating data. Over the last five years, the City has not filed its audited financing statement on a timely basis. Over the last five years, the City did not file its operating data on a timely basis and the operating data that was filed was not complete and has failed to timely file notices of its failure to timely file its financial statements and operating data. Over the last five years, the City has failed to file or has not timely filed notices of certain material events related to rating changes of bonds and other obligations of the City. In order to promote compliance with the City's obligations under the Continuing Disclosure Undertaking and the City's prior undertakings with respect to the content of Annual Reports, the City engaged the law firm of Gilmore & Bell, P.C. to provide filing reminders and to assist the City in determining the required content of the Annual Reports and in submitting such Annual Reports to the MSRB via EMMA.

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

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

## **RATING**

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

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

## **MISCELLANEOUS**

### **Municipal Advisor**

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

### **Underwriting**

Based upon bids received by the City on February 26, 2019, the Bonds were awarded to \_\_\_\_\_, \_\_\_\_\_ (the "Underwriter"). The Bonds are being purchased for reoffering by the Underwriter. The Underwriter has agreed to purchase the Bonds from the City at a price equal to \$ \_\_\_\_\_ (representing the par amount of the Bonds less an underwriters' discount of \$ \_\_\_\_\_ and plus a net original issue premium of \$ \_\_\_\_\_). The Underwriter is purchasing the Bonds from the City for resale in the normal course of the Underwriter's business activities. The Underwriter may sell certain of the Bonds at a price greater than such purchase price, as shown on the inside cover page hereof. The Underwriter reserves the right to offer any of the Bonds to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter, in its discretion, shall determine. The Underwriter reserves the right to join with dealers and other purchasers in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices.

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

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

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

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

**CITY OF SMITHVILLE, MISSOURI**

By: \_\_\_\_\_  
Mayor

**APPENDIX A**  
**THE CITY OF SMITHVILLE MISSOURI**

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## **CITY OF SMITHVILLE, MISSOURI**

### **General**

The City is a fourth-class city and political subdivision, duly created and existing under the laws of the State of Missouri. Additional information regarding the City may be obtained from Dan Toleikis, Finance Director, City of Smithville, 107 W. Main, Smithville, Missouri 64089, (816) 532-3897. The City was founded in 1824 on the Little Platte River and was the second oldest settlement in Clay County, Missouri. Because the City was subjected to occasional flooding, the Army Corps of Engineers built a dam, impounding potential floodwaters and creating Smithville Lake, a popular recreational destination. The City is located in the northwestern part of Clay County, Missouri, approximately 20 miles north of Kansas City, Missouri, and 14 miles east of the Kansas City International Airport (KCI). The City's estimated population is approximately 9,274.

The City is governed by a Mayor and a six-member Board of Aldermen elected from three wards, each serving staggered two-year terms. The City Administrator is appointed by the Mayor with the approval of a majority of the Board of Aldermen. The appointment is for an indefinite term. The City Administrator is the budget officer of the City and works directly with the City Clerk, Budget Committee and Mayor in preparing the budget for each year. The City Administrator has continuing responsibility throughout the year in proper implementation and administration of the City budget. Tax rates are established by the Board of Aldermen to support the budget adopted. As required by state law, the aggregate City budget may not include any expenditures in excess of anticipated revenues plus any unencumbered balances. The City's fiscal year ends on October 31.

### **Municipal Services and Utilities**

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

### **Transportation and Communication Facilities**

U.S. Highway 169 and Missouri Highway 92 intersect in Smithville. The nearby Kansas City Airport offers convenient access to national and international travel.

### **Educational Institutions and Facilities**

Smithville R-II School District provides public education to residents. The District has an enrollment of 2,594 students in two elementary school buildings, one middle school and a high school, all located in a campus setting. With the beginning of the 2018-2019 school year, a third elementary school will open in the rapidly growing northern portion of the community.

The Metropolitan Community College north campus is located 12 miles south of Smithville. In addition, there are a number of colleges and universities in the Kansas City metropolitan area and within an easy commute from Smithville.

### **Recreational and Religious Facilities**

Smithville is near the 7,200-acre Smithville Lake with boating, fishing, hiking, swimming and camping facilities. The City has churches representing most of the major denominations.

### **Economy**

In 1990 the population of the City was 2,786 compared to the 2000 Census population of 5,514. The 2010 Census population increased to 8,425, a 53 percent growth rate over ten years and is currently estimated to be 9,274 according to the U.S. Bureau of the Census, 2013-2017 American Community Survey 5-Year Estimates. The City

is fast-growing community offering an education system highly respected for its academic achievements, abundant parks, trails, golf courses, and swimming beaches, and safe neighborhoods. The City offers affordable homes and diverse housing choices, as well as a competitive business environment that supports and encourages investment.

## **ECONOMIC INFORMATION CONCERNING THE CITY**

### **Commerce and Industry**

Because of the City's location, employment opportunities for residents of the City are available both within the City and throughout the Kansas City metropolitan area. Listed below are the major employers located in the Kansas City Metropolitan Statistical Area:

<b><u>Employer</u></b>	<b><u>Type of Business</u></b>	<b><u>Employee</u></b>
Federal Government	Government	31,142
State of Kansas	Government	17,008
Cerner Corporation	Healthcare IT solutions	11,000
University of Kansas (all campuses)	Secondary education	7,783
Saint Luke's Health System	Healthcare	7,675
Children's Mercy Hospitals and Clinics	Healthcare	7,483
City of Kansas City, MO	Government	6,914
State of Missouri	Government	6,891
The University of Kansas Hospital	Acute-care and research hospital	6,103
Sprint Corp.	Telecommunications	6,000
Olathe School District	K-12 Education	4,083
Burns & McDonnell	Engineering	4,000
University of Missouri-KC	Secondary education	3,883
Johnson County, KS	Government	3,841
Mosaic Life Care	Healthcare	3,522
Kansas City, KS School District	K-12 Education	3,500
Shawnee Mission, KS School District	K-12 Education	3,366
Garmin	Technology	3,309
Stormont-Vail Healthcare	Healthcare	3,200
Hallmark Cards	Personal Expression products	3,170

Source: *Source:* Ingram's Greater Kansas City Book of Leads and Lists, 2017 Edition.

### **General and Demographic Information**

The following tables set forth certain population information.

	<b><u>1990</u></b>	<b><u>2000</u></b>	<b><u>2010</u></b>	<b><u>2017</u></b>
City of Smithville	2,786	5,514	8,425	9,274
Clay County	153,411	184,006	221,939	236,068
Platte County	57,867	73,781	89,322	96,899
State of Missouri	5,117,073	5,595,211	5,988,927	6,075,300

Source: U.S. Bureau of the Census, 2013-2017 American Community Survey 5-Year Estimates

**Population Distribution by Age**

<b><u>Age</u></b>	<b><u>City of Smithville</u></b>	<b><u>Clay County</u></b>	<b><u>Platte County</u></b>	<b><u>State of Missouri</u></b>
Under 5	886	15,661	6,049	373,141
5-19 years	1,905	48,038	19,320	1,176,263
20-44 years	3,050	80,521	31,943	1,961,796
45-54 years	1,267	32,090	13,878	805,345
55-64 years	1,102	28,610	12,640	802,723
65 years and older	<u>1,064</u>	<u>31,148</u>	<u>13,069</u>	<u>956,032</u>
Total	<u>9,274</u>	<u>236,068</u>	<u>96,899</u>	<u>6,075,300</u>
Median Age	36.8	36.8	38.2	38.4

Source: U.S. Bureau of the Census, 2013-2017 American Community Survey 5-Year Estimates.

**Employment**

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

	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018*</u></b>
<i>Clay County</i>					
Total Labor Force	130,479	133,069	134,971	134,548	135,528
Unemployed	6,995	6,030	5,229	4,827	4,072
Unemployment Rate	5.4%	4.5%	3.9%	3.6%	3.0%
<i>Platte County</i>					
Total Labor Force	54,335	55,804	56,664	56,964	57,316
Unemployed	2,746	2,337	2,051	1,806	1,527
Unemployment Rate	5.1%	4.2%	3.6%	3.2%	2.6%
<i>State of Missouri</i>					
Total Labor Force	3,048,576	3,077,535	3,079,559	3,050,713	3,057,330
Unemployed	186,855	154,428	140,250	114,587	101,709
Unemployment Rate	6.1%	5.0%	4.6%	3.8%	3.3%

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

**Income Statistics**

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

	<b><u>Per Capita</u></b>	<b><u>Median Family</u></b>
City of Smithville	\$35,203	\$88,036
Clay County	31,953	78,403
Platte County	37,443	90,397
State of Missouri	28,282	64,776

## Housing Structures

The median value of owner occupied housing units in the City and surrounding area was, according to the 2017 census, as follows:

	<u>Median Value</u>
City of Smithville	\$176,300
Clay County	160,900
Platte County	204,900
State of Missouri	145,400

Source: U.S. Bureau of the Census, 2013-2017 American Community Survey 5-Year Estimates.

## Building Construction

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<i>Residential</i>					
Number of Permits	57	77	116	155	183
Estimated Cost	\$9,766,491	\$13,914,700	\$20,481,254	\$23,111,701	\$25,310,985
<i>Commercial</i>					
Number of Permits	7	5	15	2	0
Estimated Cost	\$724,500	\$585,000	\$2,225,000	\$765,000	\$0
<b>TOTALS:</b>					
Number of Permits	64	82	131	157	183
Estimated Cost	\$10,490,991	\$14,499,700	\$22,706,254	\$23,876,701	\$25,310,985

Source: City.

## DEBT STRUCTURE OF THE CITY

### Current Indebtedness of the City

The following table sets forth as of January 1, 2019 all of the outstanding general obligation indebtedness of the City.

