



2018

Popular Annual Financial Report

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2018

A MESSAGE FROM THE CITY ADMINISTRATOR

Dear Citizens of Blue Springs,

I am pleased to present the City of Blue Springs Citizen's Annual Financial Report regarding the finances and administrative activities of the city for the fiscal year ended September 30, 2018. This report provides a brief analysis of where the city revenue comes from and where those dollars are spent as well as trends in the local economy. The City received the Government Finance Officers Association ("the GFOA") award for Outstanding Achievement in Popular Annual Financial Reporting for the 2017 Popular Annual Financial Report, for the sixth consecutive year.

The report is intended to summarize the financial activities of the City of Blue Springs government and includes a portion of the information that appears in the 2018 Comprehensive Annual Financial Report (CAFR). This report is unaudited and not presented in a Generally Accepted Accounting Principles (GAAP) format. A copy of the CAFR is available at the city's website: www.bluespringsgov.com.

To the best of our knowledge, the information presented herein is accurate in all material respects and presents fairly the financial position and results of operations for the fiscal year ended September 30, 2018. Responsibility for the accuracy and completeness of the data presented rests solely with the city.

We are committed to preserving the city's long-term financial health as evidenced by our AA Standard & Poor's bond rating and fund balance reserves. The city has maintained fund balances in compliance with the policy adopted by the City Council in August 2011. The city maintains a balance of 20% of operating expenditures as an emergency reserve and 10% of operating expenditures as a budget stabilization reserve.

If you have any questions or comments regarding the information in this document, please contact either myself at (816) 228-0110 or our Assistant City Administrator Christine Cates at (816) 228-0140.

Sincerely,



Eric Johnson
City Administrator



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**City of Blue Springs
Missouri**

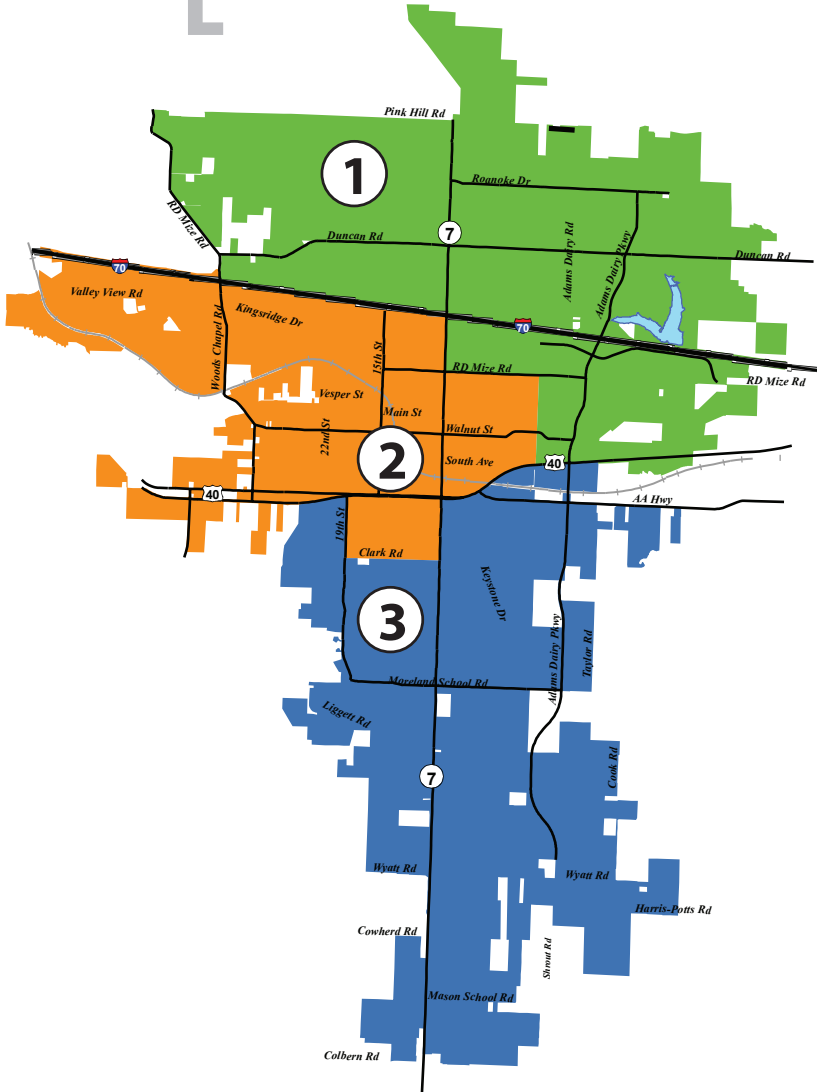
For its Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017



Executive Director/CEO

BLUE SPRINGS GOVERNANCE



**Mayor
Carson Ross**
mayor@
bluespringsgov.com

1



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City Administrator
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Blue Springs History

Blue Springs' history, like that of so many Midwestern communities, is tied to the migration of settlers on their westward journey. Pioneers found the area to be an ideal stopover due to the abundance of cool, clean water. The major source of water came from a spring at the mouth of the east fork of the Little Blue River; hence the name 'blue springs.' The presence of water and a need for pioneer supplies led to the construction of a grist mill and permanent settlement at the site of the City's Burrus Old Mill Park.

