

**CITY OF MISSION, KANSAS**  
**FINANCE & ADMINISTRATION COMMITTEE**

**WEDNESDAY, MAY 3, 2017**  
**7:30 p.m.**  
**(or immediately following 6:30 p.m. CDC Meeting)**  
**Mission City Hall, 6090 Woodson**

**PUBLIC HEARINGS / PUBLIC COMMENTS**

**PUBLIC PRESENTATIONS / INFORMATIONAL ONLY**

**ACTION ITEMS**

1. 2016 Audit - Brian Scott ([page 3](#))

In accordance with state statutes, the City of Mission conducts an annual audit of its financial records at the end of each fiscal year. The audit is conducted by an independent accounting firm and includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles and significant estimates made by management, and an evaluation of the overall basic financial statement presentation. The final audit is presented as a comprehensive annual financial report (CAFR) of the City. The City received a “clean” or unqualified audit for the fiscal year ending December 31, 2016. A representative from the firm of Mize Houser & Company, P.A., Certified Public Accountants, will present the CAFR and answer any questions.

2. KERIT Trust Agreement Documents - Brian Scott ([page 124](#))

The Kansas Eastern Regional Insurance Trust (KERIT) is a formal, organized insurance trust made up of municipalities in Eastern Kansas. It was established in 1996 for the purpose of allowing municipalities (counties, cities, and other local governments) to “pool” their funds together for the purpose of providing worker’s compensation coverage to their respective employees. The City of Mission joined KERIT in 2009. The Board of Trustees recently updated their governance documents, and the Resolution authorizes the City Administrator to execute these documents on behalf of the City of Mission.

3. Network and Firewall Server Replacement - Brian Scott ([page 178](#))

The City has four primary network servers that host various software applications and digital files. Two of these servers are for the Police Department and the other two serve the rest of the City. All the servers are nearing the end of their useful life, and most are past the warranty. Two were budgeted for replacement in 2017. Johnson County’s Department of Technology and Innovation (DTI) developed specifications and solicited quotes. The total cost to replace two network servers and one firewall server is approximately \$60,000.

4. Waiver of Chapter 205 - Fireworks for Mission Family Summer Picnic - Martha Sumrall  
(page 189)

The City of Mission historically provides a fireworks display at the conclusion of the Mission Summer Family Picnic (July 8, 2017) held at Broadmoor Park. In order to proceed with this display, the City Council must waive the requirements of Chapter 205 of the Mission City Code. In addition to waiving the ordinance, the Council is also asked to authorize funds to purchase the fireworks.

### **DISCUSSION ITEMS**

5. Review of MCVB Ending Fund Balance and Recommended Expenditures - Laura Smith  
(page 190)

In January, the Council eliminated the MCVB Committee. Per statutory requirements, the City has to maintain the MCVB Fund as the repository for transient guest tax receipts. In addition, this fund is also used to account for a variety of programs or services including: special events, the Mission Magazine, revenues and expenses from the Mission Business Partnership, the Arts Council activities, and the annual holiday adoption program. In January, staff advised that once audited 2016 financials were available, the remaining fund balance would be allocated to the appropriate categories, and a discussion with the City Council regarding distribution of the remaining unassigned fund balance would occur. There is approximately \$45,231 of unassigned fund balance which could be dedicated to other programs or services.

### **OTHER**

6. Department Updates - Laura Smith

**Ron Appletoft, Chairperson**  
**Nick Schlossmacher, Vice-Chairperson**  
***Mission City Hall, 6090 Woodson***  
***913-676-8350***

<b>City of Mission</b>	Item Number:	1.
<b>ACTION ITEM SUMMARY</b>	Date:	April 25, 2017
<b>Administration</b>	From:	Brian Scott

Action items require a vote to recommend the item to full City Council for further action.

**RE:** City of Mission 2016 Comprehensive Annual Financial Report - Annual Audit

**RECOMMENDATION:** Accept the audited financial statements for the year ending December 31, 2016.

**DETAILS:** Kansas statutes require an annual audit of the City’s financial statements. The audit for 2016 was conducted by Mize Houser & Company, P.A., Certified Public Accountants. The auditors work in conjunction with City staff to prepare and audit the comprehensive financial statements of the City of Mission.

The annual audit is conducted in accordance with auditing standards generally accepted in the United States, the “Kansas Municipal Audit Guide,” and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as an evaluation of the overall basic financial statement presentation. The City received a “clean” or unqualified audit for the fiscal year ending December 31, 2016.

Also included with the audit is the Management Letter, which notes opportunities to strengthen financial practices and procedures. All of the recommendations outlined in the Management Letter have been reviewed and discussed internally with specific steps identified to address moving forward.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ending December 31, 2015. This was the twenty-third consecutive year the City received this award which is earned by publishing an easily readable and efficiently organized CAFR. The report must also satisfy both generally accepted accounting principles and applicable legal requirements. The 2016 CAFR will be submitted to the GFOA review panel for consideration.

A representative from Mize Houser will present the report and answer any questions during the Finance & Administration Committee meeting. The Council has historically accepted the annual audit at the next available Council meeting.

Related Statute/City Ordinance:	
Line Item Code/Description:	
Available Budget:	



## AUDITOR'S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Mayor and City Council  
City of Mission, Kansas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mission, Kansas for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 29, 2016, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit includes obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on February 6, 2017.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2016. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of accumulated depreciation is based on the straight-line method of depreciation. We evaluated the key factors and assumptions used to develop the accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates of accrued compensated absences are based on a list of accumulated vacation and sick time through December 31, 2016 from the City's payroll system and calculations per the City's policy to permit employees to accumulate certain amounts of vacation and sick leave, which are discussed in Note I.D.6. We evaluated the key factors and assumptions used to calculate the accrued compensated absences in determining that they are reasonable in relation to the financial statements taken as a whole.

The City operates a single employer defined benefit healthcare plan administered by the City to provide medical and pharmacy benefits to eligible retirees and their dependents. The City's estimates for the annual other postemployment benefit (OPEB) costs and liabilities related to this plan are based on the reports issued by an external actuary hired by the City. See Note IV.F. We reviewed these reports and obtained an understanding of the methods and assumptions used by the actuary, as well as evaluating the model used by the actuary for appropriateness and compliance with generally accepted accounting principles.

The City participates in a cost-sharing multiple-employer pension plan administered by the Kansas Public Employees Retirement System (KPERs). The City's estimates for costs, deferred outflows and inflows of resources, and liabilities related to this plan are based on reports issued by an external actuary hired by the State of Kansas. See Note IV.B. We reviewed these reports and obtained an understanding of the methods and assumptions used by the actuary, as well as evaluating the model used by the actuary for appropriateness and compliance with generally accepted accounting principles.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 24, 2017.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

### Other Matters

We applied certain limited procedures to required supplementary information (RSI), which supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### Restriction of Use

This information is intended solely for the use of the Mayor, City Council, and management of the City of Mission, Kansas, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Mike Houser: Company PA*

Certified Public Accountants

April 24, 2017  
Lawrence, KS



MIZE & HOUSER  
COMPANY P.A.

Mayor and City Council  
City of Mission, Kansas

In planning and performing our audit of the financial statements of Mission, Kansas, as of and for the year ended December 31, 2016, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated April 24, 2017, on the financial statements of the City of Mission, Kansas.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various City personnel, and we will be pleased to discuss the comments in further detail at your convenience, to perform any additional study of the matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

1. During the audit we extended our testing over purchasing card transactions and randomly selected charges for a sample of employees. In this testing sample we noted one transaction was missing a receipt and one transaction was not properly approved. We recommend that the City maintain supporting documentation for all charges and all charges be reviewed and approved. We also noted four transactions included the payment of sales tax. The City should submit appropriate tax-exempt status documentation on all credit card purchases to avoid the payment of sales tax.
2. We noted that journal entries were not consistently documented as being reviewed and approved. We recommend that journal entries be reviewed on a regular basis and that the reviewer initial journal entries as approved.

This report is intended for the use of the Mayor, City Council and other members of management of Mission, Kansas and should not be used by anyone other than these specified parties.

*Mize Houser Company PA*

Certified Public Accountants

April 24, 2017  
Lawrence, Kansas

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**CITY OF MISSION, KANSAS**

**Year Ended  
December 31, 2016**

**Prepared by the Finance and Administration Department**



This page intentionally left blank.

CITY OF MISSION, KANSAS  
Comprehensive Annual Financial Report  
Year ended December 31, 2016

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i - iv
Organizational Chart	v
Principal Officials	vi
2015 Certificate of Achievement for Excellence in Financial Reporting - Government Finance Officers Association	vii
FINANCIAL SECTION	
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 8
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet - Governmental Funds	11
Reconciliation of the Total Governmental Fund Balances to Net Position of Governmental Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures And Changes in Fund Balances with the Government Wide Statement of Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Actual and Budget	
General Fund	15
Special Highway Fund	16
Storm Drain Fund	17
Statement of Assets and Liabilities	18
Notes to the Financial Statements	19 - 51

CITY OF MISSION, KANSAS  
 Comprehensive Annual Financial Report  
 Year ended December 31, 2016

TABLE OF CONTENTS - CONTINUED

	<u>Page</u>
Required Supplementary Information	
Net Other Post-Employment Benefits	52
KPERs Pension Plan	
Schedule of City's Proportionate Share of the Net Pension Liability	53
Schedule of City Contributions	53
Combining Statements and Individual Fund Schedules	
Combining Statements - Nonmajor Funds	
Fund Descriptions	54
Combining Balance Sheet - Nonmajor Special Revenue Funds	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	56
Individual Fund Schedules of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget:	
Special Alcohol Fund	57
Special Parks and Recreation Fund	58
Parks and Recreation Sales Tax Bond Fund	59
Fiduciary Fund Descriptions - Agency Funds	60
Combining Balance Sheet - Agency Funds	61
Combining Statement of Changes in Assets and Liabilities - Agency Funds	62

STATISTICAL SECTION

	<u>Table</u>	
Net Position by Component - Last Ten Years	1	63
Change in Net Position - Last Ten Years	2	64
Fund Balances, Governmental Funds - Last Ten Years	3	65
Changes in Fund Balances of Governmental Funds - Last Ten Years	4	66
General Government Tax Revenues by Source - Last Ten Years	5	67
Local Sales and Consumption Tax Collections - Last Ten Years	6	68
Assessed and Estimated Actual Value of Taxable Property - Last Ten Years	7	69

CITY OF MISSION, KANSAS  
Comprehensive Annual Financial Report  
Year ended December 31, 2016

TABLE OF CONTENTS - CONTINUED

	<u>Table</u>	<u>Page</u>
Property Tax Rates per \$1,000 of Assessed Valuation Direct and Overlapping Governments - Last Ten Years	8	70
Principal Taxpayers	9	71
Property Tax Levies and Collections - Last Ten Years	10	72
Outstanding Debt by Type - Last Ten Years	11	73
Ratio of Net General Obligation Bonded Debt to Assessed Value And Net General Obligation Debt per Capita - Last Ten Years	12	74
Direct and Overlapping Governmental Activities Debt	13	75
Computation of Legal Debt Margin - Last Ten Years	14	76
Demographic Statistics - Last Ten Years	15	77
Principal Employers	16	78
Operating Indicators by Function/Program	17	79
Full Time City Employees by Function/Program - Last Ten Years	18	80
Capital Asset Statistics by Function/Program - Last Ten Years	19	81

This page intentionally left blank.

---

**INTRODUCTORY SECTION**

---

This page intentionally left blank.

April 24, 2017

The City of Mission is pleased to submit the comprehensive annual financial report for the fiscal year ending December 31, 2016. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report includes all of the major operating funds of the City. The City provides a range of services including police protection, solid waste collection services, construction and maintenance of streets and infrastructure, and recreational and cultural activities. There are no other entities over which the City exercises financial accountability. Educational, fire protection, sanitary sewer and water services are provided by separate entities.

Management's discussion and analysis immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. Management's discussion and analysis complements this letter of transmittal and should be read in conjunction with it.

### **ECONOMIC CONDITION AND OUTLOOK**

The City is located in the northeast corner of Johnson County, Kansas and lies along a major transportation corridor, making it accessible to the entire Kansas City metropolitan area.

The City, incorporated in 1951, operates as a second-class city with a mayor-council form of government. The governing body is made up of eight council members, four of whom are elected in odd numbered years to serve four-year terms. The Mayor is elected to a four-year term and serves as the chief executive officer of the City.

The City's population is 9,323 with a total budget for 2016 of \$19,254,434. The City covers 2.87 square miles and is 95% developed. The daytime population of the City increases to nearly 15,000 as a result of people who come into the City to work, conduct business, and shop. The Johnson Drive corridor offers a more traditional downtown, connecting retail hubs located at the City's east and west gateways. Other businesses within the City include general offices, light manufacturing, health care facilities, laboratories, Shawnee Mission Main Post Office, Johnson County government offices, State of Kansas Driver's License Bureau, a number of restaurants and casual dining establishments, grocery stores and a variety of small retail operations.



The City has traditionally been viewed as a bedroom community, offering convenient services, a small town atmosphere, comfortable living conditions, a family environment, and a variety of outstanding residential neighborhoods with highly rated schools. Residents enjoy an excellent standard of living as a result of the active community spirit, an award-winning school system, low crime rates and high quality service delivery. The governing body proactively addresses quality of life issues to ensure that the current standard of living is not only maintained, but ultimately enhanced.

The City Council works to meet the needs of existing businesses, while simultaneously dedicating resources to attract new businesses. The sales tax revenues generated by the business community are vital to the City's financial stability. Though increased this past year, the mill levy still remains one of the lowest in Johnson County and in the State of Kansas. Future financial planning efforts continue to explore revenue diversification and policies to protect cash reserves.

## **MAJOR CITY INITIATIVES**

In 2015 the City began to realize the fruits of its efforts to facilitate and encourage redevelopment and investment throughout the community using comprehensive master plans to attract and secure development consistent with the community's design guidelines and standards. In the City's West Gateway, Phase II of the Mission Crossing development was completed with the construction of a 140,000 square foot, multistory independent senior living facility.

Redevelopment of the former Keystone auto dealership was completed in the summer/fall of 2015. The \$25 million project includes a 15,000 sq. ft. Natural Grocer store as well as two other buildings designed for restaurant, retail and/or office tenants.

Residents have enjoyed a new outdoor aquatic facility that was opened in May of 2014. Debt service for construction is paid with a portion of a dedicated 3/8-cent sales tax to be used for parks and recreation. The remainder of the funds provide an important revenue stream for continued maintenance and improvement of our recreation facilities.

Street and transportation network investments continue to be a high priority. The reconstruction of Johnson Drive in 2014, from Lamar to Maple, represented the single largest project completed by the City in the last 10 years. Totalling more than \$10.5 million, the project included utility relocation and upgrades, the installation of storm water infrastructure, wider sidewalks, ADA ramps and cross walks, decorative lighting, and other pedestrian amenities. Now complete, the project has transformed an important retail corridor in the community, and quickly become the catalyst for further redevelopment opportunities. The Johnson Drive reconstruction was also a recent recipient of Capstone Awards for infrastructure presented by the Kansas City Business Journal.

In 2016, the City completed a Parks Master Plan, which will become an important planning tool in shaping future decisions and development of the City's extensive park system. The City continues to promote organizational efficiency and effectiveness through technology upgrades, management of a classification and compensation system, and on-going evaluation of employee benefits. A continued emphasis on workforce training and development provides employee's with the necessary skills to deliver quality services to the citizens of Mission.

## **FUTURE INITIATIVES**

The City continues to explore new and diverse ways to support redevelopment efforts throughout the community. Our work focuses on ensuring redevelopment that results in high quality, sustainable projects benefiting not only Mission but the entire region. Mission supports efforts for long-range, comprehensive capital infrastructure planning and budgeting; refining strategies for the on-going maintenance, repair and replacement of our important infrastructure assets.

The City continues to evaluate Parks and Recreation services to develop sustainable operating plans for the Community Center, the municipal swimming pool, and the 30+ acres of parks and recreational facilities maintained for the benefit of Mission residents. Planning and development of trails which link Mission to the rest of the metropolitan area will remain a priority.

The Police Department remains committed to improving the level of service to the community. Continued emphasis on traffic safety and enforcement contributes to the overall safety of both residents and visitors alike. The Mission Police Department will also maintain its focus on training, keeping personnel abreast of a variety of professional trends and development opportunities.

The Mission Convention and Visitors Bureau (MCVB) assists and enhances existing businesses a number of community festivals and events. The MCVB's specialty publication, with a distribution of approximately 13,500, continues to be popular, featuring and promoting local businesses and the Mission community.

As previously stated, street and transportation network investments continue to be a high priority. This fact was reinforced in a citizen survey completed in 2015 which ranked maintenance of City streets as the number one item of importance for residents. To address this concern the City will identify and prioritize future street repair and maintenance projects, and find sustainable funding sources. In addition, the City increased its property tax levy in 2016 by 7 mills, these funds being dedicated to funding street improvements.

## **FINANCIAL INFORMATION**

City management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of the control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

## **BUDGETARY CONTROLS**

The City maintains various budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the General Fund, Special Revenue Funds, and Debt Service Funds are included in the annual appropriated budget. The legal level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is at the fund level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts do not lapse at year-end. However, unencumbered appropriations do lapse. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

**OTHER INFORMATION**

Independent Audit

Kansas statutes require an annual audit of the City's financial statements. The audit for 2016 was conducted by Mize Houser & Company P.A., Certified Public Accountants and their report on the financial statements is included in the financial section of this report.

Reporting Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ending December 31, 2015. This was the twenty-third consecutive year the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

**ACKNOWLEDGEMENTS**

The preparation of this comprehensive annual financial report was made possible by the dedicated services of the staff of the Finance and Administration, Municipal Court, and Parks and Recreation departments. Our sincere appreciation is extended to all members of the staff, whose efforts made this report possible.

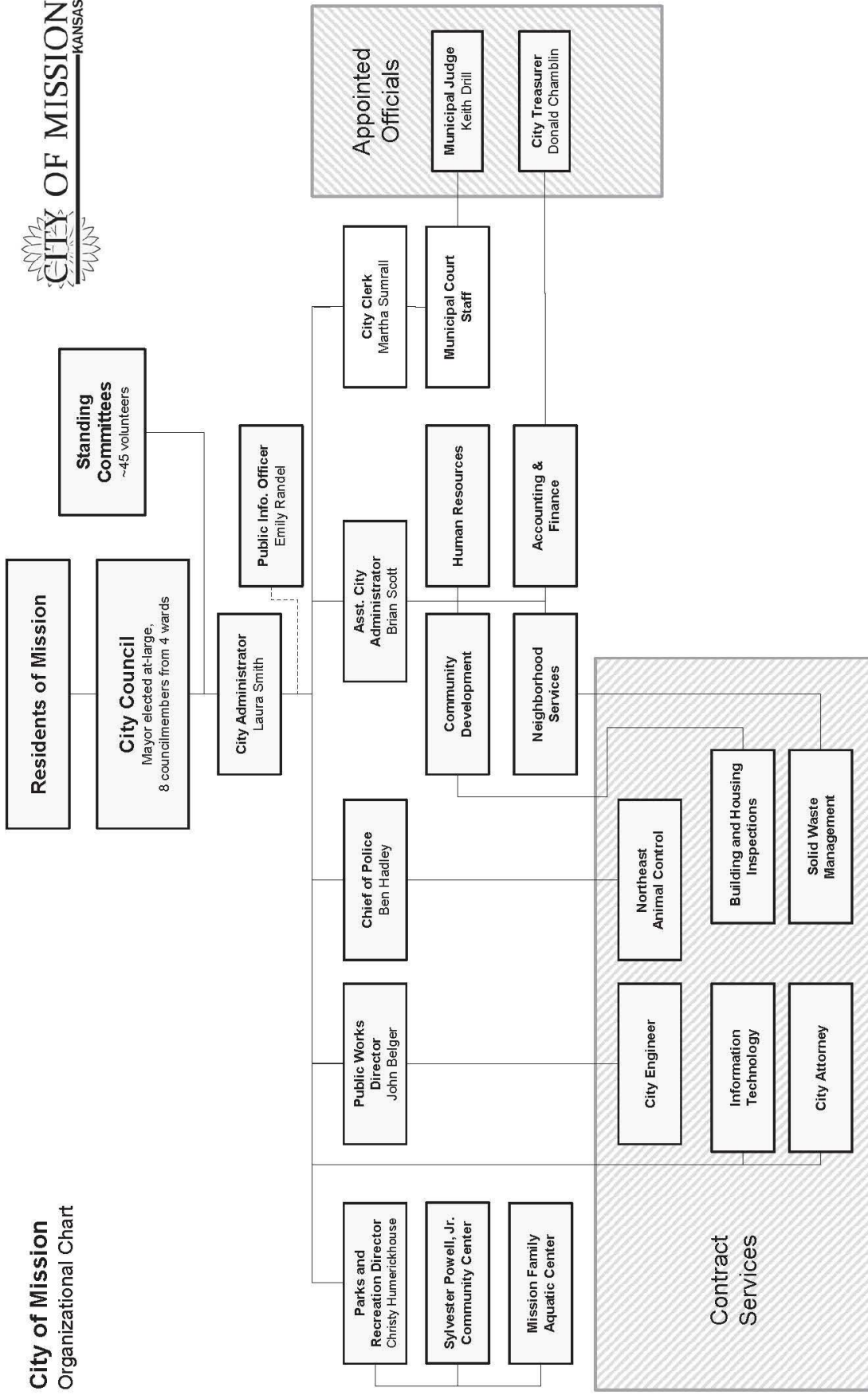
Respectfully submitted,



---

Laura Smith  
City Administrator

**City of Mission**  
Organizational Chart



CITY OF MISSION, KANSAS  
PRINCIPAL OFFICIALS - 2016

*Mayor and City Council*

Honorable Steve Schowengerdt, Mayor  
Honorable Pat Quinn - Ward 1  
Honorable Tom Geraghty - Ward 1  
Honorable Nick Schlossmacher - Ward 2  
Honorable Arcie Rothrock - Ward 2  
Honorable Kristin Inman - Ward 3  
Honorable Debbie Kring - Ward 3  
Honorable Ron Appletoft - Ward 4  
Honorable Suzanne Gibbs - Ward 4

*Administration*

City Administrator: Laura Smith  
Assistant City Administrator/Finance Director: Brian Scott  
City Clerk: Martha Sumrall  
Treasurer: Donald C. Chamblin  
Municipal Judge: Keith E. Drill  
Chief of Police: Benjamin Hadley  
Public Works Director: John Belger  
Public Information Officer: Emily Randel  
Parks and Recreation Director: Christy Humerickhouse

*Attorney*

David K. Martin



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Mission  
Kansas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2015**

Executive Director/CEO

This page intentionally left blank.

---

**FINANCIAL SECTION**

---



This page intentionally left blank.



## INDEPENDENT AUDITOR'S REPORT

Mayor and City Council  
City of Mission, Kansas

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mission, Kansas, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the "Kansas Municipal Accounting and Audit Guide." These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mission, Kansas, as of December 31, 2016, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund, the special highway fund, and the storm drain fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

[www.mizehouser.com](http://www.mizehouser.com) ■ mhco@mizehouser.com

534 S Kansas Ave, Suite 700 ■ Topeka, KS 66603-3465 ■ 785.233.0536 p ■ 785.233.1078 f

534 S Kansas Ave, Suite 400 ■ Topeka, KS 66603-3454 ■ 785.234.5573 p ■ 785.234.1037 f

7101 College Blvd, Suite 900 ■ Overland Park, KS 66210-1984 ■ 913.451.1882 p ■ 913.451.2211 f

211 E Eighth Suite A ■ Lawrence, KS 66044-2771 ■ 785.842.8844 p ■ 785.842.9049 f

## **Emphasis of Matter**

### *Prior Period Restatement*

As discussed in Note II.B. to the financial statements, certain errors resulting in amounts previously reported as capital assets as of December 31, 2015, were discovered by management of the City during the current year. Accordingly, these amounts have been restated in the December 31, 2016, financial statements now presented, and adjustments have been made to net position to correct the error. Our opinion is not modified with respect to these matters

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, the schedule of funding progress on page 52, the schedule of the City's proportionate share of the net pension liability on page 53, and the schedule of City contributions on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Mike Houser: Company PA*

Certified Public Accountants  
Lawrence, Kansas

April 24, 2017

CITY OF MISSION, KANSAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2016  
Unaudited

Our discussion and analysis of the City of Mission, Kansas financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2016. This narrative should be read in conjunction with the City's letter of transmittal, which begins on page i.

**Financial Highlights**

- The Government-wide net position totaled \$38.7 million at the end of the current fiscal year.
- Total capital assets, net of accumulated depreciation at December 31, 2016 totaled \$66.8 million.
- During the year ended December 31, 2016, the City's total revenues (which include charges for services, local taxes and state and federal aid) exceeded total expenses by \$3.1 million.
- The City's total indebtedness decreased by \$3 million.
- The City's net capital assets decreased \$1.5 million in the current fiscal year.

**Using This Financial Report**

This annual report consists of two distinct series of financial statements: government-wide and funds. In addition, the annual report includes budgetary-basis financial statement comparisons, in accordance with the State of Kansas cash basis and budget laws.

The government-wide statements are designed to provide information about the City's activities as a whole and provide a longer-term view of the City's finances. The fund financial statements tell how the City's services for the governmental activities were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in greater detail than the government-wide statements by providing information about the City's most significant funds. In addition, combining statements included in the supplemental information show detail of all other governmental funds. The City also holds fiduciary funds on behalf of various parties. These funds are reported in a separate statement.

**Reporting on the City as a Whole (Government Wide)**

**Statement of Net Position and the Statement of Activities**

The view of the City as a whole looks at all financial transactions and asks the question, "Are we in a better financial position as a result of the current year's financial activities?" The Statement of Net Position and the Statement of Activities provide the basis for answering this question. The statements include all assets and all liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the City's Net Position and current year change in Net Position. The change in net position is important because it tells the reader whether the City, as a whole, has improved or diminished its financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Causes of these changes may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, state mandates, and the financial condition of the State of Kansas general fund.

In the Statement of Net Position and the Statement of Activities, the City has one kind of activity:

**Governmental Activities** - Most of the City's programs and services are reported here including general government, public safety, public works and culture and recreation.

CITY OF MISSION, KANSAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2016  
Unaudited

**Reporting the City's Most Significant Funds (Fund Financial Statements)**

Fund financial statements provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. The main fund financial statements focus on the City's most significant funds. Combining fund balance sheets and statements of revenues, expenditures and changes in fund balances provide detailed information about all of the City's non-major governmental funds.

Governmental Funds - Most of the City's activities are reported in the governmental funds, which focus on how money flows into and out of the funds and how balances left over at fiscal year end are available to be spent in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps the reader to decide whether there are more or fewer financial resources that can be spent in the near term to finance the City's programs. Major differences between the City's governmental activities as reported in the Statement of Net Position and the Statement of Activities and its governmental funds are reconciled in the Governmental Funds financial statements.

**The City as a Whole**

Government-Wide Position

The Statement of Net Position provides the financial position of the City as a whole. The overall financial position of the City increased by 7.6% in 2016. The following is a summary of the City's Statement of Net Position as of December 31, 2016 and 2015:

City of Mission  
Condensed Statement of Net Position

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Current assets	\$ 8,970,897	\$ 7,428,671
Net capital assets	<u>66,779,553</u>	<u>68,604,890</u>
Total assets	<u>75,750,450</u>	<u>76,033,561</u>
Deferred outflows of resources	<u>1,218,213</u>	<u>392,807</u>
Total assets and deferred outflow of resources	<u>\$ 76,968,663</u>	<u>\$ 76,426,368</u>
Current liabilities	\$ 4,661,154	\$ 4,525,378
Noncurrent liabilities	<u>33,249,662</u>	<u>35,327,641</u>
Total liabilities	<u>37,910,816</u>	<u>39,853,019</u>
Deferred inflows of resources	<u>394,553</u>	<u>645,196</u>
Total liabilities and deferred inflows of resources	<u>\$ 38,305,369</u>	<u>\$ 40,498,215</u>
Net Position:		
Net investments in capital assets	\$ 36,242,192	\$ 34,647,991
Restricted for:		
Debt Service	676,572	738,850
Unrestricted	<u>1,744,530</u>	<u>541,312</u>
Total net position	<u>\$ 38,663,294</u>	<u>\$ 35,928,153</u>

CITY OF MISSION, KANSAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2016  
Unaudited

The assets of the City are classified as current assets and capital assets. Cash and investments and accounts receivable are the largest current assets. These are assets that are available to provide resources for the near-term operations of the City. Capital assets are used in the operations of the City. These assets include land, buildings, equipment and vehicles, and infrastructure.

Current and non-current liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued liabilities, interest payable and the current portion of long-term obligations.

The City has \$31 million in long-term debt, consisting of general obligation bonds, capital leases, and KDHE loans, of which \$3.6 million is due within the next fiscal year.

The City had total assets and deferred outflows of resources at December 31, 2016, totaling \$77 million. The total assets and deferred outflows of resources of the City exceeded the total liabilities and deferred inflows of resources by \$38.7 million. The net position invested in capital assets (net of related debt) totaled \$36.2 million, restricted net position totaled \$.7 million and unrestricted net position totaled \$1.8 million.

CITY OF MISSION, KANSAS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Year Ended December 31, 2016  
 Unaudited

Government-Wide Activities

The following is a condensed statement of the City's change in net position for the year ended December 31, 2016. Major items of program revenues, grants and general revenues are detailed. Government-wide activities increased the net position of the City by approximately \$3.1 million for the year ended December 31, 2016. The increase can be attributed to an increase in property tax. A reconciliation of the total change in fund balances for the governmental funds to the Statement of Activities is located at page 14 of the basic financial statements. A major difference in the Statement of Activities and changes in the fund balances of governmental funds as expenditures in the funds statements is the repayment of long-term debt of \$3.3 million which is treated as expenditures in the funds statements, but is treated as a reduction of long term debt in the Government wide financial statements.

In addition, the capital outlays of \$1 million are treated as expenditures in the fund statements, but are treated as an increase in capital assets in the Government wide financial statements.

City of Mission  
 Condensed Statement of Changes in Net Position  
 For the Year Ended December 31, 2016 and 2015

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 6,401,019	\$ 6,656,690
Operating grants	474,190	2,090,216
General revenues:		
Property taxes	2,839,599	2,423,438
Sales tax	5,870,341	5,711,057
Transient guest tax	43,835	36,785
Motor vehicle tax	157,488	156,487
Franchise tax	1,024,850	1,009,649
Investment earnings	4,616	2,404
Miscellaneous	<u>314,640</u>	<u>553,144</u>
Total revenues	<u>17,130,578</u>	<u>18,639,870</u>
Program expenses:		
General government	2,599,590	2,617,020
Public safety	4,135,349	3,539,822
Public works	3,606,294	3,562,734
Culture and recreation	2,801,261	2,647,417
Interest on long term debt	<u>887,504</u>	<u>959,983</u>
Total expenses	<u>14,029,998</u>	<u>13,326,976</u>
Increase [decrease] in net position	<u>3,100,580</u>	<u>5,312,894</u>
Net position - beginning	35,928,153	35,961,516
Prior period adjustment	<u>[365,439]</u>	<u>[5,346,257]</u>
Net position - beginning, restated	<u>35,562,714</u>	<u>30,615,259</u>
Net position - ending	<u>\$ 38,663,294</u>	<u>\$ 35,928,153</u>

CITY OF MISSION, KANSAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2016  
Unaudited

**Financial Analysis of the City's Funds**

The City uses fund accounting to ensure and demonstrate compliance with state and federal finance related legal requirements. These funds are accounted for on the modified accrual basis of accounting.

The governmental funds of the City provide information on near-term inflows, outflows and balances of spendable resources.

Total fund balances at December 31, 2016 for the governmental funds totaled \$5.6 million. Total unassigned fund balances at December 31, 2016 totaled \$3.2 million, of which all but [\$30,882] was attributable to the General Fund.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total ending fund balance of the general fund was \$3.6 million. Audited numbers for the 2016 fiscal year show an increase in the fund balance for the General Fund of \$738,279, or nearly 26% from the previous year. This increase is due to a number of factors including: capital projects that were budgeted but funds not yet expended nor encumbered, an increase in both sales tax revenue due to additional development activity, and salary savings recognized through vacant positions that were difficult to fill.

The Special Highway Fund is used to account for monies sent quarterly from the State Treasurer's office which are the Special City and County Highway Fund distributed and computed in compliance with K.S.A. 79-3425C. The ending fund balance of the Special Highway Fund was \$65,309 at December 31, 2016. The increase in the Special Highway Fund's fund balance was \$52,918.

The Storm Drain Fund is used to account for storm water charges received based on an equivalent residential unit (ERU) to be used for storm water improvements city wide. The ending fund balance was \$295,917 at December 31, 2016. The increase in the Storm Drain Fund's fund balance was \$258,890.

The Solid Waste Fund is used to account for solid waste utility charges collected from an annual assessment. The ending fund balance was [\$30,882] at December 31, 2016. The increase in the Solid Waste Fund's fund balance was \$10,838.

The Parks and Recreation Sales Tax Bond Fund is used to account for revenues received from a dedicated three-eighths of one percent sales tax for parks and recreation. A portion of the revenues is pledged to retire the 2013B General Obligation bonds issued for the outdoor aquatic facility. The balance is dedicated to other parks and recreation expenses, both capital and operating. The ending fund balance was \$676,572 at December 31, 2016. The decrease in the fund balance was [\$62,278].

The Capital Improvement Fund is used to account for resources used to construct and maintain infrastructure city-wide. The ending fund balance was \$418,400 at December 31, 2016. The increase in the Capital Improvement Fund's fund balance was \$381,556.



CITY OF MISSION, KANSAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2016  
Unaudited

**General Fund Budgeting Highlights**

The City's budgets are prepared in accordance with Kansas law and are based primarily on the basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The City's final General Fund budget was \$13,011,212, the same as the original published budget. Total revenues and lease proceeds were more than budgetary estimates by \$.6 million and the expenditures and transfers out were less than budgetary estimates by \$2.1 million.

Property and sales tax revenues were more than budgeted primarily as a result of conservative estimates an increase in local businesses, and an increase in appraised values for residential and commercial property in the City. Revenues in the police fines and charges for services (court fees) categories were less than budgeted figures due to staffing vacancies in the police department and a decrease in traffic citations processed.

Overall expenditures in the General Fund were below budgeted figures as a result of specific budget control and voluntary line item reductions by each Department as well as personnel vacancies.

**Capital Assets and Debt Administration**

The City's investment in capital assets for its governmental activities totaled \$66.8 million (net of accumulated depreciation) as of December 31, 2016.

The major capital asset events during the current fiscal year included the following:

- Police Vehicle purchases totaling \$307,023
- Community Center improvements totaling \$186,369
- Mission Crossing Park totaling \$99,550

Additional information on the City's capital assets can be found in Notes I and III of the financial statements.

At December 31, 2016, the City had total debt outstanding of \$31 million, backed by the full faith and credit of the City. Total long-term debt decreased for the fiscal year ended December 31, 2016, in the amount of \$3 million. This was a result of continued repayment of general obligation bonds, loans and capital leases.

Additional information on the City's general long term debt can be found in Note III to the financial statements.

**Contacting the City**

This financial report is designed to provide a general overview of the City's finances. If you have questions about this report or need additional financial information, contact the City's Finance and Administration Department at 6090 Woodson, Mission, Kansas 66202.