<u>Name of Issue</u>	<u>Issue Date</u>	<u>Principal Amount</u>	<u>Amount Outstanding</u>
General Obligation Bonds, Series 2018	10/02/2018	\$2,000,000	\$2,000,000



**Debt Summary**  
**(as of 1/1/2019**  
**(except as noted**  
**below))**

2018 Assessed Valuation:	\$163,540,389
2018 Estimated Actual Valuation:	\$751,646,461
Estimated Population	9,274
Total Outstanding General Obligation Debt: <sup>(1)</sup>	\$5,625,000
Overlapping Debt: <sup>(2)</sup>	\$23,745,327
Direct and Overlapping General Obligation Debt:	\$29,370,327
Ratio of General Obligation Debt to Assessed Valuation:	3.44%
Ratio of General Obligation Debt to Estimated Actual Valuation:	0.75%
Per Capita General Obligation Debt:	\$606.53
Ratio of Direct and Overlapping Debt to Assessed Valuation:	17.96%
Ratio of Direct and Overlapping Debt to Estimated Actual Valuation:	3.91%
Per Capita Direct and Overlapping Debt:	\$3,166.95

<sup>(1)</sup> Includes the Bonds and outstanding general obligation debt as of January 1, 2019.

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

**Overlapping Indebtedness**

The following table sets forth the approximate overlapping indebtedness (including general obligation bonds) of political subdivisions with boundaries overlapping the City as of January 1, 2019, and the percentage attributable (on the basis of current assessed valuation) to the City.

<b><u>Taxing Jurisdiction</u></b>	<b><u>Outstanding General Obligation Indebtedness</u></b>	<b><u>Percent Applicable to City</u></b>	<b><u>Amount Applicable to City</u></b>
Smithville R-II School District	\$33,369,000	65.0%	\$21,723,823
Smithville Area Fire Protection District	3,575,000	57.0	<u>2,021,504</u>
Total			<u>\$23,745,327</u>

## Other Obligations

The City also issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service, enters into lease financings payable from annual appropriations and issues bonds payable from certain incremental property and sales tax revenues generated in tax increment financing redevelopment areas. Such obligations of the City outstanding as of January 1, 2019 are as follows:

<u>Certificates of Participation</u>	<u>Original Issue</u>	<u>Amount Outstanding</u>
Refunding and Improvement Certificates of Participation, Series 2018	\$8,635,000	\$8,635,000
Refunding Certificate of Participation (Water Improvements Project), Series 2012	530,000	<u>170,000</u>
		<u>\$8,805,000</u>

In addition, the City has a capital lease for a street sweeper as described in Note 7 of the audited financial statements of the City included as Appendix B.

## Legal Debt Capacity

Article VI, Sections 26(b) and (c) of the Constitution of the State of Missouri limit the net outstanding amount of authorized general obligation indebtedness for a city to 10 percent of the assessed valuation of the city by a two-thirds (four-sevenths at certain elections) vote of the qualified voters. Article VI, Section 26(d) provides that a city may, by a two-thirds (four-sevenths at certain elections) vote of the qualified voters, incur indebtedness in an amount not to exceed an additional 10 percent for the purpose of acquiring rights-of-way, construction, extending and improving streets and avenues, and sanitary or storm sewer systems, provided the total general obligation indebtedness of a city does not exceed 20 percent of the assessed valuation. Article VI, Section 26(e) provides that a city may, by a two-thirds (four-sevenths at certain elections) vote of the qualified voters, incur indebtedness in an amount not exceeding an additional 10 percent for the purpose of purchasing or constructing waterworks, electric or other light plans to be owned exclusively by the city, provided that the total general obligation indebtedness of a city does not exceed 20 percent of the assessed valuation. The legal debt capacity of the City is \$32,708,077, less the amount of the Bonds and outstanding general obligation debt, leaves a legal debt margin of the City is \$29,083,077.

## Defaults on City Indebtedness

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

## FINANCIAL INFORMATION CONCERNING THE CITY

### Accounting, Budgeting and Auditing Procedures

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

An annual budget is prepared under the direction of the City Administrator and submitted to the Board of Aldermen for consideration prior to the fiscal year commencing on November 1. The operating budget includes proposed expenditures and revenue sources. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted through the adoption of an ordinance. The primary basis of budgetary control is at the

departmental level. The City Administrator is authorized to transfer budgeted amounts between programs within any department; however, any revisions that alter the total expenditures of any department must be approved by the Board of Aldermen. Formal budgetary integration is employed as a management control device during the year for all funds. Budgets for all funds are adopted on a cash basis.

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The annual audit for the fiscal year ending October 31, 2018 was performed by CliftonLarsonAllen LLP, St. Joseph, Missouri. Copies of the audit reports for the past 5 years are on file in the City Administrator's office and are available for review.

### Sources of Revenue

The City finances its operations through the following taxes and other miscellaneous sources as indicated below for the City's general fund for fiscal year 2018 (the most recent fiscal year for which audited financial statements are available):

<u>Source</u>	<u>Amount</u>	<u>Percent</u>
Property Taxes	\$815,998	18.2%
Sales and Use Taxes	1,366,970	30.4
Franchise Taxes	819,356	18.3
Licenses, Permits & Fees	453,607	10.1
Intergovernmental Revenues	424,622	9.5
Charge for Services	160,577	3.6
Fines & Forfeitures	173,262	3.9
Interest	141,291	3.1
Other Revenue	131,806	2.9
	<u>\$4,487,489</u>	<u>100.00%</u>

### Retail Sales Taxes

The following table shows collections of sales taxes for the City during the last five fiscal years for which audited financial statements are available:

<u>Fiscal Year</u>	<u>1% General</u>	<u>1/2% Transportation</u>
2018	\$1,049,730	\$476,958
2017	1,010,218	469,890
2016	961,299	437,981
2015	967,939	442,480
2014	883,841	398,302

Source: City.

The City currently collects a 1% sales tax for general purposes and a 1/2% sales tax for transportation purposes. In April 2018, the City approved a 1/2% capital improvement sales tax until December 31, 2038 for the purpose of funding, financing, operating and maintaining capital improvements in the City. The sales tax was imposed effective as of October 1, 2018.

## **Tax Increment Financing**

The City has designated a tax increment financing redevelopment area within the City and authorized tax increment financing within that redevelopment area to reimburse redevelopment project costs to assist in certain developments. These costs are payable solely from moneys on deposit in a “special allocation fund.” The moneys deposited into the special allocation fund may consist of (a) certain payments in lieu of taxes, attributable to the increase in assessed valuation of the real property within the redevelopment areas as a result of development, and (b) fifty percent of the total additional revenue from taxes (including the sales taxes of the City but excluding certain other taxes) of local taxing districts that are generated by economic activities within the redevelopment areas over the amount of such taxes generated by economic activities within the year in the calendar year in which the redevelopment areas were designated. As a result, the payments in lieu of taxes attributable to the increase in assessed valuation of the real property within the redevelopment areas and up to fifty percent (50%) of the additional revenues generated by the sales taxes within such redevelopment areas over the amount so generated in the year in which such redevelopment areas were designated may not be available to the City, but instead might be deposited into the special allocation fund and used to pay redevelopment project costs related to the development. The City does not expect that the amount of such payments in lieu of taxes or sales taxes paid into the special allocation fund from these projects will materially affect its ability to pay the Bonds.

## **Property Valuations**

### *Assessment Procedure:*

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

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

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

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

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

*Current Assessed Valuation:*

The following table shows the total assessed valuation, by category, of all taxable tangible property situated in the City according to the assessment of **2018** (the last completed assessment):

	<b><u>Assessed Valuation</u></b>	<b><u>Assessment Rate</u></b>	<b><u>Estimated Actual Valuation</u></b>
Real Estate:			
Residential	\$112,345,743	19%	\$591,293,384
Commercial	21,386,520	32	66,832,875
Agricultural	<u>767,967</u>	12	<u>6,399,725</u>
Sub-Total	134,500,230		664,525,984
Personal Property	<u>29,040,159</u>	33 1/3% *	<u>87,120,477</u>
Total	<u>\$163,540,389</u>		<u>\$751,646,461</u>

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

*History of Property Valuation:*

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

<b><u>Year</u></b>	<b><u>Assessed Valuation</u></b>	<b><u>Percent Change</u></b>
2018	\$163,540,389	4.56%
2017	156,404,576	5.94
2016	147,636,874	3.17
2015	143,088,251	6.24
2014	134,688,762	1.79

**Property Tax Levies and Collections**

*Tax Collection Procedure:*

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

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

percent of each year's delinquency. All lands and lots on which taxes are delinquent and unpaid are subject to sale at public auction in August of each year.

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

### **Tax Rates**

*Operating Levy.* The current general fund levy of the City is \$0.4773 per \$100 of assessed valuation. The general fund levy cannot exceed the "tax rate ceiling" for the current year without voter approval. The tax rate ceiling, determined annually, is the rate of levy which, when charged against the newly assessed valuation of the City for the current year, excluding new construction and improvements, will produce an amount of tax revenues equal to tax revenues for the previous year increased by 5% or the Consumer Price Index, whichever is lower. Without the required percentage of voter approval, the tax rate ceiling cannot at any time exceed the greater of the tax rate in effect in 1980 or the most recent voter-approved tax rate. The tax levy for debt service on the City's general obligation bonds is exempt from the calculations of and limitations upon the tax rate ceiling. Under Article X, Section 11(c) of the Missouri Constitution, any increase in the City's general fund levy above \$1.00 must be approved by two-thirds of the voters voting on the proposition. The current tax rate ceiling for the general fund is \$0.4773 per \$100 of assessed valuation.

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

*Debt Service Levy.* The City does not expect to establish a debt service levy at this time and plans to pay debt service from sales tax collections and other revenues of the City. Once indebtedness has been approved by the constitutionally required percentage of the voters voting therefor and bonds are issued, the City is required under Article VI, Section 26(f) of the Missouri Constitution to levy an annual tax on all taxable tangible property therein sufficient to pay the interest and principal of the indebtedness as they fall due and to retire the same within 20 years from the date of issue. The Board of Aldermen may set the tax rate for debt service, without limitation as to rate or amount, at the level required to make such payments.

#### *Historical Tax Rates:*

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

<b><u>Fiscal Year Ended</u></b> <b><u>October 31</u></b>	<b><u>General</u></b> <b><u>Fund</u></b>	<b><u>Total</u></b> <b><u>Levy</u></b>
2019	\$0.4773	\$0.4773
2018	0.4773	0.4773
2017	0.4773	0.4773
2016	0.4523	0.4523
2015	0.4523	0.4523
2014	0.4500	0.4500

*Tax Collection Record:*

The following table sets forth tax collection information for the City for the last five fiscal years.