The community of Blue Springs was organized as part of Jackson County in 1827 and became the fourth settlement in the county, pre-dating Kansas City.

An early settler, Franklin Smith, arrived in Blue Springs from Virginia in 1838 and became a leading figure in the community's

development. He established the first post office in 1845, naming it after the well-known springs.

The settlement continued to grow near the springs until 1878, when the Chicago and Alton Railroad announced plans to build a station about one mile east of the original settlement. To take advantage of the commerce the railroad would bring, the town moved its center to the site of the new station and continued its development as a rural trading center.

Growth continued at a steady pace, and was hastened by the beginning of World War II, when the Lake City Arsenal munitions plant opened north of the city, employing many residents. Another stimulus to growth occurred in 1965, with the opening of Interstate 70, which greatly improved access to Kansas City, Missouri.

Year of Incorporation: 1880

Form of Government:
Mayor-Council-Administrator

Location:
20 miles east of Kansas City, Mo.

Total Land Size:
14,211 acres (22.2 square miles)

Population of Blue Springs:
54,431 (2016 Census)

History of Population Growth:

| Decade Growth Rate | |
|--------------------|---------|
| 1970-1980: | 160.70% |
| 1980-1990: | 43.34% |
| 1990-2000: | 19.4% |
| 2000-2010: | 9.2% |
| 2020 Estimates: | 60,149 |

54,431
Residents

35.40
Median Age

\$30,322
Per Capita Personal Income

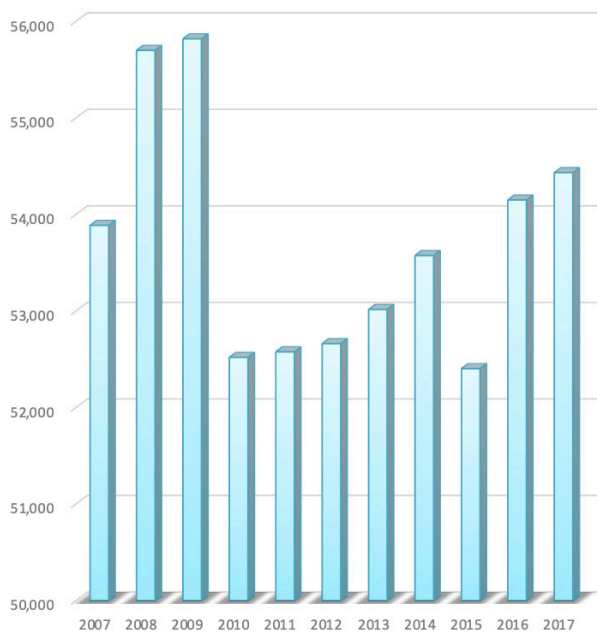
4.9%
Unemployment Rate



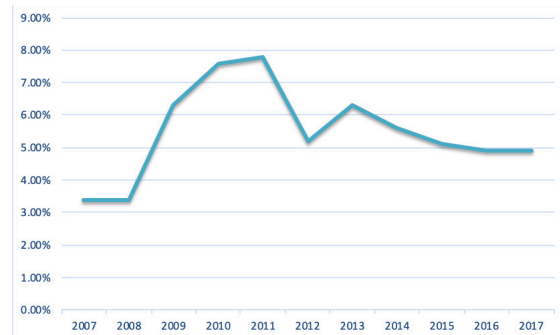
Blue Springs Top 10 Employers

| Company | Product/Service | Employees |
|---------------------------------------|-----------------------------------|-----------|
| Blue Springs School District | Public Schools | 2050 |
| St. Mary's Medical Center | Health Care | 550 |
| HyVee Food & Drug Store | Grocery Store | 500 |
| Fike Corporation (World Headquarters) | Safety Valve Release Manufacturer | 458 |
| Price Chopper | Grocery Store | 352 |
| Wal-Mart | Discount/Food Store | 340 |
| City of Blue Springs | Government | 314 |
| Target | Discount Department | 300 |
| Kohl's Distribution Center | Warehouse Distribution | 225 |
| Haldex | Brake Manufacturer | 190 |
| Blue Springs Ford Sales | Auto Sales | 163 |