CITY OF MISSION, KANSAS  
STATEMENT OF NET POSITION  
December 31, 2016

	Total Governmental Activities
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>	
Current assets:	
Cash and investments	\$ 5,306,923
Restricted cash and investments	31,211
Receivables	<u>3,632,763</u>
Total current assets	<u>8,970,897</u>
Capital assets:	
Capital assets not being depreciated:	
Land	10,181,045
Construction in progress	263,927
Capital assets being depreciated	74,637,770
Less: accumulated depreciation	<u>18,303,189</u>
Total net capital assets	<u>66,779,553</u>
Total assets	<u>75,750,450</u>
Deferred outflows of resources	
Pension - contributions subsequent to the measurement date	288,838
Pension - net difference between projected and actual earnings on pension plan investments	655,491
Pension - difference between expected and actual experience	186,037
Pension - changes in proportion	<u>87,847</u>
Total deferred outflows of resources	<u>1,218,213</u>
Total assets and deferred outflows of resources	<u>\$ 76,968,663</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>	
Current liabilities:	
Accounts payable	\$ 82,893
Accrued liabilities	95,604
Interest payable	420,485
Municipal court bonds payable	31,211
Unearned revenue	155,954
Current portion of compensated absences	324,834
Current portion of capital leases payable	238,959
Current portion of loans payable	4,541
Current portion of general obligation bonds payable	<u>3,306,673</u>
Total current liabilities (payable from current assets)	<u>4,661,154</u>
Noncurrent liabilities:	
Compensated absences	102,456
Net other post employment benefits	557,766
Net pension liability	5,189,214
Capital lease payable	454,173
Loans payable	74,310
General obligation bonds payable	<u>26,871,743</u>
Total noncurrent liabilities	<u>33,249,662</u>
Total liabilities	<u>37,910,816</u>
Deferred Inflows of Resources	
Pension - difference between expected and actual experience	68,006
Pension - changes of assumptions	37,956
Pension - change in proportion	<u>288,591</u>
Total deferred inflows of resources	<u>394,553</u>
Total liabilities and deferred inflows of resources	<u>\$ 38,305,369</u>
Net Position	
Net investments in capital assets	\$ 36,242,192
Restricted for:	
Debt service	676,572
Unrestricted	<u>1,744,530</u>
Total net position	<u>\$ 38,663,294</u>

The notes to the financial statements are an integral part of this statement.

This page intentionally left blank.

CITY OF MISSION, KANSAS  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2016

	Program Revenues			Net [Expense] Revenue and Changes in in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
<b>Governmental activities:</b>				
General government	\$ 2,599,590	\$ 701,862	\$ -	\$ [1,897,728]
Public safety	4,135,349	1,253,047	75,844	[2,806,458]
Public works	3,606,294	2,532,476	398,346	[675,472]
Culture and recreation	2,801,261	1,913,634	-	[887,627]
Interest on long-term debt	<u>887,504</u>	<u>-</u>	<u>-</u>	<u>[887,504]</u>
Total governmental activities	<u>\$ 14,029,998</u>	<u>\$ 6,401,019</u>	<u>\$ 474,190</u>	<u>[7,154,789]</u>

**General Revenues:**

Property taxes levied for:

General purposes	2,839,599
Sales tax	5,870,341
Transient guest tax	43,835
Motor vehicle tax	157,488
Franchise tax	1,024,850
Investments earnings	4,616
Miscellaneous	<u>314,640</u>
Total general revenues	<u>10,255,369</u>
Change in net position	<u>3,100,580</u>
Net position - beginning	35,928,153
Prior period adjustment	<u>[365,439]</u>
Net position - beginning, restated	<u>35,562,714</u>
Net position - ending	<u>\$ 38,663,294</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MISSION, KANSAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016

	<u>General</u>	<u>Special Highway</u>	<u>Storm Drain</u>
<b>ASSETS</b>			
Cash and investments	\$ 3,401,513	\$ 65,309	\$ 295,917
Restricted cash and investments	31,211	-	-
Due from other funds	1,322	-	-
Receivables			
Taxes	2,814,525	-	-
Other	44,151	-	-
Total assets	<u>\$ 6,292,722</u>	<u>\$ 65,309</u>	<u>\$ 295,917</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 36,001	\$ -	\$ -
Accrued liabilities	95,604	-	-
Due to other funds	-	-	-
Payable from restricted assets			
Municipal court bonds	31,211	-	-
Unearned revenue	154,693	-	-
Total liabilities	<u>317,509</u>	<u>-</u>	<u>-</u>
 Deferred inflows of resources			
Unavailable revenue - property taxes	<u>2,376,754</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>2,376,754</u>	<u>-</u>	<u>-</u>
 Fund balance:			
Restricted	-	65,309	295,917
Committed	96,436	-	-
Assigned	287,198	-	-
Unassigned	3,214,825	-	-
Total fund balance [deficit]	<u>3,598,459</u>	<u>65,309</u>	<u>295,917</u>
 Total liabilities, deferred inflows of resources and fund balances			
	<u>\$ 6,292,722</u>	<u>\$ 65,309</u>	<u>\$ 295,917</u>

<u>Solid Waste</u>	<u>Parks and Recreation Sales Tax Bond</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 15,983	\$ 611,806	\$ 413,038	\$ 503,357	\$ 5,306,923
-	-	-	-	31,211
-	-	-	-	1,322
-	64,766	-	150,887	3,030,178
-	-	5,362	-	49,513
<u>\$ 15,983</u>	<u>\$ 676,572</u>	<u>\$ 418,400</u>	<u>\$ 654,244</u>	<u>\$ 8,419,147</u>
\$ 46,865	\$ -	\$ -	\$ 27	\$ 82,893
-	-	-	-	95,604
-	-	-	1,322	1,322
-	-	-	-	31,211
-	-	-	1,261	155,954
<u>46,865</u>	<u>-</u>	<u>-</u>	<u>2,610</u>	<u>366,984</u>
-	-	-	91,764	2,468,518
-	-	-	91,764	2,468,518
-	676,572	418,400	526,436	1,982,634
-	-	-	33,434	129,870
-	-	-	-	287,198
<u>[30,882]</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,183,943</u>
<u>[30,882]</u>	<u>676,572</u>	<u>418,400</u>	<u>559,870</u>	<u>5,583,645</u>
<u>\$ 15,983</u>	<u>\$ 676,572</u>	<u>\$ 418,400</u>	<u>\$ 654,244</u>	<u>\$ 8,419,147</u>

The notes to the financial statements are an integral part of this statement.

This page intentionally left blank.

CITY OF MISSION, KANSAS  
RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
December 31, 2016

Total Governmental Fund Balances		\$ 5,583,645
<p>Amounts reported for governmental activities in the statement of net assets are different because</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds</p>		
The cost of capital assets is	85,082,742	
Accumulated depreciation is	<u>18,303,189</u>	66,779,553
<p>Pension contributions are reported as an expense in the funds and as a deferred outflow of resources in the governmental activities in the statement of net position.</p>		
		1,218,213
<p>Pension fundings are reported as a revenue in the funds and as a deferred inflow of resources in the governmental activities in the statement of net position.</p>		
		[5,583,767]
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		3,021,590
<p>Long-term liabilities, including bonds payable, 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:</p>		
General obligation bonds payable	29,635,000	
Discount	[4,876]	
Premium	548,292	
Capital leases payable	693,132	
Loans payable	78,851	
Interest payable	420,485	
Net other post employment benefits	557,766	
Compensated absences payable	<u>427,290</u>	<u>[32,355,940]</u>
Net Position of Governmental Activities		<u>\$ 38,663,294</u>

The notes to the financial statements are an integral part of this statement.



CITY OF MISSION, KANSAS  
STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2016

	<u>General</u>	<u>Special Highway</u>	<u>Storm Drain</u>
REVENUES:			
Taxes	\$ 7,605,253	\$ -	\$ 299,798
Intergovernmental	75,844	251,967	-
Licenses and permits	152,245	-	-
Charges for services	1,963,634	-	2,532,476
Fines and fees	1,253,047	-	-
Use of money and property	3,596	12	561
Miscellaneous	219,505	-	-
Total revenues	<u>11,273,124</u>	<u>251,979</u>	<u>2,832,835</u>
EXPENDITURES:			
Current			
General government	1,921,928	-	-
Public safety	3,868,458	-	-
Public works	1,610,652	199,061	31,892
Culture and recreation	2,440,954	-	-
Capital outlay	-	-	-
Debt service			
Principal	166,170	-	1,684,426
Interest and other charges	18,949	-	651,517
Total expenditures	<u>10,027,111</u>	<u>199,061</u>	<u>2,367,835</u>
Excess [deficiency] of revenues over [under] expenditures	<u>1,246,013</u>	<u>52,918</u>	<u>465,000</u>
OTHER FINANCING SOURCES [USES]			
Transfers in	-	-	50,000
Transfers out	[875,654]	-	[256,110]
Issuance of debt - leases	367,920	-	-
Total other financing sources [uses]	<u>[507,734]</u>	<u>-</u>	<u>[206,110]</u>
Net change in fund balances	738,279	52,918	258,890
Fund balance - Beginning of year	<u>2,860,180</u>	<u>12,391</u>	<u>37,027</u>
Fund balance - End of year	<u>\$ 3,598,459</u>	<u>\$ 65,309</u>	<u>\$ 295,917</u>

<u>Solid Waste</u>	<u>Parks and Recreation Sales Tax Bond</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 861,445	\$ -	\$ 1,006,286	\$ 9,772,782
-	-	-	146,379	474,190
-	-	-	-	152,245
490,878	-	-	8,739	4,995,727
-	-	-	-	1,253,047
-	305	120	22	4,616
<u>2,233</u>	<u>6,766</u>	<u>77,713</u>	<u>44,158</u>	<u>350,375</u>
<u>493,111</u>	<u>868,516</u>	<u>77,833</u>	<u>1,205,584</u>	<u>17,002,982</u>
-	-	-	-	1,921,928
-	-	-	-	3,868,458
-	-	-	-	1,841,605
-	-	-	-	2,440,954
567,273	404,344	89,353	674,992	1,735,962
-	415,000	555,000	425,000	3,245,596
-	<u>111,450</u>	<u>98,688</u>	<u>45,870</u>	<u>926,474</u>
<u>567,273</u>	<u>930,794</u>	<u>743,041</u>	<u>1,145,862</u>	<u>15,980,977</u>
<u>[74,162]</u>	<u>[62,278]</u>	<u>[665,208]</u>	<u>59,722</u>	<u>1,022,005</u>
85,000	-	1,046,764	-	1,181,764
-	-	-	[50,000]	[1,181,764]
-	-	-	-	367,920
<u>85,000</u>	<u>-</u>	<u>1,046,764</u>	<u>[50,000]</u>	<u>367,920</u>
10,838	[62,278]	381,556	9,722	1,389,925
<u>[41,720]</u>	<u>738,850</u>	<u>36,844</u>	<u>550,148</u>	<u>4,193,720</u>
<u>\$ [30,882]</u>	<u>\$ 676,572</u>	<u>\$ 418,400</u>	<u>\$ 559,870</u>	<u>\$ 5,583,645</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MISSION, KANSAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2016

Total Net Change In Fund Balances - Governmental Funds		\$ 1,389,925
<p>Amounts reported for governmental activities in the statement of activities are different because</p> <p>Capital outlays to purchase or build assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.</p>		
Loss on sale of assets	[222,798]	
Capital outlays	1,015,935	
Depreciation expense	<u>[2,253,035]</u>	[1,459,898]
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which interest decreased.</p>		
		38,970
<p>Some expenses reported in the statement of activities, such as compensated absences and OPEB, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		[84,077]
<p>Pension payments are reported as expenditures in the governmental funds and do not affect the statement of net activities.</p>		
		44,719
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		127,597
<p>Issuance of capital leases is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities.</p>		
		[367,920]
<p>Repayment of capital leases is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.</p>		
		155,166
<p>Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.</p>		
		<u>3,256,098</u>
Changes In Net Position of Governmental Activities		<u>\$ 3,100,580</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MISSION, KANSAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
GENERAL FUND  
For the Year Ended December 31, 2016

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues						
Taxes	\$ 7,605,253	\$ -	\$ 7,605,253	\$ 7,268,085	\$ 7,268,085	\$ 337,168
Intergovernmental	75,844	-	75,844	42,800	42,800	33,044
Licenses and permits	152,245	-	152,245	145,500	145,500	6,745
Charges for services	1,963,634	-	1,963,634	2,047,000	2,047,000	[83,366]
Fines and forfeitures	1,253,047	-	1,253,047	1,400,000	1,400,000	[146,953]
Interest	3,596	-	3,596	2,000	2,000	1,596
Other	219,505	-	219,505	178,125	178,125	41,380
Total revenues	<u>11,273,124</u>	<u>-</u>	<u>11,273,124</u>	<u>11,083,510</u>	<u>11,083,510</u>	<u>189,614</u>
General government						
Personal service	1,055,475	-	1,055,475	1,146,500	1,146,500	91,025
Contractual	733,530	-	733,530	663,100	663,100	[70,430]
Commodities	47,831	-	47,831	52,800	52,800	4,969
Capital outlay	85,054	-	85,054	71,500	71,500	[13,554]
Miscellaneous	38	-	38	-	-	[38]
	<u>1,921,928</u>	<u>-</u>	<u>1,921,928</u>	<u>1,933,900</u>	<u>1,933,900</u>	<u>11,972</u>
Public works and improvements						
Personal service	697,672	-	697,672	826,350	826,350	128,678
Contractual	754,565	-	754,565	826,700	826,700	72,135
Commodities	76,626	-	76,626	148,350	148,350	71,724
Capital outlay	78,050	-	78,050	65,000	65,000	[13,050]
Miscellaneous	3,739	-	3,739	-	-	[3,739]
	<u>1,610,652</u>	<u>-</u>	<u>1,610,652</u>	<u>1,866,400</u>	<u>1,866,400</u>	<u>255,748</u>
Public safety						
Personal service	3,011,712	-	3,011,712	3,039,800	3,039,800	28,088
Contractual	364,105	-	364,105	395,775	395,775	31,670
Commodities	114,717	-	114,717	150,400	150,400	35,683
Capital outlay	377,924	-	377,924	100,000	100,000	[277,924]
	<u>3,868,458</u>	<u>-</u>	<u>3,868,458</u>	<u>3,685,975</u>	<u>3,685,975</u>	<u>[182,483]</u>
Culture and recreation						
Personal service	1,466,224	-	1,466,224	1,396,000	1,396,000	[70,224]
Contractual	812,191	-	812,191	791,700	791,700	[20,491]
Commodities	159,186	-	159,186	136,750	136,750	[22,436]
Capital outlay	3,353	-	3,353	-	-	[3,353]
	<u>2,440,954</u>	<u>-</u>	<u>2,440,954</u>	<u>2,324,450</u>	<u>2,324,450</u>	<u>[116,504]</u>
Debt service						
Principal	166,170	-	166,170	188,310	188,310	22,140
Interest and other charges	18,949	-	18,949	-	-	[18,949]
	<u>185,119</u>	<u>-</u>	<u>185,119</u>	<u>188,310</u>	<u>188,310</u>	<u>3,191</u>
Total expenditures	<u>10,027,111</u>	<u>-</u>	<u>10,027,111</u>	<u>9,999,035</u>	<u>9,999,035</u>	<u>[28,076]</u>
Excess [deficiency] of revenues over [under] expenditures	<u>1,246,013</u>	<u>-</u>	<u>1,246,013</u>	<u>1,084,475</u>	<u>1,084,475</u>	<u>161,538</u>
Other financing sources [uses]						
Issuance of debt - leases	367,920	-	367,920	-	-	367,920
Transfers out	[875,654]	-	[875,654]	[3,012,177]	[3,012,177]	2,136,523
Total other financing sources [uses]	<u>[507,734]</u>	<u>-</u>	<u>[507,734]</u>	<u>[3,012,177]</u>	<u>[3,012,177]</u>	<u>2,504,443</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>738,279</u>	<u>-</u>	<u>738,279</u>	<u>\$ [1,927,702]</u>	<u>\$ [1,927,702]</u>	<u>\$ 2,665,981</u>
Fund balance, January 1	<u>2,860,180</u>	<u>-</u>	<u>2,860,180</u>			
Fund balance, December 31	<u>\$ 3,598,459</u>	<u>\$ -</u>	<u>\$ 3,598,459</u>			

The notes to the financial statements are an integral part of this statement.

CITY OF MISSION, KANSAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
SPECIAL HIGHWAY FUND  
For the Year Ended December 31, 2016

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues						
Intergovernmental	\$ 251,967	\$ -	\$ 251,967	\$ 245,850	\$ 245,850	\$ 6,117
Interest	<u>12</u>	<u>-</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>12</u>
Total revenues	<u>251,979</u>	<u>-</u>	<u>251,979</u>	<u>245,850</u>	<u>245,850</u>	<u>6,129</u>
Expenditures						
Public works and improvements	<u>199,061</u>	<u>-</u>	<u>199,061</u>	<u>200,000</u>	<u>200,000</u>	<u>939</u>
Total expenditures	<u>199,061</u>	<u>-</u>	<u>199,061</u>	<u>200,000</u>	<u>200,000</u>	<u>939</u>
Excess [deficiency] of revenues over [under] expenditures	52,918	-	52,918	<u>\$ 45,850</u>	<u>\$ 45,850</u>	<u>\$ 7,068</u>
Fund balance, January 1	<u>12,391</u>	<u>-</u>	<u>12,391</u>			
Fund balance, December 31	<u>\$ 65,309</u>	<u>\$ -</u>	<u>\$ 65,309</u>			

The notes to the financial statements are an integral part of this statement.

CITY OF MISSION, KANSAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
STORM DRAIN FUND  
For the Year Ended December 31, 2016

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
<b>Revenues</b>						
Taxes	\$ 299,798	\$ -	\$ 299,798	\$ -	\$ -	\$ 299,798
Charges for services	2,532,476	-	2,532,476	2,230,000	2,230,000	302,476
Use of money and property	<u>561</u>	<u>-</u>	<u>561</u>	<u>150</u>	<u>150</u>	<u>411</u>
Total revenues	<u>2,832,835</u>	<u>-</u>	<u>2,832,835</u>	<u>2,230,150</u>	<u>2,230,150</u>	<u>602,685</u>
<b>Expenditures</b>						
Public works and improvements	31,892	-	31,892	5,000	5,000	[26,892]
Principal	1,684,426	-	1,684,426	2,640,945	2,640,945	956,519
Interest and other charges	<u>651,517</u>	<u>-</u>	<u>651,517</u>	<u>-</u>	<u>-</u>	<u>[651,517]</u>
Total expenditures	<u>2,367,835</u>	<u>-</u>	<u>2,367,835</u>	<u>2,645,945</u>	<u>2,645,945</u>	<u>278,110</u>
Excess [deficiency] of revenues over [under] expenditures	<u>465,000</u>	<u>-</u>	<u>465,000</u>	<u>[415,795]</u>	<u>[415,795]</u>	<u>880,795</u>
<b>Other financing sources [uses]</b>						
Transfers in	50,000	-	50,000	430,000	430,000	[380,000]
Transfers out	<u>[256,110]</u>	<u>-</u>	<u>[256,110]</u>	<u>-</u>	<u>-</u>	<u>[256,110]</u>
Total other financing sources [uses]	<u>[206,110]</u>	<u>-</u>	<u>[206,110]</u>	<u>430,000</u>	<u>430,000</u>	<u>[636,110]</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	258,890	-	258,890	<u>\$ 14,205</u>	<u>\$ 14,205</u>	<u>\$ 244,685</u>
Fund balance, January 1	<u>37,027</u>	<u>-</u>	<u>37,027</u>			
Fund balance, December 31	<u>\$ 295,917</u>	<u>\$ -</u>	<u>\$ 295,917</u>			

See independent auditor's report on the financial statements.

CITY OF MISSION, KANSAS  
STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUNDS  
December 31, 2016

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>63,041</u>
Total Assets	\$ <u>63,041</u>
Liabilities	
Due to others	\$ <u>63,041</u>
Total Liabilities	\$ <u>63,041</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MISSION, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Mission (the City) is a city of the second class with a mayor-council form of government with the addition of a City Administrator. The City was incorporated in 1951 and covers an area of approximately 2.87 square miles in Johnson County, Kansas. The City has approximately 9,323 residents. The City's organization consists of the general government departments of General Overhead, Administration, Municipal Court, Legislative, Community Development, and the Public Works, Police, Parks and Recreation and Neighborhood Services Departments.

Under governmental accounting standards for defining the financial reporting entity and identifying entities to be included in basic financial statements, these financial statements include only the City. There are no other entities for which the City is financially accountable.

B. Government-wide and fund financial statements

The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. All activities of the City are governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Taxes and other items, which are not classified as program revenues, are presented as general revenues of the city.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.



CITY OF MISSION, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

The General Fund is used to account for resources traditionally associated with government, which are not required legally, or by sound financial management to be accounted for in another fund.

The Special Highway Fund is used to account for monies sent quarterly from the State Treasurer's office which are the Special City and County Highway Fund distributed and computed in compliance with K.S.A. 79-3425C.

The Storm Drain Fund is used to account for storm water utility charges received based on an equivalent residential unit (ERU) to be used for storm water improvements citywide.

The Solid Waste Fund is used to account for solid waste utility charges collected from an annual assessment.

The Parks and Recreation Sales Tax Bond Fund is used to account for revenues received from 3/8 of one percent sales tax for parks and recreation, a portion is pledged to retire the Series 2013-B General Obligation Bonds issued for the outdoor aquatic facility project. The balance is dedicated to other parks and recreation activities, including operating costs.

The Capital Improvement Fund is used to account for resources used to construct and maintain infrastructure citywide.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus. Agency funds do, however, use the accrual basis of accounting. The following activities are accounted for in the agency funds:

License Reinstatement Fees Fund is used to account for amounts collected through the court for driver's license restatement fees due to the State of Kansas.

Alcohol and Drug Safety Fund is used to account for monies collected and paid for Driving Under the Influence evaluations.

Cafeteria Plan is used to account for monies collected for employee cafeteria plan contributions.

CITY OF MISSION, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments (including certificates of deposit) with original maturities of three months or less from the date of acquisition.

The City reflects investments with a maturity of one year or longer at the time of purchase at fair value, and those maturing in less than one year at the time of purchase at amortized cost.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City and therefore are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenue and are identical to the adopted budget for 2017.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the accounting period, and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied as of November 1 and become a lien on the property as of that date. Payments are due November 1, becoming delinquent, with penalty, December 21. Payments of 50% are accepted through December 20, with the second 50% then being due on or before May 10 of the following year.

The County Treasurer is the tax collection agent for all taxing entities within the County. The initial distribution to the subdivisions, including the City, is on or before January 20 of the ensuing year. Additional amounts are distributed on four (4) subsequent dates throughout the calendar year.

CITY OF MISSION, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

3. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-75
Building improvements	20-75
Machinery and equipment	5-10
Office equipment	5-10
Infrastructure	20-75

4. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

5. Fund Equity

In the fund financial statements, governmental funds report fund balance in the following classifications: nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Restricted fund balance indicates that constraints have been placed on the use of resources either by being externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city council. The formal action of the city council would be in the form of an ordinance. Assigned fund balances include amounts that are constrained by the City management's, through department heads or the city administrator, intent to be used for specific purposes, but are neither restricted nor committed. The authority for management to assign fund balance is done through the City Council Policy Manual. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

CITY OF MISSION, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

5. Fund Equity (Continued)

The General Fund is the only fund that reports a positive unassigned fund balance amount. In governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, restricted amounts is considered to be spent first. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the following is the order in which resources will be expended: committed, assigned and unassigned.

The following is the detail for fund balance classifications in the financial statements:

	Major Governmental Funds							Total Governmental Funds
	General	Special Highway	Storm Drain	Solid Waste	Parks and Recreation Sales Tax Bond	Capital Improvement	Other Governmental Funds	
Fund Balances:								
Restricted for:								
Public works	\$ -	\$65,309	\$295,917	\$ -	\$ -	\$ -	\$ 243,936	\$ 605,162
Debt payments	-	-	-	-	676,572	-	282,500	959,072
Capital improvements	-	-	-	-	-	418,400	-	418,400
Committed for:								
Public works	-	-	-	-	-	-	33,434	33,434
ADA compliance	96,436	-	-	-	-	-	-	96,436
Assigned for:								
Phone system and cameras	226,192	-	-	-	-	-	-	226,192
Police vehicles	61,006	-	-	-	-	-	-	61,006
Unassigned:	3,214,825	-	-	[30,882]	-	-	-	3,183,943
Total Fund Balances	<u>\$ 3,598,459</u>	<u>\$65,309</u>	<u>\$295,917</u>	<u>\$ [30,882]</u>	<u>\$ 676,572</u>	<u>\$ 418,400</u>	<u>\$ 559,870</u>	<u>\$ 5,583,645</u>

6. Compensated Absences

Under terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts. At the end of each calendar year, employees are allowed to carry over any unused vacation. In the event of termination, an employee is paid for any unused carryover plus all unused earned vacation through the date of separation not to exceed a total of 240 hours.

The City's sick leave policy is to pay employees 50% of unused sick leave upon retirement or termination without cause. A liability for compensated absences is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements. All compensated absences are accrued when incurred in the government-wide financial statements.

The General Fund has been used to liquidate the governmental funds compensated absences in prior years. The amount of the liability due within one year is \$324,834.

CITY OF MISSION, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

7. Use of Estimates

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

8. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports changes in the pension liability proportion, differences between expected and actual experience, and net difference between projected and actual earnings on investments are reported as deferred outflows of resources in the government activities.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government funds report unavailable revenues from one source: property taxes. Differences between expected and actual experience, changes in assumptions, and changes in the pension liability proportion are reported as deferred inflows for governmental activities.

CITY OF MISSION, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), and debt service funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in the local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of the notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The 2016 budget was amended for the Mission Crossing TIF Fund and the Cornerstone Commons Fund.

Actual exceeded budgeted expenditures in the Parks and Recreation Sales Tax Bond Fund, which is a violation of K.S.A. 79-2935.

The statutes permit management to transfer budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

The actual data presented in the budgetary comparison statements differs from the data presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The following is a summary of the effects on the ending fund balances caused by the difference in accounting between the budgetary basis and GAAP.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year end. Encumbered appropriations are carried forward.

A legal operating budget is not required for the Transportation Utility Fund, Capital Improvement Fund, Special Law Enforcement Fund, School District Sales Tax Fund, Mission Convention and Visitor's Bureau Fund, Donations and Gifts Fund, Street Sales Tax Fund, Rock Creek Drainage District #1 Fund, Rock Creek Drainage District #2 Fund, Solid Waste Fund, Mission Crossing TIF Fund, Cornerstone Commons Fund, Mission Farm and Flower Market, and the agency funds.

Spending in funds, which are not subject to the legal annual operating budget requirements, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

CITY OF MISSION, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The actual data presented in the budgetary comparison statements differs from the data presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The following is a summary of the effects on the ending fund balances caused by the difference in accounting between the budgetary basis and GAAP.

	Major Governmental Funds							
	General	Special Highway	Storm Drain	Solid Waste	Parks and Recreation Sales Tax Bond	Capital Improvement	Other Governmental Funds	Total Governmental Funds
GAAP FUND BALANCE								
December 31, 2016	\$ 3,598,459	\$ 65,309	\$ 295,917	\$ [30,882]	\$ 676,572	\$ 418,400	\$ 559,870	\$ 5,583,645
Adjustments:								
Unreserved fund balances not subject to the Kansas Budget Law:								
Solid Waste	-	-	-	30,882	-	-	-	30,882
Capital Improvement	-	-	-	-	-	[418,400]	-	[418,400]
Nonmajor governmental funds	-	-	-	-	-	-	[483,764]	[483,764]
Total deductions	-	-	-	30,882	-	[418,400]	[483,764]	[871,282]
BUDGETARY FUND BALANCE								
December 31, 2016	\$ 3,598,459	\$ 65,309	\$ 295,917	\$ -	\$ 676,572	\$ -	\$ 76,106	\$ 4,712,363

B. Restatement of Equity

The beginning governmental activities net position was restated as follows:

	Governmental
	<u>Activities</u>
Net position - beginning	\$ 35,928,153
Prior period adjustment	
Capital assets previously disposed	<u>[365,439]</u>
Net position - beginning, restated	<u>\$ 35,562,714</u>

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City's cash is considered to be active funds by management and is invested according to K.S.A. 9-1401. The statute requires that banks eligible to hold active funds have a main or branch bank in the county or an adjacent county in which the City is located and the banks provide an acceptable rate for active funds.

CITY OF MISSION, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

The City's cash is considered to be active funds by management and is invested according to K.S.A. 9-1401. The statute requires that banks eligible to hold active funds have a main or branch bank in the county or an adjacent county in which the City is located and the banks provide an acceptable rate for active funds.

Various City investments are considered to be idle funds by management and are invested according to K.S.A. 12-1675. The statute requires that at the City invest its idle funds in only temporary notes of the City, bank certificates of deposit, repurchase agreements, and if eligible banks do not offer an acceptable rate for the funds: U.S. Treasury bills or notes and the Municipal Investment Pool (KMIP). Maturities of the above investments may not exceed two years by statute.

Some of the City's investments are of bond proceeds invested pursuant to K.S.A. 10-131. This statute allows additional investment authority beyond that of K.S.A. 12-1675. Investments of bond proceeds may follow K.S.A. 12-1675 or include other investments such as the obligations of the Federal National Mortgage Association, federal home loan banks or the Federal Home Loan Mortgage Corporation, repurchase agreements collateralized by direct obligations of the United States government or any agency thereof, investment agreements with a financial institution, which at the time of investment are rated in either of the three highest rating categories by Moody's Investors Service or Standard and Poors Corporation, investments in shares or units of a money market fund or trust, the portfolio of which is comprised entirely of securities in direct obligations of the United States government or any agency thereof or obligations of the Federal National Mortgage Association, federal home loan banks or Federal Home Loan Mortgage Corporation, receipts evidencing ownership interests in securities or portions thereof in direct obligations of the United States government or any agency thereof of obligations of the Federal National Mortgage Association, federal home loan banks or the Federal Home Loan Mortgage Corporation, and municipal bonds or other obligations issued by a municipality of the State of Kansas. K.S.A. 10-131 prohibits investment in derivatives.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At December 31, 2016, the City has the following investments:

<u>Investment Type</u>	<u>Level 1</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>
Kansas Municipal Investment Pool	<u>\$ 3,386,572</u>	S&P AAAf/S1+	1 Day

The above investments are measured at the net asset value, have an ongoing redemption frequency and liquidity fees or redemption gates are not imposed on any of the investments.



CITY OF MISSION, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

The Kansas Municipal Investment Pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest by the U.S. government or any agency thereof, with maturities up to four years. No more than 10 percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers. The fair value of the City's position in the municipal investment pool is substantially the same as the value of the pool shares.

The City does not have any formal investment policies that would further limit concentration of credit risk, interest rate, or custodial credit risks beyond state statutes.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk require that the depository banks will maintain 100% security in the form of FDIC coverage and pledged collateral according to KSA 9-1402. All deposits were legally secured at December 31, 2016.

B. Accounts Receivable

Accounts receivable of the City, as of the year end, are as follows:

	<u>General</u>	Parks and Recreation Sales Tax <u>Bond</u>	Capital Improvement	Other Governmental Funds	<u>Total</u>
Taxes	\$ 2,814,525	\$ 64,766	\$ -	\$ 150,887	\$ 3,030,178
Other	<u>44,151</u>	<u>-</u>	<u>5,362</u>	<u>-</u>	<u>49,513</u>
Total	<u>\$ 2,858,676</u>	<u>\$ 64,766</u>	<u>\$ 5,362</u>	<u>\$ 150,887</u>	<u>\$ 3,079,691</u>

CITY OF MISSION, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance at <u>12/31/15</u>	Prior Period <u>Adjustments</u>	Balance, Restated <u>12/31/15</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>12/31/16</u>
City governmental activities:						
Capital assets, not being depreciated						
Construction in progress	\$ 97,281	\$ -	\$ 97,281	\$ 414,836	\$ 248,190	\$ 263,927
Land	10,674,052	[545,097]	10,128,955	52,090	-	10,181,045
Capital assets, being depreciated						
Building	13,259,159	506,993	13,766,152	-	545,097	13,221,055
Equipment and vehicles	4,819,010	12,279	4,831,289	549,009	135,849	5,244,449
Infrastructure	<u>55,961,136</u>	<u>[37,060]</u>	<u>55,924,076</u>	<u>248,190</u>	<u>-</u>	<u>56,172,266</u>
Total capital assets	<u>84,810,638</u>	<u>[62,885]</u>	<u>84,747,753</u>	<u>1,264,125</u>	<u>929,136</u>	<u>85,082,742</u>
Less accumulated depreciation for:						
Building	3,544,515	331,451	3,875,966	322,491	324,787	3,873,670
Equipment and vehicles	3,495,598	545,706	4,041,304	505,702	133,361	4,413,645
Infrastructure	<u>9,165,635</u>	<u>[574,603]</u>	<u>8,591,032</u>	<u>1,424,842</u>	<u>-</u>	<u>10,015,874</u>
Total accumulated depreciation	<u>16,205,748</u>	<u>302,554</u>	<u>16,508,302</u>	<u>2,253,035</u>	<u>458,148</u>	<u>18,303,189</u>
Governmental activities capital assets, net	<u>\$ 68,604,890</u>	<u>\$ [365,439]</u>	<u>\$ 68,239,451</u>	<u>\$ [988,910]</u>	<u>\$ 470,988</u>	<u>\$ 66,779,553</u>

The City's depreciation expense was charged to governmental functions as follows:

Governmental Activities:

General government	\$ 74,237
Public safety	171,444
Public works	1,544,989
Culture and recreation	<u>462,365</u>
Total depreciation	<u>\$ 2,253,035</u>

CITY OF MISSION, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt

During the year ended December 31, 2016, the following changes occurred in long term liabilities:

	Balance January 1, <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2016</u>	Due Within <u>A Year</u>
General Obligation Bonds	\$ 32,775,000	\$ -	\$ 3,140,000	\$ 29,635,000	\$ 3,195,000
General Obligation Bonds Premium	660,776	-	112,484	548,292	112,486
General Obligation Bonds Discount	[5,687]	-	[811]	[4,876]	[813]
General Obligation Bonds, Net	33,430,089	-	3,251,673	30,178,416	3,306,673
Capital Lease Payable	480,378	367,920	155,166	693,132	238,959
KDHE Loan Payable	83,276	-	4,425	78,851	4,541
Compensated Absences	446,862	305,262	324,834	427,290	324,834
	<u>\$ 34,440,605</u>	<u>\$ 673,182</u>	<u>\$ 3,736,098</u>	<u>\$ 31,377,689</u>	<u>\$ 3,875,007</u>

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Series</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Outstanding Amount As Of December 31, 2016</u>
Series 2007A - Capital Improvement	5/15/2007	\$ 751,114	5.00%-5.30%	9/1/2018	\$ 185,000
Series 2010A - Capital Improvement	8/18/2010	3,276,571	2.00%-2.75%	9/1/2020	1,405,628
Series 2010B - Refunding	12/15/2010	6,974,092	4.00%-4.25%	9/1/2029	6,974,093
Series 2012A - Capital Improvement	2/16/2012	4,351,874	0.40%-2.00%	9/1/2022	2,665,124
Series 2013A - Capital Improvement	7/11/2013	688,786	2.00%-3.00%	9/1/2023	496,150
Series 2013B - Capital Improvement	7/11/2013	4,720,192	2.00%-3.00%	9/1/2023	3,447,134
Series 2013C - Capital Improvement	12/20/2013	4,563,037	2.00%-2.50%	9/1/2023	3,614,584
Series 2014A - Refunding	8/7/2014	9,963,128	2.00%-3.00%	9/1/2029	9,740,711
Series 2014B - Refunding	8/27/2014	4,284,984	2.00%-4.00%	9/1/2018	1,649,992
					<u>\$ 30,178,416</u>

CITY OF MISSION, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending December 31,	Principal	Interest
2017	\$ 3,306,673	\$ 1,261,456
2018	3,401,673	1,126,081
2019	3,404,177	1,004,621
2020	3,477,086	882,551
2021	3,554,429	763,546
2022-2026	10,252,024	2,032,464
2027-2029	2,782,354	324,128
Total	<u>\$ 30,178,416</u>	<u>\$ 7,394,847</u>

The Kansas Department of Health and Environment and the City has entered into an agreement for a loan. As of December 31, 2016, the City had made \$406,272 in loan draws and had \$304,704 in principal forgiveness. The loan calls for an interest rate of 2.60%. The City will retire this loan with semi-annual payments through March 2031.

Annual debt service requirements to maturity for the KDHE loan outstanding at December 31, 2016 are as follows:

Year Ending December 31,	Principal	Interest
2017	\$ 4,541	\$ 1,826
2018	4,660	1,719
2019	4,782	1,609
2020	4,907	1,496
2021	5,036	1,380
2022-2026	27,226	5,048
2027-2031	27,699	1,655
Total	<u>\$ 78,851</u>	<u>\$ 14,733</u>

CITY OF MISSION, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

Conduit Debt Obligations. From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State of Kansas, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2016 there were three series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$29,263,252.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. No significant reductions in insurance coverage from that of the prior year have occurred. Settlements have not exceeded insurance coverage for each of the last three years.