<b><u>Year Ended October 31</u></b>	<b><u>Total Levy</u></b>	<b><u>Taxes Levied</u></b>	<b><u>Current and Delinquent Taxes Collected*</u></b>	
			<b><u>Amount</u></b>	<b><u>%</u></b>
2018	\$0.4773	\$780,578	\$815,998	104.54%
2017	0.4773	746,519	772,130	103.43
2016	0.4523	667,762	715,761	107.19
2015	0.4523	647,188	677,910	104.75
2014	0.4500	606,099	708,552	116.90

\* The City consistently collects over 100% of taxes levied due to a significant amount of funds received from a surtax imposed within the City. In each of the following fiscal years, the City collected these amounts generated by the surtax: \$70,418.43 in 2015, \$71,593.62 in 2016, and \$70,933.29 in 2017.

Source: The City

*Major Property Taxpayers:*

The following table sets forth the ten largest real property taxpayers in the City based upon assessed valuation of **2018**.

<b><u>Name of Taxpayer</u></b>		<b><u>Local Assessed Valuation</u></b>	<b><u>% of Total Local Assessed Valuation</u></b>
1.	Laclede Gas Co.	\$1,476,960	0.9%
2.	Essers Inc.	628,540	0.4
3.	Major, Ronald H	590,530	0.4
4.	Soper Family LLC	560,930	0.3
5.	Wait, Regina L	557,380	0.3
6.	Major Lumber Co Inc.	421,920	0.3
7.	GPH Smithville LLC	410,400	0.3
8.	Littleton L David	403,050	0.2
9.	Creekwood LLC	335,620	0.2
10.	KC Custom Cabinet Inc.	334,880	0.2

Source: Clay County Assessor.

## **APPENDIX B**

### **ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS**



**CITY OF SMITHVILLE, MISSOURI**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED OCTOBER 31, 2018**

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## **FINANCIAL SECTION**



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## INDEPENDENT AUDITORS' REPORT

Board of Aldermen and Mayor  
City of Smithville, Missouri

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Smithville, Missouri (the City), as of and for the year ended October 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 – modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Smithville, Missouri as of October 31, 2018, and the respective changes in financial position – modified cash basis and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Smithville, Missouri's basic financial statements. The budgetary comparison schedules and schedule of contributions, the combining nonmajor governmental funds balance sheet – modified cash basis, and the combining nonmajor governmental funds revenues, expenditures, and changes in fund balances – modified cash basis are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental funds balance sheet – modified cash basis, and the combining nonmajor governmental funds revenues, expenditures, and changes in fund balances – modified cash basis are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental funds balance sheet – modified cash basis, and the combining nonmajor governmental funds revenues, expenditures, and changes in fund balances – modified cash basis are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The budgetary comparison schedules and schedule of contributions 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.



**CliftonLarsonAllen LLP**

St. Joseph, Missouri  
February 5, 2019

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SMITHVILLE, MISSOURI**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**OCTOBER 31, 2018**

	Primary Government		
	Governmental	Business-	
	Activities	Type	
		Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 5,695,313	\$ 1,340,411	\$ 7,035,724
Restricted Cash and Investments	14,462	9,234,502	9,248,964
Capital Assets:			
Nondepreciable	1,244,296	687,494	1,931,790
Depreciable, Net	5,602,197	14,714,920	20,317,117
<b>Total Assets</b>	<b>12,556,268</b>	<b>25,977,327</b>	<b>38,533,595</b>
<b>LIABILITIES</b>			
Developer Escrow	23,652	-	23,652
Liabilities Payable from Restricted Assets	1,462	-	1,462
Customer Deposits	-	317,770	317,770
Long-Term Liabilities:			
Due Within One Year	29,286	290,807	320,093
Due In More Than One Year	2,243,556	8,782,563	11,026,119
<b>Total Liabilities</b>	<b>2,297,956</b>	<b>9,391,140</b>	<b>11,689,096</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	6,582,549	13,178,115	19,760,664
Restricted for Law Enforcement and Court	44,303	-	44,303
Restricted for Debt Service	-	68,380	68,380
Restricted for Capital Projects	2,008,898	2,317,051	4,325,949
Restricted for Transportation	417,228	-	417,228
Unrestricted	1,205,334	1,022,641	2,227,975
<b>Total Net Position</b>	<b>\$ 10,258,312</b>	<b>\$ 16,586,187</b>	<b>\$ 26,844,499</b>

See accompanying Notes to Financial Statements.



**CITY OF SMITHVILLE, MISSOURI**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**YEAR ENDED OCTOBER 31, 2018**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
<b>GOVERNMENTAL ACTIVITIES</b>							
General Government	\$ 898,993	\$ 129,403	\$ -	\$ -	\$ (769,590)	\$ -	\$ (769,590)
Public Works	958,980	38,288	-	-	(920,692)	-	(920,692)
Police and Municipal Court	1,746,911	261,480	111,056	-	(1,374,375)	-	(1,374,375)
Community and Economic Development	574,149	317,473	-	-	(256,676)	-	(256,676)
Parks and Recreation	594,444	202,031	-	-	(392,413)	-	(392,413)
Interest and Fiscal Charges	66,988	-	-	-	(66,988)	-	(66,988)
Total Governmental Activities	4,840,465	948,675	111,056	-	(3,780,734)	-	(3,780,734)
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water and Sewer	2,992,126	3,657,680	-	528,074	-	1,193,628	1,193,628
Sanitation	726,458	735,137	-	-	-	8,679	8,679
Total Business-Type Activities	3,718,584	4,392,817	-	528,074	-	1,202,307	1,202,307
Total Primary Government	\$ 8,559,049	\$ 5,341,492	\$ 111,056	\$ 528,074	(3,780,734)	1,202,307	(2,578,427)
General Revenues:							
Taxes:							
Property Taxes					815,998	-	815,998
Franchise Taxes					767,961	-	767,961
Sales Taxes					1,896,424	-	1,896,424
Motor Fuel Taxes					225,221	-	225,221
Tower Lease					-	37,589	37,589
Investment Earnings					141,291	14,659	155,950
Miscellaneous					65,174	4,579	69,753
Total General Revenues					3,912,069	56,827	3,968,896
Change in Net Position					131,335	1,259,134	1,390,469
Net Position - Beginning of Year					10,126,977	15,327,053	25,454,030
Net Position - End of Year					\$ 10,258,312	\$ 16,586,187	\$ 26,844,499

See accompanying Notes to Financial Statements.

**CITY OF SMITHVILLE, MISSOURI  
BALANCE SHEET – MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
OCTOBER 31, 2018**

	General	Transportation Sales Tax	Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 3,229,513	\$ 417,228	\$ 2,008,898	\$ 39,674	\$ 5,695,313
Restricted Cash	14,462	-	-	-	14,462
Total Assets	<u>\$ 3,243,975</u>	<u>\$ 417,228</u>	<u>\$ 2,008,898</u>	<u>\$ 39,674</u>	<u>\$ 5,709,775</u>
<b>LIABILITIES</b>					
Developer Escrow	\$ 23,652	\$ -	\$ -	\$ -	\$ 23,652
Payable from Restricted Assets, Municipal Court Bonds	1,462	-	-	-	1,462
Total Liabilities	25,114	-	-	-	25,114
<b>FUND BALANCES</b>					
Restricted:					
Law Enforcement and Court	13,000	-	-	31,303	44,303
Transportation	-	417,228	-	-	417,228
Capital Improvement	-	-	2,008,898	-	2,008,898
Committed:					
Law Enforcement Technology Upgrades	-	-	-	8,371	8,371
Unassigned	3,205,861	-	-	-	3,205,861
Total Fund Balances	<u>3,218,861</u>	<u>417,228</u>	<u>2,008,898</u>	<u>39,674</u>	<u>5,684,661</u>
Total Liabilities and Fund Balances	<u>\$ 3,243,975</u>	<u>\$ 417,228</u>	<u>\$ 2,008,898</u>	<u>\$ 39,674</u>	<u>\$ 5,709,775</u>

See accompanying Notes to Financial Statements.

**CITY OF SMITHVILLE, MISSOURI  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET – MODIFIED  
CASH BASIS – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET  
POSITION – MODIFIED CASH BASIS  
OCTOBER 31, 2018**

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 5,684,661</b>
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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 as assets in governmental funds.

6,846,493

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Capital Leases Payable	(196,956)
Bonds Payable	<u>(2,075,886)</u>

<b>Total Net Position - Governmental Activities</b>	<b><u>\$ 10,258,312</u></b>
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*See accompanying Notes to Financial Statements.*

**CITY OF SMITHVILLE, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED OCTOBER 31, 2018**

	General	Transportation Sales Tax	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 815,998	\$ -	\$ -	\$ -	\$ 815,998
Sales and Use Taxes	1,366,970	476,958	-	-	1,843,928
Franchise Taxes	819,356	-	-	-	819,356
Licenses, Fees, and Permits	453,607	-	-	7,353	460,960
Intergovernmental Revenues	424,622	-	-	-	424,622
Charges for Services	160,577	-	-	-	160,577
Fines and Forfeits	173,262	-	-	-	173,262
Interest	141,291	-	-	-	141,291
Other Revenue	131,806	-	-	-	131,806
Total Revenues	4,487,489	476,958	-	7,353	4,971,800
<b>EXPENDITURES</b>					
Current:					
General Government	877,822	-	-	-	877,822
Police	1,578,770	-	-	1,381	1,580,151
Municipal Court	98,042	-	-	2,284	100,326
Public Works	729,757	95,276	-	-	825,033
Parks and Recreation	513,897	-	-	-	513,897
Community and Economic Development	543,498	-	-	-	543,498
Senior Center	17,031	-	-	-	17,031
Capital Outlay	790,021	480,254	-	-	1,270,275
Debt Service:					
Principal	11,956	38,276	-	-	50,232
Interest and Fiscal Charges	140	-	66,988	-	67,128
Total Expenditures	5,160,934	613,806	66,988	3,665	5,845,393
<b>EXCESS (DEFICIENCY) OF OVER (UNDER) EXPENDITURES</b>	(673,445)	(136,848)	(66,988)	3,688	(873,593)
<b>OTHER FINANCING SOURCES</b>					
Issuance of Debt	-	235,232	2,075,886	-	2,311,118
<b>NET CHANGE IN FUND BALANCES</b>	(673,445)	98,384	2,008,898	3,688	1,437,525
Fund Balances - Beginning Of Year	3,892,306	318,844	-	35,986	4,247,136
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 3,218,861</u>	<u>\$ 417,228</u>	<u>\$ 2,008,898</u>	<u>\$ 39,674</u>	<u>\$ 5,684,661</u>

See accompanying Notes to Financial Statements.