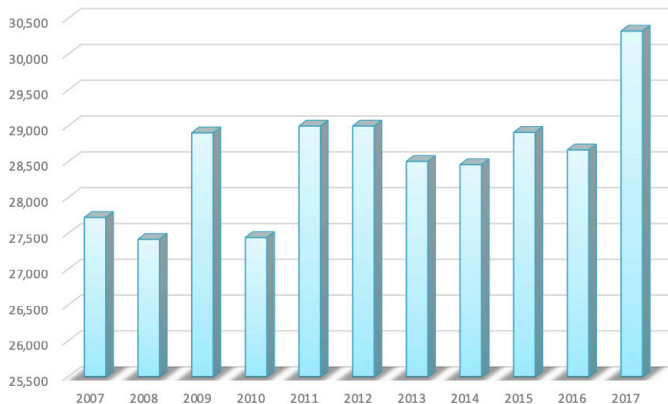
POPULATION GROWTH



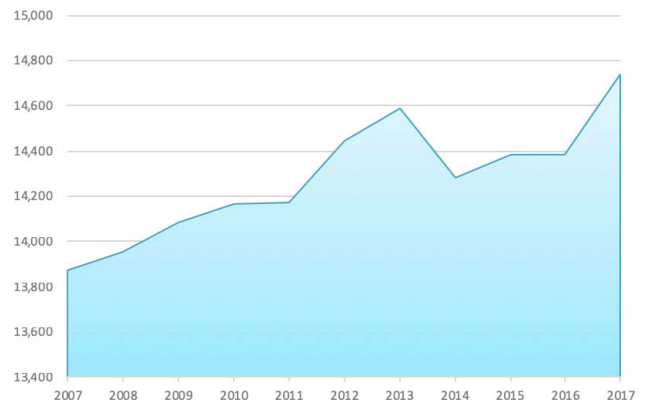
UNEMPLOYMENT RATE



PER CAPITA PERSONAL INCOME



SCHOOL ENROLLMENT



FINANCIAL ACTIVITY STATEMENTS FOR YEARS ENDED SEPTEMBER 30, 2016; SEPTEMBER 30, 2017 AND SEPTEMBER 30, 2018

GOVERNMENTAL FUNDS

| Revenues | 2016 | 2017 | 2018 |
|-------------------------------------|---------------------|---------------------|---------------------|
| Taxes | \$27,837,343 | \$27,987,328 | \$33,222,499 |
| Intergovernmental Activity Taxes | \$3,949,611 | \$5,018,954 | \$5,295,540 |
| Licenses and Permits | \$977,939 | \$1,135,665 | \$1,385,463 |
| Intergovernmental Revenues | \$3,326,434 | \$3,454,177 | \$3,499,500 |
| Charges for Services | \$1,361,123 | \$1,437,539 | \$1,324,601 |
| Administrative Charges | \$1,839,701 | \$1,874,568 | \$1,930,456 |
| Fines and Forfeits | \$1,033,510 | \$902,432 | \$1,061,126 |
| Interest | \$386,448 | \$442,397 | \$540,229 |
| Donations | \$37,383 | \$72,023 | \$104,528 |
| Other | \$412,066 | \$525,709 | \$555,150 |
| Total Revenues | \$41,161,558 | \$42,850,792 | \$48,919,092 |

| Expenditures by Function | 2016 | 2017 | 2018 |
|--|---------------------|---------------------|---------------------|
| General Government | \$6,017,583 | \$6,197,037 | \$6,006,634 |
| Public Works | \$701,230 | \$676,063 | \$717,984 |
| Highways and Streets | \$2,792,470 | \$2,581,952 | \$3,100,881 |
| Public Safety | \$14,963,894 | \$13,168,457 | \$13,534,211 |
| Parks | \$3,685,781 | \$3,753,671 | \$5,185,979 |
| Economic Development | \$267,098 | \$3,743,117 | \$4,062,286 |
| Capital Outlay | \$4,375,399 | \$3,829,446 | \$6,997,406 |
| Debt Service (Principal & Interest) | \$8,162,948 | \$10,495,777 | \$22,476,660 |
| Total Expenditures | \$40,966,403 | \$44,445,520 | \$62,082,041 |

| Other Financing Sources: (Uses) | 2016 | 2017 | 2018 |
|--|---------------------|---------------------|----------------------|
| Issuance of Bonds | \$----- | \$9,265,000 | \$11,915,000 |
| Net Discount/Premium on Issuance of Bonds | \$----- | \$----- | \$824,403 |
| Payments to Refunded Bond Escrow | \$----- | \$----- | \$----- |
| Capital Lease Issuance | \$----- | \$----- | \$----- |
| Transfers In | \$1,745,057 | \$2,057,902 | \$9,597,611 |
| Transfers Out | \$(2,024,403) | \$(2,241,048) | \$(10,275,246) |
| Net Change in Fund Balances | \$(84,191) | \$7,487,126 | \$(1,101,181) |
| Fund Balances, October 1 | \$30,802,595 | \$30,718,404 | \$38,205,530 |
| Fund Balances September 30 | \$30,718,404 | \$38,205,530 | \$37,104,349 |

GOVERNMENTAL FUNDS

Typically used to account for tax-supported activities, the governmental funds for the City of Blue Springs include the General Fund, Public Safety Sales Tax Fund, Debt Service Funds, Capital Projects Funds (including Tax Increment Financing funds) and the Hotel/Motel Tax Fund. The City's basic services, including police, parks and recreation, streets, development services, maintenance, and capital improvements are accounted for in these funds. Effective on October 1, 2017, voters passed a .5% five-year Parks sales tax. This special revenue fund is included in this report.