The City is a member of the Kansas Eastern Region Insurance Trust (KERIT), a group self-insured program consisting of local governments and other political subdivisions. KERIT was formed in 1986 as a public entity risk retention pool to provide workers' compensation benefits to employees of Trust members. The City pays annual premiums to KERIT for workers' compensation coverage. The agreement with KERIT provides that the Trust will be self-sustaining through member premiums. KERIT has the authority to assess members for any deficiencies of revenues under expenses for any single plan year. Likewise, KERIT has the authority to return dividends to members for the excess of revenues over expenses relating to any single plan year according to the Trust's by-laws.

CITY OF MISSION, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

IV. OTHER INFORMATION (Continued)

B. Defined Benefit Pension Plan

*Description of Pension Plan.* The City participates in a cost-sharing multiple-employer pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

- Public employees, which includes:
- State/School employees
- Local employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the City are included in the Local employees group and the Kansas Police and Firemen group.

KPERS issues a stand-alone comprehensive annual financial report, which is available on the KPERS website at [www.kpers.org](http://www.kpers.org).

*Benefits.* Benefits are established by statute and may only be changed by the State Legislature. Members (except Police and Firemen) with ten or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of service equal 85. Police and Firemen normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service.

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

CITY OF MISSION, KANSAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2016

IV. OTHER INFORMATION (Continued)

B. Defined Benefit Pension Plan (Continued)

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

*Contributions.* Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.1% of total payroll for the fiscal year ended June 30, 2016.

The actuarially determined employer contribution rates (not including the 1.00% contribution rate for the Death and Disability Program) and the statutory contribution rates are as follows:

	<u>Actuarial Employer Rate</u>	<u>Statutory Employer Capped Rate</u>
Local government employees	9.18%	9.18%
Police and Firemen	20.42%	20.42%

Member contribution rates as a percentage of eligible compensation for the KPERS fiscal year June 30, 2016 are 6.00% for Local employees and 7.15% for Police and Firemen.

*Employer Allocations.* Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

The allocation percentages for the City's share of the collective pension amounts as of December 31, 2016, are based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal years ended December 31, 2016.

CITY OF MISSION, KANSAS

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

IV. OTHER INFORMATION (Continued)

B. Defined Benefit Pension Plan (Continued)

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2016, the City's proportion for the Local employees group was 0.121%, which was substantially the same as its proportion measured at June 30, 2015. At June 30, 2016, the City's proportion for the Police and Firemen group was 0.357%, which was an increase of .003% from its proportion measured at June 30, 2015.

*Net Pension Liability.* At December 31, 2016 and 2015, the City reported a liability of \$5,189,214 and \$4,157,885, respectively, for its total proportionate share of the net pension liability for the Local and Police and Firemen groups.

*Actuarial Assumptions.* The total pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016, using the following actuarial assumptions:

<u>Assumption</u>	<u>Rate</u>
Price inflation	3.00%
Wage inflation	4.00%
Salary increases, including wage increases	4.00 to 16.00%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	8.00%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study conducted for three years ending December 31, 2012.

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset</u>	<u>Long-Term Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47.00%	6.80%
Fixed income	13.00%	1.25%
Yield driven	8.00%	6.55%
Real return	11.00%	1.71%
Real estate	11.00%	5.05%
Alternatives	8.00%	9.85%
Short-term investments	<u>2.00%</u>	[0.25]%
Total	<u>100.00%</u>	



CITY OF MISSION, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

IV. OTHER INFORMATION (Continued)

B. Defined Benefit Pension Plan (Continued)

*Discount Rate.* The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The State, School and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERs employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for Police & Firemen, and Judges. Future employer contribution rates were also modeled for Police & Firemen and Judges, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Discount rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Local	\$ 2,563,163	\$ 1,870,018	\$ 1,282,286
Police and Firemen	4,553,259	3,319,196	2,276,557
Total	<u>\$ 7,116,422</u>	<u>\$ 5,189,214</u>	<u>\$ 3,558,843</u>

*Pension Expense.* For the year ended December 31, 2016, the City recognized Local pension expense of \$141,850 and Police and Firemen pension expense of \$371,235, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for Local and Police and Firemen groups from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between actual and expected experience	\$ 186,037	\$ 68,006
Net differences between projected and actual earnings on investments	655,491	-
Changes of assumptions	-	37,956
Changes in proportion	87,847	288,591
Total	<u>\$ 929,375</u>	<u>\$ 394,553</u>

CITY OF MISSION, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

IV. OTHER INFORMATION (Continued)

B. Defined Benefit Pension Plan (Continued)

\$288,838 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Local Group Deferred		Police and Firemen Group Deferred		Total
	[Inflows]	Outflows	[Inflows]	Outflows	
	Amount		Amount		
2016	\$	[8,603]	\$	65,077	\$ 56,474
2017		[8,603]		65,077	56,474
2018		60,617		187,155	247,772
2019		44,980		106,229	151,209
2020		1,181		21,712	22,893
Total	\$	89,572	\$	445,250	\$ 534,822

C. Interfund Transfers

A reconciliation of all transfers by fund type for 2016 follows:

From	To	Amount	Regulatory Authority
General	Capital Improvement	\$ 790,654	K.S.A. 12-1, 118
General	Solid Waste	85,000	Resolution 948
Storm Drain	Capital Improvement	256,110	Charter Ordinance
Rock Creek Drainage District #2	Storm Drain	50,000	Charter Ordinance
		<u>\$ 1,181,764</u>	

The City uses interfund transfers to share administrative costs between funds.

D. Defined Contribution Plan

The City has established the City of Mission Money Purchase Plan, administered by the Principal Financial Group, available to employees other than those participating in KP&F. The City Council established and amends benefit provisions. Employees are eligible to participate after completing 1,000 or more hours of service. The City's contributions for each employee are 60% vested after five years of service and vest an additional 20% each year thereafter. The City makes annual contributions to the plan equal to 2% of covered employees' wages. Employees under the plan are allowed to make contributions to the plan of up to 10% of their wages. Employee contributions and the City's contributions for 2015 and 2016 were \$38,228 and \$35,542, respectively.

CITY OF MISSION, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

IV. OTHER INFORMATION (Continued)

E. Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

	Governmental Activities <u>Assets</u>
Other equipment	\$ <u>1,348,383</u>

During 2016, the City entered into a lease agreement to finance the purchase police vehicles in the amount of \$367,920. The lease has an interest rate of 1.54% and a final maturity of September 1, 2020.

Minimum future lease payments under capital leases as of December 31, 2016 are:

Year Ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2017	\$ 238,959	\$ 10,929	\$ 249,888
2018	238,726	6,065	244,791
2019	121,215	2,769	123,984
2020	<u>94,232</u>	<u>1,090</u>	<u>95,322</u>
Total	<u>\$ 693,132</u>	<u>\$ 20,853</u>	<u>\$ 713,985</u>

F. Postemployment Healthcare Plan

**Plan Description.** The City operates a single employer defined benefit healthcare plan administered by the City. The Employee Benefit Plan (the Plan) provides medical benefits to eligible early retirees and their spouses. K.S.A. 12-5040 requires all local governmental entities in the state that provide a group health care plan to make participation available to all retirees and dependents until the retiree reaches the age of 65 years. The General Fund has been used to liquidate other postemployment benefit obligations, such as health care costs, in prior years. No separate financial report is issued for the Plan.

**Funding Policy.** The contribution requirements of plan participants and the City are established and amended by the City. The required contribution is based on projected pay-as-you-go financing requirements. Plan participant contribution percentages and monthly premiums are as follows:

<u>Coverage</u>	<u>Monthly Contributions</u>		
	<u>Health</u>	<u>Dental</u>	<u>Vision</u>
Employee	\$ 620.38	\$ 31.20	\$ 5.56
Employee & Spouse	1,231.10	91.25	14.19
Employee & Child(ren)	1,064.84	91.25	14.19
Family	1,732.38	91.25	14.19

CITY OF MISSION, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

IV. OTHER INFORMATION (Continued)

F. Postemployment Healthcare Plan (Continued)

Retiree Contribution Percentage			
Years of Service	Health	Dental	Vision
10 - 14	75%	100%	100%
15 - 19	70%	100%	100%
20 - 24	60%	100%	100%
25 or more	50%	100%	100%

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the Plan for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation to the Plan:

Annual required contribution	\$ 149,450
Interest on net OPEB obligation	13,624
Adjustment to annual required contribution	[22,494]
Annual OPEB cost (expense)	140,580
Benefit payments	36,931
Change in net OPEB obligation	103,649
Net OPEB obligation - beginning of year	454,117
Net OPEB obligation - end of year	\$ 557,766

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended December 31, 2016 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation	Percentage of Annual OPEB Cost Contributed
December 31, 2014	\$ 100,498	\$ 25,670	\$ 345,250	25.54%
December 31, 2015	142,705	33,836	454,117	23.71%
December 31, 2016	140,580	36,931	557,766	26.27%

CITY OF MISSION, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

IV. OTHER INFORMATION (Continued)

F. Postemployment Healthcare Plan (Continued)

**Funding Status and Funding Progress.** As of January 1, 2016, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was \$1,421,876 and the actuarial value of asset was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,421,876. The covered payroll (annual payroll of active employees covered by the plan) was \$4,605,013, and the ratio of the UAAL to the covered payroll was 30.9%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statement, presents multiyear trend information about whether the actuarial value of plan assets (if any) are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of January 1, 2016, the most recent actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3% investment rate of return, which is the rate of the employer's own investments as there are no plan assets and an annual healthcare cost trend of 8% initially, reduced by decrements to an ultimate rate of 5% in 2041. The inflationary impact assumption is 3%. The UAAL is being amortized as a level dollar over an open thirty-year period.

G. Tax Abatements

The City of Mission has utilized a number of economic development incentives that are authorized under Kansas state statutes including constitutional tax abatements [K.S.A. 79-201a]; industrial revenue bonds (IRBs) [K.S.A. 12-1740 et seq]; tax increment financing (TIF) [K.S.A. 12-1770 et seq]; and community improvement district (CID) [K.S.A. 12-6a26 et seq].

Application of these tools is further clarified by the following city council policies:

**Policy 106 - Tax Increment Financing Policy:** The City will consider, on a case-by-case basis, the approval of TIF projects, where, but for the availability of TIF, such projects would not be economically viable. Furthermore, any decision regarding the approval of TIF projects will be made in accordance with guidelines and criteria that promote and stimulate the general and economic welfare and quality of life in the community.

**Policy 116 - Policy Relating to the Issuance of Tax Abatements:** The City will consider tax abatement for firms that qualify for such under state law and develop a final project with a value greater than \$25 million. Such projects will be evaluated on quality job creation, capital investment, diversification of the local economy, the extent to which the project would meet an identified need in the community, or follows applicable design guidelines and long-term plans.

CITY OF MISSION, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

IV. OTHER INFORMATION (Continued)

G. Tax Abatements (Continued)

**Policy 123 - Community Improvement District Policy:** The City will evaluate the establishment of a CID based on a number of criteria including; but not limited to:

- Whether the project promotes and supports efforts to develop or redevelop commercial sites to provide for reinvestment;
- Stimulates quality retail development that enhances the city’s economic basis,
- Compliance with uses anticipated in the comprehensive plan;
- High degree of architectural design and site layout;
- The risk to the City, and any other governmental entities, in financing the proposed project (to include exposure of the general property tax levy and credit rating).

Consideration of any incentive begins with the submittal of an application (including fee) to the City. After an initial review by City staff, the City will enter into a pre-development agreement with the applicant that outlines the scope of the project and commitments, process for due diligence review, and any obligation on the part of the applicant to pay for costs that the City may incur in performing the review and/or negotiating a full development agreement.

This report provides information on current economic development projects that the City of Mission has undertaken utilizing these tools. Many projects use more than one tool, and many incorporate some form of tax abatement. The City elected to disclose all tax abatement agreements into which they have entered.

**Tax Abatement Agreements Initiated By the City of Mission**

Mission Crossing

*Project Description:*

Redevelopment of a 6.2 acre site on the City’s western boundary that had been the former headquarters and manufacturing plant for Herff Jones, Inc. since 1954. The project entailed the demolition of the existing building and construction of three stand-alone buildings totaling approximately 20,000 square feet of commercial space, and a 100 unit residential facility designed for independent, senior-living.

The mixed use development complies with the redevelopment goals of the City’s West Gateway district. It includes streetscape improvements along the project perimeters, a new public park located at the southwest corner of Martway and Broadmoor, a public trail along Metcalf Avenue and two transit shelters to access the enhanced bus services along the Johnson Drive/Martway corridors.

Use	Size	Project Value at Building Permit Issuance	Date of Completion
Multi-Tenant Commercial Building	8,900 sq. ft.	\$990,000 + Tenant Finishes \$731,000 (Free Birds, Sports Clips, Subway, Oasis Nails, Gigi’s Cupcakes, Toppers Pizza)	2011
Chick-fil-A	4,600 sq. ft.	\$450,000	2012
Culver’s	4,250 sq. ft.	\$990,000	2012
Welstone Apartments	98,500 sq. ft.	\$8,100,000	2016

CITY OF MISSION, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

IV. OTHER INFORMATION (Continued)

G. Tax Abatements (Continued)

*Name of the Recipient of the Tax Abatement (the Developer):*

Lane 4 Development (d/b/a as Mission Commons LLC) – 4705 Central Ave., Kansas City, MO 64112

*Redevelopment Agreement Adopted (Authority):*

Ordinance 1316 – An Ordinance Making Certain Findings with Respect to the Establishment of a Redevelopment District in the City of Mission, Kansas and Establishing a Redevelopment District (Mission Crossing Project Redevelopment) – Adopted January 20, 2010.

Ordinance 1317 – An Ordinance Making Findings as to the Advisability of and Creating a Community Improvement District at 6015 Travis Lane, Mission, Kansas; Authorizing Certain Community Improvement District Projects Relating Thereto: Approving the Maximum Cost of Such Community Improvement Projects; Providing for the Method of Financing; Authorizing the Imposition of a Community Improvement District Sales Tax within the Community Improvement District; Establishing a Method of Collection of Such Sales Tax; and Providing for the Segregation of Such Sales tax Revenues for the Retirement of Bonds or Pay-As-You-Go Reimbursement of Costs of the Community Improvement Projects in the Community Improvement District – Adopted January 20, 2010.

Ordinance 1324 – An Ordinance Approving and Adopting a Redevelopment Project Plan within the Boundaries of the Mission Crossing Redevelopment District in the City of Mission, Kansas (Mission Crossing Redevelopment Project) – Adopted May 19, 2010.

Ordinance 1395 – An Ordinance Authorizing The Issuance by the City of Mission, Kansas of Not to Exceed \$6,000,000 Aggregate Principal amount of Taxable Industrial Revenue Bonds (Aspen Village Project), Series 2014, to Provide Funds to Acquire, Construct and Equip A Project for AVI Mission, LP and Authorizing and Approving Certain Documents and Actions in Connection with The Issuance of Said Bonds – Adopted February 19, 2014.

*Public Assistance Tools Utilized (Authority) and the Structure of Utilization:*

Tax Increment Financing (TIF) [K.S.A 12-1770 et seq] is structured to reimburse the project developer on a “Pay-As-You-Go” basis with reimbursement coming from the property tax on the assessed valuation above (property tax increment) the assessed valuation at the time the agreement was adopted (base valuation), and the City’s 1% general sales tax generated from all retail sales that occur within the defined project area. Base year established 2010, TIF expires in 2030.

Community Improvement District (CID) [K.S.A 12-6a26 et seq] is structured to reimburse the developer on a “Pay-As-You-Go” basis with reimbursement coming from an additional 1% sales tax collected on retail sales generated within the district. The CID became effective October 2012 and will expire in 2034.

Industrial Revenue Bonds (IRBs) [K.S.A 12-1740 et seq] are structured to provide sales tax exemption on the construction of the senior-living component of the redevelopment project.

*Eligibility Criteria for Receiving the Tax Abatement:*

Kansas state statutes stipulate that proceeds from Tax Increment Financing be used for costs associated with preparing a site for development. This would include land acquisition (including incidental costs such as legal services) and site preparation (including grading and public infrastructure improvements).

CITY OF MISSION, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

IV. OTHER INFORMATION (Continued)

G. Tax Abatements (Continued)

Kansas state statutes stipulate that proceeds from a Community Improvement District can be used for vertical construction, parking, transportation improvements, streetscapes and lighting, parks, lawns, and transit facilities.

The Mission Crossing redevelopment project was built to conform with the City's newly adopted West Gate Vision plan, which called for, among other things, on street parking, sidewalks, street lighting and street-scape, and buildings built up to the sidewalk. The costs associated with these amenities are to be reimbursed with proceeds from both the TIF and the CID.

*Summary of Financial Structure:*

<b>Total Project Costs: \$24,199,895</b>		
<b>Total Incentive Package: \$14,614,895 (60% of Total Project Costs)</b>		
	<b>Total Incentive</b>	<b>Paid To Date</b>
TIF Eligible Costs	\$ 9,255,157	\$ 477,242
CID Eligible Costs	\$ 5,359,738	\$ 239,811
IRB	\$ 561,000	N/A

This project is anticipated to generate approximately \$3,948,000 in TIF revenue over the 20 year life of the TIF plan, and approximately \$1,188,000 in CID revenue over the 22 year life of the CID. This is a total of \$5,136,000 in TIF and CID revenue. To date, the developer has submitted just over \$6,000,000 in costs that are eligible for reimbursement under the redevelopment plan.

In 2016 the City of Mission reimbursed the Developer the following amounts from TIF and CID:

- Property Tax Increment Financing - \$103,355
- Sales Tax Increment Financing - \$65,952
- Community Improvement Financing - \$64,127

*Amounts Received from Other Government's In Association with Forgone Tax Revenue:*

No funds were received from other taxing entities in association with this project. However, the following property tax revenues were diverted from other taxing entities in 2016 in accordance with the Tax Increment Financing statutes:

- Johnson County Property Tax (19.5900 mills) - \$20,218
- Johnson County Community College (9.4730 mills) - \$9,776
- Johnson County Library (3.9150 mills) - \$4,039
- Johnson County Park Dist. (3.1020 mills) - \$3,202
- Consolidated Fire Dist. #2 (11.7690 mills) - \$12,139
- United School District #512 (7.430 mills) - \$35,165

The following sales taxes (based on the \$6 million in IRBs issued for the independent senior living facility) were forgone with the construction and equipping of the facility:

- City of Mission (1.625%) - \$97,500
- Johnson County (1.225%) - \$73,500
- State of Kansas (6.150%) - \$369,000



CITY OF MISSION, KANSAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2016

IV. OTHER INFORMATION (Continued)

G. Tax Abatements (Continued)

*Commitments, Other Than Tax Abatements, Made by the City of Mission in Association with the Redevelopment Project:*

The City committed to the construction of the transit stops utilizing a TIGER grant and the design and construction management of the park site.

*Commitments Made by the Recipient of the Tax Abatement:*

The Developer dedicated 1/2 of an acre of land for a small, pocket park, valued at approximately \$350,000. The developer also contributed \$100,000 for construction of the park amenities.

*Tax Abatement Information Omitted For Legal Purposes:* None

*Tax Abatement Disclosed Individually:* None

Cornerstone Commons

*Project Description:*

The Cornerstone Commons project is the redevelopment of a 2.98 acre tract at the southwest corner of Johnson Drive and Barkley Street. Prior to redevelopment, the site was an automobile dealership that had closed.

The project is a mixed-use development that conforms to the design principles of the West Gateway district and the Form Based Code by having multi-level structures situated up to the sidewalk, on-street parking, and incorporating pedestrian oriented elements such as benches, lighting, and landscaping.

The development includes a 15,000 square foot Natural Grocers store, a 4,000 square foot building for casual dining/retail, and a third 12,000 square foot building for casual dining/retail and office.

Use	Size	Project Value at Building Permit	Date of Completion
Natural Grocers Retailer	15,000 sq. ft.	\$ 1,750,000	2015
<b>Lot 2 Building</b>			
Pie-Five Restaurant	1,900 sq. ft.	\$ 130,000	2015
Pot-Belly's Restaurant	2,100 sq. ft.	\$ 190,000	2015
<b>Lot 3 Building</b>			
Five Guys Restaurant	2,500 sq. ft.	\$ 250,000	2015
Pepperjax Grill	2,600 sq. ft.	\$ 270,000	2015
Office	4,000 sq. ft.	\$ 800,000	2015

CITY OF MISSION, KANSAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2016

IV. OTHER INFORMATION (Continued)

G. Tax Abatements (Continued)

*Name of the Recipient of the Tax Abatement (the Developer):*

Christie Development Associates (d/b/a Cornerstone Commons, LLC) 7387 W. 162<sup>nd</sup> St., Suite 200, Stilwell, KS 66085

*Redevelopment Agreement Adopted (Authority):*

Ordinance 1402 - An Ordinance Authorizing the Creation of the Cornerstone Commons Community Improvement District In the City of Mission, Kansas; Authorizing the Making of Certain Project Improvements Relating Thereto; Approving the Estimated Costs of Such Project Improvements; Levying 1% CID Sales Tax, and Providing for the Method of Financing of Said – Adopted July 16, 2014.

*Public Assistance Tools Utilized (Authority) and the Structure of Utilization:*

Community Improvement District (CID) [K.S.A 12-6a26 et seq] is structured to reimburse the project developer on a “Pay-As-You-Go” basis with reimbursement coming from an additional 1% sales tax collected on retail sales generated within the district. The CID became effective June 2015 and will expire in 2037.

*Eligibility Criteria for Receiving the Tax Abatement:*

The redevelopment project is intended to conform to the design principles of the West Gateway district and the Form Based Code by having multi-level structures situated at the sidewalk and incorporating pedestrian oriented elements such as benches, lighting, landscaping, and on-street parking. To this end, the redevelopment agreement provides for reimbursement of specific eligible costs that further the intended design of the redevelopment project. These include, but are not limited to:

- Right-of-Way Dedication on Johnson Drive and Barkley
- Street-Scape Improvements on Johnson Drive and Barkley
- Storm Water Improvements on Johnson Drive and Barkley
- Demolition and Removal Costs for Existing Building and Parking Lot
- Glass Upgrades on Tenant A, B, C Buildings
- Street Patio with Pergola, Decorative Wrought Iron Fencing, and Building Enhancements Facing Johnson
- Natural Grocers Pedestrian Enhancement, Outdoor Seating, and Building Enhancements Facing Johnson Drive

The total estimated value for all of these improvements is \$1,721,788, of which the redevelopment agreement stipulates that no more than \$1,500,000 will be reimbursed to the developer through the CID sales tax.

*Summary of Financial Structure:*

<b>Total Project Costs:</b> \$9,000,504		
<b>Total Incentive Package:</b> \$ 1,500,000 + 7% interest (17% of Total Project Costs)		
	Total Incentive	Paid To Date
CID Eligible Costs	\$ 1,500,000	\$ 61,272

CITY OF MISSION, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

IV. OTHER INFORMATION (Continued)

G. Tax Abatements (Continued)

The sales tax will generate approximately \$1.3 million over the life of the CID.

The CID Sales Tax is a special 1% sales tax placed on all retail sales that occur within the boundaries of the CID (the redevelopment project). Because this is a special sales tax above the current sales tax, no sales tax revenue is diverted from the City or other taxing jurisdictions.

*Amounts Received from Other Government's In Association with Forgone Tax Revenue:* None

The CID Sales Tax is a special 1% sales tax placed on all retail sales that occur within the boundaries of the CID (the redevelopment project). Because this is a special sales tax about the current sales tax, no sales tax revenue is diverted from the City or other taxing jurisdictions.

*Provisions for Recapturing Abated Taxes:* None

*Commitments, Other Than Tax Abatements, Made by the City of Mission in Association with the Redevelopment Project:* None

*Commitments Made by the Recipient of the Tax Abatement:* None

*Tax Abatement Information Omitted For Legal Purposes:* None

*Tax Abatement Disclosed Individually:* None

Herald Corner (Brinshore)

*Project Description:*

This is the redevelopment of a 1.5 acre site located within the interior of a block at the southeast corner of Metcalf Avenue and Johnson Drive, more commonly known by its address as 7080 Martway. The site had been the former location of the Neff Printing Company since the 1930s.

The Developer proposed the construction of a three-story, 32 unit senior-living residential facility on the site. The development was dependent on the successful application for low-income housing credits from the Kansas Housing Resources Corporation. The Developer was unable to achieve this, and the pre-development agreement between the City and Developer has since been dissolved. At present there is no proposed project for this site.

*Name of the Recipient of the Tax Abatement (the Developer):*

The Developer for the proposed project was Brinshore Development LLC, 666 Dundee Road, Suite 1102, Northbrook, IL 60062. The development agreement with this Developer has been dissolved, and at present there is no developer.

*Redevelopment Agreement Adopted (Authority):*

Ordinance 1413 - An Ordinance Making Certain Findings with Respect to the Establishment of a Redevelopment District in the City of Mission, Kansas and Establishing a Redevelopment District (Herald Corner Project Redevelopment) – Adopted November 19, 2014..

CITY OF MISSION, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

IV. OTHER INFORMATION (Continued)

G. Tax Abatements (Continued)

*Public Assistance Tools Utilized (Authority) and the Structure of Utilization:*

A Tax Increment Financing (TIF) [K.S.A 12-1770a(d)] district was established to reimburse the project developer on a for eligible costs with reimbursement coming from the property tax on the assessed valuation above (property tax increment) the assessed valuation at the time the agreement was adopted (base valuation). A specific project area has not been activated, and thus no base year has been established.

*Eligibility Criteria for Receiving the Tax Abatement:*

The Developer was required to seek and obtain housing credits from the Kansas Housing Resources Corporation before the redevelopment project could be approved and executed. The Developer was unable to accomplish this.

Future projects will be required to meet the design guidelines of the West Gateway Plan.

*Summary of Financial Structure:*

No financial structure for this project exists at this time.

*Amounts Received from Other Government's In Association with Forgone Tax Revenue:*

The previous development plan had stipulated that the Developer was to apply for low-income tax credits from the Kansas Housing Resources Corporation. This did not occur. As of this writing, there are no other commitments from other tax entities, and no taxes have been forgone.

*Provisions for Recapturing Abated Taxes: None*

*Commitments, Other Than Tax Abatements, Made by the City of Mission in Association with the Redevelopment Project: None*

*Commitments Made by the Recipient of the Tax Abatement: None*

*Tax Abatement Information Omitted For Legal Purposes: None*

*Tax Abatement Disclosed Individually: None*

Mission Gateway

*Project Description:*

This project is the redevelopment of a 16 acre site that was formerly the Mission Mall, originally built in the 1950s as one of the first suburban shopping centers in the United States. The site is located on the City's east side and is bounded by Johnson Drive, Roeland Drive, and Shawnee Mission Parkway.

Purchased by the Developer in 2005, the mall was demolished the following year to make way for a \$380 million mixed-used project that would include a 150 room hotel, a 350 unit condominium building, 180,000 square feet office building, and 500,000 square feet of retail.

CITY OF MISSION, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

IV. OTHER INFORMATION (Continued)

G. Tax Abatements (Continued)

However, redevelopment could not begin until the site was removed from the 100 year flood plain. This entailed realigning and enclosing the creek channel, which ran through the site, and making other improvements upstream of the site. The Rock Creek Tax Increment Finance district was established in 2006 which included, not only the site of the redevelopment project, but properties along either side of the creek that made up much of the drainage basin. A development agreement between the City and the Developer was adopted in 2006 detailing the funding arrangement for the site improvements and the development of the project.

Since this time, the storm water improvements have been completed by the City, but the redevelopment plan has gone through several reiterations including the addition and then deletion of a two million gallon aquarium (and associated STAR bonds), difficulty obtaining retail interest in the midst of the Great Recession, and the denial by the City Council of a revision to the redevelopment plan that would have provided a 150,000 square foot Wal-Mart. The TIF and development agreement have been amended several times to reflect these changes.

As of 2016, the redevelopment of the site has yet to be initiated. The Developer is currently purposing a smaller development consisting of a 200 room hotel, 168 unit apartment building, and approximately 150,000 square feet of retail. The total cost for the latest plan is approximately \$140 million. A new development agreement will have to be adopted.

*Name of the Recipient of the Tax Abatement (the Developer):*

Cameron Group LLC, 6007 Fair Lakes Road, East Syracuse, NY 13057

*Redevelopment Agreement Adopted (Authority):*

Ordinance 1190 – An Ordinance Making Certain Findings with Respect to The Establishment of a Redevelopment District In The City of Mission, Kansas, and Establishing a Redevelopment District (Rock Creek Redevelopment) – Adopted January 11, 2006; Amended (Ordinance 1195) February 8, 2006; Amended (Ordinance 1255) January 23, 2008.

Ordinance 1376 – Authorizing the Creation of the Mission Gateway Community Improvement District #1 in the City of Mission, Kansas; Authorizing the Making of Certain Project Improvements Relating Thereto; Approving the Estimated Costs of Such Project Improvements; Levying a 0.5% CID Sales Tax, Providing for Special Assessments and Providing for the Method of Financing the Same, Including the Issuance of Special Obligation Bonds and Full Faith and Credit Bonds – Adopted, February 20, 2013; Amended (Ordinance 1408) September 17, 2014; Amended (Ordinance 1428) September 16, 2015; Amended (Ordinance 1440) July 20, 2016.

Ordinance 1377 – Authorizing the Creation of the Mission Gateway Community Improvement District #2 in the City of Mission, Kansas; Authorizing the Making of Certain Project Improvements Relating Thereto; Approving the Estimated Costs of Such Project Improvements; Levying a 0.5% CID Sales Tax, Providing for Special Assessments and Providing for the Method of Financing the Same, Including the Issuance of Special Obligation Bonds and Full Faith and Credit Bonds – Adopted, February 20, 2013; Amended (Ordinance 1409) September 17, 2014; Amended (Ordinance 1429) September 16, 2015; Amended (Ordinance 1441) July 20, 2016.

Ordinance 1210 – An Ordinance Approving and Adopting a Redevelopment Project Plan for Project Area 1 Within the Boundaries of the Rock Creek Redevelopment District in the City of Mission, Kansas (Gateway Redevelopment Project) – Adopted September 13, 2006; Amended (Ordinance 1255) January 23, 2008; Amended (Ordinance 1374) January 16, 2013.

CITY OF MISSION, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

IV. OTHER INFORMATION (Continued)

G. Tax Abatements (Continued)

*Public Assistance Tools Utilized (Authority) and the Structure of Utilization:*

Tax Increment Financing (TIF) [K.S.A 12-1770a(c)(1)] is structured to reimburse holders of General Obligation Bonds until fully reimbursed, and then the Developer on a “Pay-As-You-Go” basis with reimbursement coming from the property tax on the assessed valuation above (property tax increment) the assessed valuation at the time the agreement was adopted (base valuation), and the City’s 1% general sales tax generated from all retail sales that occur within the defined project area. A TIF project area has not been activated as of this writing.

Community Improvement Districts (CID) [K.S.A 12-6a26 et seq] are structured to reimburse holders of General Obligation Bonds until fully reimbursed, and then the Developer on a “Pay-As-You-Go” basis with reimbursement coming from two separate 0.5 % CID sales tax as collected on certain retail sales generated within the respective districts. The CIDs were established in 2013, but have not been activated.

*Eligibility Criteria for Receiving the Tax Abatement:*

Completion of a proposed redevelopment project that conform to the standards of the East Gateway Redevelopment District Guidelines which stipulate a mixed-used development on the site with “urban” style components including buildings built to the sidewalk, on street parking, streetscape, and public spaces.

*Summary of Financial Structure:*

<b>Total Project Costs: \$170,000,000</b>		
<b>Total Incentive Package: \$36,000,000 (21% of Total Project Costs)</b>		
	Total Incentive	Paid To Date
TIF Eligible Costs	Not Yet Determined	\$ 0
CID Eligible Costs	Not Yet Determined	\$ 0

Financial Structure is based on the Second Amended and Restated Redevelopment Agreement, which was adopted in 2013, but has not yet been implemented; and probably will not be as the redevelopment project has changed considerably since.

No tax increment has been collected, so there has been no financial impact on the City’s taxes (property or sales), nor on any other taxing jurisdiction.

*Amounts Received from Other Government’s In Association with Forgone Tax Revenue:*

None as of this writing. If the development proceeds, and incentives are granted by the City, then other taxing entities would forego property taxes and sales taxes.

*Provisions for Recapturing Abated Taxes: None*

*Commitments, Other Than Tax Abatements, Made by the City of Mission in Association with the Redevelopment Project:*

The City committed to storm water improvements on the site that consisted of realigning and enclosing the Rock Creek channel, thus removing the site from the 100 year flood plain. The improvements totaled approximately \$12 million, of which the City was to be reimbursed from TIF and/or CID proceeds. Because the redevelopment project has not been initiated, revenues have not been generated to reimburse the City.

CITY OF MISSION, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

IV. OTHER INFORMATION (Continued)

G. Tax Abatements (Continued)

Consequently, the City established a special benefit district and assessed the property for the cost of these improvements (Ordinance 1419).

*Commitments Made by the Recipient of the Tax Abatement:*

Completion of the redevelopment project in accordance with the design guidelines of the East Gateway Redevelopment Plan.

*Tax Abatement Information Omitted For Legal Purposes:*None

*Tax Abatement Disclosed Individually:* None

Mission Square

*Project Description:*

This project entailed the construction and equipping of an 87,000 square foot, three story independent living facility for seniors. The facility consists of 55 individual two and one bedroom units, a dining hall, recreation and meeting rooms, and guest rooms.

Completed in 2010, the project was built on a parcel of property acquired from the City of Mission at the northeast corner of Lamar and Martway, adjacent to the City's community center.

The Developer acquired the site from the City for \$550,000. The Developer then entered into an agreement with the City whereby the City would issue \$17 million in Senior Housing Revenue Bonds to finance the acquisition, construction and equipping of the facility. Operating as a non-profit, the Developer provides an annual payment-in-lieu-of-taxes to the City in the amount of \$50,000 to cover the cost of membership for the facility's residents to use the City's community center and the lease of a parking lot across the street from the community center.

*Name of the Recipient of the Tax Abatement (the Developer):*

Essex Corporation (d/b/a Mission Square Inc.,) - 11606 Nicholas Street, Omaha, NE 68154

*Redevelopment Agreement Adopted (Authority):*

Ordinance 1307 – An Ordinance Authorizing the Issuance by the City of Mission, Kansas of Not to Exceed \$17,000,000 Aggregate Principal Amount of Senior Housing Revenue Bonds (Mission Square, Inc. Project) In One or More Series 2009, to Provide Fund to Acquire, Construct, and Equip a Project for Mission Square, Inc., and Authorizing and Approving Certain Documents and Actions in Connection with the Issuance of Said Bonds – Adopted November 18, 2009; Amended (Ordinance 1392) December 18, 2013.

*Public Assistance Tools Utilized (Authority) and the Structure of Utilization:*

Industrial Revenue Bonds [K.S.A 12-1740 to 12-1749d] allows cities to utilize their tax exempt status to issue bonds for the acquisition, construction, and equipping of certain facilities including senior housing. To preserve the tax-exempt status, the City holds legal title to the property and leases the property back to the Developer for a period of up to ten years. IRB's are often used to exempt sales tax associated with the construction or renovation of a facility.

CITY OF MISSION, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

IV. OTHER INFORMATION (Continued)

G. Tax Abatements (Continued)

*Eligibility Criteria for Receiving the Tax Abatement:*

The Developer is to maintain the facility as an independent, senior living facility.

*Summary of Financial Structure:*

<b>Total Project Costs:</b> \$17,000,000
<b>Total Incentive Package:</b> \$1,945,500 (12 % of Total Project Costs)

*Amounts Received from Other Government's In Association with Forgone Tax Revenue:*

No funds were received from taxing entities in association with this project.

The following sales taxes were forgone with the construction and equipping of the senior-living facility:

- City of Mission (1.625%) - \$31,614
- Johnson County (1.225%) - \$23,832
- State of Kansas (6.150%) - \$119,648

*Provisions for Recapturing Abated Taxes:* None

*Commitments, Other Than Tax Abatements, Made by the City of Mission in Association with the Redevelopment Project:* None

*Commitments Made by the Recipient of the Tax Abatement:*

Completion of the redevelopment project.