**CITY OF SMITHVILLE, MISSOURI  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS – MODIFIED CASH  
BASIS TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS  
YEAR ENDED OCTOBER 31, 2018**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 1,437,525</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the expenditures are capitalized.

Capital Outlays	1,270,275
Depreciation Expense	(315,579)

Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities on the statement of net position. In the current period, this amount consists of:

Debt Principal Retirement	50,232
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Proceeds of long term-debt is reported as an other financing source in the governmental but the proceeds increase long-term liabilities on the statement of net position.

	<u>(2,311,118)</u>
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<b>Change in Net Position - Governmental Activities</b>	<b><u>\$ 131,335</u></b>
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**CITY OF SMITHVILLE, MISSOURI**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**OCTOBER 31, 2018**

	<u>Water and Wastewater</u>	<u>Sanitation</u>	<u>Total Proprietary Funds</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 1,296,566	\$ 43,845	\$ 1,340,411
<b>RESTRICTED ASSETS</b>			
Cash and Cash Equivalents	9,234,502	-	9,234,502
<b>CAPITAL ASSETS</b>			
Nondepreciable	687,494	-	687,494
Depreciable, Net	<u>14,714,920</u>	<u>-</u>	<u>14,714,920</u>
Capital Assets, Net	<u>15,402,414</u>	<u>-</u>	<u>15,402,414</u>
Total Assets	<u>\$ 25,933,482</u>	<u>\$ 43,845</u>	<u>\$ 25,977,327</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Customer Deposits	\$ 317,770	\$ -	\$ 317,770
Current Maturities of Long-Term Liabilities	<u>290,807</u>	<u>-</u>	<u>290,807</u>
Total Current Liabilities	608,577	-	608,577
<b>LONG-TERM LIABILITIES</b>			
Long-Term Liabilities, Less Current Maturities Above	<u>8,782,563</u>	<u>-</u>	<u>8,782,563</u>
Total Liabilities	9,391,140	-	9,391,140
<b>NET POSITION</b>			
Net Investment in Capital Assets	13,178,115	-	13,178,115
Restricted for Debt Service	68,380	-	68,380
Restricted for Capital Projects	2,317,051	-	2,317,051
Unrestricted	<u>978,796</u>	<u>43,845</u>	<u>1,022,641</u>
Total Net Position	<u>16,542,342</u>	<u>43,845</u>	<u>16,586,187</u>
Total Liabilities and Net Position	<u>\$ 25,933,482</u>	<u>\$ 43,845</u>	<u>\$ 25,977,327</u>

See accompanying Notes to Financial Statements.

**CITY OF SMITHVILLE, MISSOURI  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION – MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
YEAR ENDED OCTOBER 31, 2018**

	Water and Wastewater	Sanitation	Total Proprietary Funds
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 3,657,681	\$ 735,138	\$ 4,392,819
<b>OPERATING EXPENSES</b>			
Personnel Services	835,512	-	835,512
Contractual Services	525,889	726,458	1,252,347
Operations	509,779	-	509,779
Repair and Maintenance	338,466	-	338,466
Depreciation and Amortization	495,837	-	495,837
Total Operating Expenses	<u>2,705,483</u>	<u>726,458</u>	<u>3,431,941</u>
<b>OPERATING INCOME</b>	952,198	8,680	960,878
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Tower Lease	37,589	-	37,589
Interest Income	14,659	-	14,659
Nonoperating Expenses	(5,901)	-	(5,901)
Interest Expense and Fiscal Charges	(280,744)	-	(280,744)
Other Income	4,579	-	4,579
Total Nonoperating Revenues (Expenses)	<u>(229,818)</u>	<u>-</u>	<u>(229,818)</u>
<b>CAPITAL CONTRIBUTIONS</b>			
Impact Fees	<u>528,074</u>	<u>-</u>	<u>528,074</u>
<b>CHANGE IN NET POSITION</b>	1,250,454	8,680	1,259,134
Net Position - Beginning of Year	<u>15,291,888</u>	<u>35,165</u>	<u>15,327,053</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 16,542,342</u></u>	<u><u>\$ 43,845</u></u>	<u><u>\$ 16,586,187</u></u>

See accompanying Notes to Financial Statements.

**CITY OF SMITHVILLE, MISSOURI**  
**STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED OCTOBER 31, 2018**

	Water and Wastewater	Sanitation	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 3,675,444	\$ 735,138	\$ 4,410,582
Cash Paid to Suppliers	(1,374,134)	(726,458)	(2,100,592)
Cash Paid to Employees	(835,512)	-	(835,512)
Net Cash Provided by Operating Activities	1,465,798	8,680	1,474,478
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Other Nonoperating Revenue	36,267	-	36,267
Net Cash Provided by Noncapital Financing Activities	36,267	-	36,267
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Capital Assets	(2,012,495)	-	(2,012,495)
Cash Received from Impact Fees	528,074	-	528,074
Proceeds from Long-Term Debt	8,848,370	-	8,848,370
Payments on Long-Term Debt	(2,675,000)	-	(2,675,000)
Interest Paid on Long-Term Debt	(276,908)	-	(276,908)
Net Cash Provided by Capital and Related Financing Activities	4,412,041	-	4,412,041
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received	14,659	-	14,659
<b>NET INCREASE IN CASH</b>	5,928,765	8,680	5,937,445
Cash - Beginning of Year	4,602,303	35,165	4,637,468
<b>CASH - END OF YEAR</b>	<u>\$ 10,531,068</u>	<u>\$ 43,845</u>	<u>\$ 10,574,913</u>

See accompanying Notes to Financial Statements.



**CITY OF SMITHVILLE, MISSOURI**  
**STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS (CONTINUED)**  
**PROPRIETARY FUNDS**  
**YEAR ENDED OCTOBER 31, 2018**

	Combined Water and Wastewater	Sanitation	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income	\$ 952,198	\$ 8,680	\$ 960,878
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	495,837	-	495,837
Change in:			
Customer Deposits	17,763	-	17,763
Net Cash Provided by Operating Activities	<u>\$ 1,465,798</u>	<u>\$ 8,680</u>	<u>\$ 1,474,478</u>
<b>CASH REPORTED ON THE STATEMENT OF NET POSITION</b>			
Cash	\$ 1,296,566	\$ 43,845	\$ 1,340,411
Restricted Cash and Cash Equivalents	<u>9,234,502</u>	<u>-</u>	<u>9,234,502</u>
Total Cash and Cash Equivalents	<u>\$ 10,531,068</u>	<u>\$ 43,845</u>	<u>\$ 10,574,913</u>

See accompanying Notes to Financial Statements.

**CITY OF SMITHVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Smithville (the City) was incorporated in 1867 and covers an area of approximately 13.8 square miles in Clay County and Platte County, Missouri. The City is a fourth class city and operates under the aldermen-administrator form of government. The City Administrator is the chief administrative officer of the City. The City provides services to more than 8,400 residents in many areas, including law enforcement, water and sewer services, refuse and recycling services, parks and recreation services, community enrichment and development, and various administrative functions.

The financial statements of the City of Smithville, Missouri, have been prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates incorporated within the City's financial statements include the factors utilized in determining depreciation of the City's capital assets. Actual results could differ from those estimates.

**Principles Used to Determine the Reporting Entity**

The City's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the City is considered to be financially accountable.

Component units are legally separate entities for which the City (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include: whether or not the primary government appoints the voting majority of the potential component units governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

The City is not aware of any organization to which the City is financially accountable. Management has considered all potential component units and has determined there are no entities outside of the primary government that should be blended into or discretely presented with the City's financial statements.

**CITY OF SMITHVILLE, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basic Financial Statement Presentation**

The government-wide financial statements (i.e., the statement of net position – modified cash basis and the statement of activities – modified cash basis) report information on all of the nonfiduciary activities of the City. 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 sales for support.

The statement of activities – modified cash basis 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 charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds are used to report business-type activities carried on by the City.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using modified cash basis of accounting and the economic resources measurement focus, as limited by the modified cash basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when received and expenses are recorded when paid.

Governmental fund financial statements are reported on the “current financial resources” measurement focus, as applied to the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources at the end of the period.

The City accounts for all activities using the modified cash basis of accounting, modified with respect to capitalization and depreciation of property and equipment, and the recording of liabilities for long-term debt. Consequently, accounts receivable and accounts payable are not recorded. Therefore, certain revenue and related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statements are not intended to present financial position and change in net position in conformity with generally accepted accounting principles.

**CITY OF SMITHVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus and Basis of Accounting (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise funds 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.

Enterprise 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 an enterprise fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, fund balances, and revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

**Major Governmental Funds**

- **General Fund**

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

- **Transportation Sales Tax Fund**

The Transportation Sales Tax Fund is a special revenue fund that accounts for the revenues received from a 0.5% sales tax to be used specifically for transportation purposes.

- **Capital Improvement Fund**

The Capital Improvement Fund is a special revenue fund that accounts for the proceeds from the issuance of 2018 general obligation bonds and will be used to account for the future revenues received from a 0.5% sales tax for the purpose of funding, financing, operating and maintaining capital improvements. The sales tax will expire on December 31, 2038.

**CITY OF SMITHVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Accounting (Continued)**

**Major Proprietary Funds**

- **Enterprise Funds**

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

- **Combined Water and Wastewater Fund**

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

- **Sanitation Fund**

The Sanitation Fund accounts for the provision of sanitation services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and related debt service.

**Pooled Cash and Temporary Investments**

Cash resources of the individual funds are combined to form a pool of cash and temporary investments, which are managed by the Finance Director. Investments accounts consist primarily of certificates of deposit carried at cost. Interest income earned on the pooled account is allocated to general fund. Missouri state law permits the City to invest in prime money market instruments and securities, such as U.S. Government obligations, repurchase agreements, Missouri bank certificates of deposit, demand accounts, and savings accounts. As of October 31, 2018, the City has cash in demand deposits, money market instruments, and certificates of deposit.

