

**JUNE 26, 2015**

**ANNUAL DISCLOSURE REPORT  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

**OF THE**

**CITY OF SHREWSBURY, MISSOURI**

**IN CONNECTION WITH**

**CERTIFICATES OF PARTICIPATION  
(CITY OF SHREWSBURY, MISSOURI, LESSEE), SERIES 2015  
BASE CUSIP: 825513**

**CITY OF SHREWSBURY, MISSOURI, IMPROVEMENT CORPORATION  
LEASEHOLD REFUNDING REVENUE BONDS,  
SERIES 2008  
(CITY OF SHREWSBURY, MISSOURI, LESSEE)  
BASE CUSIP: 825515**

**and**

**GENERAL OBLIGATION BONDS,  
SERIES 2007  
BASE CUSIP: 825510**

No dealer, broker, salesman, or other person has been authorized by the City or its Financial Advisor to give any information or to make any representations, other than those contained in this Annual Disclosure Report, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Financial Advisor. This Annual Disclosure Report does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

The information set forth herein has been furnished by the City and from other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Financial Advisor. This Annual Disclosure Report is not to be construed as a contract or agreement between the City and the purchasers or owner of any of the Bonds. The information and expressions of opinion contained herein are subject to change without notice, and the delivery of the Annual Disclosure Report is not under any circumstances, to create any implication that there has been no change in the affairs of the City since the date hereof.

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**CITY OF SHREWSBURY**

**MAYOR**  
Felicity Buckley

**ALDERMEN**

Elmer Kauffmann  
Sam Scherer  
Chris Gorman

Ed Kopff  
Rick Steingrubby  
Mike Travaglini

**DIRECTOR OF ADMINISTRATION**  
Jonathan Greever

**FINANCE DIRECTOR**  
Danielle Oettle

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**FINANCIAL ADVISOR**  
WM Financial Strategies  
St. Louis, Missouri

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**ANNUAL DISCLOSURE REPORT  
OF THE  
CITY OF SHREWSBURY  
Relating to**

**CERTIFICATES OF PARTICIPATION  
(CITY OF SHREWSBURY, MISSOURI, LESSEE), SERIES 2015**

**CITY OF SHREWSBURY, MISSOURI, IMPROVEMENT CORPORATION  
LEASEHOLD REFUNDING REVENUE BONDS  
SERIES 2008  
(CITY OF SHREWSBURY, MISSOURI, LESSEE)**

**And**

**GENERAL OBLIGATION BONDS, SERIES 2007**

**INTRODUCTION**

This Annual Disclosure Report is provided by the City of Shrewsbury, Missouri (the “City”) to furnish information in connection with its outstanding Certificates of Participation (City of Shrewsbury, Missouri, Lessee), Series 2015 (the “Series 2015 Certificates), City of Shrewsbury, Missouri, Improvement Corporation, Leasehold Refunding Revenue Bonds, Series 2008, (City of Shrewsbury, Missouri, Lessee) (the “Series 2008 Bonds”) and General Obligation Bonds, Series 2007 (the “Series 2007 Bonds”). The Series 2007 Bonds and Series 2008 Bonds are referred to collectively here as the “Bonds.”

At the time of issuance of the Series 2015 Certificates and the Bonds the City agreed, in accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, to provide certain annual financial information and operating data relating to the City’s finances, property taxation, and debt of the City.

On June 9, 2015, the City issued the Series 2015 Certificates. The Official Statement, dated May 26, 2015 for the Series 2015 Certificates (the “Official Statement”) is available at:

<http://emma.msrb.org/EP861006-EP666946-EP1068741.pdf>

The Official Statement contains certain operating data for the City that was current as of May 26, 2015 with respect to certain matters relating to the Series 2015 Certificates and the Bonds, taxation, and certain other annual financial information and operating data. Accordingly, the Official Statement together with the Audited Financial Statements for the Fiscal Year ended December 31, 2014 and this Disclosure Report comprise the Annual Disclosure Report.

## **THE CITY'S FINANCES**

### **Accounting and Reporting Practices**

The City operates on a fiscal year which corresponds with a calendar year (the "Fiscal Year").

The accounts of the City are organized on the basis of funds and account groups in conformance with generally accepted accounting principles applicable to governmental units.

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting. Government fund financial statements report using the current financial resource measurement focus and the modified accrual basis of accounting. Under 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.

The Board of Aldermen annually engages an independent certified public accountant for the purpose of performing an audit of the books of account, financial records, and transactions of the City.

### **The General Fund**

In accordance with established accounting procedures for governmental units, the City records its financial transactions under various funds. The largest is the General Fund, from which all general operating expenses are paid and to which taxes and all other revenues not specifically allocated by law or contractual agreement to other funds are deposited.

The following table indicates the City's General Fund revenues, expenditures and changes in fund balances for the 2011 through 2014 Fiscal Years:

**SUMMARY OF OPERATIONS  
GENERAL FUND  
(\$ in thousands)<sup>(1)</sup>**

	Fiscal Year Ended December 31			
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>REVENUES</b>				
Taxes	\$4,091	\$4,297	\$4,167	\$ 3,965
Licenses, Permits and Fee	500	378	382	531
Fines	324	332	509	421
Earnings on Investments	23	14	(7)	21
Charges for Services	900	888	884	852
Other Revenues	<u>28</u>	<u>59</u>	<u>62</u>	<u>61</u>
Total Revenues	<u>5,866</u>	<u>5,968</u>	<u>5,997</u>	<u>5,851</u>
<b>EXPENDITURES</b>	<u>5,599</u>	<u>5,800</u>	<u>7,481</u> <sup>(2)</sup>	<u>12,059</u> <sup>(2)</sup>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	268	168	(1,483)	(6,206)
<b>OTHER FINANCING SOURCES</b>				
Tax Increment Finance Notes	<u>—</u>	<u>—</u>	<u>1,686</u> <sup>(2)</sup>	<u>5,811</u> <sup>(2)</sup>
<b>NET CHANGE IN FUND BALANCE</b>	268	168	203	(395)
<b>FUND BALANCE BEGINNING OF YEAR</b>	2,111	2,427	2,595	2,797
Prior Period Adjustment	<u>48</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>FUND BALANCE END OF YEAR</b>	<u>\$2,427</u>	<u>\$2,595</u>	<u>\$2,797</u>	<u>\$2,402</u>

(1) Totals may not match audited financial statements due to rounding.