*Tax Abatement Information Omitted For Legal Purposes:* None

*Tax Abatement Disclosed Individually:* None



CITY OF MISSION, KANSAS  
 OTHER POST-EMPLOYMENT BENEFITS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 December 31, 2016

Schedule of Funding Progress:

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets (a)</u>	Actuarial Accrued Liability (b)	Unfunded AAL <u>(b) - (a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as Percent of Payroll <u>(b-a)/(c)</u>
1/1/2014	\$ -	\$ 1,056,015	\$ 1,056,015	0.00%	\$ 4,614,807	22.88%
1/1/2015	-	1,336,108	1,336,108	0.00%	3,152,109	42.39%
1/1/2016	-	1,421,876	1,421,876	0.00%	4,605,013	30.88%

CITY OF MISSION, KANSAS  
 KPERS PENSION PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
 December 31, 2016

Schedule of the City's Proportionate Share of the Net Pension Liability  
 Last Ten Fiscal Years\*

	<u>Local</u> <u>12/31/16</u>	<u>Police and</u> <u>Firemen</u> <u>12/31/16</u>	<u>Local</u> <u>12/31/15</u>	<u>Police and</u> <u>Firemen</u> <u>12/31/15</u>
City's proportion of the net pension liability	0.121%	0.357%	0.121%	0.354%
City's proportionate share of the net pension liability	\$ 1,870,018	\$ 3,319,196	\$ 1,588,416	\$ 2,569,469
City's covered employee payroll	\$ 2,048,888	\$ 1,796,206	\$ 2,047,740	\$ 1,613,584
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	91.27%	184.79%	77.57%	159.24%
Plan fiduciary net position as a percentage of the total pension liability	68.55%	69.30%	71.98%	74.60%

\* - The amounts presented for each fiscal year were determined as of 12/31.  
 Data became available with the inception of GASB 68 during fiscal year 2015,  
 therefore 10 years of data is unavailable.

Schedule of the City's Contributions  
 Last Ten Fiscal Years\*

	<u>Local</u> <u>12/31/16</u>	<u>Police and</u> <u>Firemen</u> <u>12/31/16</u>	<u>Local</u> <u>12/31/15</u>	<u>Police and</u> <u>Firemen</u> <u>12/31/15</u>
Contractually required contribution	\$ 194,456	\$ 362,921	\$ 194,783	\$ 351,871
Contributions in relation to the contractually required contribution	<u>194,456</u>	<u>362,921</u>	<u>194,783</u>	<u>351,871</u>
Contribution deficiency [excess]	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,118,261	\$ 1,777,281	\$ 2,054,675	\$ 1,647,336
Contributions as a percentage of covered employee payroll	9.18%	20.42%	9.48%	21.36%

\* - Data became available with the inception of GASB 68  
 during fiscal year 2015, therefore 10 years of data is  
 unavailable.

This page intentionally left blank.

CITY OF MISSION, KANSAS

COMBINING STATEMENTS - NONMAJOR FUNDS

**NONMAJOR SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

1. **Special Alcohol Fund** - established to account for one-third of the Alcohol Tax Funds sent to the City quarterly from the State Treasurer's office, and to disperse monies that are allocated yearly for distribution to agencies that are approved by the City Council in specified amounts on a yearly basis.
2. **Special Parks and Recreation Fund** - established to account for one-third of the Alcohol Tax Funds that are sent to the City quarterly by the State Treasurer's office which are computed in compliance with K.S.A. Supp. 79-41A04 et seq., representing tax receipts and adjustments processed by the Department of Revenue.
3. **Special Law Enforcement Fund** - established to provide a depository for monies forfeited to the police department pursuant to provisions of K.S.A. 65-4135 and 65-4156 relating to controlled substance investigation forfeitures. Expenditures from this fund are made only for authorized law enforcement purposes of the police department. Monies in the fund are not to be used for normal operating expenses of the City's police department.
4. **School District Sales Tax Fund** - established to account for the City's portion of sales tax monies received as a result of a 1/8<sup>th</sup> cent sales tax granted to schools by Johnson County voters in 2002. The sales tax is no longer being collected.
5. **Mission Convention and Visitor's Bureau Fund** - established to account for transient guest tax receipts and is used to track the activities and expenditures of the Mission Convention and Visitor's Bureau.
6. **Donations and Gifts Fund** - established to account for donations and gifts from businesses, groups and individuals.
7. **Street Sales Tax Fund** – established to account for revenues from the ¼ cent sales tax for streets, pledged to retire the Series 2012-A General Obligation Bonds issued for the Martway/Johnson Drive rehabilitation projects. The sales tax sunsets in 2022.
8. **Rock Creek Drainage District #1** – established to account for the Rock Creek Drainage District #1.
9. **Rock Creek Drainage District #2** – established to account for the Rock Creek Drainage District #2.
10. **Mission Crossing TIF** – established to account for the property tax and sales tax that is generated from the development of the Mission Crossing Shopping Center and Welstone senior, independent living facility. These taxes are remitted back to the developer to reimburse for certain eligible costs associated with the development in accordance with K.S.A 12-1770 (Tax Increment Finance Statutes) and K.S.A 12-6a26 (Community Improvement District Act).
11. **Cornerstone Commons** – established to account for a 1% Community Improvement District (CID) sales tax that is generated from retailers located within the Cornerstone Commons CID. This sales tax is remitted back to the developer to reimburse for certain eligible costs associated with the development in accordance with K.S.A 12-6a26 (Community Improvement District Act).
12. **Transportation Utility** – established to account for the transportation utility charges received based on an estimated land use formula per parcel to fund street and other transportation related improvements.
13. **Mission Farm and Flower Market** – established to account for the Mission Farm and Flower Market

CITY OF MISSION, KANSAS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 December 31, 2016

ASSETS	<u>Special Alcohol</u>	<u>Special Parks and Recreation</u>	<u>Special Law Enforcement</u>	<u>School District Sales Tax</u>	<u>Mission Convention and Visitor's Bureau</u>	<u>Donations and Gifts</u>
Cash and cash equivalents	\$ 46,201	\$ 29,905	\$ 33,434	\$ 17,594	\$ 76,345	\$ 4,852
Receivables						
Taxes	-	-	-	-	-	-
Total assets	<u>\$ 46,201</u>	<u>\$ 29,905</u>	<u>\$ 33,434</u>	<u>\$ 17,594</u>	<u>\$ 76,345</u>	<u>\$ 4,852</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	1,261
Total liabilities	-	-	-	-	-	1,261
Deferred inflows of resources						
Unavailable revenue - property taxes	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-
Fund balances						
Restricted	46,201	29,905	-	17,594	76,345	3,591
Committed	-	-	33,434	-	-	-
Total fund balances	<u>46,201</u>	<u>29,905</u>	<u>33,434</u>	<u>17,594</u>	<u>76,345</u>	<u>3,591</u>
Total liabilities and fund balances	<u>\$ 46,201</u>	<u>\$ 29,905</u>	<u>\$ 33,434</u>	<u>\$ 17,594</u>	<u>\$ 76,345</u>	<u>\$ 4,852</u>

Street Sales Tax	Rock Creek Drainage District #1	Rock Creek Drainage District #2	Mission Crossing TIF	Cornerstone Commons	Transportation Utility	Mission Farm and Flower Market	Total
\$ 239,323	\$ 3,672	\$ 10,814	\$ 20,517	\$ 4,357	\$ 14,098	\$ 2,245	\$ 503,357
<u>43,177</u>	<u>4,457</u>	<u>87,307</u>	<u>10,805</u>	<u>5,138</u>	<u>-</u>	<u>3</u>	<u>150,887</u>
<u>\$ 282,500</u>	<u>\$ 8,129</u>	<u>\$ 98,121</u>	<u>\$ 31,322</u>	<u>\$ 9,495</u>	<u>\$ 14,098</u>	<u>\$ 2,248</u>	<u>\$ 654,244</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	27	\$ 27
-	-	-	-	-	-	1,322	1,322
-	-	-	-	-	-	-	<u>1,261</u>
-	-	-	-	-	-	1,349	<u>2,610</u>
-	<u>4,457</u>	<u>87,307</u>	-	-	-	-	<u>91,764</u>
-	<u>4,457</u>	<u>87,307</u>	-	-	-	-	<u>91,764</u>
282,500	3,672	10,814	31,322	9,495	14,098	899	526,436
-	-	-	-	-	-	-	<u>33,434</u>
<u>282,500</u>	<u>3,672</u>	<u>10,814</u>	<u>31,322</u>	<u>9,495</u>	<u>14,098</u>	<u>899</u>	<u>559,870</u>
<u>\$ 282,500</u>	<u>\$ 8,129</u>	<u>\$ 98,121</u>	<u>\$ 31,322</u>	<u>\$ 9,495</u>	<u>\$ 14,098</u>	<u>\$ 2,248</u>	<u>\$ 654,244</u>

See independent auditor's report on the financial statements.

CITY OF MISSION, KANSAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 For the Year Ended December 31, 2016

	<u>Special Alcohol</u>	<u>Special Parks and Recreation</u>	<u>Special Law Enforcement</u>	<u>School District Sales Tax</u>	<u>Mission Convention and Visitor's Bureau</u>	<u>Donations and Gifts</u>
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 43,835	\$ -
Charges for services	-	-	-	-	-	-
Intergovernmental	61,815	60,484	-	-	24,080	-
Interest	-	22	-	-	-	-
Miscellaneous	-	385	-	8	17	41,352
Total revenues	<u>61,815</u>	<u>60,891</u>	<u>-</u>	<u>8</u>	<u>67,932</u>	<u>41,352</u>
Expenditures						
Current						
Public works and improvements	43,037	55,051	9,395	2,000	53,080	41,351
Debt Service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>43,037</u>	<u>55,051</u>	<u>9,395</u>	<u>2,000</u>	<u>53,080</u>	<u>41,351</u>
Excess [deficiency] of revenues over [under] expenditures	<u>18,778</u>	<u>5,840</u>	<u>[9,395]</u>	<u>[1,992]</u>	<u>14,852</u>	<u>1</u>
Other financing sources [uses]						
Transfer out	-	-	-	-	-	-
Total other financing sources [uses]	-	-	-	-	-	-
Net change in fund balances	18,778	5,840	[9,395]	[1,992]	14,852	1
Fund balances, January 1	<u>27,423</u>	<u>24,065</u>	<u>42,829</u>	<u>19,586</u>	<u>61,493</u>	<u>3,590</u>
Fund balances, December 31	<u>\$ 46,201</u>	<u>\$ 29,905</u>	<u>\$ 33,434</u>	<u>\$ 17,594</u>	<u>\$ 76,345</u>	<u>\$ 3,591</u>

	Street Sales Tax	Rock Creek Drainage District #1	Rock Creek Drainage District #2	Mission Crossing TIF	Cornerstone Commons	Transportation Utility	Mission Farm and Flower Market	Total
\$	574,296	\$ 2,249	\$ 81,037	\$ 238,168	\$ 66,701	\$ -	\$ -	\$ 1,006,286
	-	-	-	-	-	-	8,739	8,739
	-	-	-	-	-	-	-	146,379
	-	-	-	-	-	-	-	22
	<u>75</u>	<u>-</u>	<u>37</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,284</u>	<u>44,158</u>
	<u>574,371</u>	<u>2,249</u>	<u>81,074</u>	<u>238,168</u>	<u>66,701</u>	<u>-</u>	<u>11,023</u>	<u>1,205,584</u>
	140,000	-	23,670	233,433	63,772	79	10,124	674,992
	425,000	-	-	-	-	-	-	425,000
	<u>45,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,870</u>
	<u>610,870</u>	<u>-</u>	<u>23,670</u>	<u>233,433</u>	<u>63,772</u>	<u>79</u>	<u>10,124</u>	<u>1,145,862</u>
	<u>[36,499]</u>	<u>2,249</u>	<u>57,404</u>	<u>4,735</u>	<u>2,929</u>	<u>[79]</u>	<u>899</u>	<u>59,722</u>
	<u>-</u>	<u>-</u>	<u>[50,000]</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>[50,000]</u>
	<u>-</u>	<u>-</u>	<u>[50,000]</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>[50,000]</u>
	<u>[36,499]</u>	<u>2,249</u>	<u>7,404</u>	<u>4,735</u>	<u>2,929</u>	<u>[79]</u>	<u>899</u>	<u>9,722</u>
	<u>318,999</u>	<u>1,423</u>	<u>3,410</u>	<u>26,587</u>	<u>6,566</u>	<u>14,177</u>	<u>-</u>	<u>550,148</u>
\$	<u>282,500</u>	<u>\$ 3,672</u>	<u>\$ 10,814</u>	<u>\$ 31,322</u>	<u>\$ 9,495</u>	<u>\$ 14,098</u>	<u>\$ 899</u>	<u>\$ 559,870</u>

See independent auditor's report on the financial statements.



CITY OF MISSION, KANSAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
SPECIAL ALCOHOL FUND  
For the Year Ended December 31, 2016

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues						
Intergovernmental	\$ 61,815	\$ -	\$ 61,815	\$ 42,800	\$ 42,800	\$ 19,015
Total revenues	<u>61,815</u>	<u>-</u>	<u>61,815</u>	<u>42,800</u>	<u>42,800</u>	<u>19,015</u>
Expenditures						
Social services	<u>43,037</u>	<u>-</u>	<u>43,037</u>	<u>45,000</u>	<u>45,000</u>	<u>1,963</u>
Total expenditures	<u>43,037</u>	<u>-</u>	<u>43,037</u>	<u>45,000</u>	<u>45,000</u>	<u>1,963</u>
Excess [deficiency] of revenues over [under] expenditures	18,778	-	18,778	<u>\$ [2,200]</u>	<u>\$ [2,200]</u>	<u>\$ 20,978</u>
Fund balance, January 1	<u>27,423</u>	<u>-</u>	<u>27,423</u>			
Fund balance, December 31	<u>\$ 46,201</u>	<u>\$ -</u>	<u>\$ 46,201</u>			

See independent auditor's report on the financial statements.

CITY OF MISSION, KANSAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
SPECIAL PARKS AND RECREATION FUND  
For the Year Ended December 31, 2016

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues						
Intergovernmental	\$ 60,484	\$ -	\$ 60,484	\$ 42,800	\$ 42,800	\$ 17,684
Interest	22	-	22	-	-	22
Miscellaneous	385	-	385	-	-	385
Total revenues	<u>60,891</u>	<u>-</u>	<u>60,891</u>	<u>42,800</u>	<u>42,800</u>	<u>18,091</u>
Expenditures						
Public works and improvements	<u>55,051</u>	<u>-</u>	<u>55,051</u>	<u>55,200</u>	<u>55,200</u>	<u>149</u>
Total expenditures	<u>55,051</u>	<u>-</u>	<u>55,051</u>	<u>55,200</u>	<u>55,200</u>	<u>149</u>
Excess [deficiency] of revenues over [under] expenditures	5,840	-	5,840	<u>\$ [12,400]</u>	<u>\$ [12,400]</u>	<u>\$ 18,240</u>
Fund balance, January 1	<u>24,065</u>	<u>-</u>	<u>24,065</u>			
Fund balance, December 31	<u>\$ 29,905</u>	<u>\$ -</u>	<u>\$ 29,905</u>			

See independent auditor's report on the financial statements.

CITY OF MISSION, KANSAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
PARKS AND RECREATION SALES TAX BOND FUND  
For the Year Ended December 31, 2016

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues:						
Taxes	\$ 861,445	\$ -	\$ 861,445	\$ 775,000	\$ 775,000	\$ 86,445
Use of money and property	305	-	305	-	-	305
Miscellaneous	6,766	-	6,766	-	-	6,766
<b>Total revenues</b>	<b>868,516</b>	<b>-</b>	<b>868,516</b>	<b>775,000</b>	<b>775,000</b>	<b>93,516</b>
Expenditures:						
Capital outlay	404,344	-	404,344	293,850	293,850	[110,494]
Principal	415,000	-	415,000	415,000	415,000	-
Interest and other charges	111,450	-	111,450	111,450	111,450	-
<b>Total expenditures</b>	<b>930,794</b>	<b>-</b>	<b>930,794</b>	<b>820,300</b>	<b>820,300</b>	<b>[110,494]</b>
Excess [deficiency] of revenues over [under] expenditures	[62,278]	-	[62,278]	\$ [45,300]	\$ [45,300]	\$ [16,978]
Fund balance, January 1	738,850	-	738,850			
Fund balance, December 31	\$ 676,572	\$ -	\$ 676,572			

See independent auditor's report on the financial statements.

CITY OF MISSION, KANSAS

**AGENCY FUNDS**

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds.

1. **License Reinstatement Fees** - established to account for amounts collected through the court for driver's license restatement fees due to the State of Kansas.
2. **Alcohol and Drug Safety** - established to account for monies collected and paid for Driving Under the Influence evaluations.
3. **Cafeteria Plan** - established to account for monies collected for employee cafeteria plan contributions.

CITY OF MISSION, KANSAS  
 COMBINING BALANCE SHEET  
 AGENCY FUNDS  
 December 31, 2016

ASSETS	License Reinstatement Fees	Alcohol & Drug Safety	Cafeteria Plan	Totals
Cash and cash equivalents	\$ 6,559	\$ 20,669	\$ 35,813	\$ 63,041
Total assets	<u>\$ 6,559</u>	<u>\$ 20,669</u>	<u>\$ 35,813</u>	<u>\$ 63,041</u>
 LIABILITIES				
Due to others	\$ 6,559	\$ 20,669	\$ 35,813	\$ 63,041
Total liabilities	<u>\$ 6,559</u>	<u>\$ 20,669</u>	<u>\$ 35,813</u>	<u>\$ 63,041</u>

See independent auditor's report on the financial statements.

CITY OF MISSION, KANSAS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 For the Year Ended December 31, 2016

<u>License Reinstatement Fees</u>	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,498	\$ 26,743	\$ 26,682	\$ 6,559
Total assets	<u>\$ 6,498</u>	<u>\$ 26,743</u>	<u>\$ 26,682</u>	<u>\$ 6,559</u>
<b>LIABILITIES</b>				
Due to others	\$ 6,498	\$ 26,743	\$ 26,682	\$ 6,559
Total liabilities	<u>\$ 6,498</u>	<u>\$ 26,743</u>	<u>\$ 26,682</u>	<u>\$ 6,559</u>
<u>Alcohol and Drug Safety</u>	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
<b>ASSETS</b>				
Cash and cash equivalents	\$ 20,669	\$ -	\$ -	\$ 20,669
Total assets	<u>\$ 20,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,669</u>
<b>LIABILITIES</b>				
Due to others	\$ 20,669	\$ -	\$ -	\$ 20,669
Total liabilities	<u>\$ 20,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,669</u>
<u>Cafeteria Plan</u>	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
<b>ASSETS</b>				
Cash and cash equivalents	\$ 32,548	\$ 66,628	\$ 63,363	\$ 35,813
Total assets	<u>\$ 32,548</u>	<u>\$ 66,628</u>	<u>\$ 63,363</u>	<u>\$ 35,813</u>
<b>LIABILITIES</b>				
Due to others	\$ 32,548	\$ 66,628	\$ 63,363	\$ 35,813
Total liabilities	<u>\$ 32,548</u>	<u>\$ 66,628</u>	<u>\$ 63,363</u>	<u>\$ 35,813</u>
<u>Total Agency Funds</u>	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
<b>ASSETS</b>				
Cash and cash equivalents	\$ 59,715	\$ 93,371	\$ 90,045	\$ 63,041
Total assets	<u>\$ 59,715</u>	<u>\$ 93,371</u>	<u>\$ 90,045</u>	<u>\$ 63,041</u>
<b>LIABILITIES</b>				
Due to others	\$ 59,715	\$ 93,371	\$ 90,045	\$ 63,041
Total liabilities	<u>\$ 59,715</u>	<u>\$ 93,371</u>	<u>\$ 90,045</u>	<u>\$ 63,041</u>

See independent auditor's report on the financial statements.

This page intentionally left blank.

---

**STATISTICAL SECTION**

---



This page intentionally left blank.

## Statistical Section (Unaudited)

This part of the City of Mission's *Comprehensive Annual Financial Report (CAFR)*, presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

### Contents

#### Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

#### Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property and sales taxes.

#### Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

#### Demographic and Economical Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

#### Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report related to the services the City provides and the activities it performs.

*Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Financial Report for the relevant year.*

TABLE 1  
(UNAUDITED)

CITY OF MISSION, KANSAS  
NET POSITION BY COMPONENT  
LAST TEN YEARS  
(Accrual Basis of Accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net investments in capital assets	\$ 15,120,064	\$ 18,606,539	\$ 21,507,063	\$ 23,644,245	\$ 25,521,486	\$ 26,771,829	\$ 24,709,361	\$ 31,231,003	\$ 34,647,991	\$ 36,242,192
Restricted	722,400	857,622	941,397	791,098	550,988	63,337	5,682	672,282	738,850	676,572
Unrestricted	<u>2,360,686</u>	<u>3,571,184</u>	<u>3,841,032</u>	<u>1,518,953</u>	<u>1,844,275</u>	<u>3,336,675</u>	<u>7,429,857</u>	<u>4,058,231</u>	<u>541,312</u>	<u>1,744,530</u>
Total Net Position	<u>\$ 18,203,150</u>	<u>\$ 23,035,345</u>	<u>\$ 26,289,492</u>	<u>\$ 25,954,296</u>	<u>\$ 27,916,749</u>	<u>\$ 30,171,841</u>	<u>\$ 32,144,900</u>	<u>\$ 35,961,516</u>	<u>\$ 35,928,153</u>	<u>\$ 38,663,294</u>

Source: City of Mission, Kansas Basic Financial Statements.

TABLE 2  
(UNAUDITED)

CITY OF MISSION, KANSAS  
CHANGE IN NET POSITION  
LAST TEN YEARS  
(Accrual Basis of Accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
<b>Governmental Activities:</b>										
General government	\$ 1,892,510	\$ 3,534,363	\$ 2,311,207	\$ 1,893,579	\$ 2,964,860	\$ 2,376,085	\$ 2,200,521	\$ 2,480,810	\$ 2,617,020	\$ 2,599,590
Public safety	3,239,519	3,384,135	3,624,111	3,613,022	3,791,275	3,725,913	3,690,037	3,774,245	3,539,822	4,135,349
Public works	2,953,028	2,699,875	3,990,772	4,388,119	3,332,773	3,306,786	3,448,002	3,263,297	3,562,734	3,606,294
Culture and recreation	2,648,777	2,657,303	2,733,024	2,695,954	2,607,459	2,635,617	2,683,576	2,695,856	2,647,417	2,801,261
Interest on Long-Term Debt	1,039,158	1,390,170	1,276,197	1,007,059	974,679	1,055,632	1,256,986	1,483,825	959,983	887,504
<b>Total Primary Government Expenses</b>	<b>11,772,992</b>	<b>13,665,846</b>	<b>13,935,311</b>	<b>13,597,733</b>	<b>13,671,046</b>	<b>13,100,033</b>	<b>13,279,122</b>	<b>13,698,033</b>	<b>13,326,976</b>	<b>14,029,998</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
<b>Charges for services</b>										
General government	154,005	164,213	161,865	132,871	781,913	494,255	609,511	663,866	608,814	701,862
Public safety	1,897,595	1,850,795	2,071,362	1,648,771	1,640,415	1,868,248	1,528,186	1,462,936	1,345,844	1,253,047
Public works	574,455	777,603	1,059,463	1,190,916	2,432,511	2,461,655	2,871,020	2,826,091	2,855,225	2,532,476
Culture and recreation	1,818,171	1,872,041	1,841,918	1,805,037	1,559,797	1,776,706	1,776,706	1,808,576	1,846,807	1,913,634
<b>Operating grants and contributions</b>										
Public safety	44,286	68,313	54,871	34,335	46,848	55,474	57,824	47,323	70,816	75,844
Public works	4,058,055	5,945,713	3,619,852	1,113,502	2,308,031	492,870	1,070,856	1,988,215	2,019,400	398,346
<b>Total Primary Government Program Revenues</b>	<b>8,546,567</b>	<b>10,678,678</b>	<b>8,809,331</b>	<b>5,925,432</b>	<b>8,769,515</b>	<b>7,149,208</b>	<b>7,914,103</b>	<b>8,797,007</b>	<b>8,746,906</b>	<b>6,875,209</b>
<b>Total Primary Government Net [Expense]</b>	<b>[3,226,425]</b>	<b>[2,987,168]</b>	<b>[5,125,980]</b>	<b>[7,672,301]</b>	<b>[4,901,531]</b>	<b>[5,950,825]</b>	<b>[5,365,019]</b>	<b>[4,901,026]</b>	<b>[4,580,070]</b>	<b>[7,154,789]</b>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
<b>Taxes:</b>										
Property taxes	1,742,544	1,930,893	2,040,368	1,800,788	1,469,907	1,394,756	1,417,391	1,444,658	2,460,223	2,883,434
Sales and use tax	4,542,950	4,323,982	3,972,155	3,973,428	4,057,445	4,040,247	4,942,079	5,744,564	5,711,057	5,870,341
Motor vehicle tax	123,358	160,252	166,532	158,653	159,717	125,721	130,868	134,758	156,487	157,488
Franchise tax	986,991	1,022,445	976,392	1,011,213	1,014,732	968,696	1,022,854	1,036,905	1,009,649	1,024,850
Investment earnings	612,662	214,405	37,475	4,282	2,348	4,227	3,214	1,954	2,404	4,616
Miscellaneous	281,947	253,637	1,187,205	388,741	159,835	399,104	368,921	378,658	553,144	314,640
<b>Total primary government</b>	<b>8,290,452</b>	<b>7,905,614</b>	<b>8,380,127</b>	<b>7,337,105</b>	<b>6,863,984</b>	<b>6,932,751</b>	<b>7,885,327</b>	<b>8,741,497</b>	<b>9,892,964</b>	<b>10,255,369</b>
<b>Change in Net Position</b>										
<b>Governmental activities</b>	<b>\$ 5,064,027</b>	<b>\$ 4,918,446</b>	<b>\$ 3,254,147</b>	<b>\$ [335,196]</b>	<b>\$ 1,962,453</b>	<b>\$ 981,926</b>	<b>\$ 2,520,308</b>	<b>\$ 3,840,471</b>	<b>\$ 5,312,894</b>	<b>\$ 3,100,580</b>

Source: City of Mission, Kansas Basic Financial Statements.

TABLE 3  
(UNAUDITED)

CITY OF MISSION, KANSAS  
FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN YEARS  
(Modified Accrual Basis of Accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund				
Unassigned	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	-	-
Restricted	-	-	-	-
Reserved	3,000	3,000	34,269	34,915
Unreserved	<u>2,120,554</u>	<u>2,459,968</u>	<u>2,473,479</u>	<u>1,289,577</u>
Total General Fund	<u>\$ 2,123,554</u>	<u>\$ 2,462,968</u>	<u>\$ 2,507,748</u>	<u>\$ 1,324,492</u>
All Other Governmental Funds				
Assigned	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Reserved	1,153,883	8,828	-	-
Unreserved, reported in:				
Special revenue funds	1,635,880	1,642,606	1,527,992	417,604
Debt service fund	722,400	857,622	941,397	791,098
Capital project funds	<u>[1,813,596]</u>	<u>5,952,272</u>	<u>815,477</u>	<u>[453,906]</u>
Total All Other Governmental Funds	<u>\$ 1,698,567</u>	<u>\$ 8,461,328</u>	<u>\$ 3,284,866</u>	<u>\$ 754,796</u>

Source: City of Mission, Kansas Basic Financial Statements.

TABLE 3  
(UNAUDITED)

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 1,335,927	\$ 1,340,574	\$ 1,551,771	\$ 2,341,433	\$ 2,860,180	\$ 3,214,825
-	-	-	122,279	-	96,436
-	-	-	-	-	287,198
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,335,927</u>	<u>\$ 1,340,574</u>	<u>\$ 1,551,771</u>	<u>\$ 2,463,712</u>	<u>\$ 2,860,180</u>	<u>\$ 3,598,459</u>
\$ -	\$ -	\$ -	\$ 63,100	\$ -	\$ -
2,093,006	4,989,510	10,353,222	1,695,376	1,332,431	1,982,634
3,721	5,610	15,566	60,615	42,829	33,434
-	[48,129]	[46,223]	[45,010]	[41,720]	[30,882]
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,096,727</u>	<u>\$ 4,946,991</u>	<u>\$ 10,322,565</u>	<u>\$ 1,774,081</u>	<u>\$ 1,333,540</u>	<u>\$ 1,985,186</u>

TABLE 4  
(UNAUDITED)

CITY OF MISSION, KANSAS  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN YEARS  
(Modified Accrual Basis of Accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues			
Taxes	\$ 7,395,843	\$ 7,336,009	\$ 7,064,955
Special assessments	95,035	101,563	90,492
Intergovernmental	4,007,306	6,014,026	3,674,723
Licenses and permits	199,545	322,449	161,865
Charges for services	2,341,354	2,480,423	2,801,599
Fines and fees	1,903,327	1,861,780	2,171,144
Use of money and property	612,662	175,208	37,475
Miscellaneous	281,947	275,087	1,212,405
Total revenues	<u>16,837,019</u>	<u>18,566,545</u>	<u>17,214,658</u>
Expenditures			
General government	1,975,256	2,199,511	1,912,691
Public safety	3,079,884	3,326,584	3,473,046
Public works	2,574,231	2,247,005	3,489,138
Culture and recreation	2,381,770	2,387,785	2,475,261
Capital outlay	22,198,096	9,219,468	3,899,569
Debt service			
Principal	5,985,000	8,345,000	28,400,000
Interest and other charges	1,187,708	1,334,697	1,606,635
Total expenditures	<u>39,381,945</u>	<u>29,060,050</u>	<u>45,256,340</u>
Excess of revenues over [under] expenditures	<u>[22,544,926]</u>	<u>[10,493,505]</u>	<u>[28,041,682]</u>
Other financing sources [uses]			
Transfers in	2,080,802	1,512,547	1,634,590
Transfers out	[2,080,802]	[1,512,547]	[1,634,590]
Bond premium	1,113	-	-
Bond discount	-	[54,320]	-
Issuance of debt - leases	-	-	-
Issuance of debt - bonds	11,010,000	17,650,000	22,910,000
Total other financing sources [uses]	<u>11,011,113</u>	<u>17,595,680</u>	<u>22,910,000</u>
Net change in fund balances	<u>\$ [11,533,813]</u>	<u>\$ 7,102,175</u>	<u>\$ [5,131,682]</u>
Debt service as a percentage of noncapital expenditures	41.87%	45.90%	72.76%

Source: City of Mission, Kansas Basic Financial Statements.

TABLE 4  
(UNAUDITED)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	6,927,357	\$ 6,690,601	\$ 6,571,139	\$ 7,514,184	\$ 8,329,707	\$ 8,440,524	\$ 9,772,782
	16,725	11,200	10,426	-	-	-	-
	1,147,837	2,354,879	548,344	1,128,680	2,035,538	2,090,216	474,190
	132,871	158,156	134,743	198,191	135,133	141,750	152,245
	2,793,683	4,616,065	4,597,873	5,059,046	5,163,400	5,169,096	4,995,727
	1,851,040	1,640,415	1,868,248	1,528,186	1,462,936	1,345,844	1,253,047
	4,282	2,348	4,227	3,214	1,954	2,404	4,616
	415,230	187,679	428,373	399,687	410,738	587,139	350,375
	<u>13,289,025</u>	<u>15,661,343</u>	<u>14,163,373</u>	<u>15,831,188</u>	<u>17,539,406</u>	<u>17,776,973</u>	<u>17,002,982</u>
	1,907,311	1,925,928	1,721,635	1,817,454	1,876,551	2,047,368	1,921,928
	3,438,881	3,710,722	3,652,781	3,540,422	3,667,321	3,480,670	3,868,458
	3,335,084	2,113,493	2,048,877	2,005,594	1,926,534	2,195,809	1,841,605
	2,477,811	2,434,362	2,407,179	2,418,064	2,421,207	2,268,368	2,440,954
	2,673,142	5,545,434	2,244,246	6,761,526	8,912,494	3,225,688	1,735,962
	12,365,000	2,976,408	2,450,000	2,420,000	19,399,203	3,979,313	3,245,596
	1,329,292	1,047,541	1,143,744	1,253,371	1,370,028	1,013,218	926,474
	<u>27,526,521</u>	<u>19,753,888</u>	<u>15,668,462</u>	<u>20,216,431</u>	<u>39,573,338</u>	<u>18,210,434</u>	<u>15,980,977</u>
	[14,237,496]	[4,092,545]	[1,505,089]	[4,385,243]	[22,033,932]	[433,461]	1,022,005
	2,609,467	1,250,000	682,000	325,557	351,450	1,339,356	1,181,764
	[2,609,467]	[1,250,000]	[682,000]	[325,557]	[351,450]	[1,339,356]	[1,181,764]
	105,663	-	-	302,014	418,111	-	-
	-	-	-	-	-	-	-
	273,507	520,911	-	-	190,000	389,388	367,920
	10,145,000	4,925,000	4,360,000	9,670,000	13,830,000	-	-
	<u>10,524,170</u>	<u>5,445,911</u>	<u>4,360,000</u>	<u>9,972,014</u>	<u>14,438,111</u>	<u>389,388</u>	<u>367,920</u>
\$	<u>[3,713,326]</u>	<u>\$ 1,353,366</u>	<u>\$ 2,854,911</u>	<u>\$ 5,586,771</u>	<u>\$ [7,595,821]</u>	<u>\$ [44,073]</u>	<u>\$ 1,389,925</u>
	54.93%	26.49%	25.62%	26.84%	66.36%	31.86%	27.88%



TABLE 5  
(UNAUDITED)

CITY OF MISSION, KANSAS  
GENERAL GOVERNMENT TAX REVENUES BY SOURCE  
LAST TEN YEARS

<u>Fiscal Year</u> <u>December 31,</u>	<u>Property</u> <u>Tax</u>	<u>City Sales</u> <u>Tax</u>	<u>City Use</u> <u>Tax</u>	<u>County Sales</u> <u>Tax</u>	<u>County Use</u> <u>Tax</u>	<u>Transient</u> <u>Guest Tax</u>	<u>Development</u> <u>District</u> <u>Tax</u>	<u>Franchise</u> <u>Tax</u>	<u>Total</u>
2007	\$ 1,865,902	\$ 2,647,561	\$ 614,798	\$ 1,035,776	\$ 244,815	\$ -	\$ -	\$ 986,991	\$ 7,395,843
2008	1,961,713	2,625,275	461,553	1,097,660	139,494	27,869	-	1,022,445	7,336,009
2009	2,078,687	2,484,314	439,764	918,713	129,364	37,721	-	976,392	7,064,955
2010	1,923,216	2,475,013	471,969	897,296	129,150	19,500	-	1,011,213	6,927,357
2011	1,597,782	2,564,793	379,031	938,788	174,833	20,642	-	1,014,732	6,690,601
2012	1,550,697	2,482,815	372,011	1,002,287	174,692	11,498	-	977,139	6,571,139
2013	1,528,984	3,143,802	502,158	1,015,709	174,756	20,268	-	1,128,507	7,514,184
2014	1,524,678	3,700,732	1,003,224	876,568	163,707	23,893	-	1,036,905	8,329,707
2015	1,683,032	3,739,017	914,404	886,416	171,221	36,785	-	1,009,649	8,440,524
2016	2,833,757	3,731,155	821,687	982,627	199,878	43,835	134,993	1,024,850	9,772,782

Source: City of Mission, Kansas Basic Financial Statements.