The City maintains a cash and investment pool, which is available for use by most funds. Each fund's portion of this pool is displayed as pooled cash and investments or in restricted assets. Additionally, certain restricted assets, related to bond ordinances and indentures and capital lease certificates, are held in escrow by financial institutions' trust departments.

**Restricted Assets**

Cash has been restricted in the General Fund for court bonds. Cash and investments are restricted in the Proprietary Fund for revenue bond reserves because their use is limited by applicable debt obligation covenants.

**Statement of Cash Flows**

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**CITY OF SMITHVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

The City's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. Capital and intangible assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The City maintains a threshold level of \$5,000 or more for capitalizing capital assets.

Governmental activities capital and intangible assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are typically sold for an immaterial amount when declared as no longer needed for public purpose by the City, no salvage value is taken into consideration for depreciation purposes. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Governmental Activities:	
Building and Improvements	40
Machinery and Equipment	5 to 20
Vehicles	5
Infrastructure	40
Business-Type Activities:	
Machinery and Equipment	5 to 10
Water and Sewer Lines	40 to 50
Water Towers	40
Water and Sewer Plant	40 to 50

The City has elected to prospectively report infrastructure assets in the governmental activities, as allowed by Governmental Accounting Standards Board Statement No. 34.

Capital and intangible assets not being depreciated include land, construction in progress, and permanent easements, if any.

**Long-Term Obligations**

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

**CITY OF SMITHVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Long-Term Obligations (Continued)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

**Government-Wide and Proprietary Fund Net Position**

Net Position is displayed in three components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – Consists of restricted assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of the government; or (b) law through constitutional provisions or enabling legislation.

Unrestricted – Consists of the net amounts of the assets that are not included in the determination of “net investment in capital assets” or the “restricted” component of net position.

It is the City’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Impact fees assessed by the City by ordinance are reported as capital contributions in the Proprietary Fund.

**Governmental Fund Balances**

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**CITY OF SMITHVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Governmental Fund Balances (Continued)**

Committed Fund Balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Aldermen-the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Aldermen removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Fund Balance – This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Aldermen and the City Administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balance include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned Fund Balance – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

**Compensated Absences**

Under terms of the City's personnel policy, employees are granted vacation and sick leave in varying amounts based upon length of service. In the event of termination, an employee forfeits unused sick leave. Unused vacation can be accumulated up to a limit of 150% of the annual amounts earned, and is payable on separation of service. Under the modified cash basis of accounting, no liability is reported in the financial statements for the value of unused vacation time.

**Change in Accounting Principle**

In June, 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The standard was adopted during the year ended October 31, 2018. There was no financial impact to previously reported fund balances or net position.



**CITY OF SMITHVILLE, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2018**

**NOTE 2 BUDGETARY DATA**

Budgets for the City are prepared and adopted on the modified cash basis (budget basis) for all governmental and proprietary funds. The City Administrator is authorized to transfer budgeted amounts within departments in any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the Board of Aldermen. The department level constitutes that City's legal level of budgetary control. Reported budget amounts are as originally adopted or amended by board resolution. Annual operating budgets are adopted for the governmental and proprietary funds. Appropriations lapse at fiscal year-end, but may be re-appropriated in the following fiscal year. In the Transportation Sales Tax, Capital Improvement, and Sanitation Funds, actual expenditures exceeded budgeted appropriations.

**NOTE 3 DEPOSITS AND INVESTMENTS**

A summary of the carrying values of deposits, investments, and petty cash at October 31, 2018 is as follows:

Cash on Hand	\$ 700
Demand Deposits	8,337,238
Certificates of Deposit	<u>1,029,299</u>
Total Cash Deposits	9,367,237
Short-Term Investments Held in Trust	<u>6,917,451</u>
Total Cash Deposits and Investments	<u><u>\$ 16,284,688</u></u>

These carrying values are reflected on the statement of net position as follows:

Cash and Cash Equivalents	\$ 7,035,724
Restricted Cash and Cash Investments	<u>9,248,964</u>
Total	<u><u>\$ 16,284,688</u></u>

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

Statutes require that collateral pledged must have a fair value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the City or an independent third party, and must be of the kind prescribed by state statutes.

At October 31, 2018, the carrying amount of the City's demand deposits and certificates of deposit in financial institutions was \$9,366,537. The bank balances totaled \$9,527,254, of which \$250,000 was FDIC insured and \$9,277,254 was collateralized by pledged collateral held in the name of the City.

**CITY OF SMITHVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2018**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investment Policies**

The City does not have a formal investment policy, but follows state statutes as defined in the accounting policy Note 1. Restricted assets are invested by the bond trustees in accordance with the bond indentures.

**Credit Risk**

Credit risk is the risk that the issuer or other counterparty to an investment will be unable to fulfill its obligations to the holder of the investment. This risk can be measured by the assignment of a rating by a nationally recognized statistical rating organization such as Standard & Poor's above.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal policy for interest rate risk. However, the City does manage its exposure to fair value loss arising from interest rate changes on internally invested funds by reviewing the portfolio on an ongoing basis for changes in effective yield amounts.

**Custodial Credit Risk**

The custodial credit risk of investments is the risk that, in the event of the failure of the counterparty to transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City has no policy to limit the holdings of an outside party.

At October 31, 2018, the City's investments consisted of restricted investments held in the City's name by the bond trustee in accordance with the related bond indentures.

**Concentration of Credit Risk**

The City does not have a policy which limits the amounts that can be invested with any one issuer. Investments that represent more than 5% of the City's investments consist of money market funds shown above.

**Fair Value Measurements**

In determining fair value, the City uses various valuation approaches within GASBS 72 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

GASBS 72 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs, by requiring that the most observable inputs be used when available. GASBS 72 defines levels within the hierarchy based on the reliability of inputs as follows:

*Level 1* – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets; and

**CITY OF SMITHVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2018**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Fair Value Measurements (Continued)**

*Level 2* – Valuations based on quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data; and

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs, or significant value drivers, are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classifications in the valuation hierarchy.

*Money Market Mutual Funds:* Valued at last sales price, if listed on a national market or exchange, or if there is no sale and the market is still considered active, at the last transaction price before year-end. In less active markets, the valuation is based on the most recent price of the equivalent quoted yield for such securities. These are classified as Level 1 within the valuation hierarchy.

The carrying amounts, maturity segment, ratings and fair value levels for the City's investments at October 31, 2018, consisted of the following:

<u>Investment</u>	<u>Maturity Under One Year</u>	<u>Rating</u>	<u>Fair Value Hierarchy Level</u>
Restricted Investments, Proprietary Fund, Fidelity Treasury Money Market Funds	<u>\$ 6,917,451</u>	AAAm	Level 1

**NOTE 4 RESTRICTED CASH**

Restricted cash at October 31, 2018 consisted of the following:

	<u>General Fund</u>	<u>Combined Water &amp; Wastewater</u>	<u>Total</u>
Court Appearance Bonds	\$ 14,462	\$ -	\$ 14,462
Debt Service	-	68,380	68,380
Bond Proceeds	-	6,849,071	6,849,071
Capital Projects	-	2,317,051	2,317,051
Total	<u>\$ 14,462</u>	<u>\$ 9,234,502</u>	<u>\$ 9,248,964</u>

The City's combined water and wastewater revenue bond trust indentures require the City to establish various debt services and reserve accounts. At October 31, 2018, these reserve accounts were fully funded.

**CITY OF SMITHVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2018**

**NOTE 4 RESTRICTED CASH (CONTINUED)**

All new connections to the City's water and sewer system are assessed an impact fee. All impact fees are kept in a fund to be used only for capital improvement projects that expand capacity of the system, including, but not limited to, new sewer lines, upsizing existing sewer lines, removing or replacing sewer lift stations, or upgrading sewer lift stations. This cash is considered to be restricted for capital projects.

**NOTE 5 CAPITAL ASSETS**

The changes in capital asset activity, resulting from modified cash basis transactions, for the year ended October 31, 2018 are as follows:

	Balance November 1, 2017	Additions	Disposals	Balance October 31, 2018
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 918,234	\$ -	\$ -	\$ 918,234
Construction in Progress	613,230	703,569	990,737	326,062
Total Capital Assets, Not Being Depreciated	1,531,464	703,569	990,737	1,244,296
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,959,964	22,488	-	2,982,452
Machinery and Equipment	1,052,074	252,476	-	1,304,550
Vehicles	760,595	101,624	-	862,219
Infrastructure	2,604,520	1,180,856	-	3,785,376
Total Capital Assets, Being Depreciated	7,377,153	1,557,444	-	8,934,597
Total Capital Assets	8,908,617	2,261,013	990,737	10,178,893
Less: Accumulated Depreciation	3,016,821	315,579	-	3,332,400
Governmental Activities Capital Assets, Net	<u>\$ 5,891,796</u>	<u>\$ 1,945,434</u>	<u>\$ 990,737</u>	<u>\$ 6,846,493</u>
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land and Easements	\$ 220,930	\$ -	\$ -	\$ 220,930
Construction in Progress	49,725	1,209,634	792,795	466,564
Total Capital Assets, Not Being Depreciated	270,655	1,209,634	792,795	687,494
Capital Assets, Being Depreciated:				
Water Towers	2,656,744	41,333	-	2,698,077
Water and Sewer Lines	6,026,014	1,310,070	-	7,336,084
Machinery and Equipment	491,888	23,855	-	515,743
Vehicles	604,724	59,970	-	664,694
Plant	9,483,749	160,428	-	9,644,177
Total Capital Assets, Being Depreciated	19,263,119	1,595,656	-	20,858,775
Total Capital Assets	19,533,774	2,805,290	792,795	21,546,269
Less: Accumulated Depreciation	5,648,018	495,837	-	6,143,855
Business-Type Activities Capital Assets, Net	<u>\$ 13,885,756</u>	<u>\$ 2,309,453</u>	<u>\$ 792,795</u>	<u>\$ 15,402,414</u>

**CITY OF SMITHVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2018**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions as follows in the Statement of Activities:

<b>Governmental Activities</b>	
General Government	\$ 21,712
Police	66,434
Public Works	133,812
Parks and Recreation	80,547
Community and Economic Development	13,074
Total Depreciation Expense, Governmental Activities	<u>\$ 315,579</u>
<b>Business-Type Activities</b>	
Water and Wastewater	<u>\$ 495,837</u>

**NOTE 6 DEFINED BENEFIT PENSION PLAN**

**Plan Description**

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 supplementary information. This report may be obtained by accessing the LAGERS website at [www.molagers.org](http://www.molagers.org).