Governmental revenues over the last three-year period have increased by \$7,757,534 or 18.85%. Most revenue categories have increased with the most significant changes in taxes and intergovernmental activity taxes.

FINANCIAL ACTIVITY STATEMENTS FOR YEARS ENDED SEPTEMBER 30, 2016; SEPTEMBER 30, 2017 AND SEPTEMBER 30, 2018

PROPRIETARY FUNDS

The financial activities for the Golf Course, Water Utility, Sewer Utility, and Fieldhouse are recorded in proprietary funds for the City of Blue Springs and are financed primarily by a user charge for the provision of that service, and activities where the periodic measurement of net income is deemed appropriate to provide funding for the capital maintenance and improvements.

In July 2016, the City Council passed an ordinance establishing the water and sewer rates for fiscal years 2017, 2018, and 2019. These increases are evidenced by the increase in revenues over the three-year period. Water operating expenses increased mostly due to the increased cost of purchased wholesale water. Fieldhouse expenses have increased due to the addition of more staff and for repairs and maintenance.

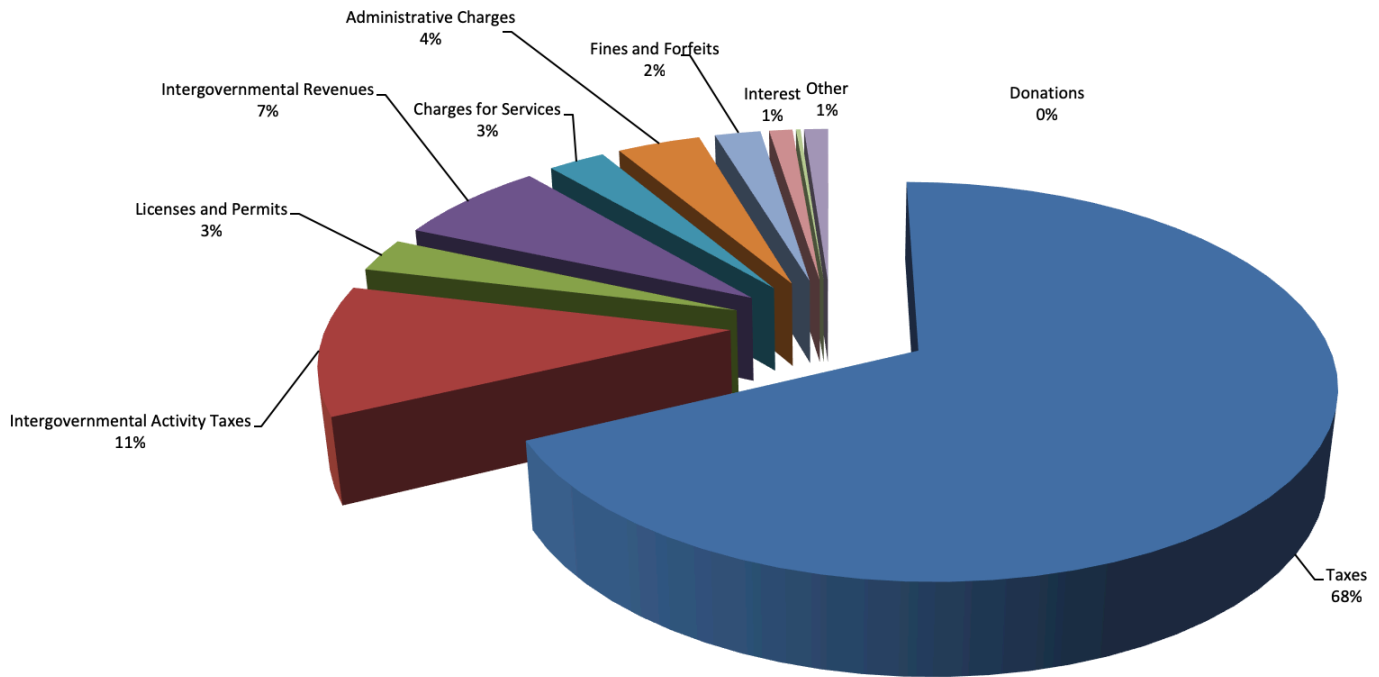
The Golf Course user charges generate enough revenue to pay for operations and a portion of its debt service and a transfer from the General Fund covers the remaining portion. In 2018, golf course operating expenses were flat while revenues increased by \$71,659 or 4.91%. The transfer from the General Fund of \$236,217, was \$13,783 or 5.5% under budget.

The City's Fieldhouse opened to the public on September 28, 2015, with the mission of providing Fitness and Recreation for All and it completed its third full year of operations in 2018. The Fieldhouse is a renovated indoor soccer facility that was previously owned and operated by the private sector. The facility includes four hard-surfaced courts, an artificial turf field, two walking tracks, a fitness center, party/meeting rooms and child watch.