TABLE 6  
(UNAUDITED)

CITY OF MISSION, KANSAS  
LOCAL SALES AND CONSUMPTION TAX COLLECTIONS  
LAST TEN YEARS (1)

Category	Local Sales Tax Collected							
	2009	2010	2011	2012	2013	2014	2015	2016
Auto sales, repairs and parts	\$ 264,802	\$ 297,058	\$ 336,701	\$ 232,132	\$ 213,482	\$ 228,554	\$ 300,907	\$ 156,058
Clothing, department and shoe stores	432,385	415,520	438,675	453,851	583,131	682,553	655,278	724,877
Building construction, repairs, and maint.	84,602	67,472	53,265	58,198	60,187	92,319	143,443	116,372
Grocery and drug stores	386,318	437,049	449,708	431,180	535,619	620,021	593,849	668,627
Medical	15,962	18,900	19,979	22,897	33,419	27,661	18,874	13,463
Hotels, restaurants and entertainment	424,966	389,738	431,435	412,674	469,695	648,415	638,244	778,202
Specialty	173,076	173,346	181,528	161,861	265,677	285,063	380,581	370,093
Utilities/communications	373,797	379,538	358,793	332,923	436,971	505,198	416,654	438,836
All other outlets	328,406	296,392	294,709	377,099	545,621	576,026	607,284	464,627
<b>Total</b>	<b>\$ 2,484,314</b>	<b>\$ 2,475,013</b>	<b>\$ 2,564,793</b>	<b>\$ 2,482,815</b>	<b>\$ 3,143,802</b>	<b>\$ 3,665,810</b>	<b>\$ 3,755,114</b>	<b>\$ 3,731,155</b>
<b>City Sales Tax Rates:</b>								
General Sales Tax	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Street Sales Tax (For 10 Years)	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Parks Sales Tax (For 10 Years)	0.00%	0.00%	0.00%	0.00%	0.38%	0.38%	0.38%	0.38%
	1.25%	1.25%	1.25%	1.25%	1.63%	1.63%	1.63%	1.63%

Note (1) - Data became available in 2009, therefore 10 years of data is unavailable.

Source: Kansas Department of Revenue.

This page intentionally left blank.

TABLE 7  
(UNAUDITED)

CITY OF MISSION  
ASSESSED AND ESTIMATED ACTUAL VALUE  
OF TAXABLE PROPERTY (1)  
LAST TEN YEARS

Assessment Year	Year Ended December 31, Budget Year	Real Property		Personal Property		Total Assessed Value	Estimated Actual Value	Ratio of Assessed Value to Estimated Actual Value	Total Direct Tax Rate
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value				
2006	2007	\$ 128,267,489	\$ 923,590,639	\$ 9,862,567	\$ 32,875,223	\$ 138,130,056	\$ 956,465,862	0.14	13.176
2007	2008	130,722,893	936,033,240	6,713,836	22,379,453	137,436,729	958,412,693	0.14	13.198
2008	2009	124,812,666	900,169,960	3,389,601	11,298,670	128,202,267	911,468,630	0.14	13.215
2009	2010	117,416,873	858,323,410	3,104,763	10,349,210	120,521,636	868,672,620	0.14	13.217
2010	2011	115,357,123	862,419,740	2,594,652	8,648,840	117,951,775	871,068,580	0.14	11.213
2011	2012	112,043,638	854,717,930	2,107,544	7,025,147	114,151,182	861,743,077	0.13	11.371
2012	2013	112,122,375	848,855,960	1,725,925	5,753,083	113,848,300	854,609,043	0.13	11.410
2013	2014	115,710,355	879,419,020	1,490,100	4,967,000	117,200,455	884,386,020	0.13	11.413
2014	2015	120,318,510	910,954,710	1,270,673	4,235,577	121,589,183	915,190,287	0.13	11.354
2015	2016	130,726,507	966,136,620	1,250,762	4,169,207	131,977,269	970,305,827	0.14	18.225

(1) - Information provided by the Johnson County Office of the County Appraiser.

TABLE 8  
(UNAUDITED)

CITY OF MISSION, KANSAS  
PROPERTY TAX RATES PER \$1,000 OF ASSESSED VALUATION  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN YEARS

Year Ended December 31,	City				Johnson County	Shawnee Mission School District	Johnson County Community College
	General Fund	Storm Drain Fund	General Obligation Fund	Total Direct Rate			
2007	13.176	1.002	1.027	15.205	17.9490	51.9800	8.872
2008	13.198	1.004	1.029	15.231	17.9850	52.0080	8.749
2009	13.215	1.005	1.030	15.250	17.7670	52.0940	8.768
2010	11.182	1.005	1.030	13.217	17.7160	55.3180	8.784
2011	10.183	0.000	1.030	11.213	17.7480	57.1920	8.799
2012	10.326	0.000	1.045	11.371	17.7000	56.1350	8.776
2013	10.361	0.000	1.049	11.410	17.7000	56.1350	8.776
2014	10.363	0.000	1.050	11.413	17.7450	55.6110	9.551
2015	11.354	0.000	0.000	11.354	17.7640	55.9110	9.461
2016	18.225	0.000	0.000	18.225	19.5820	54.0590	9.469

Information provided by the Johnson County, Kansas County Clerk's Annual Abstract of Taxes.

TABLE 8  
(UNAUDITED)

Consolidated Fire District #2	Johnson County Library	Johnson County Parks and Recreation	Total
9.335	2.960	2.290	108.591
9.356	2.962	2.295	108.586
8.992	3.057	2.341	108.269
8.991	3.151	2.346	109.523
10.074	3.158	2.350	110.534
10.098	3.145	2.343	109.568
10.098	3.145	2.343	109.607
11.004	3.155	2.347	110.826
11.003	3.157	2.349	110.999
11.757	3.912	3.101	120.105

This page intentionally left blank.

TABLE 9  
(UNAUDITED)

CITY OF MISSION, KANSAS  
PRINCIPAL TAXPAYERS  
December 31, 2016 and Nine Years Ago

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2016 Assessed Valuation</u>	<u>Rank</u>	<u>% of Total Assessed Valuation</u>	<u>2007 Assessed Valuation</u>	<u>Rank</u>	<u>% of Total Assessed Valuation</u>
Scriptpro	Medical equipment manufacturer	\$ 4,779,606	1	3.62%	\$ 4,832,392	1	3.50%
Target Corporation	Shopping center	4,203,706	2	3.19%	2,648,131	3	1.92%
MOHR Mission, L.L.C.	Real estate	2,658,924	3	2.01%	-		0.00%
CAPROCQ KC Mission, L.L.C.	Real estate	2,479,651	4	1.88%	-		0.00%
Tower Properties Company	Property developer	2,477,561	5	1.88%	1,875,168	8	1.36%
Silverwood Apartments, L.L.C.	Real estate	2,173,270	6	1.65%	1,987,718	7	1.44%
Bridges at Foxridge NF L.L.C.	Property developer	2,094,610	7	1.59%	2,267,019	5	1.64%
Mission Mart Shopping Center	Shopping center	2,080,577	8	1.58%	1,794,385	9	1.30%
Whispering Falls, L.L.C.	Real estate	2,013,305	9	1.53%	-		0.00%
Hy-Vee, Inc.	Grocer	1,867,250	10	1.41%	-		0.00%
SBC Internet Services, Inc.	Telecommunications provider	-		0.00%	3,797,432	2	2.75%
Broadmoor Place Associates	Office building development	-		0.00%	2,383,000	4	1.73%
Sixty Three West Investors	Property developer	-		0.00%	2,253,776	6	1.63%
Block Properties Company	Property developer	-		0.00%	1,766,076		1.28%
<b>Total</b>		<b>\$ 26,828,460</b>		<b>20.34%</b>	<b>\$ 25,605,097</b>		<b>18.55%</b>

Source: Johnson County Clerks Office.



TABLE 10  
(UNAUDITED)

CITY OF MISSION, KANSAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN YEARS

<u>Year Ended December 31,</u>	<u>Total Tax Levy</u>	<u>Current Taxes Collected</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Tax Levy</u>
2007	\$ 1,733,032	\$ 1,697,828	98.0%	\$ 30,411	\$ 1,728,239	99.7%
2008	1,821,495	1,685,188	92.5%	104,970	1,790,158	98.3%
2009	1,814,496	1,776,342	97.9%	36,912	1,813,254	99.9%
2010	1,694,787	1,657,376	97.8%	12,236	1,669,612	98.5%
2011	1,351,409	1,320,407	97.7%	29,563	1,349,970	99.9%
2012	1,341,230	1,321,097	98.5%	9,484	1,330,581	99.2%
2013	1,302,465	1,286,467	98.8%	13,977	1,300,444	99.8%
2014	1,299,351	1,279,755	98.5%	14,966	1,294,721	99.6%
2015	1,330,712	1,297,246	97.5%	3,139	1,300,385	97.7%
2016	2,215,969	2,160,946	97.5%	21,222	2,182,168	98.5%

TABLE 11  
(UNAUDITED)

CITY OF MISSION, KANSAS  
OUTSTANDING DEBT BY TYPE  
LAST TEN YEARS

Fiscal Year	General Obligation Bonds	Temporary Notes	Capital Improvement Bonds	Special Assessment Bonds	Loans Bonds	Capital Leases Payable	Total	City Population	Personal Income	Debt Per Capita	Debt As A Percentage of Personal Income
2007	\$ 9,050,680	\$ 19,771,525	\$ 700,000	\$ 60,000	\$ -	\$ 66,200	\$ 29,648,405	10,020	\$ 279,257,400	2,959	10.62%
2008	7,951,220	30,265,805	535,000	45,000	-	136,823	38,933,848	10,020	279,257,400	3,886	13.94%
2009	29,666,760	3,231,666	365,000	30,000	-	122,359	33,415,785	10,020	279,257,400	3,335	11.97%
2010	30,800,663	-	185,000	20,000	273,507	67,336	31,346,506	9,323	328,701,011	3,362	9.54%
2011	32,748,611	485,000	-	10,000	99,864	407,344	33,750,819	9,323	328,701,011	3,620	10.27%
2012	34,625,964	485,000	-	-	95,887	265,454	35,472,305	9,323	328,701,011	3,805	10.79%
2013	42,210,431	485,000	-	-	91,792	164,814	42,952,037	9,323	328,701,011	4,607	13.07%
2014	37,518,281	-	-	-	87,589	226,067	37,831,937	9,323	328,701,011	4,058	11.51%
2015	33,430,089	-	-	-	83,276	480,378	33,993,743	9,323	328,701,011	3,646	10.34%
2016	30,178,416	-	-	-	78,851	693,132	30,950,399	9,323	328,701,011	3,320	9.42%

Source: Johnson County Clerk and City of Mission Records.

TABLE 12  
(UNAUDITED)

CITY OF MISSION, KANSAS  
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED  
VALUE AND NET GENERAL OBLIGATION DEBT PER CAPITA  
LAST TEN YEARS

<u>Year Ended December 31,</u>	<u>Population(1)</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
2007	10,020	\$ 138,130,056	\$ 9,110,680	\$ 722,400	\$ 8,388,280	6.07%	\$ 837.15
2008	10,020	137,436,729	7,996,220	857,622	7,138,598	5.19%	712.43
2009	10,020	128,202,267	29,696,760	941,397	28,755,363	22.43%	2,869.80
2010	9,323	120,521,636	30,820,663	791,098	30,029,565	24.92%	3,221.02
2011	9,323	117,951,775	32,758,611	550,988	32,207,623	27.31%	3,454.64
2012	9,323	114,151,182	34,625,964	63,337	34,562,627	30.28%	3,707.24
2013	9,323	113,848,300	42,210,431	3,529,721	38,680,710	33.98%	4,148.96
2014	9,323	117,200,455	37,518,281	672,282	36,845,999	31.44%	3,952.16
2015	9,323	121,589,183	33,430,089	738,850	32,691,239	26.89%	3,506.51
2016	9,323	131,977,269	30,178,416	676,572	29,501,844	22.35%	3,164.42

(1) Information provided by the Johnson County Economic Research Institute.

CITY OF MISSION, KANSAS  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
December 31, 2016

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Mission</u>	<u>Amount Applicable to City of Mission</u>
Direct debt:			
City of Mission, Kansas	\$ 30,950,399	100.00%	\$ 30,950,399
Overlapping debt: (1)			
Johnson County	368,395,000	1.43%	5,268,049
Shawnee Mission School (U.S.D. 512)	252,590,000	3.86%	9,749,974
Fire District #2	365,000	15.82%	57,743
Johnson County Parks and Recreation	1,595,000	1.43%	22,809
Total overlapping debt	622,945,000		15,098,575
Total direct and overlapping debt	\$ 653,895,399		\$ 46,048,974

(1) Information provided by Johnson County Clerk's Office.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the overlapping debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value. This approach was also applied to the other debt of the overlapping governmental units.

TABLE 14  
(UNAUDITED)

CITY OF MISSION, KANSAS  
COMPUTATION OF LEGAL DEBT MARGIN  
LAST TEN YEARS

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total Assessed Valuation of Taxable Property	\$ 150,542,400	\$ 149,689,527	\$ 140,390,464	\$ 132,076,558
Debt Limit Percent of Assessed Value	30.00%	30.00%	30.00%	30.00%
Debt Limit	45,162,720	44,906,858	42,117,139	39,622,967
Total net debt applicable to limit	<u>9,110,680</u>	<u>7,996,220</u>	<u>2,915,000</u>	<u>2,740,000</u>
Legal Debt Margin	<u>\$ 36,052,040</u>	<u>\$ 36,910,638</u>	<u>\$ 39,202,139</u>	<u>\$ 36,882,967</u>
Total Net Debt Applicable To The Limit As A Percentage of Debt Limit	20.17%	17.81%	6.92%	6.92%

Note 1: Total Assessed Valuation of Taxable Property on This Table Includes Motor Vehicle Assessed Valuation.

Note 2: Under State finance law, the City's outstanding general obligation debt should not exceed 30 percent of the total assessed property value.

Source: Assessed valuation from Johnson County Clerk.

TABLE 14  
(UNAUDITED)

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 129,270,218	\$ 125,513,832	\$ 125,197,213	\$ 128,836,941	\$ 133,572,726	\$ 144,400,516
30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
38,781,065	37,654,150	37,559,164	38,651,082	40,071,818	43,320,155
<u>6,535,000</u>	<u>9,865,000</u>	<u>15,935,000</u>	<u>11,720,000</u>	<u>9,591,160</u>	<u>8,372,455</u>
<u>\$ 32,246,065</u>	<u>\$ 27,789,150</u>	<u>\$ 21,624,164</u>	<u>\$ 26,931,082</u>	<u>\$ 30,480,658</u>	<u>\$ 34,947,700</u>
16.85%	26.20%	42.43%	30.32%	23.93%	19.33%

TABLE 15  
(UNAUDITED)

CITY OF MISSION, KANSAS  
DEMOGRAPHIC STATISTICS  
LAST TEN YEARS  
December 31, 2016

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Unemployment Rate (1)</u>	<u>Per Capita Personal Income (2)</u>	<u>Personal Income</u>
2007	10,020	3.9%	\$ 27,870	\$ 279,257,400
2008	10,020	4.4%	27,870	279,257,400
2009	10,020	6.3%	27,870	279,257,400
2010	9,323	6.8%	35,257	328,701,011
2011	9,323	6.0%	35,257	328,701,011
2012	9,323	5.4%	35,257	328,701,011
2013	9,323	3.8%	35,257	328,701,011
2014	9,323	3.3%	35,257	328,701,011
2015	9,323	3.3%	35,257	328,701,011
2016	9,323	2.9%	35,257	328,701,011

(1) Obtained from Johnson County Economic Research Institute and Bureau of Census.  
Unemployment rates are for Johnson County.

(2) Information compiled every ten years.

TABLE 16  
(UNAUDITED)

CITY OF MISSION, KANSAS  
PRINCIPAL EMPLOYERS  
December 31, 2016 and Nine Years Ago

<u>Employer</u>	<u>December 31, 2016</u>			<u>December 31, 2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
AT&T Telecommunications	950	1	10.19%	400	2	3.99%
ScriptPro	700	2	7.51%	500	1	4.99%
VinSolutions	500	3	5.36%			0.00%
Entercom	477	4	5.12%	200	6	2.00%
HyVee Food Stores	360	5	3.86%	250	5	2.50%
Packaging Products Corp	250	6	2.68%	Not Available		0.00%
Skillpath, Inc.	160	7	1.72%	250	3	2.50%
U.S. Post Office	128	8	1.37%	250	4	2.50%
Fred Pryor Seminars	100	9	1.07%	Not Available		0.00%
Legacy Technologies	100	10	1.07%	Not Available		0.00%
CGI CommuniGroup	-		0.00%	100	7	1.00%
cGMP Validation, LLC	-		0.00%	100	8	1.00%
Medical Staffing Network	-		0.00%	100	9	1.00%
Susquehanna, Inc.	-		0.00%	100	10	1.00%
<b>Total</b>	<b>3,725</b>		<b>39.95%</b>	<b>2,250</b>		<b>22.48%</b>

Source: Northeast Johnson County Economic Development Council.



TABLE 17  
(UNAUDITED)

CITY OF MISSION, KANSAS  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN YEARS  
December 31, 2016

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Public Safety/Municipal Justice</b>										
911 Calls Received	10,756	9,128	8,432	10,583	9,150	10,004	9,640	9,619	10,295	9,492
DUI Arrests	363	335	441	317	328	254	252	241	222	188
Traffic/Parking Complaints	17,964	17,350	20,745	16,947	14,471	15,360	10,724	10,185	9,569	9,995
Accidents	351	287	252	234	294	272	257	254	267	353
Investigations Cases	744	702	668	732	543	450	474	368	458	407
Total Court Cases Processed	19,027	17,574	18,849	17,158	14,760	16,624	10,808	10,237	9,537	8,356
<b>Public Works</b>										
Curb Miles Swept (lane miles)	222	797	1,263	925	1,416	880	1,327	1,490	890	785
Streets Milled and Overlaid (Linear Feet)	2,850	9,386	2,540	4,953	13,330	8,417	6,682	4,329	1,386	3,544
Sidewalk Replaced (Square Yards)	550	1,330	341	1,619	6,015	455	5,134	6,776	2,265	138
Curb and Gutter Replaced (Linear Feet)	6,499	4,920	222	3,642	11,266	4,965	8,027	11,631	1,712	2,363
Acres of Lawn Mowed	1,056	1,056	1,240	1,240	1,240	1,240	1,461	1,575	1,599	1,599
<b>Urban Management and Planning</b>										
Building Permits Processed	60	130	161	251	281	409	331	357	442	468
Plan Reviews Performed	18	20	20	26	17	14	10	14	26	20
<b>Leisure and Recreation</b>										
Annual Memberships Sold	2,294	2,314	2,520	2,871	2,115	2,031	2,413	2,835	2,140	1,969
Annual Membership Revenue	1,028,942	1,022,691	952,658	941,704	932,068	872,878	854,846	834,076	825,630	802,554
Facility Reservations Processed	1,111	735	1,012	846	906	1,027	817	1,560	1,374	1,723
Facility Reservation Revenue	172,469	189,378	247,984	214,995	209,024	221,259	187,577	194,746	222,183	280,731
Pool Memberships Sold	230	232	315	349	323	262	349	998	291	345
Pool Revenue	54,425	57,265	63,998	67,880	55,932	57,339	50,684	104,750	104,544	123,679

Source: City of Mission, Kansas.

TABLE 18  
(UNAUDITED)

CITY OF MISSION, KANSAS  
FULL TIME CITY EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN YEARS

<u>Function/Program</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Government										
Administration/Finance	7.0	7.0	6.0	5.0	5.0	5.0	7.0	7.0	7.0	6.0
Community Development	4.0	5.0	5.0	5.0	5.0	5.0	3.0	3.0	3.0	2.0
Municipal Court	3.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	3.0
Public Works	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	12.0	14.0
Police	31.0	31.0	31.0	31.0	31.0	31.0	31.0	31.0	30.0	30.0
Parks & Recreation	<u>12.0</u>	<u>13.0</u>	<u>13.0</u>	<u>13.0</u>	<u>12.0</u>	<u>12.0</u>	<u>12.0</u>	<u>13.0</u>	<u>13.0</u>	<u>14.0</u>
Total	68.0	70.0	69.0	69.0	68.0	68.0	68.0	69.0	69.0	69.0

Source: City of Mission, Kansas.

TABLE 19  
(UNAUDITED)

CITY OF MISSION, KANSAS  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN YEARS

<u>Function/Program</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Police										
Stations	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Public Works										
Miles of streets	44.7	44.7	44.7	44.7	44.7	44.7	44.7	44.7	44.7	44.7
Streetlights	845.0	845.0	845.0	805.0	805.0	805.0	850.0	850.0	850.0	850.0
Parks & Recreation										
Parks	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Park acreage	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Pools	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Tennis Courts	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Community Center	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

Source: City of Mission, Kansas.

<b>City of Mission</b>	Item Number:	2.
<b>ACTION ITEM SUMMARY</b>	Date:	April 26, 2017
<b>Administration</b>	From:	Brian Scott

Action items require a vote to recommend the item to full City Council for further action.

**RE:** KERIT Trust Agreement documents

**RECOMMENDATION:** Approve the Resolution authorizing the City Administrator to sign the KERIT Trust Agreement on behalf of the City of Mission.

**DETAILS:** The Kansas Eastern Regional Insurance Trust (KERIT) is a formal, organized insurance trust made up of municipalities in Eastern Kansas. It was established in 1996 for the purpose of allowing municipalities (counties, cities, and other local governments) to “pool” their funds together for the purpose of providing worker’s compensation coverage to their respective employees. The City of Mission joined KERIT in 2009. Currently, there are 18 member entities including Mission, Fairway, Merriam, Shawnee, Leawood, Leavenworth (city and county), Lansing, Gardner, Winfield, Ottawa, Chanute, Coffeyville, Derby, Junction City, Atchison County, McPherson, and Johnson County Parks and Recreation. Annual worker’s compensation premiums are approved by the City Council in December of each year.

In conjunction with administration and payout of worker compensation claims, KERIT also provides safety training and other initiatives to support and ensure employee wellness and safety. KERIT’s strong emphasis on loss control, along with member entities active engagement in risk management activities has resulted in low loss ratios for the past several years. As a result, member entities frequently realize a portion of annual premiums once a claim year has been closed out. This has amounted to over \$13 million being returned to member entities over the nearly 30 year history of KERIT.

KERIT does not have offices or staff. Instead, administrative support services are provided by the Mid-America Regional Council, and claims administration and safety training are provided by Thomas-McGee. Each member entity appoints a representative to the Board of Trustees, which serves as the governing body for KERIT.

The Board of Trustees recently undertook a review and update of the KERIT by-laws, operating procedures, and the Trust Agreement itself. The updated governance documents were recently approved by the Board of Trustees. The attached resolution authorizes the City Administrator to sign the Trust Agreement on behalf of the City of Mission.

**CFAA CONSIDERATIONS/IMPACTS:** N/A

Related Statute/City Ordinance:	K.S.A 12-2627
Line Item Code/Description:	N/A
Available Budget:	N/A

**CITY OF MISSION, KANSAS**

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO SIGN THE TRUST AGREEMENT OF THE KANSAS EASTERN REGIONAL INSURANCE TRUST ON BEHALF OF THE CITY OF MISSION**

**WHEREAS**, The Kansas Eastern Regional Insurance Trust (KERIT) is a formal, organized insurance trust between certain municipalities in Kansas, as authorized by K.S.A 12-2627, for the purpose of providing worker's compensation coverage to their respective employees; and

**WHEREAS**, The City of Mission has been a member of KERIT since 2009; and

**WHEREAS**, The KERIT Board of Trustees recently undertook an extensive review and update of the Trust's governance documents, including the by-laws, operating procedures, and the Trust Agreement, to ensure compliance with applicable laws, efficiency in operations, and adoption of best practices; and

**WHEREAS**, Each member entity is now requested to sign the Trust Agreement reaffirming its membership and acceptance of the terms of membership.

**NOW, THEREFORE**, be it resolved by the Governing Body of the City of Mission:

**Section 1.** The City Administrator is authorized to sign on behalf of the City of Mission the revised and adopted Trust Agreement of the Kansas Eastern Regional Insurance Trust, and to affirm the City's membership and participation in the Trust including the appointment of a representative to the Board of Trustees.

**PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF MISSION** on this 17th day of May 2017.

**APPROVED BY THE MAYOR** on this 17th day of May 2017.

\_\_\_\_\_  
Steve Schowengerdt, Mayor

ATTEST:

\_\_\_\_\_  
Martha Sumrall, City Clerk

# **KANSAS EASTERN REGION INSURANCE TRUST**

## **GOVERNANCE DOCUMENTS**

*Documents Included (see Table of Contents beginning on next page for page numbers)*

**Bylaws**

**Trust Agreement**

**Operating Procedures**

**Operating Procedures – Addendums**

**Assessment Formula Policy**

**Code of Ethics Policy**

**Dividend Formula Policy**

**Fund Balance Policy**

**Investment Policy**

**Performance Policy**

**Records Management Policy**

**Documents Amended, Consolidated and Reformatted – (Approved March 14, 2017)**

# KANSAS EASTERN REGION INSURANCE TRUST

## GOVERNANCE DOCUMENTS

### Table of Contents

- BYLAWS ..... 1
  - Article I – Introduction ..... 1
  - Article II – Definitions ..... 1
  - Article III – Eligibility ..... 2
  - Article IV – Board of Trustees and Members ..... 2
  - Article V – Meetings ..... 5
  - Article VI – Finances and Dividends ..... 5
  - Article VII – Bonds (State Requirements) ..... 6
  - Article VIII – Reports (State Requirements) ..... 6
  - Article IX – General Provisions – Collections and Contributions ..... 7
  - Article X – Indemnification ..... 7
  - Article XI – Amendments ..... 7
- TRUST AGREEMENT ..... 9
  - Section I – Definitions ..... 9
  - Section II – Purpose of Trust and Application of Fund ..... 10
  - Section III – The Trustees ..... 11
  - Section IV – Member Contributions to the Trust ..... 13
  - Section V – Participation and Minimum Term Membership ..... 13
  - Section VI – Power of Trustees ..... 14
  - Section VII – Audits and Reports ..... 15
  - Section VIII – Amendment ..... 15
  - Section IX – Termination of Trust ..... 15
  - Section X – Obligation of Members ..... 16
  - Section XI – Miscellaneous ..... 17
- OPERATING PROCEDURES ..... 18
  - Purpose ..... 18
  - Fiscal Year ..... 18

Trustees .....	18
Officers .....	19
Membership Criteria .....	19
Method of Payment .....	20
Dividend/Assessment Procedures .....	20
Investments .....	20
Code of Ethics .....	20
Independent Service Agent.....	20
Trust Agreement.....	21
Check Signature Controls .....	21
Amendments .....	21
<b>ASSESSMENT FORMULA POLICY .....</b>	<b>23</b>
Background .....	23
Assessment Formula – Approved July 10, 2012 (for all claim years since inception) .....	23
Board Approval for Assessment.....	23
<b>CODE OF ETHICS POLICY .....</b>	<b>24</b>
Declaration of Policy.....	24
Definitions .....	24
Interest .....	24
Official act or official action.....	24
Business entity.....	24
Trustee, public officer, official or employee .....	25
Ethical Code .....	25
Exhibit A – Kansas Eastern Regional Insurance Trust – Code of Ethics Policy Conflict of Interest Form .....	26
<b>DIVIDEND FORMULA POLICY .....</b>	<b>27</b>
Background and History .....	27
Dividend Formula — Approved August 8, 2006, for Plan Years 2004 and After .....	27
Dividend Formula — Approved August 8, 2006, for Plan Years 2003 and Prior .....	28
Board Approval for Distribution .....	28
<b>FUND BALANCE POLICY .....</b>	<b>31</b>
Background and Purpose.....	31



Kansas State Restriction on Fund Balance.....	31
Government Accounting Standards Board (GASB) .....	32
Guidance for Minimum and Maximum Fund Balance .....	32
Impact of Potential Premium Assessments.....	33
Maturity of Claim Years before Dividend Distributions are Made .....	33
Monitoring Compliance with Fund Balance Policy .....	34
Amount of Potential Dividend Distributions .....	34
Operating Procedures Addendums for Dividend and Premium Assessment Formulas .....	34
<b>INVESTMENT POLICY .....</b>	<b>35</b>
The Goals of KERIT in Investment Portfolio Management .....	35
Duties .....	35
Board of Trustees.....	35
Finance Committee.....	36
Allowable Investments .....	37
Guidelines for Security Mix Limitations.....	37
Guidelines for Maturity Limitations and Criteria for Portfolio Quality.....	37
Liquidity Objectives .....	38
Investment Restrictions and Prohibited Transactions.....	38
Portfolio Adjustments .....	38
Safekeeping.....	38
Standard of Care.....	38
Prudence .....	38
Ethics and Conflicts of Interest.....	39
Conflict of Interest Signature Form.....	39
Confidentiality.....	39
Exhibit A – Kansas Department of Insurance and Statutory Investment Guidelines.....	40
Exhibit B – Kansas Eastern Regional Insurance Trust – Investment Policy Conflict of Interest Form .....	41
<b>PERFORMANCE POLICY .....</b>	<b>42</b>
Trustee Performance.....	42
Definitions .....	42
Work Safety Performance .....	42
Special Attention Program .....	43

Objective .....	43
Methodology .....	43
Member Termination (Non-renewal) .....	44
RECORDS MANAGEMENT POLICY.....	45
Policy .....	45
Definitions of Trust Records.....	45
Records Management Plan .....	45
Trust Records Declared Public Property .....	45
Representative.....	46
Records Retention Schedules .....	46
Destruction of Unscheduled Records .....	47
Inactive Records Storage.....	47

# KANSAS EASTERN REGION INSURANCE TRUST

## BYLAWS

Date of Revision: Effective April 22, 1997

Date of Revision: Effective March 14, 2017

### Article I – Introduction

Section 1. The name of this organization shall be the Kansas Eastern Region Insurance Trust (KERIT), hereinafter referred to as the “Trust.”

Section 2. Its principal office shall be located at 600 Broadway, Suite 200, Kansas City, Missouri 64105-1659.

Section 3. These Bylaws are adopted pursuant to and in compliance with the laws of the State of Kansas and with the rules and regulations of the Kansas Insurance Department, hereinafter referred to as the “Department.”

Section 4. The Board of Trustees of the Kansas Eastern Region Insurance Trust may contract for any or all of the services required for the operation of the Trust.

### Article II – Definitions

*Trust* – The term “Trust” as used herein shall mean the Kansas Eastern Region Insurance Trust. These Bylaws are intended to implement the terms of the Trust and in the event of any contradictory language existing between the terms of the Trust and these Bylaws, the terms of the Trust shall control.

*Member/Participant* – The term “Member/Participant” as used herein shall mean and include such local governments that shall a) qualify for participation under the Kansas group self-insurance statute and regulations; b) be a city, county, township, school district, or other political subdivision of the state, or any agency, authority, institution or other instrumentality thereof, located in the State of Kansas; c) qualify for participation under the requirements for eligibility adopted from time to time by the Trustees pursuant to Section 2.5 of the Trust Agreement; d) submit a request for participation in the Trust in a form approved by the Trustees; e) make an initial contribution to the Fund determined on the basis of the coverage to be provided; f) agree to be bound by the terms of these Bylaws, the Trust Agreement, and Operating Procedures and all the policies, rules and regulations promulgated by the Trustees, as such documents now exist or as they are amended or modified in the future; and g) at the required times make additional installment contributions to the Fund. If the Member satisfies these requirements, it may be accepted for participation under the provisions of the Trust and Fund coverage and policies obtained pursuant thereto, all subject to and in accordance with Section 5 of the Trust Agreement.

*Board of Trustees* – The term “Board of Trustees” as used herein shall mean the collective group of Trustees appointed to set policies and oversee services required for the operation of the Trust.

*Trustee and Trustees* – The term(s) “Trustee” and “Trustees” as used herein shall mean a representative designated by each Member to serve as a voting member on the Board of Trustees.

*Administrator and/or Independent Service Agent* – The terms “Administrator” and/or “Independent Service Agent” as used herein shall mean individuals or organizations who have been hired and shall be responsible for tasks and responsibilities as designated by the Board of Trustees. The tasks and responsibilities may include claims administration, loss control, etc. If an Administrator or Independent Service Agent has not been hired, then the Chairperson shall be considered the Administrator and/or Independent Service Agent.

*Alternate Trustee* – The term “Alternate Trustee” as used herein shall mean a representative designated by each Member to serve as a voting member on the Board of Trustees when the primary Trustee is not available to attend a meeting and represent the Member at the meeting.

*Administrative Fund Account* – The term “Administrative Fund Account” as used herein shall mean the revenues and expenses designated, segregated and accounted for the purpose of tracking and reporting the administrative financial activities of the Trust.

*Claims Fund Account* – The term “Claims Fund Account” as used herein shall mean the revenues and expenses designated, segregated and accounted for the purpose of tracking and reporting the claims loss activities of the Trust.

*Finance Committee* – The term “Finance Committee” as used herein shall mean the group of individuals appointed by the Board of Trustees. The Finance Committee is responsible for carrying out investment policies and procedures within the requirements of criteria established by the investment policy and the Board of Trustees.

*Operating Procedures* – The term “Operating Procedures” as used herein shall mean the documents that provide additional guidance to these Bylaws, including the Operating Procedures and all the policies, rules and regulations promulgated by the Trustees, as such documents now exist or as they are amended or modified in the future. In the event of any contradictory language existing between the terms of these Bylaws and the Operating Procedures, rules and regulations and policies, the terms of these Bylaws shall control.

### **Article III – Eligibility**

Section 1. Member/Participants of the Trust must be cities, counties, townships, school districts, or other political or taxing subdivisions of the state, or any agency, authority, institution or other instrumentality thereof, located in the State of Kansas and meet such other qualifications as may be set by the Board of Trustees, the Department and other appropriate governmental authorities from time to time.

Section 2. The Board of Trustees may grant the Independent Service Agent the authority to accept new applicants on a provisional basis when the applicant is within the definition of a Participant and such applicant desires Worker’s Compensation coverage, subject to approval by the Board of Trustees and meeting such terms and conditions as the Board of Trustees may, from time to time, determine.

### **Article IV – Board of Trustees and Members**

Section 1. The business and property of the Trust shall be supervised by the Board of Trustees. Effective January 1, 1996, each Member shall have the opportunity each year, at the annual meeting, to appoint an official or employee in writing to serve as a Trustee. Every appointed

Trustee and Alternate Trustee must be a resident of the state of Kansas (KSA 12-2627). Should the position be vacated due to a violation of any Trust rules or requirements, the position may remain vacant until the next Annual Meeting. Should a Trustee position become vacant due to termination of employment or other reason not violating any Trust rules or requirements, the Member shall have the opportunity to appoint a replacement to the position of Trustee prior to the next annual meeting. Except as herein or by law otherwise required, the Trustees shall act by majority vote of the Trustees present at meetings at which a quorum is present. Each Trustee shall have one vote and no Trustee may vote by proxy. Each Member holding a Trustee position shall appoint an Alternate Trustee to attend meetings, count toward a quorum, and vote on behalf of the Trustee, should the Trustee for any reason be unable to attend Board of Trustees meetings. Only Trustees or Alternate Trustees who represent Members covered by a particular coverage may vote in matters relating to that coverage. The Trustees:

- A. Shall supervise the administration of the Trust.
- B. May employ and oversee an Administrator or Independent Service Agent who shall be responsible for claims administration, loss control, general administration and attorney-in-fact. The Trustees shall notify the Commissioner of the Department within 30 days of any change in the position of an Administrator or Independent Service Agent.
- C. May employ legal counsel, accountants, investment counselors and such other professional services as they, from time to time, deem necessary.
- D. Shall secure reinsurance in accordance with applicable State Statutes.
- E. Shall set requirements for the admission of Members/Participants to the Trust, which shall include such precautions as they, from time to time, deem appropriate to promote the safe and proper operation of the Trust, with financially stable Members who are amenable to safe and proper operation of the Trust and with financially stable Members who are amenable to good safety practices.
- F. Shall endeavor to see that the Trust is safely and prudently administered to ensure its financial stability.
- G. Shall perform any other functions as deemed appropriate in keeping with the proper operation of the Trust and in keeping with the laws of the State of Kansas.

Section 2. The Trustees, by a majority vote, shall elect a Chairperson, First Vice Chairperson, and Second Vice Chairperson. In the absence of a professional administrator, the Chairperson shall assume those duties. The Administrator shall be the liaison between the Board of Trustees and the Independent Service Agent. In addition, the Board of Trustees may appoint any other officer as they deem advisable. All officers so elected or appointed shall serve at the pleasure of the Board of Trustees.

Section 3. The Board of Trustees may delegate to the Independent Service Agent and/or the Administrator the authority to act on all claim matters between full board meetings.

Section 4. A Trustee or Alternate Trustee shall not be paid compensation for their services. No Trustee or Alternate Trustee shall serve the Trust in any professional capacity not associated with their representation on the Board of Trustees. A Trustee or Alternate Trustee may be reimbursed for out-of-pocket expenses in attending meetings or for travel on Trust business, as shall be determined by the Board of Trustees on a case by case basis and only after submitting adequate substantiation of the expenses and their relation to the business of the Trust.