**Benefits Provided**

LAGERS provides retirement, death, and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 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 and receive a reduced allowance.

	<u>2018 Valuation</u>
Benefit Multiplier	1.50%
Final Average Salary	3 Years
Member Contributions	4%

**CITY OF SMITHVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2018**

**NOTE 6    DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Benefits Provided (Continued)**

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 February 28, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	10
Inactive Employees Entitled to but not yet Receiving Benefits	19
Active Employees	49
Total	<u>78</u>

**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 employer do not contribute to the pension plan. Employer contribution rates were 12% of annual covered payroll for the general division, and 10% of annual covered payroll for the police division, for the year ended October 31, 2018. For the year ended October 31, 2018, the City made contributions to the plan totaling \$262,069, which is equal to the City's pension expense, in accordance with the modified cash basis of accounting.

**CITY OF SMITHVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2018**

**NOTE 7 LONG-TERM INDEBTEDNESS**

The City's long-term debt arising from modified cash basis transactions or events consisted of the following as of October 31, 2018:

<u>Description</u>	<u>Amount</u>
<b>Governmental Activities</b>	
\$235,232 capital lease for the purpose of purchasing a street sweeper. Annual installments of \$38,276 plus interest through 2024; interest at 4.48%. At October 31, 2018, the City had capital assets related to this lease with a cost of \$38,276, and those assets had related accumulated depreciation of \$11,762.	\$ 196,956
\$2,000,000 2018 General Operating Bond. Annual installments of \$104,000 to \$199,000 through 2038; interest at 3.6% with a premium of \$75,886 issued with the debt.	<u>2,075,886</u>
Total Governmental Activities	<u><u>\$ 2,272,842</u></u>
<b>Business-Type Activities</b>	
\$530,000 Series 2012, Certificate of Participation, for the purpose of water pollution control improvements. Annual installments of \$50,000 to \$60,000 through 2021; interest at 2.63%.	225,000
\$8,635,000 Series 2018, Certificate of Participation, for the purpose of water pollution control improvements. Annual installments of \$564,000 to \$623,000 through 2038; interest at 4.2% to 4.6%.	<u>8,848,370</u>
Total Business-Type Activities	<u><u>\$ 9,073,370</u></u>

The advanced refunding of the Series 2007 Revenue Bonds caused the defeasance of the liability, and the City has removed the liability from its accounts. The advanced refunding resulted in an approximate additional cash flow of \$216,854, and resulted in an economic gain of \$201,688.

**CITY OF SMITHVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2018**

**NOTE 7 LONG-TERM INDEBTEDNESS (CONTINUED)**

Changes in the City's long-term debt arising from modified cash basis transactions or events for the year ended October 31, 2018 were as follows:

	Balance November 1, 2017	Additions	Retired	Balance October 31, 2018	Current Portion	Long-Term Portion
<b>Governmental Activities:</b>						
Capital Lease - Cab Tractor	\$ 11,956	\$ -	\$ 11,956	\$ -	\$ -	-
Capital Lease - Street Sweeper	-	235,232	38,276	196,956	29,286	167,670
2018 General Obligation Bonds	-	2,000,000	-	2,000,000	-	2,000,000
2018 General Obligation Bonds Premium	-	75,886	-	75,886	-	75,886
Total	<u>\$ 11,956</u>	<u>\$ 2,311,118</u>	<u>\$ 50,232</u>	<u>\$ 2,272,842</u>	<u>\$ 29,286</u>	<u>\$ 2,243,556</u>
<b>Business-Type Activities:</b>						
2007 Certificates of Participation	\$ 2,625,000	\$ -	\$ 2,625,000	\$ -	\$ -	\$ -
2012 Certificates of Participation	275,000	-	50,000	225,000	50,000	175,000
Deferred Refunding	(3,836)	-	(3,836)	-	-	-
2018 Certificates of Participation	-	8,635,000	-	8,635,000	235,000	8,400,000
2018 Certificates of Participation Premium	-	213,370	-	213,370	5,807	207,563
Total	<u>\$ 2,896,164</u>	<u>\$ 8,848,370</u>	<u>\$ 2,671,164</u>	<u>\$ 9,073,370</u>	<u>\$ 290,807</u>	<u>\$ 8,782,563</u>

The Series 2007 refunding bonds resulted in a difference between the reacquisition price and the net carrying amounts of the old debt of \$9,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, was written-off during the year ending October 31, 2018 when the debt was paid-off.



**CITY OF SMITHVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2018**

**NOTE 7 LONG-TERM INDEBTEDNESS (CONTINUED)**

Aggregate annual principal and interest payments applicable to long-term debt are:

Year Ended October 31,	Street Sweeper Capital Lease			Governmental Activities 2018 General Operating Bond			Total		
	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total
2019	\$ 29,268	\$ 9,008	\$ 38,276	\$ -	\$ 63,273	\$ 63,273	\$ 29,268	\$ 72,281	\$ 101,549
2020	30,607	7,669	38,276	35,000	68,868	103,868	65,607	76,537	142,144
2021	32,007	6,269	38,276	40,000	68,080	108,080	72,007	74,349	146,356
2022	33,471	4,805	38,276	45,000	67,188	112,188	78,471	71,993	150,464
2023	35,001	3,275	38,276	50,000	66,140	116,140	85,001	69,415	154,416
2024-2028	36,602	1,674	38,276	315,000	305,389	620,389	351,602	307,063	658,665
2029-2033	-	-	-	635,000	227,775	862,775	635,000	227,775	862,775
2034-2038	-	-	-	880,000	87,969	967,969	880,000	87,969	967,969
Total	<u>\$ 196,956</u>	<u>\$ 32,700</u>	<u>\$ 229,656</u>	<u>\$ 2,000,000</u>	<u>\$ 954,682</u>	<u>\$ 2,954,682</u>	<u>\$ 2,196,956</u>	<u>\$ 987,382</u>	<u>\$ 3,184,338</u>

  

Year Ended October 31,	2012 Certificates of Participation			Business-Type Activities 2018 Certificates of Participation			Total		
	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total
2019	\$ 55,000	\$ 5,194	\$ 60,194	\$ 235,000	\$ 329,002	\$ 564,002	\$ 290,000	\$ 334,196	\$ 624,196
2020	55,000	3,748	58,748	250,000	310,100	560,100	305,000	313,848	618,848
2021	60,000	2,236	62,236	265,000	297,600	562,600	325,000	299,836	624,836
2022	55,000	723	55,723	335,000	284,350	619,350	390,000	285,073	675,073
2023	-	-	-	355,000	267,600	622,600	355,000	267,600	622,600
2024-2028	-	-	-	2,015,000	1,081,300	3,096,300	2,015,000	1,081,300	3,096,300
2029-2033	-	-	-	2,375,000	728,675	3,103,675	2,375,000	728,675	3,103,675
2034-2038	-	-	-	2,805,000	304,269	3,109,269	2,805,000	304,269	3,109,269
Total	<u>\$ 225,000</u>	<u>\$ 11,901</u>	<u>\$ 236,901</u>	<u>\$ 8,635,000</u>	<u>\$ 3,602,896</u>	<u>\$ 12,237,896</u>	<u>\$ 8,860,000</u>	<u>\$ 3,614,797</u>	<u>\$ 12,474,797</u>

**CITY OF SMITHVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2018**

**NOTE 8 TAXES**

Property taxes may attach as an enforceable lien on property as of January 1st. Taxes are levied no later than November 1st and are due and payable at that time. All unpaid taxes levied by November 1st become delinquent January 1st of the following year.

The assessed valuation of the tangible property for the purpose of local taxation for the budget year ending October 31, 2018 was \$156,356,367.

The tax levy per \$100 of assessed valuation of tangible real and personal property for the budget year ending October 31, 2018 was \$0.4773 for general fund purposes.

Sales tax revenue consists of a one percent general sales tax on all receipts from the retail sale of tangible personal property or taxable services within the City subject to taxation by the State of Missouri, and a one-half of one percent levy for the purpose of street maintenance.

The City is subject to property tax abatements through various programs implemented by Platte County, which include Tax Increment Financing (TIF). The enacting authority for TIF is Chapter 99, RSMO. A TIF project diverts tax revenue, above an established base level of taxes, to a special allocation fund that allows certain project costs to be reimbursed to developers for up to 23 years. Most commonly, the sources of funds that are diverted are Payments In Lieu of Taxes (PILOTs) and Economic Activity Taxes (EATs). Generally, 100% of PILOTs (real property based taxes) and 50% of EATs (sales, utilities, and earnings based taxes) are diverted. A basic requirement, as outlined in Section 99.810.1 (1), RSMO, is: "The redevelopment area on the whole is a blighted area, a conservation area, or an economic development area, and has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of tax increment financing." Each agreement will vary from project to project. There were no taxes abated related to the projects during the year ending October 31, 2018.

**NOTE 9 INTERGOVERNMENTAL REVENUE**

Intergovernmental revenue during fiscal year ended October 31, 2018 consisted of the following:

	<u>General Fund</u>
<b>State:</b>	
Motor Vehicle Fuel Tax	\$ 225,221
<b>County:</b>	
Road and Bridge Tax	52,496
<b>School District:</b>	
School Resource Officer	35,849
<b>Federal:</b>	
Public Safety Grants	111,056
Total	<u>\$ 424,622</u>

**CITY OF SMITHVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2018**

**NOTE 10 RISK MANAGEMENT**

The City is a member of MPR (formerly MARCIT), a nonprofit corporation consisting of governmental entities incorporated in 1984 to acquire insurance for its members. MPR operates as a purchasing pool and is not a joint venture activity of the City. The City has no control over budgeting, financing, management selection, or the governing body. MPR provides both conventional and self-insurance coverages for its members including property, casualty, general liability, and workers' compensation. The City participates in medical, dental, property, casualty, general liability, and workers' compensation insurance coverage. MPR manages the cash and investment pool, funded by insurance premiums, on behalf of its members. MPR's investment pool consists of interest-bearing deposits, U.S. Treasury strips, U.S. governmental agency obligations, and collateralized mortgage obligations.