Over the last three years, net position in the proprietary funds has increased by 1% while revenues have increased by 16.52% and operating expenses have increased by 8.92%.

| PROPRIETARY FUNDS | | | |
|--|----------------------|----------------------|---------------------|
| Operating Revenues | 2016 | 2017 | 2018 |
| Water Utility | \$9,797,233 | \$10,516,119 | \$11,146,296 |
| Sewer Utility | \$7,482,274 | \$7,814,538 | \$8,894,100 |
| Golf Course | \$1,458,922 | \$1,497,416 | \$1,530,581 |
| Fieldhouse | \$664,541 | \$978,482 | \$1,037,866 |
| Total Operating Revenues | \$19,402,970 | \$20,806,555 | \$22,608,843 |
| Operating Expenses | 2016 | 2017 | 2018 |
| Water Utility Expenses | \$9,424,854 | \$10,309,309 | \$10,877,316 |
| Sewer Utility Expenses | \$8,502,875 | \$8,665,358 | \$8,669,132 |
| Golf Course Expenses | \$1,577,587 | \$1,643,340 | \$1,583,387 |
| Fieldhouse | \$967,307 | \$1,077,281 | \$1,169,697 |
| Total Operating Expenses | \$20,472,623 | \$21,695,288 | \$22,299,532 |
| Nonoperating Revenue (Expenses) | 2016 | 2017 | 2018 |
| Loss on Sale of Capital Assets | \$(8,950) | \$(23,332) | \$(7,199) |
| Interest Income | \$950,212 | \$897,342 | \$293,277 |
| Interest Expense | \$(1,213,517) | \$(1,171,642) | \$(1,118,685) |
| Total Non-Operating Revenue (Expenses) | \$(272,255) | \$(297,632) | \$(832,607) |
| Income (loss) before Contributions & Transfers | 2016 | 2017 | 2018 |
| Contributions & Transfers | \$(1,341,908) | \$(1,186,365) | \$(523,296) |
| Capital Contributions | \$230,991 | \$248,589 | \$1,149,415 |
| Special Assessments | \$----- | \$----- | \$609,232 |
| Transfers In | \$618,419 | \$695,965 | \$1,004,307 |
| Transfers Out | \$(306,595) | \$(480,341) | \$(294,194) |
| Change in Net Position | \$(799,093) | \$(722,152) | \$1,945,464 |
| Net Assets, October 1 | \$94,576,448 | \$93,777,355 | \$93,055,203 |
| Net Position Restatement | \$----- | \$----- | \$(15,247) |
| Net Position September 30 | \$93,777,355 | \$93,055,203 | \$94,985,420 |

WHERE DOES THE MONEY COME FROM?



The revenues for governmental activities total \$48,919,092 for 2018. The largest category of revenues is taxes and they have increased over the last three years primarily due to the approval of the parks sales tax for deferred maintenance. Every other category has increased with the exception of charges for services that decreased slightly.

Taxes The majority of the City's revenue, 68%, is generated by taxes levied on property, retail sales, a lodging tax and the gross receipts tax on the sales of electricity, gas, telephone, and television video services. The City's sales taxes include a 1% operating sales tax, a ½% transportation sales tax, a ½% public safety sales tax and a ½% 5-year parks sales tax.

Intergovernmental revenues represent 7% of the City's total revenues and include the receipts from the State for fuel taxes, motor vehicle sales tax and license fees, and grants.

Charges for services include fees from Parks & Recreation classes and the city portion of municipal court costs.

Intergovernmental Activity Taxes are the portion of sales taxes that are generated within established

TIF districts and deposited into the special allocation funds of each individual TIF. This revenue source has increased over the last three years as new businesses have opened in established TIF districts.

Administrative Charges are made up of the funds that are transferred from the proprietary funds to the General Fund to cover the cost of the overhead services that are provided to the Water and Sewer funds by the General Fund. These expenditures include Human Resources, Information Technology, and Finance.

Fines and Forfeits include the fines collected by the Municipal Court and have been declining over the last three years as state legislation has limited the amount the City's can collect for minor traffic offenses.

Licenses and permits include revenues from building permits,

| GOVERNMENTAL REVENUES 2018 | |
|----------------------------------|---------------------|
| Taxes | \$33,222,499 |
| Intergovernmental Activity Taxes | \$5,295,540 |
| Licenses and Permits | \$1,385,463 |
| Intergovernmental | \$3,499,500 |
| Charges for Services | \$1,324,601 |
| Administrative Charges | \$1,930,456 |
| Fines and Forfeits | \$1,061,126 |
| Interest | \$540,229 |
| Donations | \$104,528 |
| Other | \$555,150 |
| Total Revenues | \$48,919,092 |