Section 5. Any Member/Participant may be expelled from the Trust by the Board of Trustees,

- (a) in the event the Member/Participant shall fail to pay any premium or assessment due the Trust by the date it becomes due; or
- (b) in the event the Member/Participant shall not file any report or census required to be filed by Trust Member/Participants by the date the same shall be due; or
- (c) in the event any report or census required to be filed by Trust Member/Participant shall contain any materially false statement or omit to state any material information required; or
- (d) failure to continue to meet membership criteria, as specified in the Operating Procedures; or
- (e) failure to meet underwriting criteria; or
- (f) failure to participate in the safety/loss prevention program or claims management program in order to carry out the purposes for which the Trust was established; or
- (g) upon a determination by the Board of Trustees as authorized under the Trust Agreement, including but not limited to Section 5.3 of the Trust Agreement; or
- (h) for other reasons defined in the Operating Procedures, the Trust Agreement or these Bylaws.

Section 6. A Member may be expelled from the Trust sixty (60) days after written notice is mailed to the Member terminating their membership. The Member may appeal the decision of the Trustees to the full membership within the sixty (60) day notification period by submitting a request to appeal in writing to the Administrator. The decision of the membership shall be final.

On termination or cancellation of a Member/Participant, the Trust shall notify the Kansas Division of Workers Compensation within 10 days and shall maintain coverage of each cancelled or terminating member for 30 days after notice to such Division or until such Division gives notice that the cancelled or terminating Member has procured workers' compensation and employers' liability insurance, whichever occurs first (KSA 12-2626).

No liability shall accrue to the Trust or its Members for any accident to an employee of the expelled Member upon the first of the following to occur: (a) more than sixty (60) days has elapsed since written notice was mailed to the Member terminating the membership; or (b) the Division has issued a notice that the Member has procured workers' compensation and employer's liability insurance.

Section 7. Membership may be canceled by the Member at the end of any fiscal year following the initial three-year commitment. The Member is expected to provide the Trust written notification at least ninety (90) days prior to January 1.

Section 8. Each new Member to the Trust shall make a commitment to remain in the Trust a minimum of three years and to have the Trustee and Alternate Trustee attend New Member Orientation.

A Member of the Trust that does not renew at the end of any fiscal year after the initial three-year commitment will continue to participate in any dividends or assessments issued for the term of its membership.

## **Article V – Meetings**

Section 1. The Trust shall operate on a fiscal year beginning on January 1 and ending each year on December 31. The Trust shall furnish each Member notice of the time, place and date of the Annual Meeting, which shall be held in December.

Section 2. At each Annual Meeting of the membership of the Trust, the Independent Service Agent shall submit a statement of the claims experiences of the Trust during the preceding year, together with a financial report of the Trust for the same period. The Independent Service Agent shall be available for questions regarding the Trust.

Section 3. The Board shall elect officers at the Annual Meeting.

Section 4. Special meetings of the Board may be called by 1) the Chairperson, and in their absence by the First Vice-Chairperson, or 2) by a quorum that shall consist of a majority of the Trustees then in office. Notice of all special meetings of the Board shall be sent to each Trustee at least ten (10) business days prior to the time fixed for the meeting. All notices of special meetings for the Board shall state the purpose thereof. In the event all of the Members of the Board shall severally or collectively consent in writing to any action taken or to be taken by the Trust, such action is valid action as though it had been authorized at a meeting of the Board.

Section 5. A quorum for the transaction of business at any regular or special meeting of the Board shall consist of a majority of the Trustees then in office. The meeting may be held in whole or in part by conference telephone call. Previously granted claims settlement authority may be revised through a telephone poll of the Trustees, provided a majority of the Trustees then in office approve of the revision. In the event such a revision is requested, the commentary of the employer/Member shall be solicited prior to the telephone poll.

Section 6. The act of the majority of the Trustees present in person at a meeting at which a quorum is present, shall be the act of the Board of Trustees, except where otherwise provided by law or by these Bylaws.

Section 7. Telephonic meetings by conference call or other method of electronic voice transmission which permits the participants to hear and join in the discussion are specifically authorized.

Section 8. Absence of any Trustee or designated Alternate for two (2) consecutive meetings in a year without justification, excuse or good cause may be equivalent to a resignation on the part of such Trustee and the Board may declare vacant the position which shall be filled in the manner indicated above in Article IV, section 1.

## **Article VI – Finances and Dividends**

Section 1. A standard premium contribution shall be developed for insurance plans, using rates approved by the Kansas Department of Insurance, based on published payroll classifications. The standard contribution may be adjusted by any discount permitted under the Department regulations and any excess carrier.

Overhead charges include, but are not limited to, claims service, loss prevention, data processing and reporting, specific aggregate excess coverage and other Trust expenses.

The Claims Fund Account is available to pay claims and provide reserve funds for future claims. Legal and allocated loss adjustment expenses are paid from this account. Excess coverage is provided immediately over and above the Claims Fund.

Section 2. The Trust shall operate at least two (2) bank accounts, including an Administrative Fund Account and a Claims Fund Account for Worker's Compensation. Other coverages offered by the Trust shall be accounted for in separate accounts.

Section 3. All monies of the Trust shall be deposited among the Administrative Fund Account, Claims Fund Account or such other account, as the Finance Committee from time to time shall determine to be appropriate, subject to the requirements of applicable law, e.g., KSA 12-2621(b).

Section 4. The Administrator or Administrator's designee shall collect all premium contributions for Worker's Compensation and shall immediately remit them to the depository bank for deposit. No less than 70 percent of premiums collected may be deposited in the Claims Fund Account, unless the Commissioner of the Department approves a different amount. The Administrator or Independent Service Agent, with Board of Trustee approval, shall determine and bill for all appropriate insurance premium costs, all self-insurance bond costs, all state fees and service fees. The Finance Committee shall invest any monies not needed to pay current claims and claims costs.

Section 5. That portion of each Member/Participant's contribution which shall not be required to pay claims, pay administration expenses and fees, or to fund required or appropriate reserves may be returned to the membership of the Trust from time to time, but only when specifically authorized by the Board of Trustees and by applicable law. No surplus accumulations may be returned if such payment will impair the capital stability and/or security of the Trust. In the event the Board of Trustees is unable to identify or deliver a refund for any reason, such monies will remain in the Trust.

Section 6. All costs of administration for Workers' Compensation not provided for herein shall be paid out of the Administrative Fund Account. Each coverage offered by the Trust shall pay only its fair share of administrative costs.

Section 7. An annual financial audit shall be made of the Trust by independent accountants designated by the Board. The expense of this audit will be paid out of the Administrative Fund Account. Copies of each year's audit shall be made available to the Department and each Member in accordance with applicable state statutes.

Section 8. Each fund year and fiscal year shall be maintained separately for accounting purposes for the benefit of the Members/Participants active during that year.

Section 9. All investments shall be made in accordance with the Trust's approved investment policy and applicable State statutes.

#### **Article VII – Bonds (State Requirements)**

A fidelity bond shall be maintained by the Trust, covering any employees of the Trust, the Independent Service Agent, and officers, Trustees and Alternate Trustees of the Trust while performing duties within the scope of their duties. Any investment advisor or other administrator of the financial affairs of the Trust shall furnish a fidelity bond to the Trust in an amount determined by the Trustees to protect the Trust against the misappropriation or misuse of any monies or securities.

#### **Article VIII – Reports (State Requirements)**

As required by the Department, the Trust shall provide the Department with financial reports of the Trust's activities on forms required and provided by the Department.



## **Article IX – General Provisions – Collections and Contributions**

Section 1. The Board of Trustees shall require that each Member/Participant of the Trust be a city, county, township, school district, or other political or taxing subdivision of the state, or any agency, authority, institution or other instrumentality thereof, in the State of Kansas.

Section 2. Members must keep accurate records and cooperate with the Board of Trustees, the Independent Service Agent and the representatives of the applicable State agencies, including but not limited to the Department, that have jurisdiction over Worker's Disability Compensation or safety matters. It is required that each Member will take all reasonable action to carry out the recommendations of any loss control inspection.

Section 3. The Board of Trustees shall, in conjunction with the Independent Service Agent, issue reasonable Operating Procedures for each coverage offered and provide regulations for the operation of the Trust. Any changes to the Operating Procedures shall be approved by the Board of Trustees. All such Operating Procedures shall be produced in writing and a copy given to each Member and shall be deemed binding immediately upon approval by the Board of Trustees.

## **Article X – Indemnification**

The Trust shall indemnify any and all of its Trustees, Alternate Trustees, officers, former Trustees or officers, employees, agents, or any persons who may have served at its request or by its election as a trustee or officer of another organization or association, or his/her heirs, successors, executors and administrators against expenses actually and necessarily incurred by them in connection with the defense or settlement of any action, suit or proceeding in which they, or any of them, are made parties or a party, by reason of being or having been Trustee, Alternate Trustee, officer, employee or agent of the Trust or of such other organization or association, except in relation to matters as to which any such indemnified persons shall be adjudged in such action, suit or proceeding to be liable for willful misconduct or gross negligence in the performance of duty and such matters as shall be settled by agreement predicated on the existence of such liability. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person engaged in willful misconduct, gross negligence or in conduct in any way opposed to the best interests of the Trust. The provisions of this section are severable, and therefore, if any of its particular provisions are deemed unconstitutional or otherwise unenforceable, the remaining shall be construed and enforced accordingly. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such Trustee, Alternate Trustee, officer, employee or agent may be entitled by employment with a Member or from any bonding or other third party source and the Trust's indemnification obligation hereunder shall be reduced by any expenses reimbursed to the Trustee, Alternate Trustee, officer, employee or agent from any other source, such as from a Member or from any bonding or other third party source.

## **Article XI – Amendments**

Amendments to these Bylaws may be made by a vote of two-thirds (2/3) of the membership at any annual, regular or special meeting of the Trust. The amendment must be sent out ten (10) business days prior to the meeting and the agenda must indicate a vote shall be taken at the meeting. All Members must have been notified of such amendment.

The Trustees shall notify the Commissioner of the Department of any Bylaw changes within 30 days after a change is made in the Bylaws.

# TRUST AGREEMENT

Date of Revision: Effective April 22, 1997

Date of Revision: Effective March 14, 2017

This Trust Agreement is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, by and between the Members of the Trust which are the following:

Gardner	Atchison County	Chanute
Lansing	Coffeerville	Derby
Leavenworth County	Fairway	Junction City
Leawood	Lansing	Leavenworth
Shawnee	McPherson	Merriam
Mission	Ottawa	Winfield
Johnson County Park & Recreation District		

not individually but as Members of the Trust, hereinafter referred to as Member, who desire to establish a Trust for the benefit of five or more qualified municipalities (as defined at KSA 75-6102(b)) in the State of Kansas that wish to pool their resources to qualify as group self-insurers as permitted by Kansas Statutes.

## Section I – Definitions

1.1 *Department* – The term “Department” as used herein shall mean the Department of Insurance, State of Kansas, or its successor charged with regulatory review of group self-insurance workers’ compensation program funds.

1.2 *Fund* – The term “Fund” as used herein shall mean and include all money and other property held hereunder, which shall consist of all monies received by the Trust as Member contributions or otherwise, and all policies purchased or held by or assigned to the Trust, together with all dividends, refunds or other sums of money payable or refundable to the Trust, investments made by the Trustees and income thereon, and all other monies or other property received and held by the Trust for the uses, purposes and trusts set forth in this agreement.

1.3 *Member/Participant* – The term(s) “Member or Participant” as used herein shall mean and include such local governments that shall a) qualify for participation under the Kansas group self-insurance statute and regulations; b) be a city, county, township, school district, or other political or taxing subdivision of the state, or any agency, authority, institution or other instrumentality thereof, located in the State of Kansas; c) qualify for participation under the requirements for eligibility adopted from time to time by the Trustees pursuant to Section 2.5; d) submit a request for participation in the Trust in a form approved by the Trustees; e) make an initial contribution to the Fund determined on the basis of the coverage to be provided; f) agree to be bound by the terms of this agreement, the Trust Bylaws and Operating Procedures and all the rules and regulations promulgated by the Trustees; and g) at the required times make additional installment contributions to the Fund. If the Member satisfies these requirements, it may be accepted for participation under the provisions of the Trust and Fund coverage and policies obtained pursuant thereto, all subject to and in accordance with Section 5 hereof.

If an applicant is not accepted for participation, any payment made in escrow shall be returned. Anything in the Agreement to the contrary notwithstanding, no applicant may participate as a Member herein where such participation would be in violation of applicable law.

1.4 *Member Contribution* – The term “Member Contribution” as used herein shall mean and include payments made by a Member of the Trust and also the amount paid from any Member to the Trust by reason of any assessment levied by the Trustees pursuant to authority given them in this Agreement.

1.5 *Policies* – The term(s) “Policy” or “Policies” as used herein shall mean and include any policies of insurance purchased by or assigned to the Trust pursuant to this Agreement, and shall be deemed to include any and all amendments or riders attached to each such policy or policies. The Kansas Department of Insurance shall be notified annually and within 30 days of any change in the specific or aggregate excess insurance or reinsurance carried by the Trust.

1.6 *Regulations* – The term “Regulations” as used herein shall mean all regulations affecting the Trust, as they are currently in force or hereafter amended, which are promulgated by the State of Kansas.

1.7 *Trust* – The terms “Trust” and “Agreement” as used herein shall mean and include this instrument, the Trust and Fund created under this instrument, and any amendments hereto and modifications hereof.

1.8 *Trustees* – The term “Trustees” as used herein shall mean the Trustee or Trustees designated in this Agreement, together with their successors, designated in the manner provided by Section 3.2 of this Agreement.

1.9 *Conflict of Interest* – The term Conflict of Interest as herein used shall mean compliance with the KERIT Code of Ethics Addendum adopted September 12, 1995.

1.10 *Administrator and/or Independent Service Agent* – The terms “Administrator” and/or “Independent Service Agent” as used herein shall mean individuals or organizations who have been hired and shall be responsible for tasks and responsibilities as designated by the Board of Trustees. The tasks and responsibilities may include claims administration, loss control, etc. If an Administrator or Independent Service Agent has not been hired, then the Chairperson shall be considered the Administrator and/or Independent Service Agent.

## **Section II – Purpose of Trust and Application of Fund**

2.1 This Trust and Fund are created for the purpose of providing and maintaining through the Fund Workers’ Compensation and Employer’s Liability benefits on a group basis substantially at cost.

2.2 The Trustees may apply for and accept as part of the Fund, insurance policies issued to the Trust or assigned to it for the purposes specified above.

2.3 The Trustees shall not be responsible in any way for the contributions or obligations of any other Member.

2.4 All parties hereto and all Members and their employees and any person claiming by or through any Members’ employee or otherwise understand and agree that workers’ compensation or employer liability benefits under this Trust are limited to those which can be provided under the Kansas statute by the Fund or under insurance policies financed from the proceeds of the fund.

2.5 The Trustees shall establish, fix and determine eligibility requirements for Members and requirements for the continuance of their participation, and such other terms as the Trustees may deem appropriate and as are not inconsistent with the provisions of this Agreement.

2.6 The Trustees use and apply the Fund:

- A. To make payments of benefits as provided under the Kansas Workers' Compensation Act and to make payments for legal fees and costs in contested cases, and to make any other payments required by applicable law.
- B. To establish and accumulate as part of the Fund a reserve or reserves in amounts which the Trustees may deem advisable or may be required by law to carry out the purposes of the Trust.
- C. To pay or provide for the payment of premiums on any insurance policy or policies from the proceeds of the Fund when such premiums shall become due.
- D. To pay or provide for the payment of all reasonable and necessary expenses of collecting Member contributions and administering the affairs of the Trust and Fund, including, but without limitation, all expenses which may be incurred in connection with the establishment and extension of the Trust and Fund, the employment of such administrative, legal, expert and clerical assistance, the purchase of bonds, the leasing of such premises and the purchase or lease of such materials, printed matter, supplies and equipment as the Trustees, in their discretion, find necessary or appropriate in the performance of their duties.
- E. To make refunds from the Fund by cash payments, dividends or otherwise, as the Trustees may determine, to Members who are Members on an eligibility date as may be established by the Trustees, who may make refunds of varying amount to each such category of Members, and may make refunds to one or more category of Members without making refunds to other categories of Members.

2.7 Each Trustee and each person who is authorized by the Trustees to sign checks or may be engaged in handling monies or securities held by the Trust shall be bonded at the expense of the Trust by a duly authorized fidelity company in such amount or amounts as may from time to time be required by the Trustees or by any applicable law.

### **Section III – The Trustees**

3.1 The affairs of the Trust are directed by a Board of Trustees, hereinafter called Trustees. At the annual meeting held in December of each year, the Trustees shall elect a Chairperson, First Vice Chairperson, and Second Vice Chairperson from their number by a majority vote, who shall serve for a period of one year beginning in January following the election in December of the preceding year, or until a successor shall have been duly elected and qualified. The Chairperson shall be the chief executive officer of the Board of Trustees. The Trustees shall have the power to appoint by majority vote other officers pursuant to the Bylaws who shall have such authority and perform such functions as may be prescribed from time to time by said Trustees. Every effort will be made to ensure a path of succession to the Chairperson position to allow for a transfer of knowledge.

3.2 If during the term, the Chairperson, First Vice Chairperson or Second Vice Chairperson should vacate their officer position for any reason, the Board of Trustees may elect a replacement to fulfill the unexpired term at a subsequent regularly scheduled Board meeting.

3.3 At the annual meeting each Member shall have the opportunity to appoint officials or employees in writing to serve as Trustee and Alternate Trustee for the next fiscal year. Should the Member not appoint officials or employees to serve as Trustee and Alternate Trustee or should either position be vacated due to a violation of any Trust rules or requirements, the position shall remain vacant until the next annual meeting. Should a Trustee or Alternate Trustee position become vacant due to termination of employment or other reason not violating any Trustee rules or requirements, the Member shall have the opportunity to appoint a replacement to the position of Trustee or Alternate Trustee prior to the next annual meeting. Each Member shall not have more than one vote at a meeting when both the Trustee and Alternate Trustee are present and the Trustee shall cast such vote, whenever the Trustee is available. In the event of, or a vacancy due to resignation, death, incapacity, unwillingness to serve of both a Trustee and Alternate Trustee, or if the Member has left the Trust, which would reduce the Trustees, the remaining Trustees shall have the power to act in the manner specified in this Trust Agreement. Every appointed Trustee and Alternate Trustee must be a resident of the state of Kansas.

The Trustees shall notify the Commissioner of the Department of any Trustee or Alternate Trustee changes within 30 days after a change is made.

#### 3.4

- A. Any Trustee or Alternate Trustee leaving office for whatever reason shall forthwith turn over to his or her Alternate Trustee or Trustee, of if no such Alternate Trustee or Trustee exists, to the remaining Trustees, at the principal office of the Trust, any and all records, books, documents, monies and other property in his/her possession that pertain to this Agreement and the administration of the Trust.
- B. The powers of the Trustees to act, as above provided, shall not be impaired or limited in any way pending designation of a successor Trustee to fill any vacancy, as is more fully provided by Section 3.3 hereof; provided, however, that there shall at all times be a quorum.
- C. The Trustees shall use ordinary care and reasonable diligence in the administration of the Trust. Nothing contained in this Agreement, either expressly or by implication, shall be deemed to impose other duties or responsibilities on the Trustees other than those expressly set forth in this Agreement. Neither the Trustees nor the Members shall be liable on account of the failure of any insurer to make payment under any contract or any annuity held in the Trust.

#### 3.5

- A. A quorum for the transaction of business at any regular or special meeting of the Board shall consist of a majority of the Trustees then in office. The meeting may be held in whole or in part by conference telephone call. Previously granted claims settlement authority may be revised through a telephone poll of the Trustees, provided a majority of the Trustees then in office approve of the revision. In the event such a revision is requested, the commentary of the employer/Member shall be solicited prior to the telephone poll.
- B. The act of the majority of the Trustees present in person at a meeting at which a quorum is present, shall be the act of the Board of Trustees, except where otherwise provided by law or by these Bylaws.

## **Section IV – Member Contributions to the Trust**

4.1 Each Member shall pay to the Trust on such days as shall be decided upon by the Trustees an appropriate initial Member contribution determined by the Trustees in accordance with the coverage to be provided, the requirement of the regulations, and the initial amount of reserves to be held in the Trust. In addition to the initial Member Contribution, each Member shall pay to the Trust on such days as shall be decided upon by the Trustees, such periodic Member Contributions of installments as the Trustees shall deem necessary, to the extent allowed by law.

4.2 The Trust's Loss Control Consultants shall be permitted at all reasonable times to inspect workplaces, plants, works, machinery, and appliances used by employees by this Agreement, and shall be permitted at all reasonable times while a Member, and within three (3) years after the termination of status as a Member to examine Member's books, vouchers, contracts, documents, and records of any and every kind which show or tend to show or verify the Member's Contributions which are payable under the terms hereof.

## **Section V – Participation and Minimum Term Membership**

5.1 *Eligibility* – An applicant who satisfies the requirements of Section 1.3 of this Agreement and submits request for membership in the Trust may be admitted; provided the applicant satisfies the eligibility requirements or rules for membership established by the Trustees pursuant to Section 2.5. Membership in this Trust shall commence on the date determined by the Trustees. Any Member who participates in this Trust shall be deemed to have subscribed to and adopted this Agreement, as it exists on the date such Member commenced participation and as the Agreement may thereafter be amended, and adopted by the Trustees acting as such from time to time hereunder.

5.2 *Minimum and Continuance of Membership in the Trust* – Any applicant who becomes a Member in accordance with the provisions of Section V shall do so with the intent to continue participation for three (3) years. Subsequent to this initial three-year term, the Member may withdraw at the end of any given fiscal year, after notice to the Trustees, unless or until terminated as provided in Sections 5.3 or 5.4. Failure to meet the above requirements shall result in the Member not sharing in any fund excess for the immediate past year.

### *5.3 Termination of Membership in the Trust*

- A. A Member shall cease to qualify for participation in the Trust when it fails to make the requisite Member Contribution on the date when due or within 30 days of payment due date.
- B. A Member shall cease to qualify for participation in the Trust when it no longer satisfies requirements set forth in Section 1.3 or established under Section 2.5 of this Agreement, other than the requirement specified in Section 5.3 (A).
- C. The Trustees may, in order to preserve the stability and strength of the Trust, make a determination that a Member failed to meet other requirements for continued membership. Such a determination may, however, only be made if it is consistent with the terms of this Trust Agreement. Such a determination may be made under a variety of circumstances, including if a Member has not fully participated in programs or efforts designed to reduce losses or adjust claims.

5.4 *Termination of membership and Coverage of Employees of the Member* – When, in accordance with the provisions of this Section V, a Member ceases to qualify for membership in

the Trust, coverage of the employees of such Member may terminate (i) as of the (60<sup>th</sup>) sixtieth day after a Contribution due date if the required Contribution is not paid when due and remains unpaid on such sixtieth day, if the cessation occurs under Section 5.3 (A), or if (ii) as of the last day of the month following the month which notification that a decision to terminate membership occurs, if the cessation occurs under Section 5.3 (B) and if the Trustees determine that the cause of cessation has not been cured prior to this date. The Kansas Division of Workers Compensation must be given notification of the termination or cancellation pursuant to Kansas law, particularly KSA 12-2626(c). The membership of the Member in the Trust shall terminate at such times as the coverage for the benefit of its employees terminates under Kansas law. After a Member's membership terminates, the Member shall have no further rights or interests in the Trust of Fund for future coverage periods.

## **Section VI – Power of Trustees**

6.1 The Trustees shall determine all questions of coverage and eligibility methods of providing or arranging for benefits, and all other related matters. They shall have full power to construe the provisions of this Agreement and the terms used herein. Any such determination and any such construction adopted by the Trustees in good faith shall be binding upon all parties hereto and the beneficiaries hereof provided it is consistent with the statutes of Kansas and the rules and regulations of the Department.

6.2 The Trustees shall have full power to enforce this Trust Agreement, including but not limited to requiring a covenant of a Member to indemnify the Trust and assume and discharge any lawful award through the levy and collection of any special assessment or other assessment, in order to satisfy such award or to establish a cash reserve out of which lawful and proper claims or awards are to be paid.

6.3 The Trustees shall cause to be established and maintained Bylaws, Operating Procedures, committee policies, and any other documents required under the Kansas Statute or Regulations of the Department.

6.4 The Trustees shall have the right to enforce the performance of all obligations herein and to institute proceedings of any nature whatsoever to enforce the same.

6.5 Title of all the monies paid into the Trust and all of the property of the Trust shall be vested in and remain exclusively in the Trust, for the benefit of the Trust and the Members and their employees, and Members shall not have any right, title or interest in or to any of the Trust or any part thereof. It is the intent of the parties hereto that the Trust shall constitute an irrevocable trust, until terminated as provided herein, for the sole and exclusive benefit of Members and their employees entitled to benefits of the Trust, and no benefits of monies or property of this Trust shall at any time be subject in any manner to anticipation, alienation, claims for alimony or marital or child support, sale transfer, assignment, pledge, encumbrance or charge, and any attempts to do so shall be void.

6.6 The Trustees shall have the power to make rules and regulations for the governance, management and administration of this Trust and to carry out the provisions of this Agreement.

6.7 Any action by the Trustees pursuant to this Agreement may be taken either at a meeting in person or by telephone conference call or by a combination of the foregoing. In the event all of the Trustees shall severally or collectively consent in writing to any action taken or to be taken by the Trust, such action is valid as though it had been authorized at a meeting of the Board.



6.8 Subject to applicable Kansas law, e.g. KSA 12-2621(b) and 12-2622, the Trustees shall have unlimited powers to invest and reinvest any monies coming into their hands which, in their sole and absolute discretion, they consider not required for current Trust expenditures. The Trustees shall not, however, invest or reinvest any monies coming into their hands in any way which would violate any of the provisions of any federal or state law applicable to this Trust. Further, any such investments are what would be reasonable and proper at the time that the Trustees made the investment. It will be conclusively presumed that reliance upon any investment trustee, investment committee, or firm or investment advisors shall be reasonable and that government securities and deposits with insured banks and trust companies shall also be reasonable.

6.9 Any instrument or document in writing may be signed, executed, verified and delivered by such officers, agents or Members of the Board of Trustees as the Trustees may from time to time determine.

6.10 The Trustees may hire one or more administrators to perform such duties and functions as specified in writing to be executed by the Administrator. If a compensated Administrator is not retained, the Chairperson shall assume those responsibilities.

### **Section VII – Audits and Reports**

7.1 The Trustees shall keep true and accurate books of accounts and records of all their transactions as Trustees, which shall be audited no less often than annually. A statement of the results of said annual audit shall be made available to Members and others as required by law. The Trustees, within their discretion, may, at reasonable intervals, furnish reports representing the status of the Fund, the application of the contributions received, and such other pertinent information regarding the operation of the Fund and the benefits obtained under the Policies as may seem desirable or advisable, but shall not be required to furnish such reports more often than annually. The Trustees shall cause to be made and filed all required documents and reports to governmental entities as required by applicable law and regulation.

### **Section VIII – Amendment**

8.1 Amendments to this Trust Agreement may be made by a vote of two-thirds (2/3) of the then sitting Members, voting by their appointed Trustee at any annual, regular or special meeting of the Trust. The amendment must be sent out prior to the meeting and the agenda must indicate a vote shall be taken at the meeting. The draft amendment shall be sent out to each Member at least business 10 days prior to the meeting and the agenda shall indicate that a vote will be taken on the draft amendment.

### **Section IX – Termination of Trust**

9.1 The Trust may be terminated at any time by an instrument or instruments in writing executed by two-thirds (2/3) of the then sitting members of the Board of Trustees and delivered to all Members and the Department.

9.2 In the event of termination of the Trust, the Trustees may take any action with regard to any Policy or Policies which may be appropriate or required by the insurance carriers of such Policy or Policies and shall apply to the Fund to pay any and all obligations of the Trust and distribute any remaining surplus among Members in such manner as will, in their opinion, best effectuate the purposes of the Trust; provided, that all such actions shall be in accordance with the terms of the applicable law.

## **Section X – Obligation of Members**

As required by the Department, the Fund and its Members, jointly and severally, agree to assume and discharge, by payment, any lawful awards entered by the Department against the Fund or any Member of the group, which awards shall have been sustained by the courts where an appeal by either party is taken.

Each Member agrees to be bound by all of the terms of the Trust Agreement as amended from time to time and to abide by the Bylaws, policies, rules and regulations promulgated by the Trustees for the administration of the Trust, as amended from time to time, regardless of whether the Member's Trustee or Alternate Trustee approved or disapproved of any of the terms, Bylaws, policies, rules or regulations. The binding effect on each Member of the terms, Bylaws, policies, rules and regulations shall include, but not be limited to, the following:

- A. Each Member agrees to initiate and maintain a safety program to give its employees safe and sanitary working conditions and agrees to follow the general recommendations of the Trust, its Administrator, Trustees and agents to promote the general welfare of its employees.
- B. When an injury addressed by this Trust Agreement occurs, the Member shall electronically submit an accident report within 4 (four) business days to the Independent Service Agent designated by the Trustees.
- C. If claim is made or suit or other proceeding is brought against the Member, the Member shall immediately forward to the Independent Service Agent every demand, notice, summons or other process received.
- D. The Member shall cooperate with the Trust and, upon the Independent Service Agent's request, shall cause appropriate representatives of the Member to attend hearings and trials and assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses and otherwise cooperate in the conduct of suits, hearings or proceedings. The Member shall not, except at its own cost, which shall not be reimbursed by the Trust, voluntarily make any payment, assume any obligation or incur any expense other than for such immediate medical and other services at the time of injury as are required by the Kansas Workers' Compensation Law or other applicable law.
- E. Each Member shall make prompt payment of all premium contributions and assessments required under this Agreement.
- F. Each Member does hereby appoint the Independent Service Agent as agent to act in the Member's behalf to file reports and to make or arrange for payment of claims, medical expenses and all other things required or necessary insofar as they affect the Member's liability under the rules, regulations and orders by the Kansas Department of Insurance pertaining to this Trust.
- G. Each Member agrees that, in the event of the payment of any loss by the Trust under this Agreement, the Trust shall be subrogated to the extent of such payment to all the rights of the Member against any person or other entity legally responsible for damages for said loss, and in such event, the Member hereby agrees to render all reasonable assistance, other than pecuniary assistance, to effect recovery to the Trust upon terms acceptable to the Trust.

H. The Trustees, the Independent Service Agent, and any of their agents, servants, employees or attorneys, shall be permitted at all reasonable times to inspect the Member's work places, plants, works, machinery and appliances covered by this Agreement, and shall be permitted at all reasonable times and within three years following termination of membership to examine Member's books, vouchers, contracts, documents and records of any and every kind which show or tend to show or verify premium contributions which are payable or were paid to the Trust.

**Section XI – Miscellaneous**

11.1 The Members shall furnish to the Trustees such records and any and all other information that the Trust or the excess insurance carriers of the Policies may require in connection with the issuance of a Policy or Policies.

11.2 All questions pertaining to the validity, construction and administration of this Trust and this Agreement shall be determined in accordance with the laws of the State of Kansas.

11.3 Words used in the masculine gender shall be construed as though they were also used in the feminine or neuter form. And words used in the singular form shall also be construed, as though this was also used in the plural form and vice versa, all as the context requires.

11.4 This Agreement may be signed in one or more counterparts, all of which taken together shall constitute one instrument. The signatures of parties appearing on one or more counterparts shall bind them as fully as though all such parties had signed the same counterpart.

IN WITNESS WHEREOF, the Members of the Trust have caused this Agreement, which may be executed in one or more counterparts, to be executed by the duly authorized Chairperson of the Board of Trustees and the Member has caused the Agreement to be executed by its duly authorized representatives. Each signing party on behalf of a Member represents and warrants that the signing party on behalf of such Member has authority to bind the Member and that each Member approved this Agreement in an authorized manner.

Date: \_\_\_\_\_

\_\_\_\_\_

Chairperson of the Board of Trustees

Date: \_\_\_\_\_

\_\_\_\_\_

Representative of Jurisdiction

\_\_\_\_\_  
Name of Jurisdiction

\_\_\_\_\_  
Title

# OPERATING PROCEDURES

Date of Revision:                      Effective November 18, 2014

Date of Revision:                      Effective March 14, 2017

## **Purpose**

The Kansas Eastern Region Insurance Trust ("Trust") is a group self-insured program to provide Workers' Compensation benefits to employees of Trust Members. The program is designed to provide Members a greatly improved loss control program that will reduce claims and accidents; reduce costs through sound and equitable claim management practices; and provide the required excess insurance at a discount based on volume and lower risk exposure. The approved Bylaws include the basic rules which govern the Trust. These operating procedures provide additional guidance to, and clarify, the approved Bylaws and Trust Agreement. To the extent that these operating procedures contradict the Bylaws or the Trust Agreement, the latter documents shall control.

## **Fiscal Year**

The Trust operates on a fiscal year from 12:01 a.m., January 1 to midnight, December 31. Application for membership, when approved in writing by the Trustees and reinsurance carrier, shall constitute a continuing contract for each succeeding fiscal period, unless the Member shall have resigned or withdrawn from the Trust by written notice as outlined in the Cancellation of Membership section, or had membership canceled by the Trust as outlined in the Cancellation of Membership section.

## **Trustees**

At the annual meeting of the Trust each Member shall have the opportunity to appoint officials or employees in writing to serve as Trustee and Alternate Trustee for the next fiscal year. Should the Member not appoint officials or employees to serve as Trustee and Alternate Trustee or should either position be vacated due to a violation of any Trust rules or requirements, the position shall remain vacant until the next annual meeting. Should a Trustee or Alternate Trustee position become vacant due to termination of employment or other reason not violating any Trustee rules or requirements, the Member shall have the opportunity to appoint a replacement to the position of Trustee or Alternate Trustee prior to the next annual meeting. No Member shall have more than one (1) vote at a meeting, even when a Member's Trustee and Alternate Trustee are both present. In that case, only the vote of the Trustee shall control. In the event of a vacancy due to resignation, death, incapacity, unwillingness to serve or if the Member has left the Trust, which would reduce the Trustees, the remaining Trustees shall have the power to act in the manner specified in these operating procedures.

A meeting of the Trustees shall be held as often as necessary to conduct the business of the Trust.

The affairs of the Trust are directed by a Board of Trustees, hereinafter called Trustees. At the annual meeting held in December of each year, the Trustees shall elect a Chairperson, First Vice Chairperson, and Second Vice Chairperson from their number by a majority vote, who shall serve for a period of one year beginning in January following the election in December of the preceding year, or until a successor shall have been duly elected and qualified. The Chairperson shall be the chief executive officer of the Board of Trustees. The Trustees shall have the power to appoint by majority vote other officers pursuant to the Bylaws who shall have such authority

and perform such functions as may be prescribed from time to time by said Trustees. Every effort will be made to ensure a path of succession to the Chairperson position to allow for a transfer of knowledge.

The Chairperson shall appoint a nominating committee. The nominating committee shall nominate a slate of officers to be voted on by the Trustees at the annual meeting. Additional nominations may be made by the Trustees.

### **Officers**

The Chairperson shall preside at all meetings of the Trustees and of the Members of the Trust; shall have general supervision over the affairs of the Trust and over the other officers; and shall perform all such other acts and duties as are incident to his/her executive office, which is comparable to that of president of a corporation. In a case of the absence or disability of the Chairperson, his/her duties shall be performed by the First Vice Chairperson.

The Chairperson shall be considered Administrator for the Trust if a compensated professional has not been retained.

The Trust may employ a third party to record the minutes of all meetings and prepare agendas, records, etc., and other duties normally required of a Secretary.

The Board of Trustees appoints a Finance Committee. The Finance Committee shall invest the funds in accordance with the Trust's approved investment policy and applicable State statutes. The Finance Committee shall have the sole discretion as to the securities in which the Trust shall be invested or reinvested. However, all investments must be permitted by the Kansas statutes, specifically KSA 12-2622. The Trustees may, from time to time, provide general investment guidelines at their discretion.

### **Membership Criteria**

Membership in the Trust is available to cities, counties, townships, school districts, or other political or taxing subdivisions of the State, or any agency, authority, institution or other instrumentality thereof within the State of Kansas.