In the event that a deficit occurs with respect to any fiscal year of MPR for which the City was a participant at any time during such year; and in the event that MPR determines that an assessment is required in order to provide additional funds for the obligations of MPR for such year; and further, in the event that the City was covered by the types of benefits requiring the assessment during the time period in which the assessment arose, the City is obligated to pay its pro rata share of any such assessments, irrespective of whether or not the City is a member of MPR at the time of such assessment. MPR was not in a deficit situation during the past year.

There has been no significant reduction in insurance coverage from the previous year in any of the City's policies. In addition, there have been no settlements in excess of the City insurance coverage in any of the prior three years.

**NOTE 11 COMMITMENTS**

**U.S. Army Corps of Engineers**

The City has entered into various agreements with U.S. Army Corps of Engineers (the Corps). One agreement, paid from the General Fund, is for the use of the Smith's Fork public use area and is payable in installments which began in 1999 that increases annually over a period of 50 years. The amount paid for the year ended October 31, 2018 was \$31,840.

The water and wastewater fund is responsible for two agreements, one to reimburse the Corps for a percentage of their maintenance costs for the dam at the Corps' Smithville Lake where the City has its water intake line, and another for access to water from the lake for the City's water supply. The total amount paid for both agreements for the year ended October 31, 2018 was \$12,653.

**CITY OF SMITHVILLE, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2018**

**NOTE 11 COMMITMENTS (CONTINUED)**

**U.S. Army Corps of Engineers (Continued)**

Future minimum payments under the agreements are as follows:

<u>Year Ended October 31,</u>	<u>Smith's Fork Park Rent</u>	<u>Water Supply Agreement</u>
2019	\$ 33,432	\$ 12,626
2020	35,103	12,626
2021	36,853	12,626
2022	38,701	12,684
2023	40,636	-
2023-2027	294,710	-
2028-2032	376,133	-
2033-2037	479,852	-
2038-2042	611,699	-
2043-2047	781,753	-
Total	<u>\$ 2,728,872</u>	<u>\$ 50,562</u>

**Redevelopment Agreement**

The City and its Tax Increment Financing (TIF) Commission have approved the formation of a redevelopment area and entered into a TIF redevelopment agreement. Under the terms of the agreement, the City, subject to the developer satisfying various conditions as specified in the agreement, will reimburse the developer approximately \$4.8 million of its eligible costs. The reimbursement is payable solely from 50% of the future incremental property and sales tax revenues generated by the project. As of October 31, 2018, no reimbursements have been made.

**Other Services**

The City engaged a company to provide water tower maintenance. The agreement is for 10 years with payments of \$46,771 per year, for total payments over the term of the contract of \$467,710. The contract expires in the year ending October 31, 2027 and the remaining commitment at October 31, 2018 was \$420,939.

**Construction Projects**

In connection with the downtown streetscape project, the City has commitments approximating \$2 million at October 31, 2018. The project is primarily funded with proceeds from Series 2018 general obligation bonds.

In connection with the influent pump station and interceptor project, the City has commitments approximating \$6.7 million at October 31, 2018. The project is primarily funded with proceeds from the Series 2018 certificates of participation.

**CITY OF SMITHVILLE, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2018**

**NOTE 12 RENTAL INCOME**

The City leases space on its water towers for cell phone companies to place antennas. The total rents received from tenants were \$37,589 for the year ended October 31, 2018. Future rents to be received under current leases are as follows:

<u>Year Ended October 31,</u>	<u>Amount</u>
2019	\$ 29,902
2020	4,026
Total	<u>\$ 33,928</u>

The City also leases a portion of a building to the Smithville Senior Citizen Center for \$1 a year. The lease, originally entered into in August 2013, has an initial term of 10 years, and may be renewed for successive renewal terms of five years each.

**NOTE 13 PLEDGED REVENUES**

The proprietary fund has pledged future revenues, net of specified operating expenses, to repay certificates of participation that were issued for the purpose of improvements. The certificates of participation are payable solely from the fund's net revenues and are payable through 2027. The total principal and interest to be repaid on the certificates of participation is \$12,474,797. Scheduled payments of principal and interest for the current year was \$409,975 on the certificates of participation. Total proprietary fund net revenues for the current year were \$1,891,266.

**NOTE 14 RESERVE LEVEL POLICY**

The City has adopted a reserve policy goal which sets aside 40% of General Fund budgeted expenditures and 20% of proprietary operating revenues. Reserve amounts are reported as unassigned fund balance for the General Fund and unrestricted net position for the Proprietary Fund.

**NOTE 15 SUBSEQUENT EVENTS**

In November 2018, the City approved a land purchase of \$260,153.

In November 2018, the City approved the purchase of Playground Equipment not to exceed \$150,000.

## OTHER INFORMATION

**CITY OF SMITHVILLE, MISSOURI**  
**BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS**  
**GENERAL FUND**  
**YEAR ENDED OCTOBER 31, 2018**

	Original Budget	Final Budget	Actual	Variances with Budget Over (Under)
<b>REVENUES</b>				
Taxes	\$ 2,923,000	\$ 2,923,000	\$ 3,002,324	\$ 79,324
Licenses, Fees, and Permits	339,500	339,500	453,607	114,107
Intergovernmental Revenues	150,000	150,000	424,622	274,622
Charges for Services	157,700	157,700	160,577	2,877
Fines and Forfeitures	166,000	166,000	173,262	7,262
Interest	25,000	25,000	141,291	116,291
Donations	7,500	7,500	-	(7,500)
Other Revenue	-	-	131,806	131,806
Total Revenues	<u>3,768,700</u>	<u>3,768,700</u>	<u>4,487,489</u>	<u>718,789</u>
<b>EXPENDITURES</b>				
General Government	793,900	798,100	877,822	79,722
Police	1,817,075	1,861,950	1,578,770	(283,180)
Municipal Court	105,600	105,600	98,042	(7,558)
Public Works	486,900	486,900	729,757	242,857
Parks and Recreation	611,400	611,400	513,897	(97,503)
Community and Economic Development	570,900	570,900	543,498	(27,402)
Senior Center	27,700	27,700	17,031	(10,669)
Capital Outlay	-	1,668,000	790,021	(877,979)
Debt Service:				
Principal	-	-	11,956	11,956
Interest	-	-	140	140
Total Expenditures	<u>4,413,475</u>	<u>6,130,550</u>	<u>5,160,934</u>	<u>(969,616)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(644,775)</u>	<u>(2,361,850)</u>	<u>(673,445)</u>	<u>1,688,405</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(644,775)</u>	<u>(2,361,850)</u>	<u>(673,445)</u>	<u>1,688,405</u>
Fund Balance - Beginning of Year	<u>3,892,306</u>	<u>3,892,306</u>	<u>3,892,306</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 3,247,531</u>	<u>\$ 1,530,456</u>	<u>\$ 3,218,861</u>	<u>\$ 1,688,405</u>

See accompanying Notes to Other Information.

**CITY OF SMITHVILLE, MISSOURI  
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS  
TRANSPORTATION SALES TAX FUND  
YEAR ENDED OCTOBER 31, 2018**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
<b>REVENUES</b>			
Taxes	\$ 412,000	\$ 476,958	\$ 64,958
<b>EXPENDITURES</b>			
Public Works	30,900	95,276	64,376
Capital Outlay	469,100	480,254	11,154
Debt Service	-	38,276	38,276
Total Expenditures	<u>500,000</u>	<u>613,806</u>	<u>113,806</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(88,000)	(136,848)	(48,848)
<b>OTHER FINANCING USES</b>			
Issuance of Debt	<u>-</u>	<u>235,232</u>	<u>235,232</u>
<b>NET CHANGE IN FUND BALANCES</b>	(88,000)	98,384	186,384
Fund Balance - Beginning of Year	<u>318,844</u>	<u>318,844</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 230,844</u></u>	<u><u>\$ 417,228</u></u>	<u><u>\$ 186,384</u></u>

See accompanying Notes to Other Information.



**CITY OF SMITHVILLE, MISSOURI  
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS  
CAPITAL IMPROVEMENTS FUND  
YEAR ENDED OCTOBER 31, 2018**

	Original and Final Budget	Actual	Variances with Budget Over (Under)
<b>EXPENDITURES</b>			
Debt Service	\$ -	\$ 66,988	\$ 66,988
Total Expenditures	-	66,988	66,988
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	-	(66,988)	(66,988)
<b>OTHER FINANCING USES</b>			
Issuance of Debt	-	2,075,886	2,075,886
<b>NET CHANGE IN FUND BALANCES</b>	-	2,008,898	2,008,898
Fund Balance - Beginning of Year	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	\$ -	\$ 2,008,898	\$ 2,008,898

See accompanying Notes to Other Information.

**CITY OF SMITHVILLE, MISSOURI  
NOTES TO THE OTHER INFORMATION  
YEAR ENDED OCTOBER 31, 2018**

**NOTE I BUDGETARY INFORMATION**

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

- A. Prior to October 31 of each year, the City Administrator submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following November 1. The operating budget includes proposed expenditures and the means of financing them. The City adopts the proposed budget as amended and adjusted by the Board of Aldermen.
- B. Public hearings on the City's budget are conducted to obtain taxpayer comments. Prior to its approval by the Board of Aldermen, the budget document is available for public inspection.
- C. On or before October 31, the final budget is legally enacted by City Ordinance.
- D. Subsequent to its formal approval of the budget, the Board of Aldermen has the authority to make necessary adjustments to the budget by formal vote of the board.
- E. Management is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen. Reported budget amounts are as originally adopted or amended by the Board of Aldermen.
- F. In accordance with Chapter 67, RSMo., the City adopts a budget for each fund. The proposed budget includes estimated revenues and proposed expenditure for all city funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Actual expenditures may not legally exceed budgeted appropriations at the total fund level. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, supplies, miscellaneous services and charges, and capital outlay) within each program. All amounts over budget have been approved by the Board of Aldermen through the disbursement process.
- G. Budgets for the general, certain special revenue funds, and the debt service fund are adopted on a basis consistent with the modified cash basis of accounting. Budgeted amounts are as originally adopted, or as amended by the Board of Aldermen. All annual appropriations lapse at fiscal year-end.