(2) As noted above, the City issued Tax Increment Finance Notes during the 2013 and 2014 Fiscal Year. The funds were used to pay for public works projects including acquisition and demolition costs, and associated consulting fees for the Kenrick Redevelopment Project.

## REVENUE SOURCES

### General Fund

The City derives its revenues from a variety of sources. The following list sets forth the primary sources of the City's General Fund revenue for the 2014 Fiscal Year:

	<u>Revenue</u>	<u>Percentage of Total Receipts</u>
<b>TAXES:</b>		
Property	\$ 530,606	9.07%
Utility	1,065,052	18.20
General Sales Tax	1,146,541	19.59
Park Sales Tax	516,160	8.82
Fire Protection Sales Tax	258,080	4.41
Motor Vehicle Sales Tax	74,976	1.28
Gasoline Tax	161,915	2.77
Other	<u>212,117</u>	<u>3.62</u>
Total	<u>3,965,447</u>	<u>67.76</u>
LICENSES AND PERMITS	531,484	9.08
FINES AND COURT COSTS	420,902	7.19
INTEREST INCOME	20,900	0.36
CHARGES FOR SERVICES	852,426	14.56
MISCELLANEOUS	<u>61,402</u>	<u>01.05</u>
	<u>\$5,852,561</u>	<u>100.00%</u>

*Source: Audited Financial Statements and the Office of the Finance Director.*

The following is a summary of some of the more significant revenue sources of the City:

#### *Utility Franchise Tax*

The City charges a 7.25% utilities franchise tax on gross receipts of the gas, water, electric, and telephone companies. The companies pay the tax monthly.

#### *Sales Taxes*

In St. Louis County (the "County"), municipal sales taxes are collected and distributed by the County. Some sales taxes are dedicated and distributed directly to the city responsible for generating the tax. Other sales taxes, specifically the general sales tax and the capital improvements sales tax, are collected by the County and distributed according to each city's status as a "point of sale" or "pool" city. "Point of sale" cities receive approximately 85% of tax revenues generated within their borders, with the remaining 15% being allocated to the "pool". The tax revenues generated within "pool" cities are also allocated to the "pool" and each pool city receives a portion of the total pool revenues on a per capita basis. The City is a "point of sales" city for purposes of its sales taxes.

**General Sales Taxes:** During the 2014 Fiscal Year the City's general sales tax was the largest source of City receipts, accounting for approximately 19.59% of total general fund receipts. The sales tax receipts are from a 1¼% City sales tax used for general City purposes. 1% of the general corporate sales tax was authorized by special election in 1970. The remaining ¼% City sales tax was authorized by special election in 1994.

The following table sets forth the total general sales tax revenue of the City for the Fiscal Years 2010 through 2014:

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$1,170,143
2011	1,212,386
2012	1,288,107
2013	1,271,435
2014	1,146,541

*Source: Office of the Finance Director.*

**Capital Improvement Sales Tax:** In February 1994, voters approved a ½% sales tax for capital improvements (the “Capital Improvement Sales Tax”) that included a fifteen-year sunset provision. In 1997 voters reauthorized the sales tax without a sunset provision. The tax is a point-of-sale tax with a portion of the tax contributed to the County sales tax pool. By statute, this tax may be used solely for funding capital improvements and for the cost of operating such improvements. The tax is accounted for in the City’s Capital Projects fund.

The City intends to use the revenues from the Capital Improvement Sales Tax for the following purposes and in the following order of priority: (i) to pay the debt service on the Series 2008 Bonds and the Series 2015 Certificates (ii) for capital expenditures.

**Park and Storm Water Control Sales Tax:** In August 1996, voters approved a ½% sales tax for parks and storm water control (the “Park and Storm Water Control Sales Tax”). The tax is a point-of-sale tax with 100% distributed to the City other than collection fees. The City intends to use the revenues from the Park and Storm Water Control Sales Tax to finance the cost of capital projects for parks and to pay the costs of operating and maintaining parks. The tax is accounted for in the City’s general fund, however, it is restricted as to the uses set forth in the prior sentence and for projects relating to storm water control.

**Fire Protection Sales Tax:** In April 2004, voters approved a ¼% sales tax for fire protection. For the 2014 Fiscal Year, the City received \$258,080. By statute, this tax may be used solely for funding expenses related to the fire department.

#### **FINANCIAL ADVISOR**

WM Financial Strategies, St. Louis, Missouri, is employed as Financial Advisor to the City to assist in the preparation of the Annual Disclosure Report.

#### **NO LITIGATION**

The City represents that there is no controversy, suit or other proceeding of any kind pending or to their knowledge, threatened in any court that would materially affect the finances of the City.



**ADDITIONAL INFORMATION**

For clarification of information contained in this Annual Disclosure Report contact the following:

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