Although membership is open to all jurisdictions meeting the minimum criteria stated below, the Trust will evaluate separately each application to determine if the amount of Member Contribution for the applicant justifies the additional risk to the Trust. Entities being considered for membership by KERIT Trustees shall be evaluated against, but not limited to, the following criteria:

- Have a strong safety culture and a good workers' compensation loss experience modifier (ideally .90 or below).
- Size (number of employees and payroll) and risks of the organization are comparable to current KERIT membership.
- Make a long-term commitment to membership in KERIT and attend Board and loss control meetings, trainings, and other meetings as required of KERIT members.
- Have professional management in place.
- Unusual areas of exposure.
- All applicants must receive favorable underwriting from the Independent Service Agent to be recommended for membership.

An applicant that meets the membership criteria may be approved by the Trustees for membership. Before membership is granted, the applicant shall be provided with written notice

that complies with KSA 12-2626(b). Any applicant for membership that does not meet the membership criteria will be subject to individual review by the Trustees and the excess insurance carrier of the Trust. Losses of non-recurring nature or losses based on conditions that have been changed or removed shall be some of the considerations in this review.

### **Method of Payment**

Member Contributions shall be made in two installments, due on January 1 and July 1. All Member Contributions shall be due and payable within sixty (60) days of the specified due date. Failure to make any Member Contribution within sixty (60) days of the specified due date shall be grounds for termination. The Independent Service Agent shall provide advance notice of payment due date to all Members.

Members joining the Trust at any time other than the beginning of a fiscal year shall pay on a basis of pro rata Member Contributions.

### **Dividend/Assessment Procedures**

Surpluses for individual claim years may be returned to the Members at the discretion of the Board of Trustees and in accordance with the Kansas statutes. The Trust must comply with the restrictions of the Kansas statutes regarding distributions of surplus funds from the current or previous claim years. Calculation of each Member's share of a surplus shall be determined in accordance with an approved dividend formula.

In the event of a deficit for a claim year, each Member participating in that claim year shall be assessed an amount based upon its pro rata share of total standard premiums for the claim year.

Refer to Dividend/Assessment Addendum.

### **Investments**

Refer to Investment Policy Addendum.

### **Code of Ethics**

Refer to Code of Ethics Addendum.

### **Independent Service Agent**

The Trust shall select an Independent Service Agent which has been previously competitively reviewed for the administration of safety/loss prevention and claims. The Independent Service Agent shall provide the following for the Trust and its Members.

- A. Loss Prevention Services – Assist in the reduction of various loss producing situations.
  - 1) Provide tailored, practical programs focused on the unique safety risks of Members.
  - 2) Provide programs with written manuals and educational aids, surveys and visit reports to aid reduction or elimination of accident costs.
  - 3) Offer cost-effective guidance in meeting all federal and state safety standards if applicable.
- B. Claims Management services – Reduce the claim handling costs once claim(s) occur.
  - 1) Judge the validity of claim(s) submitted and establish fair reserves.
  - 2) Continue management of claims until resolved, including all subrogation.
  - 3) Provide legal defense coordination when requested to do so by Trustees.

- 4) Establish a prompt "fair but firm" policy in claims payments.
- 5) Have timely contact with Member if claim problems or issues arise.
- 6) Report to Trust at all regular meetings on claims reserved over \$10,000.

C. Statistical Reporting

- 1) Provide detailed computer reports to enable claim cost analysis by case and in the aggregate.
- 2) Provide safety accident analysis reports on a timely basis.

D. General Administration

- 1) Obtain quotes for excess insurance and make recommendation to Trustees. The Independent Service Agent will notify the Commissioner of the Department of Insurance within 30 days of any change in the specific or aggregate excess insurance or reinsurance carried by the Trust.
- 2) Assist in underwriting and screening of new Members.
- 3) Provide administrative support to the Administrator, Trustees and Members.
- 4) Market the Trust to prospective Members.
- 5) Conduct other administrative tasks that are deemed appropriate by the Trustees.

**Trust Agreement**

The Trust and its Members agree to comply with requirements of the Trust Agreement, as signed by the Chairperson of the Trust and a representative of the Member and as amended from time hereafter.

A copy of the then effective Trust Agreement shall be provided to each Member upon application for membership in the Trust.

**Check Signature Controls**

The following signatures are required when drawing checks:

<b>Claims Fund Account</b>	
Under \$5,000	Requires a single Independent Service Agent signature
\$5,000 - \$10,000	Requires two Independent Service Agent signatures
\$10,000 and above	Requires one Independent Service Agent and one Trustee signature

<b>Administrative Fund Account</b>	
Under \$10,000	Requires one Trustee signature
\$10,000 and above	Requires two Trustee signatures

**Amendments**

Amendments to the Operating Procedures and the policies, rules and regulations of the Trust shall be approved by the Trustees and shall be distributed to the entire membership. Notice to the Commissioner of the Department of Insurance shall be provided within 30 days of any amendments to the Operating Procedures, or the policies, or rules or regulations of the Trust. The Trustees are authorized to adopt various statements of policy as deemed appropriate by the Trustees and to amend, revise or replace them as the Trustees deem appropriate at any time in the future. These Operating Procedures, all of the policies, rules and regulations of the Trust, as may be amended, revised or replaced at any time in the future, shall be binding on

the Trust, its officers and employees and the Members of the Trust, as now exist and as exist in the future.



# ASSESSMENT FORMULA POLICY

Date of Revision: Effective July 10, 2012

Date of Revision: Effective March 14, 2017

## Background

KERIT Members pool their risks when they become Members. As such, the Members share any surplus from the pooling activities but must pay in additional funds to cover any deficits.

The Trust Agreement, bylaws, operating procedures, rules, regulation, policies and state statutes provide some guidance for the distribution of assessments among Members. However, the following assessment formula describes the actual calculation of amount due from a Member when the Board of Trustees authorizes an assessment to be collected.

## Assessment Formula – Approved July 10, 2012 (for all claim years since inception)

In the event of a deficit for a claim year, an assessment will be accrued in the financial statements. As the claim year develops, the Board of Trustees may, at its discretion, bill the Members to collect an assessment, either in full or partial. Each Member's share of the assessment is based upon its pro rata share of the standard premium for the claim year.

See attached example of the assessment formula.

## Board Approval for Assessment

All assessments, either in full or partial, must be approved by the Board of Trustees prior to bill preparation and collection. The Board, when approving the assessment, will also determine the due date for payments.

This Addendum is intended to replace and supersede any and all prior Assessment Addendums. No other Addendums will apply.

### Example of an Assessment

Claim Year Total Assessment			<u>391,722</u>
		Members' % of	
Entity	Standard Premium	Standard Premium	Amount of Assessment
Atchison Co.	34,363	1.65%	6,468
Fairway	9,820	0.47%	1,848
Gardner	21,455	1.03%	4,038
Johnson Co.	752,379	36.15%	141,607
Lansing	9,078	0.44%	1,709
Leavenworth Co.	151,725	7.29%	28,557
Leawood	162,003	7.78%	30,491
Lenexa	332,052	15.95%	62,496
Merriam	77,911	3.74%	14,664
Olathe	378,539	18.19%	71,246
Shawnee	151,947	7.30%	28,598
Total	<u>2,081,272</u>	100.00%	<u>391,722</u>

# CODE OF ETHICS POLICY

Date of Revision: Effective September 12, 1995

Date of Revision: Effective March 14, 2017

## **Declaration of Policy**

The purpose of this Code is to establish guidelines for ethical standards of conduct for Kansas Eastern Region Insurance Trust (KERIT) Trustees, public officers, officials and employees by setting forth those acts that are incompatible with the best interests of KERIT and by directing disclosure, by such officials or employees, of private financial or other interests in matters affecting KERIT.

## **Definitions**

### *Interest*

Interest means direct or indirect pecuniary or material benefit accruing to a Trustee, public officer, official or employee as a result of a contract or transaction which is or may be the subject of an official act or action by or with the Trust except for such contracts or transactions which by their terms and by the substance of their provisions confer the opportunity and right to realize the accrual of similar benefits to all other Trustees, Members, public officers, officials, employees or persons.

For purpose of this Code, a Trustee, public officer, official or employee shall be deemed to have an interest in the affairs of:

- A. Any person related to him by blood or marriage, such as spouse, parent, child, grandchild, grandparent or sibling of any such persons, and a divorce or separation between spouses shall not be deemed to terminate any such relationship.
- B. Any person or business entity with whom a contractual relationship exists with the Trustee, public officer, official or employee.
- C. Any business entity in which the Trustee, public officer, official or employee is an officer, director, employee, owner, partner, beneficiary or member having a financial interest.
- D. Any business entity in which the stock of, or legal or beneficial ownership of, in excess of five percent (5 percent) of the total stock or total legal and beneficial ownership, is controlled or owned directly or indirectly by the Trustee, public officer, official or employee.

### *Official act or official action*

Official act or official action means any legislative, administrative, appointive or discretionary act of any Trustee, public officer or employee of KERIT.

### *Business entity*

Business entity means any business, proprietorship, firm, partnership, limited liability company, person in representative or fiduciary capacity, association, venture, trust or corporation.

*Trustee, public officer, official or employee*

Trustee, public officer, official or employee means any person holding a position by election, appointment or employment in the service of KERIT.

**Ethical Code**

Every Trustee, public officer, official and employee of KERIT is expected to maintain the following standards:

- A. Refrain from making any promise, private in nature, the performance of which would require an act beyond the proper scope of the duties of his or her office or to act in a manner which would or could compromise the integrity of his or her office, or to accept for himself or herself or family, favors or benefits under circumstances which might give the appearance to reasonable persons as influencing the performance of his or her duties.
- B. Never engage in any business with KERIT, either directly or indirectly, which is inconsistent with the conscientious performance of his or her duties.
- C. Never use any confidential information gained in the performance of KERIT duties as a means for making a private profit or gaining benefits; and never reveal to unauthorized recipients any information made known through official KERIT duties which is by law confidential or by custom a protected right of privacy, where revealing the information could affect the civil or moral rights of any person.
- D. Disclose any actual or potential conflict of interest and abstain from any official actions of KERIT where or when interest is or should be known.
- E. Execute a form on at least an annual basis indicating: that such person has received a copy of this Code; has read and understands the Code; agrees to comply with the Code and discloses to KERIT on said form any personal interests known to exist or likely to exist and giving rise to or likely to give rise to an actual, possible, or perceived conflict of interest with respect to any known transaction or arrangement involving KERIT.

**Exhibit A – Kansas Eastern Regional Insurance Trust – Code of Ethics Policy  
Conflict of Interest Form**

The purpose of the completion of the form by the undersigned is to affirm his/her commitment to act in accordance with the Kansas Eastern Regional Insurance Trust’s (KERIT) Code of Ethics Policy.

By signing this agreement, the undersigned affirms that the undersigned:

- (a) Has received a copy of the Code;
- (b) Has read and understands the Code;
- (c) Agrees to comply with the Code in its entirety; and
- (d) The undersigned hereby further discloses to the KERIT Board of Trustees the following personal interests of the undersigned to exist and giving rise to or likely to give rise to an actual, possible, or perceived conflict of interest with respect to any known transaction or arrangement involving KERIT:

---

---

---

Resident of the State of Kansas

The undersigned affirms that he/she is a resident of the state of Kansas as required by KSA 12-2627.

Signed \_\_\_\_\_

Printed Name: \_\_\_\_\_  
Trustee or Alternate Trustee

Member Name: \_\_\_\_\_

Date: \_\_\_\_\_

Witness: \_\_\_\_\_

# DIVIDEND FORMULA POLICY

Date of Revision: Effective August 8, 2006

Date of Revision: Effective March 14, 2017

## Background and History

When KERIT was formed, its original dividend policy rewarded Members based upon their contribution to a positive loss fund surplus for a given program year and the total premium paid by that Member for that particular program year. That policy remained in effect through the 2003 program year.

In late 2003, a committee was formed to review the policy and found that there was conflict between the **dividend formula** and the **assessment formula** (when contributions fail to meet program year obligations).

Specifically, while the dividend formula had a loss-sensitive component, the assessment formula was solely premium based. Regardless of loss experience, Members were assessed in accordance to their percentage of the total contribution/premium of the group.

It was recommended by the committee that these two formulas (dividend and assessment) be consistent. Because of the recommendation, the Board of Trustees approved a dividend formula that was premium based. Members would be rewarded relative to their percentage of premium to the entire group. *The loss sensitive component was removed.* This change was made effective March 22, 2004, and applied to program years 2004 and forward.

On August 1, 2006, the newly formed Finance Committee met again to discuss the dividend issue. One result of that meeting was that Finance Committee Members decided to recommend that dividends be awarded based upon loss experience and that both the dividend and assessment policy be consistent with each other. Additionally, it was agreed that the goal of distributing dividends should be to reward those Members who contribute to the financial success of KERIT.

On August 8, 2006, it was recommended to and approved by the full Board of Trustees that dividends should be distributed to Members based upon a 100 percent loss-sensitive formula. Those with the best loss experience in a given program year would be rewarded for their contribution to the group's financial success.

KERIT's Trust Agreement, Bylaws, and operating procedures and state statutes provide some guidance for the distribution of surpluses back to the Members. However, the following dividend formula describes the actual calculation of amount due to Members when the Board of Trustees authorizes a dividend distribution.

## Dividend Formula — Approved August 8, 2006, for Plan Years 2004 and After

The **Positive Loss Fund Balance** is the net amount of 70 percent of the total earned premiums less the total losses from claims. The **Positive Administrative Fund Account Balance** is the net amount of 30 percent of the total earned premiums and allocated investment income less administrative expenses. The **Positive Fund Balance** is the net amount of all revenues (including investment income allocated to the loss fund) less all expenses. These balances are accounted for and calculated on a claim year basis. The members participating in a claim year may change from one claim year to the next claim year.

One hundred percent (100 percent) of the **Positive Loss Fund Balance** for a claim year will be distributed to the Members based upon the Member's pro rata share of the Trust's **Positive Loss Fund Balance** for that claim year.

See example of new formula attached below.

#### **Dividend Formula — Approved August 8, 2006, for Plan Years 2003 and Prior**

No changes were made to the formula that applies to plan years 2003 and prior, last approved March 22, 2004. Eighty percent of the surplus for a claim year will be distributed to the Members according to their contribution to a positive loss fund balance. The remaining 20 percent is distributed to the Members based upon the ratio of premium earned to total group premiums earned.

The positive loss fund balance is calculated as follows: Member's total earned premium times 70 percent equals the loss fund premium. The total losses from claims for that Member are subtracted from the loss fund premiums. If a Member has a positive loss fund balance, the Member participates in the distribution of 80 percent of the surplus. If the Member has a negative loss fund balance, it does not participate in the 80 percent distribution.

#### **Board Approval for Distribution**

All dividends must be approved by the Board of Trustees prior to distribution. In addition, the surplus for a given claim year must not be set aside to satisfy requirements of the reserved fund balance policy. The Board, when approving the dividend distribution, will also determine the amount of surplus to be distributed (full or partial) and the time period for delivering dividend checks.

This Addendum is intended to replace and supersede any and all prior Dividend Addendums. No other Addendums will apply.

For Informational Purposes Only

Example of a Dividend Distribution - For Claim Year 2003 and Prior

Claim Year Total Surplus	<u>223,702</u>
80% of Surplus	<u>178,962</u>
20% of Surplus	<u>44,740</u>

Entity	Earned Premium	Loss Fund Premium 70%	Total Losses	Positive Loss Fund Balance	Members' % of Positive Loss Fund Balance	80% of Total Surplus Dividend	Members' % of Earned Premium	20% of Total Surplus Dividend	Total Dividends
Gardner	10,653	7,457	1,544	5,913	2.12%	3,789	1.28%	574	4,363
Lansing	8,529	5,970	908	5,062	1.81%	3,244	1.03%	460	3,703
Leavenworth Co.	89,687	62,781	10,842	51,939	18.60%	33,282	10.80%	4,832	38,114
Leawood	89,565	62,696	6,479	56,217	20.13%	36,023	10.79%	4,826	40,849
Lenexa	153,136	107,195	40,025	67,170	24.05%	43,042	18.44%	8,251	51,293
Olathe	244,114	170,880	108,456	62,424	22.35%	40,001	29.40%	13,153	53,153
Shawnee	70,158	49,111	18,555	30,556	10.94%	19,580	8.45%	3,780	23,360
Johnson Co.	164,552	115,186	224,946	0	0.00%	0	19.82%	8,866	8,866
<b>Total</b>	<b>830,394</b>	<b>581,276</b>	<b>411,755</b>	<b>279,280</b>	<b>100.00%</b>	<b>178,962</b>	<b>100.00%</b>	<b>44,740</b>	<b>223,702</b>

For Informational Purposes Only

Example of a Dividend Distribution - For Claim Year 2004 and Beyond

100% Loss Sensitive Dividend Formula

Claim Year Total Surplus 223,702

Entity	Earned Premium	Loss Fund Premium 70%	Total Losses	Positive Loss Fund Balance	Members' % of Positive Loss Fund Balance	Total Dividends
Gardner	10,653	7,457	1,544	5,913	2.12%	4,736
Lansing	8,529	5,970	908	5,062	1.81%	4,055
Leavenworth Co.	89,687	62,781	10,842	51,939	18.60%	41,603
Leawood	89,565	62,696	6,479	56,217	20.13%	45,029
Lenexa	153,136	107,195	40,025	67,170	24.05%	53,803
Olathe	244,114	170,880	108,456	62,424	22.35%	50,001
Shawnee	70,158	49,111	18,555	30,556	10.94%	24,475
Johnson Co.	164,552	115,186	224,946	0	0.00%	0
<b>Total</b>	<b>830,394</b>	<b>581,276</b>	<b>411,755</b>	<b>279,280</b>	<b>100.00%</b>	<b>223,702</b>



# FUND BALANCE POLICY

Date of Revision: Effective November 18, 2014

Date of Revision: Effective March 14, 2017

## Background and Purpose

One key purpose of KERIT is to share risk among its Members. In return for annual premiums, KERIT processes and pays workers compensation claims for its Members. To reduce the risks involved, KERIT purchases specific excess insurance coverage to cover large losses over certain amounts. In addition, KERIT accumulates fund balance surplus from claim years with an excess of revenues over expenditures. This accumulated fund balance is available to offset claim years when the expenditures exceed revenues.

The size of the fund balance on the balance sheet is a key indicator of the sustainability of KERIT over the long term, along with a consistent level of premiums year after year and periodic dividend distributions.

This fund balance policy provides guidance for the KERIT Board of Trustees (“KERIT Board”) to:

- Comply with state restrictions on fund balance.
- Comply with Government Accounting Standards Board (GASB) guidance regarding restricted, committed, assigned and/or unassigned fund balance.
- Determine the appropriate amount for a “minimum” fund balance KERIT should maintain for ongoing operations and to help mitigate unusually large and/or multiple large losses in a claim year.
- Determine the appropriate amount for a “maximum” fund balance KERIT should have before dividend distributions are issued.
- Minimize the impact of potential premium assessments for claim years when expenditures exceed revenues.

## Kansas State Restriction on Fund Balance

### A. Time Period for Distributions

State statutes stipulates that the KERIT Board cannot issue distributions before 12 months after a claim year (which would represent months 13 through 24 of a claim year). After this period has ended, the KERIT Board may distribute surplus funds.

The time period for restrictions on fund balance is reflected in the following examples:

	Fiscal Year 2012 – Jan. to Dec.	Fiscal Year 2013 – Jan. to Dec.	Fiscal Year 2014 – Jan. to Dec.
Claim year 2011	Restricted	Not Restricted	Not Restricted
Claim year 2012	Restricted	Restricted	Not Restricted
Claim year 2013	Not begun	Restricted	Restricted
Claim year 2014	Not begun	Not begun	Restricted

The amount of the restricted fund balance will change each month as the claims are processed and paid and additional investment income is recorded.

#### B. In Lieu of Specific and Aggregate Insurance

State statutes allow the Commissioner of Insurance to require KERIT to retain an adequate amount of surplus funds in lieu of specific and aggregate insurance (refer to KSA 12-2618 and 12-2621). KERIT dropped aggregate insurance effective January 1, 2010 after receiving a waiver from the Commission of Insurance. No restrictions or minimums were placed on the surplus funds (fund balance) by the Commissioner at that time.

#### **Government Accounting Standards Board (GASB)**

GASB has issued statements regarding the classification of fund balance and uses the following terms:

- Restricted – Assets with externally imposed constraints such as those mandated by creditors, grantors, or laws or regulations of other governments. Such constraint is binding unless modified or rescinded by the applicable external body, laws or regulations.
- Committed – Assets with a purpose formally imposed by a KERIT Board resolution, which is binding unless modified or rescinded by the KERIT Board.
- Unassigned – All amounts not included in the other fund balance classifications.

#### **Guidance for Minimum and Maximum Fund Balance**

Adjusted Fund Balance – The fund balance value used for the analysis will be adjusted for any uncollected/accrued premium assessments since this revenue has not been actually received. In addition, the fund balance for the current claim year and the immediate past claim year will be excluded since those claim years are still restricted by the state of Kansas.

For example:

Ending Fund Balance – June 30, 2014	\$6,279,689
Less Uncollected/Accrued Premium Assessments	(284,234)
Less Fund Balance for Current Claim Year	(33,041)
Less Fund Balance for Immediate Prior Claim Year	(136,239)
Adjusted Fund Balance	<u><u>\$5,826,175</u></u>

Minimum Fund Balance – A potential risk for KERIT would be a claim year with multiple large claims where KERIT is responsible to pay everything on a claim before the specific excess insurance begins to pay. For example: If a claim is reserved at \$750,000, the insurance company will pay the claim's expenses which exceed the retention amount, currently \$500,000. KERIT will first pay the bills related to the claim and then the insurance company will reimburse KERIT for the excess amount paid over the specific retention amount.

The desired minimum fund balance will be equal to four (4) times the current claim year specific retention amount (e.g. \$500,000) plus an additional amount to cover potential adverse loss development for prior claim years. The additional amount will be equal to the amount calculated for the current claim year. See example of the calculation of minimum fund balance below:

Current Year	4 large claims x \$500,000 retention (for example only, retention may change in future years) = \$2,000,000
Plus	+
Prior Years	\$2,000,000 (same amount as calculated for current claim year)
Combined	\$2,000,000 + \$2,000,000 = \$4,000,000 for desired minimum fund balance

**Maximum Fund Balance** – The KERIT Board also has a responsibility to not accumulate an excessively high fund balance and has a strong practice of regularly issuing dividend distributions to the Members. The guideline for the maximum fund balance that should be retained in KERIT is determined by the following liquidity ratio formula (using as of June 30, 2014 data as an example):

***Liquidity Ratio***

Total Cash & Investments	\$ 10,543,045
Less Total Claim/IBNR Reserves and Other Current Liabilities	5,666,452
Balance – Maximum Fund Balance Target	\$ 4,876,593
 Adjusted Ending Fund Balance	\$ 5,826,175
 Fund Balance in Excess of Target	\$ 949,582

**Impact of Potential Premium Assessments**

On occasion, KERIT experiences a claim year where expenditures exceed revenues. GASB guidance requires KERIT to record supplemental premium assessments to cover the deficiency. The claim year deficiency changes each year as the open claims are adjusted and closed. Some claims may improve while other claims will have adverse development.

At some point in time, the KERIT Board will need to bill the Members to collect the supplemental premium assessments. To minimize the impact of collecting supplemental premium assessments from the Members, the KERIT Board may offset a dividend distribution by the amount of the supplemental premium assessment. While this approach reduces the dividend distributions, it eliminates the need for a Member to write a check to KERIT for additional premiums.

Whenever the KERIT Board reviews fund balance and potential dividend distributions, the KERIT Board will also evaluate the potential to collect any accrued supplemental premiums assessments.

**Maturity of Claim Years before Dividend Distributions are Made**

Each year KERIT processes approximately 450 to 500 claims. Some claims are quickly settled and closed while more complicated claims are open for several years. Some claims are settled on a running award and technically are never fully closed.

Because claims are open for several years and the ultimate estimated cost of claims may increase (adverse loss development) or decrease (positive loss development), the KERIT Board will not make any dividend distributions from a claim year until at least 80 percent of all claims have been paid. The 80 percent goal is usually reached by 36 months. (This information is reported in the September 30 and December 31 actuary reports.)

### **Monitoring Compliance with Fund Balance Policy**

The KERIT Board will evaluate compliance with this fund balance policy at least two times each year:

- Consideration of potential dividend distributions (summer after annual audit is complete).
- Claim year renewal (November/December).

The KERIT Board will compare the current and/or projected ending fund balance with the minimum and maximum amount guidelines included in this policy.

If the fund balance is projected to fall below the minimum fund balance, the KERIT Board will take steps to replenish the fund balance through higher premiums, no dividend distributions for the year and/or collecting supplemental premium assessments.

The KERIT Board will also annually review any current formal resolution(s) to “commit” fund balance and determine if any changes are desired.

### **Amount of Potential Dividend Distributions**

The KERIT Board desires to be able to distribute dividends on an ongoing basis. As such, the Board will determine the portion (0 to 100 percent) of the excess over the maximum fund balance target to be distributed. The percentages may vary from year to year due to considerations, such as:

- Current market for workers’ compensation coverage (provide relief from premium increases).
- Recent claim years’ losses and trends (retain fund balance to offset potential premium assessments).
- Size of past dividend distributions.
- Size of the excess amount over the target maximum fund balance.

### **Operating Procedures Addendums for Dividend and Premium Assessment Formulas**

The KERIT Board has approved operating procedures addendums to establish the formulas to use to calculate the amount of dividend distributions and/or premium assessments by Member. Refer to these addendums for guidance on the formula calculations. Any amendments, changes or addendums to the Dividend Policy shall be provided to the Commissioner of the Kansas Department of Insurance within 30 days after they occur.

After considering the restrictions on fund balances for certain claim years as discussed above, the KERIT Board does have discretion to select the claim years to use for dividend distributions and when to assess premiums for claim years with deficiencies.

# INVESTMENT POLICY

Date of Revision: Effective November 8, 2005

Date of Revision: Effective March 14, 2017

## The Goals of KERIT in Investment Portfolio Management

The goal in managing KERIT's investment portfolio shall be to meet regulatory requirements by selecting investments consistent with the following goals:

- A. To be in full compliance with all investment guidelines of the Kansas Department of Insurance and any other regulatory body to which KERIT shall be subject.
- B. To diversify portfolio holdings to ensure appropriate liquidity and minimize risk.
- C. To keep all available funds invested and earning investment income at all times.
- D. To ensure that the maturity distribution of KERIT's investments is reasonably matched to its liabilities.
- E. To maximize yield from the investment portfolio without compromising the overall quality and liquidity of the investments.
- F. To achieve the performance goals herein enunciated by adopting an "active position" of portfolio management, which shall include:
  - 1) Comprehensive, effective portfolio planning for both short and long term.
  - 2) Careful consideration of all factors which affect and control the cash flow of KERIT.
  - 3) Timely reallocation of portfolio maturities to reflect changes in economic indices and other determining factors of interest rates.
  - 4) Close, timely evaluation and monitoring of portfolio performance.
  - 5) Timely, comprehensive and responsive reporting by the Finance Committee to the Board of Trustees regarding portfolio status and operating results.

## Duties

### *Board of Trustees*

The KERIT Board of Trustees ("Board") is the body primarily responsible for achieving the appropriate investment results within the parameters of this policy. To carry out this responsibility, the Board shall:

- A. Annually appoint and oversee a Finance Committee ("Committee") comprised of at least three individuals, with at least two being Trustees or Alternate Trustees. Other Members of the Finance Committee may include employees of a Member. Committee Members should be knowledgeable and experienced in investment matters or dedicated to becoming knowledgeable about KERIT's investment policy and strategy.
- B. Establish and revise, as necessary, investment policies and procedures to guide the Committee in carrying out KERIT's investment activities.
- C. Review the current and projected financial needs of KERIT to determine the extent to which investable assets shall be allocated among the following categories:

1. Current needs – Current liquidity needs are those that are expected to occur within the following 12 months (year one).
  2. Short-term needs – Short-term needs are those that are expected to occur within the following 12 to 36 month period (years 2 and 3).
  3. Mid-term needs – Mid-term needs are those that are expected to occur with the following 36 to 60 month period (years 4 and 5).
  4. Long-term needs – Long-term needs are those that occur after 5 years or those that are indefinite.
- D. Set criteria for investment planning and performance which shall include:
1. Determination of allowable investments.
  2. Determination of expected returns to be realized within a one-year time horizon.
  3. Determination of a need for an Investment Advisor. If an Investment Advisor is used, annually recommend an Investment Advisor to work on behalf of KERIT.

#### *Finance Committee*

Subject to the approval of the Board, the Committee is responsible for carrying out investment policies and procedures within the requirements and criteria established by this policy and the Board. To carry out these responsibilities, the Committee shall:

- A. Establish the criteria for investment planning and performance. These criteria shall include, but not be limited to the following:
  1. The types of allowable investments.
  2. The target range for portfolio duration.
  3. The expected returns to be realized within a one-year time horizon.
  4. The investment guidelines established in this policy.
  5. Any modifications to the above.
- B. Review the portfolio on an ongoing basis, including periodic Committee meetings to occur no less than semi-annually.
- C. Coordinate necessary changes in the portfolio to achieve desired investment results.
- D. Report to the Board on an annual basis regarding:
  1. Overall investment performance.
  2. Investment Advisor performance, if an advisor is used.
  3. Suggestions for revisions to investment policies.
  4. Any other matters necessary to achieve the desired investment results.
- E. If needed, recommend qualified Investment Advisors for presentation to and approval by the Board.
- F. Comply with the requirements of all Kansas statutes and regulations as they pertain to KERIT's investments.

- G. Advise the Board promptly of any event likely to adversely impact, to a significant degree, the management, professionalism or integrity of the Committee, including but not limited to the following events:
1. A loss of one or more Committee Members.
  2. A significant change in investment philosophy.

**Allowable Investments**

Kansas regulations allow KERIT to choose among the following statutes for investment of its monies (KSA 12-2622). KERIT has decided to follow Article 2a of Chapter 40.

1. KSA Chapter 40, Article 2a (investments by other than life insurance companies)
2. KSA Chapter 12-1677b (investments by local governmental entities)
3. KSA Chapter 75-4209 (state money investment provisions)

Without prior approval from the Board, the Committee shall limit investments to the following:

- A. U.S. Treasury Securities (Bills, Notes or Bonds) or securities guaranteed by the U.S. Government.
- B. Securities issued by agencies of the U.S. Government (including mortgage-backed securities) but not necessarily guaranteed by the U.S. Government.
- C. Federally insured Certificates of Deposit in banks located in the State of Kansas in the amount of \$100,000 or less, however, total Certificate of Deposit purchases shall not exceed more than 50 percent of the investment portfolio at any one time.
- D. Agency-issued pass-through mortgage-backed securities with stated maturities of up to thirty (30) years.

The Board may approve exceptions to the above limited list of investments.

**Guidelines for Security Mix Limitations**

KERIT's portfolio may have an unlimited amount of direct U.S. Treasury securities that are guaranteed by the U.S. Government.

The portfolio shall not exceed a concentration of more than 75 percent in any one agency of the U.S. Government.

**Guidelines for Maturity Limitations and Criteria for Portfolio Quality**

Maturities should be detailed by categories, as less than one (1) year, one (1) to less than five (5) years, five (5) to less than ten (10) years and ten (10) years or longer. Money market instruments by definition are limited to one year. Government and agency debenture purchases shall be limited to a maximum maturity of fifteen (15) years.

The total portfolio maturity objective is outlined as follows, using average life/most likely maturity projections for all securities:

Total securities within 5 years-minimum	30% range
Securities from 5 to 10 years-maximum	70% range
Securities beyond 10 years-maximum	10% range

For the purpose of this policy, maturity, unless otherwise noted, shall mean most likely maturity for securities with embedded call options.

### **Liquidity Objectives**

Appropriate liquidity guidelines will be determined by the Committee in an effort to coordinate the investment portfolio with KERIT's goals. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. The percentage of the portfolio identified for liquidity will be based upon KERIT's projected growth as well as tolerance for earnings risk.

### **Investment Restrictions and Prohibited Transactions**

To provide for the safety and liquidity of KERIT's funds, the investment portfolio will be subject to the following restrictions:

- A. Investments in "derivatives" (e.g., options, futures, swaps, caps, floors and collars) are prohibited.
- B. Borrowing for investment purposes ("leverage") is prohibited.
- C. Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited.

### **Portfolio Adjustments**

The purchase and sale of securities, in an effort to accomplish KERIT's goals should be considered normal operating practice. A significant change in KERIT's expected growth and income patterns may necessitate changing the portfolio's structure.

Profits or losses may be taken within the portfolio if a net advantage accrues to KERIT from the trade. The net advantage can be either in the form of a dollar value (improved income or capital), beneficial upgrading of the credit or desired alteration of maturity structure within the portfolio.

### **Safekeeping**

The Committee shall hold all securities in safekeeping in a bank designated by the Board. The Committee shall provide an accounting of all investment funds to the Board at the regularly scheduled meetings.

### **Standard of Care**

#### *Prudence*

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.



### *Ethics and Conflicts of Interest*

Officers, Committee Members and employees of KERIT involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials associated with KERIT shall disclose to the Chair of the Board any material financial interests in financial institutions that conduct business with KERIT, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the KERIT portfolio. Officers, Committee Members and employees of KERIT shall subordinate their personal investment transactions to those of KERIT particularly with regard to the time of purchases and sales.

### *Conflict of Interest Signature Form*

All Committee Members and KERIT officers and employees involved in the investment process must review and must sign KERIT's Investment Policy Conflict of Interest form each December. See exhibit B.

### **Confidentiality**

The Board and Committee shall at all times maintain confidentiality regarding all aspects of KERIT's investment policies, procedures and portfolio.

## **Exhibit A – Kansas Department of Insurance and Statutory Investment Guidelines**

Kansas Insurance Department (“KID”) Bulletin 1999-4 advised that the investment authority of group-funded pools shall include those investments that cities and counties, with direct investment authority, can make under K.S.A. 12-1677(b) and those allowed for state funds under K.S.A. 75-4209, or, for those pools in existence for at least five years, in securities or other investments permitted by insurance companies under Article 2a of Chapter 40.

Pursuant to the KID Bulletin, investments are only allowed to be in custody or safekeeping in a state or national bank or trust company regulated by the Federal Reserve System and the banking authorities in its state of domicile.

The statutes referenced in the KID Bulletin are attached to this exhibit, those being:

K.S.A. 12-1677(b)

K.S.A. 75-4209

K.S.A. 40-2a20

K.S.A. 40-2a21

K.S.A. 40-2a22

K.S.A. 40-2a24

K.S.A. 40-2a25

K.S.A. 40-2a26

K.S.A. 40-2a27

K.S.A. 40-2a28

KERIT has decided to follow Article 2a of Chapter 40 for its investments.

**Exhibit B – Kansas Eastern Regional Insurance Trust – Investment Policy Conflict of Interest Form**

The purpose of the completion of the form by the undersigned is to affirm his/her commitment to act in accordance with the Kansas Eastern Regional Insurance Trust’s (KERIT) Investment Policy.

By signing this agreement, the undersigned agrees to abide by the standard of care as set out in the Investment Policy Addendum and shown below:

**Standard of Care**

*Prudence*

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

*Ethics and Conflicts of Interest*

Officers, officials and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Chair of the Board any material financial interests in financial institutions that conduct business with KERIT, and they shall further disclose any material personal financial/investment positions that could be related to the performance of the KERIT portfolio. Employees, officials and officers shall subordinate their personal investment transactions to those of KERIT, particularly with regard to the time of purchases and sales.

Signed \_\_\_\_\_

Printed Name: \_\_\_\_\_

Member Name \_\_\_\_\_

Date: \_\_\_\_\_

Witness: \_\_\_\_\_

# PERFORMANCE POLICY

Date of Revision: Effective November 13, 2012

Date of Revision: Effective March 14, 2017

The purpose of KERIT's Performance Policy is to assist Members in achieving the goals set by the KERIT Board and to be successful Members of the Trust. This policy is an avenue to provide feedback on a Member's performance, to create a plan of action for areas of improvement, and to provide additional support for the Member.

## Trustee Performance

As representatives of the Member organizations, Trustee attendance and participation at Board meetings is critically important. Each Trustee has a responsibility to come to meetings fully prepared, having read and reviewed all the materials that are provided, and ready to actively engage in discussions and decision-making.