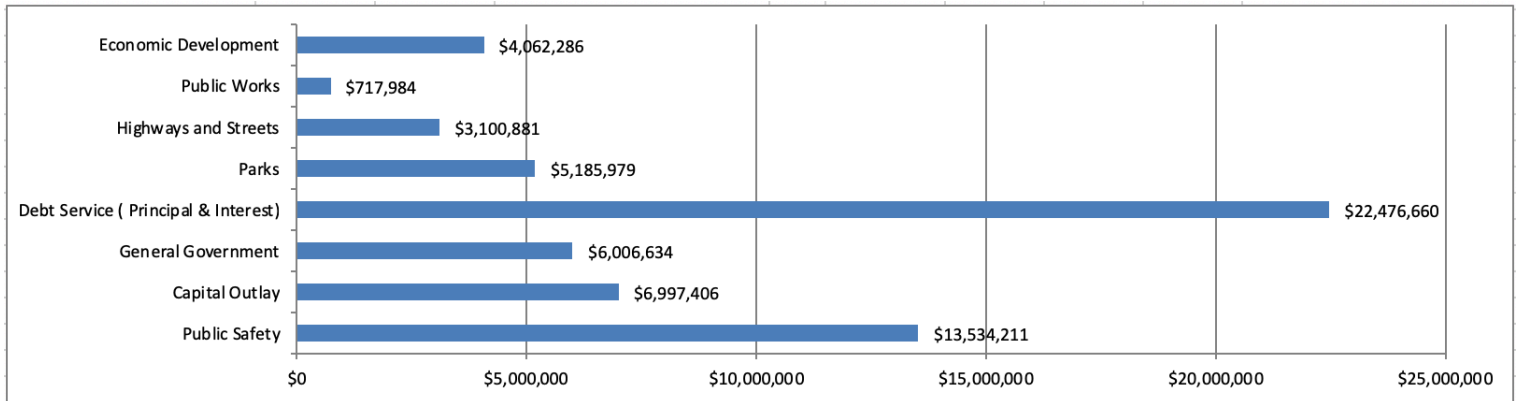
business licenses, fireworks permits, and liquor licenses. This revenue category has increased over the last three years due to growth in new home and residential construction.

Interest includes revenues earned from the investment of idle city funds throughout the year in accordance with the City's investment policy.

Other revenues include proceeds from the City auction, antenna rent, insurance settlements, and workers compensation dividends.

WHERE DOES THE MONEY GO?

2018 Governmental Fund Type-Expenditure by Function



The expenditures for governmental activities total \$62,082,041 for 2018. The largest category of expenditure is for public safety and represents 22% of all governmental activities.

Public Safety includes all operations of the police department.

Capital Outlay Expenses are 11% of the total and include the city hall renovation, annual street overlay program and heavy equipment replacement.

General Government Expenditures include Administration, Legal, Community Development, Finance, Human Resources and Information Technology.

Debt Service includes principal and interest payments for the City's outstanding general obligation and special obligation debt.

Parks Department expenditures include funding

for administration, facilities and parks maintenance and recreation.

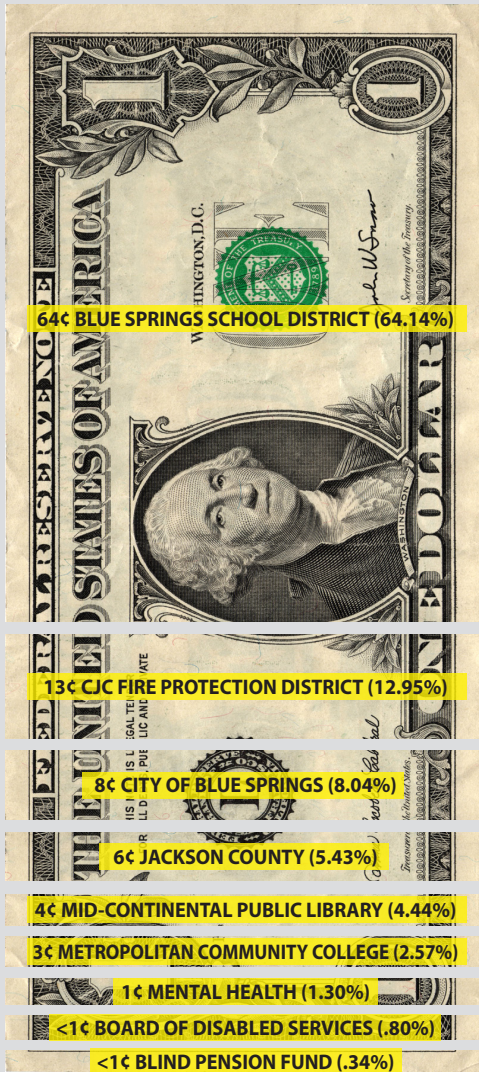
Highways and Streets include the expenditures for pothole maintenance, snow removal, street signs and street light maintenance.

Public Works includes the expenditures for the engineering staff and professional services.

Economic Development includes funding for Economic Development department and economic development related expenditures reimbursed by developers.

| EXPENDITURES | 2018 |
|--|---------------------|
| Public Safety | \$13,534,211 |
| Capital Outlay | \$6,997,406 |
| General Government | \$6,006,634 |
| Debt Service (Principal & Interest) | \$22,476,660 |
| Parks | \$5,185,979 |
| Highways and Streets | \$3,100,881 |
| Public Works | \$717,984 |
| Economic Development | \$4,062,286 |
| Total Expenditures | \$62,082,041 |

WHERE DOES PROPERTY TAX GO?