**NOTE II EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Expenditures and transfers out exceeded budgeted amounts in the following funds:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Transportation Sales Tax Fund	\$ 613,806	\$ 500,000	\$ 113,806
Capital Improvements Fund	66,988	-	66,988
Solid Waste Fund	726,458	702,100	24,358

**CITY OF SMITHVILLE, MISSOURI  
SCHEDULE OF CONTRIBUTIONS  
YEAR ENDED OCTOBER 31, 2018**

<u>Fiscal Year Ended October 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2009	\$ 82,633	\$ 82,633	\$ -	\$ 1,679,534	4.9%
2010	83,844	83,844	-	1,889,014	4.4%
2011	91,571	90,425	1,146	1,695,758	5.4%
2012	129,002	129,002	-	1,666,035	7.7%
2013	135,882	135,882	-	1,630,264	8.3%
2014	140,913	140,913	-	1,784,036	7.9%
2015	160,040	160,040	-	2,009,670	8.0%
2016	225,202	225,202	-	2,193,483	10.3%
2017	214,857	214,857	-	2,260,587	9.5%
2018	262,069	262,069	-	2,495,726	10.5%

## **SUPPLEMENTARY INFORMATION**

**CITY OF SMITHVILLE, MISSOURI**  
**COMBINING BALANCE SHEET – MODIFIED CASH BASIS – NONMAJOR GOVERNMENTAL FUNDS**  
**OCTOBER 31, 2018**

	Police Training	DWI Recovery	Special Revenue Technology Upgrade	Judicial Education	Appointed Council	Total Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash	\$ 10,206	\$ 15,209	\$ 8,371	\$ 3,270	\$ 2,618	\$ 39,674
Total Assets	<u>\$ 10,206</u>	<u>\$ 15,209</u>	<u>\$ 8,371</u>	<u>\$ 3,270</u>	<u>\$ 2,618</u>	<u>\$ 39,674</u>
<b>FUND BALANCES</b>						
Restricted	\$ 10,206	\$ 15,209	\$ -	\$ 3,270	\$ 2,618	\$ 31,303
Committed	<u>-</u>	<u>-</u>	<u>8,371</u>	<u>-</u>	<u>-</u>	<u>8,371</u>
Total Fund Balances	<u>\$ 10,206</u>	<u>\$ 15,209</u>	<u>\$ 8,371</u>	<u>\$ 3,270</u>	<u>\$ 2,618</u>	<u>\$ 39,674</u>

**CITY OF SMITHVILLE, MISSOURI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – MODIFIED CASH BASIS – NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED OCTOBER 31, 2018**

	Police Training	DWI Recovery	Special Revenue Technology Upgrade	Judicial Education	Appointed Council	Total Nonmajor Governmental Funds
<b>REVENUES</b>						
Licenses, Fees, and Permits	\$ 2,276	\$ 3,940	\$ -	\$ 570	\$ 567	\$ 7,353
Total Revenues	2,276	3,940	-	570	567	7,353
<b>EXPENDITURES</b>						
Current:						
Police	661	-	720	-	-	1,381
Municipal Court	-	2,114	-	170	-	2,284
Total Expenditures	661	2,114	720	170	-	3,665
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,615	1,826	(720)	400	567	3,688
<b>NET CHANGE IN FUND BALANCES</b>	1,615	1,826	(720)	400	567	3,688
Fund Balances - Beginning of Year	8,591	13,383	9,091	2,870	2,051	35,986
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 10,206</u>	<u>\$ 15,209</u>	<u>\$ 8,371</u>	<u>\$ 3,270</u>	<u>\$ 2,618</u>	<u>\$ 39,674</u>

## APPENDIX C

### PROPOSED FORM OF OPINION OF BOND COUNSEL

City of Smithville, Missouri  
Smithville, Missouri

[Underwriter]  
[Underwriter City, State]

Re: \$3,625,000 City of Smithville, Missouri General Obligation Bonds, Series 2019

Ladies and Gentlemen:

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

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

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

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

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

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

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

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

Very truly yours,



**APPENDIX D**

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**CONTINUING DISCLOSURE UNDERTAKING**

**Dated as of March 14, 2019**

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**By**

**CITY OF SMITHVILLE, MISSOURI**

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**\$3,625,000**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2019**

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## CONTINUING DISCLOSURE UNDERTAKING

This **CONTINUING DISCLOSURE UNDERTAKING** dated as of March 14, 2019 (this “**Continuing Disclosure Undertaking**”), is executed and delivered by **CITY OF SMITHVILLE, MISSOURI** (the “**Issuer**”).

### RECITALS

1. This Continuing Disclosure Undertaking is executed and delivered by the Issuer in connection with the issuance by the Issuer of **\$3,625,000 General Obligation Bonds, Series 2019** (the “**Bonds**”), pursuant to an ordinance adopted by the governing body of the Issuer on February 19, 2019 (the “**Ordinance**”).

2. The Issuer is entering into this Continuing Disclosure Undertaking for the benefit of the Beneficial Owners of the Bonds 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 Issuer is the only “**obligated person**” with responsibility for continuing disclosure hereunder.

The Issuer covenants and agrees as follows:

**Section 1. Definitions.** In addition to the definitions set forth in the Ordinance, which apply to any capitalized term used in this Continuing Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report provided by the Issuer pursuant to, and as described in, **Section 2** of this Continuing Disclosure Undertaking.

“**Beneficial Owner**” means any registered owner of any Bonds 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 Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds 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 office or designated payment office of the paying agent 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 any entity designated in writing by the Issuer to serve as dissemination agent pursuant to this Continuing Disclosure Undertaking and which has filed with the Issuer a written acceptance of such designation.

“**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](http://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 **November 1** and ending on **October 31** or any other **12-month** period selected by the Issuer as the Fiscal Year of the Issuer for financial reporting purposes.

**“Material Events”** means any of the events listed in **Section 3** of this Continuing Disclosure Undertaking.

**“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 Bonds required to comply with the Rule in connection with the offering of the Bonds.

## **Section 2. Provision of Annual Reports.**

- (a) The Issuer shall, not later than the last day of the **sixth** month after the end of the Issuer’s Fiscal Year, commencing with the year ending October 31, 2018, file with the MSRB, through EMMA, the following financial information and operating data (the **“Annual Report”**):

(1) The audited financial statements of the Issuer for the prior Fiscal Year, prepared in accordance with accounting principles generally accepted in the United States. 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 Bonds, and the audited financial statements shall be provided in the same manner as the Annual Report promptly after they become available. The audited financial statements of the Issuer are currently prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. If the Issuer changes the format of its financial statements, (1) notice of such change shall be given in the same manner as for a Material Event, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(2) Updates as of the end of the Fiscal Year of certain financial information and operating data contained in the final Official Statement related to the Bonds, 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 Issuer.

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 Issuer 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 Issuer 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 Issuer 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 Issuer'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 Issuer's new fiscal year.

- (b) 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.** Not later than **10** Business Days after the occurrence of any of the following events, the Issuer 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 Bonds ("**Material Events**"):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the 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.

If the Issuer has not submitted the Annual Report to the MSRB by the date required in **Section 2(a)**, the Issuer shall send a notice to the MSRB of the failure of the Issuer to file on a timely basis the Annual Report, which notice shall be given by the Issuer in accordance with this **Section 3**.

**Section 4. Termination of Reporting Obligation.** The Issuer's obligations under this Continuing Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Issuer's obligations under this Continuing Disclosure Undertaking are assumed in full by some other entity, such person shall be responsible for compliance with this Continuing Disclosure Undertaking in the same manner as if it were the Issuer, and the Issuer shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Issuer 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 Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign as dissemination agent hereunder at any time upon **30** days prior written notice to the Issuer. 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 Issuer pursuant to this Continuing Disclosure Undertaking.

**Section 6. Amendment; Waiver.** Notwithstanding any other provision of this Continuing Disclosure Undertaking, the Issuer may amend this Continuing Disclosure Undertaking and any provision of this Continuing Disclosure Undertaking may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the Issuer with its written opinion that the undertaking of the Issuer 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 Undertaking.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Undertaking, the Issuer 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 Issuer. 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 Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Undertaking 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 Undertaking. If the Issuer 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 Undertaking, the Issuer shall have no obligation under this Continuing Disclosure Undertaking 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 Issuer fails to comply with any provision of this Continuing Disclosure Undertaking, any Participating Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Continuing Disclosure Undertaking. A default under this Continuing Disclosure Undertaking shall not be deemed an event of default under the Ordinance or the Bonds, and the sole remedy under this Continuing Disclosure Undertaking in the event of any failure of the Issuer to comply with this Continuing Disclosure Undertaking shall be an action to compel performance.

**Section 9. Beneficiaries.** This Continuing Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriter, and the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**Section 10. Severability.** If any provision in this Continuing Disclosure Undertaking, the Ordinance or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**Section 11. Electronic Transactions.** The arrangement described herein may be conducted and related documents may be sent, received, or stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

**Section 12. Governing Law.** This Continuing Disclosure Undertaking shall be governed by and construed in accordance with the laws of the State of Missouri.

*[Remainder of Page Intentionally Left Blank.]*

**IN WITNESS WHEREOF**, the Issuer has caused this Continuing Disclosure Undertaking to be executed as of the day and year first above written.

**CITY OF SMITHVILLE, MISSOURI**

By: \_\_\_\_\_  
Title: Mayor

**EXHIBIT A**  
**TO CONTINUING DISCLOSURE UNDERTAKING**

**FINANCIAL INFORMATION AND OPERATING DATA TO BE  
INCLUDED IN ANNUAL REPORT**

The financial information and operating data contained in the following sections and tables contained in Appendix A of the final Official Statement relating to the Bonds:

**DEBT STRUCTURE OF THE CITY**

Current Indebtedness of the City

Other Obligations

Legal Debt Capacity

**FINANCIAL INFORMATION CONCERNING THE CITY**

Sources of Revenue

Retail Sales Taxes

Property Valuations – History of Property Valuation

Tax Rates – The table showing tax levies

Tax Rates – Tax Collection Record