## Definitions

*Executive Committee* – The term "Executive Committee" as used herein shall mean the Chairperson, First Vice Chairperson, Second Vice Chairperson and the immediate past Chairperson.

*PLUS Program* – The term "PLUS Program" as used herein shall mean the safety/loss control program developed to provide guidance and assistance in the design, implementation and measurement of loss control efforts made by each Member.

*PLUS Program Scorecard* – The term "PLUS Program Scorecard" as used herein shall mean the measurement and evaluation tool used to assess performance and compliance by each Member regarding various components of a strong safety culture, such as, timely reporting of claims, post-offer physical assessments, facility inspections, safety committees and safety training.

*Dashboard Report* – The term "Dashboard Report" as used herein shall mean the semi-annual report which measures four components over a multi-year period. The components include loss rate, frequency rate, experience modifier and PLUS Program points.

## Work Safety Performance

- A review committee comprised of KERIT Members will identify any Member that has been documented to have low work safety performance. The Executive Committee will look at several areas in determining performance, to include: Scorecard rating, loss rate, severity of claims, utilization of a return-to-work program, safety programs and activities, safety culture, etc. Representatives from the Independent Service Agent will provide background information regarding the Member's scores and claims history.
- When a low-compliant Member is identified, a letter will be sent to the KERIT Trustee representing that Member requesting he/she meet with the KERIT Chair and representatives from the Independent Service Agent, if any. This group will work with the Member to define goals and identify ways for the Member to be successful in its performance as a KERIT Member.
- After the letter is sent, a two (2) year time frame will be allowed for the Member to address issues and for KERIT to monitor its performance.

- If after two years, the Member's performance continues to be unsatisfactory, the Member will be placed in the Special Attention Program. See the Special Attention Program section.

If the Member is unable to meet its obligations to the Trust in the areas identified in this Policy, a vote will be taken to determine if the entity should continue as a Member of the Trust. The KERIT Board fully supports this Policy and expects KERIT Members to be accountable for their performance. This Policy is not intended to be punitive, but to assist Members in identifying issues and researching potential solutions, as well as preserving the integrity of the Trust.

## **Special Attention Program**

### *Objective*

It is a condition of Trust membership that all Members implement effective loss prevention and management programs to control exposures and losses to the Trust.

The objectives of the KERIT Special Attention Program are:

1. To help identify and provide remediation assistance to Members with poor safety performance, high loss runs, low participation, and a dashboard report with multiple 5-year averages coded as "problem" or "caution".
2. To establish parameters for non-renewal of Members failing to control exposures to loss, causing risk shifting and sharing for other KERIT Members.

Failure to meet the program criteria can result in KERIT membership non-renewal.

### *Methodology*

#### Program Criteria

The Trust's Loss Control Consultants will identify Member candidates for Special Attention Program consideration to the Executive Committee. Once a Member has been identified to participate in the program, key staff on the Member's leadership team will be notified by the Trust's Loss Control Consultant and an Action Plan will be developed with the Loss Control Consultant and the Member to help address program deficiencies and target areas of concern. The Action Plan will include specific activities, implementation time frames and completion time frames.

Members can be placed in the Special Attention Program at any time and will be eligible for removal from the program at the discretion of the Executive Committee of KERIT at the start of any policy year or at any meeting after placement in the program.

Members in the Special Attention Program will be considered on probationary status in the KERIT Trust. The probationary period will be up to one (1) year from the date a Member is notified of placement in the program, with the option of extension for an additional year subject to KERIT Board approval. The Trustee from the Member being considered for placement in the Special Attention Program may attend the Executive Committee meeting to appeal or further discuss the situation, but will not be involved in the decision-making process.

#### Action Plan Development and Implementation

Members in the Special Attention Program will be required to develop and implement a corrective Action Plan. The Trust's Loss Control Consultant will work with the Member to

develop a specific plan to address problem loss and exposure areas. The Action Plan will list targeted programs/procedures, loss prevention elements and activities. Completion time frames will be included in the Action Plan. A required Action Plan item for any Member in the Special Attention Program will be mandatory attendance at all Risk Control Workshops for the duration of involvement in the program.

Action Plan items may be completed using any combination of the following support services or resources:

1. Member internal resources (to be reviewed by the Trust's Loss Control Consultant).
2. Assigned and available Trust's Loss Control Consultant service hours.
3. Purchase of additional service time/assistance by the Member from the Trust's Loss Control Consultant or another service provider.

The Trustee from each Member in the Special Attention Program will be required to sign off on the Action Plan items as they are completed. The Trust's Loss Control Consultant will review progress on the Action Plan for Members in the program and provide a status report to the Executive Committee at each KERIT Board of Trustee meeting. The Trustee from the Member in the Special Attention Program will be required to confirm progress or explain why agreed upon improvements have not been achieved to the KERIT Board at each meeting. The Action Plan will be modified or reconfirmed accordingly.

#### *Member Termination (Non-renewal)*

The decision to non-renew a Member will be based on a majority vote of a quorum of the KERIT Board of Trustees. If the motion to non-renew a Member is approved, then the Trust will follow Section 6 of Article IV of the Bylaws.

#### Member Termination Criteria

The Executive Committee may recommend termination of a Member in the Special Attention Program to the Board of Trustees based on the following criteria:

1. Failure to develop or comply with the agreed upon Action Plan and time frames.
2. Failure to successfully implement program/procedure improvements and positively impact losses (specifically, to achieve a Lost Time Frequency and Severity Rate below the KERIT standard).
3. Failure to achieve a Safety Program Evaluation Rating score meeting or exceeding the KERIT standard.
4. Failure to participate in the PLUS Scorecard Program.

The above criteria for membership termination does not alter the Board of Trustee's ability to terminate membership as defined in the Bylaws.

The Member in the Special Attention Program will have an opportunity for a representative to speak on its own behalf to the Executive Committee to explain why it has failed to meet program requirements. The Member representative will then be excused from the meeting after presenting its case and a vote will be taken by the Committee regarding continuing the Member in the Special Attention Program or recommending to the full Board termination of the Member.

# RECORDS MANAGEMENT POLICY

Date of Revision: Effective December 10, 1996

Date of Revision: Effective March 14, 2017

## Policy

It is hereby declared to be the policy of the Trust to provide for efficient, economical and effective controls over the creation, distribution, organization, maintenance, use and disposition of all Trust records through a comprehensive system of integrated procedures for the management of records from their creation to their ultimate disposition. This policy will use as guidance 1) accepted records management practices and 2) the Kansas Local Government Records Manual as prepared by the Kansas State Historical Society, Department of Archives.

## Definitions of Trust Records

All documents, papers, letters, books, maps, photographs, sound or video recordings, microfilm, magnetic tape, electronic media, or other information recording media, regardless of physical form or characteristic and regardless of whether public access to it is open or restricted under the laws of the State of Kansas, created or received by the Trust, its representative or any of its Board Members pursuant to law or in the transaction of public business are hereby declared to be the records of the Trust and shall be created, maintained and disposed of in accordance with the provisions of this Policy authorized by it and in no other manner. Documents created by the Trust's service agency are specifically EXCLUDED from the Trust records.

## Records Management Plan

The Trust representative shall maintain the Records Management Plan of the Trust that will include definitions and procedures related to records inventory, retention schedule, filing scheme, Records Destruction Forms and records storage procedures.

The plan contains policies and procedures designed to reduce the costs and improve the efficiency of record keeping, to adequately protect the essential records of the Trust, and to properly preserve those records of the Trust that are of historical value. The plan is designed to enable the Representative to carry out duties prescribed by this policy effectively. The records management plan is binding on all officers and Members of the Trust; and records shall be created, maintained, stored, or disposed of in accordance with the plan.

## Trust Records Declared Public Property

All Trust records as defined in Definitions of Trust Records (above) are hereby declared to be the property of the Trust. No Trust official or employee has, by virtue of his position, any personal or property right to such records even though he may have developed or compiled them. The unauthorized destruction, removal from files, or use of such records is prohibited. The Board shall:

- A. Approve policies and procedures governing the Trust's records management program.
- B. Ensure that all Trust Members forward ALL original documents (including original documents they create) to the Trust Representative. Copies may be maintained by Trust Members.
- C. Review the performance of the records management program on an annual basis and propose changes and improvements to the plan if needed.

- D. Review and approve record retention schedules and give final approval to the destruction of records in accordance with approved records retention schedules and Kansas State Law.

### **Representative**

The Board of Trustees shall designate an individual who will be employed by the Trust to serve as the Representative of the Trust. The Representative is the official record copy holder for all documents related to the operation of the Trust. The Representative shall implement the policies of the records management program for the Trust as defined herein. In addition to other duties assigned in this policy, the Representative shall:

- A. Serve as the Record Copy Holder for all records of the Trust.
- B. Administer the records management program and provide assistance to Trust Members in its implementation.
- C. Follow procedures to ensure the permanent preservation of the historically valuable records of the Trust (e.g., store records with permanent retention periods in the Trust's fireproof filing cabinet).
- D. Maintain a uniform filing system and provide records management assistance to all Trust Members.
- E. Report to the Board of Trustees on the implementation of the records management plan.
- F. Bring to the attention of the Trust Administrator noncompliance by Trust Members with the policies and procedures of the records management program.
- G. When necessary, seek the assistance of a Records Management Consultant to:
  - 1. Monitor the established records retention schedule and any administrative rules issued by the Kansas State Historical Society to determine if the records management program and the Trust's records retention schedules are in compliance with Kansas State regulations.
  - 2. Regularly update the disaster plan to ensure maximum availability of the records in order to re-establish operation quickly and with minimum disruption and expense.
  - 3. Assist with any other aspect of the Trust's Records Management Program.

### **Records Retention Schedules**

- A. The Records Retention Schedules contain information regarding the disposition of Trust records.
- B. The Records Retention Schedules shall be monitored by the Representative and amended as needed by the Board of Trustees annually to ensure that it is in compliance with records retention schedules issued by the Kansas State Historical Society and that it continues to reflect the record-keeping procedures and needs of the Trust.
- C. A record whose retention period has expired on a Records Retention Schedule shall be destroyed unless an open records request is pending on the record, or the subject matter of the record is pertinent to a pending lawsuit.



- D. Prior to the destruction of a record under an approved Records Retention Schedule, authorization for the destruction must be obtained by the Representative from the Board of Trustees.

#### **Destruction of Unscheduled Records**

A record that has not yet been listed on an approved Records Retention Schedule may be destroyed if its destruction has been approved by the Board of Trustees.

#### **Inactive Records Storage**

A records center, developed pursuant to the Records Management Plan, shall be under the direct control and supervision of the Representative. Policies and procedures regulating the operation and use of the inactive records center shall be contained in the Records Management Plan.

<b>City of Mission</b>	Item Number:	3.
<b>ACTION ITEM SUMMARY</b>	Date:	April 25, 2017
<b>Administration</b>	From:	Brian Scott

Action items require a vote to recommend the item to full City Council for further action.

**RE:** Network and Firewall Server Replacement

**RECOMMENDATION:** Approve the purchase of two network servers and one firewall server in an amount not to exceed \$60,000.

**DETAILS:** The City has a total of four primary network servers that host various software applications and digital files. Two of these servers are for the police department and host software applications for records management software, virtual data communication for police vehicles, as well as other digital files. The other two servers are for the rest of the City and host a number of software applications, including those for parks and recreation program management, digital records management, and financial management software.

All of these servers are nearing the end of their useful life, and most are past the warranty. The intention is to replace two (one for Police and one for the City) this year, and the other two next year. The City's server that is being replaced will be updated with a more current operating system software and re-used as a backup server. The quotes for the two servers to be replaced total \$56,000.

In addition to the two servers that will be replaced, a firewall server will need to be replaced as well. The quote for this server is \$2,900.

Johnson County's Department of Technology and Innovation (DTI) has developed specifications for the servers and solicited the attached quotes from the manufacturer. DTI's staff will install the servers.

This is one of the first steps in a comprehensive update of the City's technology infrastructure. Funds (\$75,000) were placed in this year's budget for replacement of the servers and desktop computers, and upgrade of the group Microsoft operating license.

**CFAA CONSIDERATIONS/IMPACTS:** N/A

Related Statute/City Ordinance:	
Line Item Code/Description:	01-07-402-03 Computer System/Software
Available Budget:	\$75,000



Sales Quotation	Submitted By	Submitted To
<b>Quote Number:</b> 4401040.1 <b>Customer:</b> Johnson County, KS <b>Quote Date:</b> 04/25/2017 <b>Contract:</b> State of Missouri - Cisco C210033001 Exp. Date: 06/30/2017	Herbert, Brian L <b>P:</b> (314) 212-1712 Brian.Herbert@wwt.com	Galen Bergthold <b>P:</b> 913-715-1575 Galen.Bergthold@jocogov.org

Line	Mfr Part # Mfr Name	Lead Time	Qty	Cust Price	Ext Price
1	ASA5512-K9 CISCO SYSTEMS (CISCO PRO)	14d	1	\$2,277.15	\$2,277.15
Description: ASA 5512-X with SW, 6GE Data, 1GE Mgmt, AC, 3DES/AES					
2	CON-SNT-A12K9 CISCO SYSTEMS (CISCO PRO)	Call	1	\$359.25	\$359.25
Description: SNTC-8X5XNBD ASA 5512-X with SW, Service Duration: 12 Months					
3	CAB-AC CISCO SYSTEMS (CISCO PRO)	14d	1	\$0.00	\$0.00
Description: AC Power Cord (North America), C13, NEMA 5-15P, 2.1m					
4	SF-ASA-X-9.2.2-K8 CISCO SYSTEMS (CISCO PRO)	14d	1	\$0.00	\$0.00
Description: ASA 9.2.2 Software image for ASA 5500-X Series,5585-X,ASA-SM					
5	ASA-HD-BLANK CISCO SYSTEMS (CISCO PRO)	14d	1	\$0.00	\$0.00
Description: ASA 5512-X -- 5555-X Hard Drive Blank Slot Cover					
6	ASA5500-ENCR-K9 CISCO SYSTEMS (CISCO PRO)	14d	1	\$0.00	\$0.00
Description: ASA 5500 Strong Encryption License (3DES/AES)					
7	ASA5512-MB CISCO SYSTEMS (CISCO PRO)	14d	1	\$0.00	\$0.00
Description: ASA 5512 IPS Part Number with which PCB Serial is associated					
8	ASA-IC-A-BLANK CISCO SYSTEMS (CISCO PRO)	14d	1	\$0.00	\$0.00
Description: ASA 5512-X/5515-X Interface Card Blank Slot Cover					

<b>Totals</b>	
<b>Product Total</b>	\$2,277.15
<b>Maintenance Total</b>	\$359.25
<b>Customer Total</b>	\$2,636.40
<b>Estimated Shipping</b>	\$0.00
<b>Estimated Tax</b>	\$0.00
<b>Total Price:</b>	<b>\$2,636.40</b>

This quote is WWT Confidential Information.

Seller provides all products and original manufacturer services to Buyer only in accordance with any applicable original manufacturer terms and conditions within the applicable end user license agreement, terms of service, or similar legal instrument.

Unless expressly stated herein, price quotes are valid for 30 days and are subject to change thereafter.

Unless expressly stated herein, prices do not include, and Buyer is responsible for, any and all taxes, handling, shipping, transportation, duties or other charges or fees relating to the sale and delivery of products.

Products may only be returned in accordance with the original manufacturer's RMA policy.

Items returned after 30 days of receipt may not be returnable due to vendor restrictions.

All delivery dates are approximate and not guaranteed.

Products will be shipped in accordance with FCA WWT's shipping point (Incoterms 2010), unless otherwise stated herein or agreed to by both parties in writing in a contract.

Title and risk of loss will transfer to Buyer at WWT's shipping point.

Payment terms are net 30, unless otherwise agreed to by both parties in writing.

All products and services are provided to Buyer in accordance with Seller's terms of sale at <https://www.wwt.com/TermsAndConditions/TermsAndConditions.doc>; provided that, if Buyer has a master agreement in place with WWT, the master agreement will apply in lieu thereof.

Within the 30 day quote validity period WWT reserves the right to revise the quote due to exchange rate fluctuations.



**To: County of Johnson**  
**6090 Woodson Rd Mission**  
**Olathe, KS 66202**

**In reply to your request:**

County of Johnson

<b>HPE Quote #</b>	<b>Created</b>	<b>Expires</b>
SLED-17878-00	3/30/2017	3/31/2017

**Your HPE Sales Contact:**

Collin Jones,  
Phone:  
Fax:  
Email: collinj@hpe.com

**Payment Terms:**

Net 30 days from the invoice date, subject to credit approval.

**Submit Purchase Order To:**

U.S. SLED Order Management,  
Phone:  
Fax: (844) 745 2055  
Email: US-SLED-ORDERS@hpe.com

**Phone:**  
**Fax:**  
**Email:**

<b>Solution</b>	<b>Net Price</b>	
Hardware:	US\$	14,606.51
Software:	US\$	14,093.41
Support:	US\$	4,963.14
Installation:	US\$	897.00
Other:	US\$	0.00
Sub-Total:	US\$	34,560.06
Shipping and Handling:	US\$	0.00
<b>Grand Total:</b>	<b>US\$</b>	<b>34,560.06</b>
<b>Estimated delivery upon PO receipt (in business days):</b> <b>60</b>		
<b>Delivery Method:</b> Standard Delivery Duty Paid Shipping & Handling and Special Handling Exempt		



# Hewlett Packard Enterprise

## Legal Quotation

Quote Number  
SLED-17878-00

Page  
2

No.	Qty	Product	Description	Extended Item Net Price	Estimated Delivery Upon Order Entry
			***This Quote is Valid for 90 days. Expires on 6/28/2017*** HP DL380 Gen9 12LFF CTO Server [#1]		
0100	1	719061-B21	HP DL380 Gen9 12LFF CTO Server	1,333.71	18
	1	Opt. ABA	U.S. - English localization		18
0101	1	817927-L21	HPE DL380 Gen9 E5-2620v4 FIO Kit	524.87	14
0102	1	817927-B21	HPE DL380 Gen9 E5-2620v4 Kit	524.87	14
	1	Opt. oD1	Factory integrated		18
0103	16	836220-B21	HPE 16GB 2Rx4 PC4-2400T-R Kit	5,594.72	14
	16	Opt. oD1	Factory integrated		18
0104	2	832417-B21	HPE 480GB SATA MU LFF SCC SSD	1,020.54	60
	2	Opt. oD1	Factory integrated		25
0105	5	793669-B21	HPE 4TB SAS 7.2K LFF SC 512e HDD	3,646.35	14
	5	Opt. oD1	Factory integrated		18
0106	2	AF556A	HP 1.83m 10A C13-UL US Pwr Cord	16.00	14
	2	Opt. oD1	Factory integrated		18
0107	1	700699-B21	HPE Ethernet 10Gb 2P 561FLR-T Adptr	583.27	14
	1	Opt. oD1	Factory integrated		18
0108	1	785991-B21	HP DL380 Gen9 12LFF SAS Cable Kit	72.27	14
	1	Opt. oD1	Factory integrated		18
0109	1	733662-B21	HP 2U LFF Easy Install Rail Kit	73.00	14
	1	Opt. oD1	Factory integrated		18
0110	1	843199-B21	HPE Smart Array P840ar/2G Controller	765.77	14
	1	Opt. oD1	Factory integrated		18
0111	2	720478-B21	HPE 500W FS Plat Ht Plg Pwr Supply Kit	451.14	14
	2	Opt. oD1	Factory integrated		18
0112	1	P8B31A	HPE OV w/o iLO 3yr 24x7 FIO Phys 1 LTU	327.77	14
0113	1	871147-B21	MS WS16 (16-Core) Std FIO Npi en SW	722.00	14
0200	1	H1K92A3	HPE 3Y Proactive Care 24x7 Service		
	1	Opt. SVP	HPE One View w/o Ilo Support	86.58	
	1	Opt. TT3	HPE ProLiant DL380 Gen9 Support	2,401.62	
	1	Opt. Y9J	HPE MS WS2016 16-Core Standard Support	2,474.94	

**HPE Proprietary for Customer Use Only - Do Not Share**



**Hewlett Packard  
Enterprise  
Legal Quotation**

**Quote Number**  
SLED-17878-00

**Page**  
3

No.	Qty	Product	Description	Extended Item Net Price	Estimated Delivery Upon Order Entry
0300	1	HA114A1	HP Installation and Startup Service		
	1	Opt. 5A6	HPE Startup 300 Series OS SVC	897.00	
0400	2	F6M50AAE	VMw vSph EssPlus Kit 6P 5yr E-LTU	13,043.64	6
<b>Grand Total:</b>				<b>US\$ 34,560.06</b>	



# Hewlett Packard Enterprise Legal Quotation

**Quote Number**  
SLED-17878-00

**Page**  
4

"For inquiries regarding this quote please contact: RFQ-US-SLED@HPE.COM

Upon issuing a Purchase Order to Hewlett Packard Enterprise please include the following:  
Hewlett Packard Enterprise listed as the Vendor  
Bill to & ship to addresses  
PO# and valid Hewlett Packard Enterprise quote number  
Hewlett Packard Enterprise Purchase Agreement # 40399AB

Contact name, phone number & e-Mail address  
For electronic software include the end user e-Mail Address  
Requested delivery date (per SLA requirements) and any special delivery requirements  
Tax status  
If support is ordered provide the end user's name and phone number. For upgrades include the serial number or the support identifier for contract entitlement.

\*Prices are exclusive of use, sales value added and other taxes. Should the item(s) being quoted herein be exempt from sales tax please include the appropriate valid tax exemption certificate referencing Hewlett Packard Enterprise as the vendor.

\*If quoted herein, Remarketed Products are fully remanufactured and carry new product warranty. Purchase is subject to inventory availability at receipt of order. Inventory may not be reserved. Hewlett Packard Enterprise reserves the right to substitute new components if appropriate, or to cancel orders by notifying the customer if necessary components are unavailable.

\*If quoted herein, Hewlett Packard Enterprise Promotions must be ordered as quoted, no substitutions will be allowed. POs must be received on or prior to the expiration date of the quote or special promotion whichever comes first.

\*If quoted herein, Hewlett Packard Enterprise Consignment/Demo equipment is currently at the location listed on this quote. Issuing a PO against this formal quotation will imply acceptance and delivery of the Consignment/Demo inventory. The standard warranty applicable to new equipment will apply. Some demo equipment may contain products that are remanufactured to be functionally equivalent to new."

"The terms and conditions of the WSCA/NASPO contract number 40399AB applies to any order placed as a result of this inquiry. No other terms and conditions shall apply. Please reference this contract when placing an order"

The Purchase Agreement expires before the end of the Quote Validity period. This quote is valid only until the end of the Purchase Agreement.





**To: County of Johnson**  
**6090 Woodson Rd Mission**  
**Olathe, KS 66202**

**In reply to your request:**

County of Johnson

<b>HPE Quote #</b>	<b>Created</b>	<b>Expires</b>
SLED-17881-00	3/30/2017	3/31/2017

**Your HPE Sales Contact:**

Collin Jones,  
Phone:  
Fax:  
Email: collinj@hpe.com

**Payment Terms:**

Net 30 days from the invoice date, subject to credit approval.

**Submit Purchase Order To:**

U.S. SLED Order Management,  
Phone:  
Fax: (844) 745 2055  
Email: US-SLED-ORDERS@hpe.com

**Phone:**  
**Fax:**  
**Email:**

<b>Solution</b>	<b>Net Price</b>	
Hardware:	US\$	14,606.51
Software:	US\$	1,049.77
Support:	US\$	4,963.14
Installation:	US\$	897.00
Other:	US\$	0.00
Sub-Total:	US\$	21,516.42
Shipping and Handling:	US\$	0.00
<b>Grand Total:</b>	<b>US\$</b>	<b>21,516.42</b>
<b>Estimated delivery upon PO receipt (in business days):</b> <b>60</b>		
<b>Delivery Method:</b> Standard Delivery Duty Paid Shipping & Handling and Special Handling Exempt		

Print Date: 3/30/2017 4:05:36PM



# Hewlett Packard Enterprise

## Legal Quotation

Quote Number  
SLED-17881-00

Page  
2

No.	Qty	Product	Description	Extended Item Net Price	Estimated Delivery Upon Order Entry
			***This Quote is Valid for 90 days. Expires on 6/28/2017*** HP DL380 Gen9 12LFF CTO Server [#1]		
0100	1	719061-B21	HP DL380 Gen9 12LFF CTO Server	1,333.71	18
	1	Opt. ABA	U.S. - English localization		18
0101	1	817927-L21	HPE DL380 Gen9 E5-2620v4 FIO Kit	524.87	14
0102	1	817927-B21	HPE DL380 Gen9 E5-2620v4 Kit	524.87	14
	1	Opt. oD1	Factory integrated		18
0103	16	836220-B21	HPE 16GB 2Rx4 PC4-2400T-R Kit	5,594.72	14
	16	Opt. oD1	Factory integrated		18
0104	2	832417-B21	HPE 480GB SATA MU LFF SCC SSD	1,020.54	60
	2	Opt. oD1	Factory integrated		25
0105	5	793669-B21	HPE 4TB SAS 7.2K LFF SC 512e HDD	3,646.35	14
	5	Opt. oD1	Factory integrated		18
0106	2	AF556A	HP 1.83m 10A C13-UL US Pwr Cord	16.00	14
	2	Opt. oD1	Factory integrated		18
0107	1	700699-B21	HPE Ethernet 10Gb 2P 561FLR-T Adptr	583.27	14
	1	Opt. oD1	Factory integrated		18
0108	1	785991-B21	HP DL380 Gen9 12LFF SAS Cable Kit	72.27	14
	1	Opt. oD1	Factory integrated		18
0109	1	733662-B21	HP 2U LFF Easy Install Rail Kit	73.00	14
	1	Opt. oD1	Factory integrated		18
0110	1	843199-B21	HPE Smart Array P840ar/2G Controller	765.77	14
	1	Opt. oD1	Factory integrated		18
0111	2	720478-B21	HPE 500W FS Plat Ht Plg Pwr Supply Kit	451.14	14
	2	Opt. oD1	Factory integrated		18
0112	1	P8B31A	HPE OV w/o iLO 3yr 24x7 FIO Phys 1 LTU	327.77	14
0113	1	871147-B21	MS WS16 (16-Core) Std FIO Npi en SW	722.00	14
0200	1	H1K92A3	HPE 3Y Proactive Care 24x7 Service		
	1	Opt. SVP	HPE One View w/o Ilo Support	86.58	
	1	Opt. TT3	HPE ProLiant DL380 Gen9 Support	2,401.62	
	1	Opt. Y9J	HPE MS WS2016 16-Core Standard Support	2,474.94	

**HPE Proprietary for Customer Use Only - Do Not Share**



**Hewlett Packard  
Enterprise  
Legal Quotation**

Quote Number  
SLED-17881-00

Page  
3

No.	Qty	Product	Description	Extended Item Net Price	Estimated Delivery Upon Order Entry
0300	1	HA114A1	HP Installation and Startup Service		
	1	Opt. 5A6	HPE Startup 300 Series OS SVC	897.00	
<b>Grand Total:</b>				<b>US\$ 21,516.42</b>	



# Hewlett Packard Enterprise Legal Quotation

**Quote Number**  
SLED-17881-00

**Page**  
4

"For inquiries regarding this quote please contact: RFQ-US-SLED@HPE.COM

Upon issuing a Purchase Order to Hewlett Packard Enterprise please include the following:  
Hewlett Packard Enterprise listed as the Vendor  
Bill to & ship to addresses  
PO# and valid Hewlett Packard Enterprise quote number  
Hewlett Packard Enterprise Purchase Agreement # 40399AB

Contact name, phone number & e-Mail address  
For electronic software include the end user e-Mail Address  
Requested delivery date (per SLA requirements) and any special delivery requirements  
Tax status  
If support is ordered provide the end user's name and phone number. For upgrades include the serial number or the support identifier for contract entitlement.

\*Prices are exclusive of use, sales value added and other taxes. Should the item(s) being quoted herein be exempt from sales tax please include the appropriate valid tax exemption certificate referencing Hewlett Packard Enterprise as the vendor.

\*If quoted herein, Remarketed Products are fully remanufactured and carry new product warranty. Purchase is subject to inventory availability at receipt of order. Inventory may not be reserved. Hewlett Packard Enterprise reserves the right to substitute new components if appropriate, or to cancel orders by notifying the customer if necessary components are unavailable.

\*If quoted herein, Hewlett Packard Enterprise Promotions must be ordered as quoted, no substitutions will be allowed. POs must be received on or prior to the expiration date of the quote or special promotion whichever comes first.

\*If quoted herein, Hewlett Packard Enterprise Consignment/Demo equipment is currently at the location listed on this quote. Issuing a PO against this formal quotation will imply acceptance and delivery of the Consignment/Demo inventory. The standard warranty applicable to new equipment will apply. Some demo equipment may contain products that are remanufactured to be functionally equivalent to new."

"The terms and conditions of the WSCA/NASPO contract number 40399AB applies to any order placed as a result of this inquiry. No other terms and conditions shall apply. Please reference this contract when placing an order"

The Purchase Agreement expires before the end of the Quote Validity period. This quote is valid only until the end of the Purchase Agreement.

<b>City of Mission</b>	Item Number:	4.
<b>ACTION ITEM SUMMARY</b>	Date:	April 19, 2017
<b>Administration</b>	From:	Martha Sumrall

Action items require a vote to recommend the item to full City Council for further action.

**RE:** Waiver of requirements of Chapter 205: Fire Prevention and Protection, and approval of purchase of fireworks.

**RECOMMENDATION:** Approve a waiver of the requirements of Chapter 205: Fire Prevention and Protection as it relates to Public Exhibitions for Saturday, July 8, 2017, in connection with the Mission Summer Family Picnic held at Broadmoor Park, and approve the purchase of fireworks in an amount not to exceed \$600.

**DETAILS:** Traditionally, the City of Mission has provided a fireworks display at the conclusion of the Mission Summer Family Picnic held at Broadmoor Park. In order to proceed with this display, the City Council must waive the requirements of Chapter 205 of the Mission City Code.

In addition to the ordinance waiver, the Council is also asked to consider authorizing Councilmember Debbie Kring to purchase fireworks in an amount not to exceed \$600.

**CFAA CONSIDERATIONS/IMPACTS:** N/A

Related Statute/City Ordinance:	Chapter 205
Line Item Code/Description:	01-09-208-01
Available Budget:	\$9,768.00

<b>City of Mission</b>	Item Number:	5.
<b>DISCUSSION ITEM SUMMARY</b>	Date:	April 28, 2017
<b>Administration</b>	From:	Laura Smith

Discussion items allow the committee the opportunity to freely discuss the issue at hand.

**RE:** MCVB Fund Balance as of December 31, 2016

**DETAILS:** In January, Council disbanded the MCVB Committee. Per statutory requirements, the City has to maintain the MCVB Fund as the repository for the transient guest tax receipts. Over the years, the MCVB Fund has been used to account for a variety of programs and services including: special events, Mission Magazine, revenues and expenses from the Mission Merchants Group, the Arts Council activities, and the annual holiday adoption program.

Staff advised that once audited 2016 financials were available, we would allocate the total remaining fund balance to the appropriate categories, and initiate a discussion with the City Council regarding distribution of the remaining unassigned fund balance.

Here is a brief summary of the fund balance at 12/31/16:

MCVB Fund 12/31/16 Fund Balance	\$ 76,345
Reserved for other uses:	(\$21,580) Mission Magazine
	(\$ 6,056) Mission Merchants
	(\$ 876) Arts Council
	<u>(\$ 1,805)</u> Holiday Adoptions
	\$ 46,048
	<u>(\$ 797)</u> Carry over rev/exp
Available for reassignment:	\$45,231

Council had previously expressed an interest in using the remaining balance to support the Mission business community. Staff recommends the following options for consideration:

Event Support (\$5,231)

Preserve \$5,231 to help support the 2017 Holiday Lights & Festive Sights event. This is the one carryover event from those historically supported by the MCVB. It is one of the most popular, and also the one that was most heavily subsidized each year. The Parks & Recreation Department will be responsible for coordinating this event in 2017. Since their budget did not include this event, staff recommends holding a portion of the fund balance to cover 2017 event expenses which exceed sponsorship revenue. The event can then be incorporated into the Parks & Recreation Department budget beginning in 2018. It will likely not take the full amount to support the event, and any unused funds would be returned to the fund balance.

Related Statute/City Ordinance:	N/A
Line Item Code/Description:	N/A
Available Budget:	\$45,231

<b>City of Mission</b>	Item Number:	5.
<b>DISCUSSION ITEM SUMMARY</b>	Date:	April 28, 2017
<b>Administration</b>	From:	Laura Smith

Discussion items allow the committee the opportunity to freely discuss the issue at hand.

Pole Sign Incentive Pool (\$15,000)

During our recent discussions surrounding pole signs, there was talk of creating a fund to try and incentivize businesses with non-conforming signs to remove them. Even though the final version of the sign code eliminated the specific amortization for signs, staff believes it might be worth offering some funds, on a first-come, first-served basis to see if the pole sign “landscape” could be positively impacted. These funds could be made available through December 2017 and then any funds remaining could be returned to the fund balance.

Other Business Support (\$25,000)

Staff recommends preserving \$25,000 of the remaining fund balance while we initiate conversations with the business community to determine their preferences or priorities for additional support. Funds could be used to: support other special events, promote Mission businesses in regional or statewide publications, provide amenities (bike racks, trash/recycling containers, benches) in commercial districts, supplement the Business Improvement Grant (BIG) program, or any number of other things. Although there is not a lot of money available, it would seem best to engage our business community in this conversation.

During the Committee meeting we will have the opportunity to discuss these options, and any other the Council would like to consider in more detail. A detailed accounting of the fund balance amounts is included in the packet.

**CFAA CONSIDERATIONS/IMPACTS: NA**

Related Statute/City Ordinance:	N/A
Line Item Code/Description:	N/A
Available Budget:	\$45,231

MCVB FUND BALANCE ANALYSIS  
APRIL 2017

12/31/15 Fund Balance	\$ 61,493.00
	\$ - Mission Magazine
	\$ (3,339.00) Mission Business Partnership
	\$ (876.00) Arts Council
	\$ <u>(5,363.00)</u> Holiday Adoptions
	\$ 51,915.00 Available for MCVB Events

12/31/16 Fund Balance	\$ 76,345.00
	\$ (21,580.00) Mission Magazine
	\$ (6,056.00) Mission Business Partnership
	\$ (876.00) Arts Council
	\$ (1,805.00) Holiday Adoptions
	\$ <u>(797.00)</u> 2017 Carry-over Revenues/Expenses
	\$ <u>45,231.00</u> Event Balance Available for other uses

MCVB Event Balance

at 12/31/15	\$ 51,915.00
	\$ 17,452.00 Sponsorships/Revenues
	\$ <u>(23,339.00)</u> Expenses
at 12/31/16	\$ <u>46,028.00</u>
	\$ (832.00) Holiday Lights paid in 2017
	\$ 35.00 Misc Revenue received 2017
	\$ <u>45,231.00</u>

Mission Business Partnership

at 12/31/15	\$ 3,339.00
	\$ 4,120.00 Sponsorships/Revenues
	\$ <u>(1,403.00)</u> Expenses
at 12/31/16	\$ <u>6,056.00</u>
	\$ 710.00 Sponsorships/Revenues
	\$ <u>6,766.00</u> Expenses

Mission Magazine

at 12/31/15	\$ -
	\$ 63,835.00
	\$ <u>(42,255.00)</u>
at 12/31/16	\$ <u>21,580.00</u>
	\$ 12,445.00 Revenues
	\$ <u>(14,642.00)</u> Expenses
	\$ 19,383.00

Holiday Adoptions

at 12/31/15	\$ 5,363.00
	\$ 2,525.00 Donations
	\$ <u>(6,083.00)</u> Expenses
at 12/31/16	\$ <u>1,805.00</u>
	\$ 9,135.00 Deposit from GKCCF (2016 Donations)
	\$ 400.00 Donations
	\$ (9,940.00) 2016 Carry-over Expenses
	\$ <u>(173.00)</u> 2017 Expenses
	\$ 1,227.00

Arts Council

at 12/31/15	\$ 876.00
	\$ -
	\$ <u>-</u>
at 12/31/16	\$ <u>876.00</u>

Fund Balance at 12/31/16	Governmentor	\$ 76,345.00
	Per Audit	\$ 76,345.00