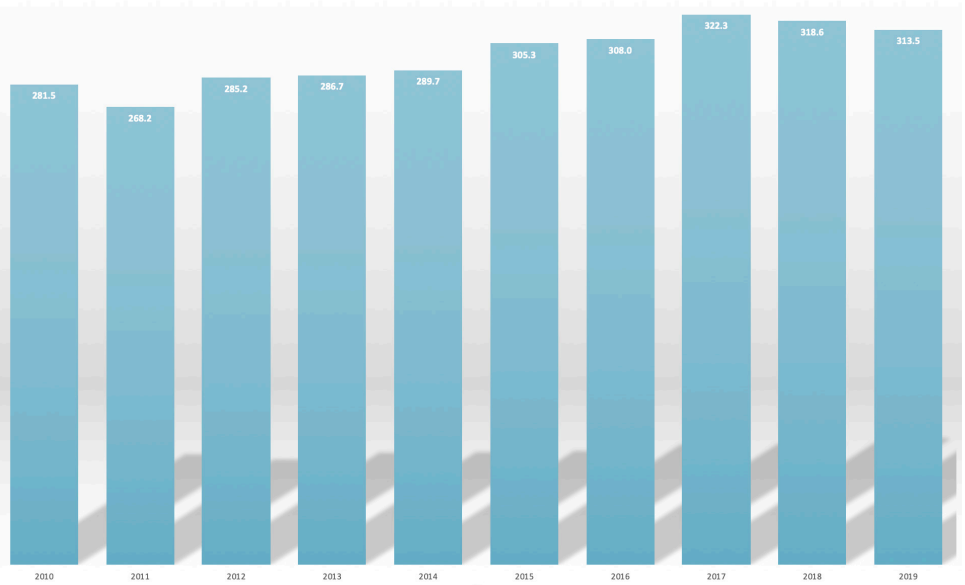


A Blue Springs homeowner with a home with a \$150,000 market value paid \$2,545.56 in real estate taxes with 8.04% going to the City of Blue Springs. Tax rates will vary depending on school district and fire protection district.

As a result of rounding, total may not equal 100%.

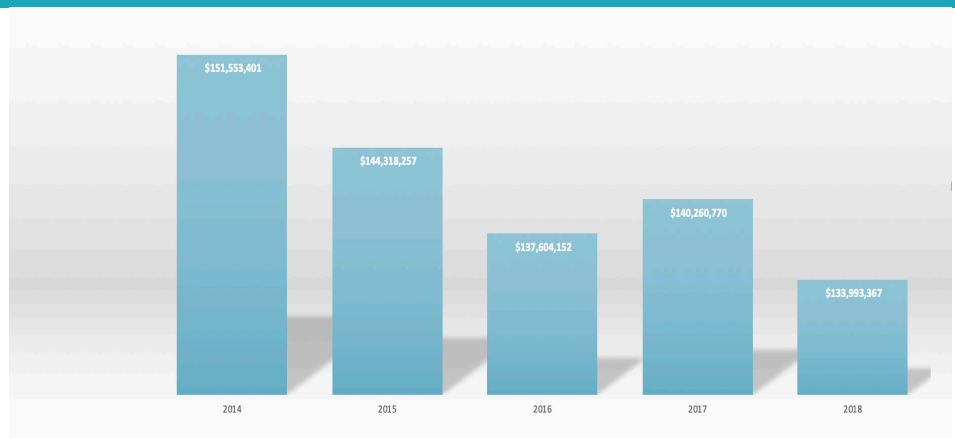
Source: Jackson County Property Tax Levy Sheet - 2016 property tax schedule

AUTHORIZED FULL TIME CITY STAFF



Authorized full time equivalent employees decreased by 5.14 in the fiscal year 2019 budget due to the adjustment of part-time positions based upon the actual hours worked. In addition, the part-time risk management position is moving to full-time and is supported by loss control funds provided by the city's insurance pool, Midwest Public Risk. A full-time deputy court clerk position was added back to Municipal Court. A position was eliminated from court a few years ago when it was moved to the City Prosecutor's office. Staffing increased from FY 2011 to FY 2012 due to the passage of the public safety sales tax that funded 17 new positions in the police department.

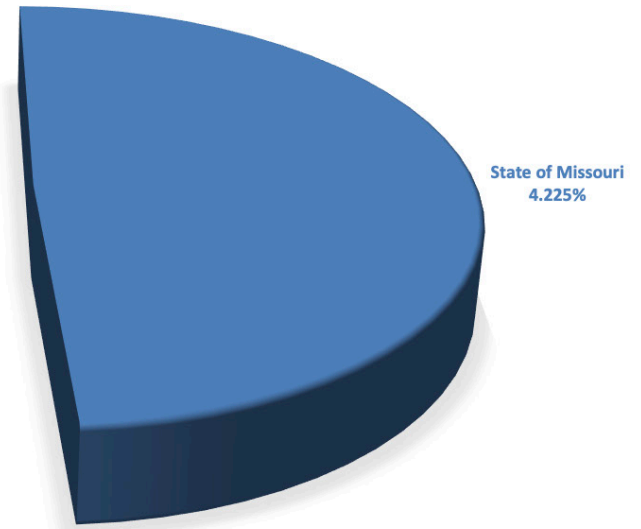
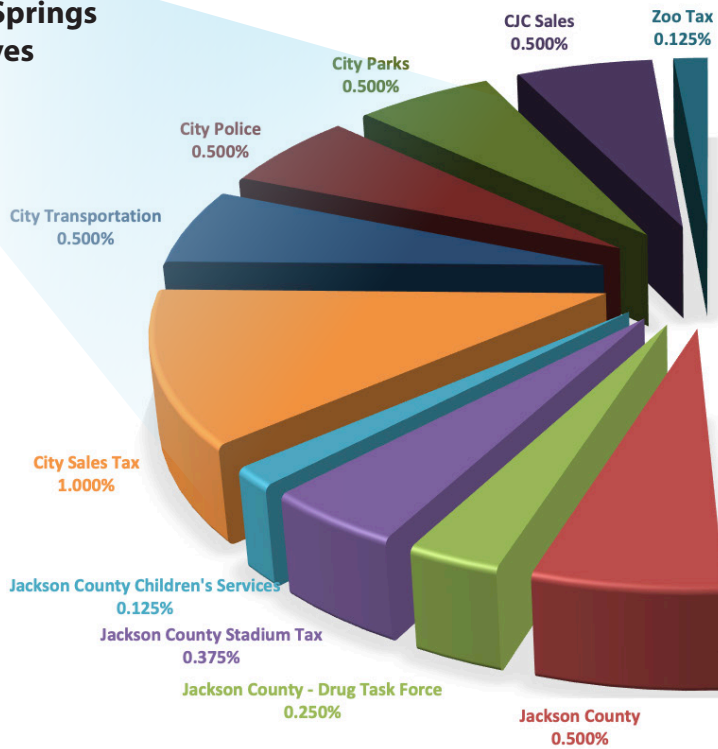
OUTSTANDING DEBT



The outstanding debt at the end of FY 2018 totaled \$133,993,367. The City issued one series of refunding debt during the 2018 fiscal year for Build America Bonds. The City's outstanding debt is 272% higher than in 2008 due to providing funding for the road projects approved by the voters in 2008, the Sni-A-Bar Wastewater Treatment Plant construction and expansion, the South Area Neighborhood Improvement Districts, the Adam Farm Tax increment financing project, the White Oak Marketplace tax increment financing project, the public safety radio system and the public safety building expansion.

SALES TAX REVENUES ARE SHARED BETWEEN MULTIPLE AGENCIES

The City of Blue Springs receives 2.5%



Total sales tax collected in Blue Springs is 8.60%

BREAKDOWN OF SALES TAX RATE

The City's sales tax rate of 8.60% is comparable to surrounding cities and is divided among four different taxing entities. The State of Missouri receives 4.225%, Jackson County receives 1.25%, Central Jackson County Fire Protection District receives .5%, Friends of the Zoo receives .125% and the City of Blue Springs receives 2.5%.

Of the City's 2.5% sales tax, 1% is for General Fund operations, .5% is deposited in the Capital Projects Fund for transportation related projects and .5% is deposited into the Public Safety Sales Tax Fund where the revenues can only be used to fund public safety operations and capital improvements. Effective October 1, 2017, a 5-year .5% Parks Sales Tax took effect and is used for the deferred maintenance in the City's parks.

The total sales tax the City received in fiscal year 2018 was \$21,502,149.

SALES TAX RATE COMPARISON

| Municipality | Sales Tax Rate |
|---------------------|----------------|
| Independence | 7.85% |
| Lee's Summit | 7.85% |
| Kansas City | 8.60% |
| Blue Springs | 8.60% |
| Grain Valley | 8.60% |
| Oak Grove | 8.60% |

GLOSSARY

GENERAL FUND - The fund used to account for all financial resources except those required to be accounted for in another fund.

GOVERNMENTAL FUNDS – Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

CAPITAL PROJECTS FUND - A fund created to account for financial resources to be used for the acquisition or the construction of major capital facilities or equipment.

DEBT SERVICE FUND - A fund established to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

FUND BALANCE – Net position of a governmental fund (difference between assets, liabilities, deferred outflows of resources, and deferred inflows of resources).

NET POSITION – The residual of all other financial statement elements presented in a statement of financial position.

OTHER FINANCING SOURCES - Operating statement classification in which financial inflows other than revenues are reported; for example, proceeds of general obligation bonds and transfers in.

OTHER FINANCING USES -Operating statement classification in which financial outflows other than expenditures are reported; for example, operating transfers out.

OPERATING REVENUES AND EXPENSES - Cost of goods sold and services provided to customers and the revenue thus generated.

PROPRIETARY FUNDS – Funds that focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. There are two types of proprietary funds: enterprise funds, and internal service funds.

TAX INCREMENT FINANCING (TIF) – Financing secured by the anticipated incremental increase in property tax and sales tax revenues, resulting from redevelopment.

