

NEW ISSUE – BOOK ENTRY ONLY**S&P RATING: “A+”**

In the opinion of Gilmore & Bell, P.C., Special Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), (1) the Interest Component of the Rental Payments paid by the City with respect to the Series 2019 Certificates is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax, (2) the Interest Component of the Rental Payments is exempt from income taxation by the State of Missouri, and (3) the Series 2019 Certificates have not been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. See “TAX MATTERS” in this Official Statement.

\$28,950,000**City of Sedalia, Missouri****Refunding and Improvement Certificates of Participation
Series 2019****Dated Date: Date of Delivery****Due: July 15, as shown on the inside front cover page**

The Series 2019 Certificates representing undivided, proportionate interests in rental payments (the “Rental Payments”) to be paid by the City of Sedalia, Missouri (the “City”), are being delivered pursuant to a Trust Indenture dated as of May 15, 2019 (the “Indenture”), between BOKF, N.A., Kansas City, Missouri, as trustee (the “Trustee”) and the City. The Rental Payments are payable by the City under an annually renewable Lease Agreement dated as of May 15, 2019 (the “Lease”) between the City and the Trustee.

The Series 2019 Certificates will be delivered in fully registered form without coupons in the denomination of \$5,000 or any integral multiple thereof, and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases of interests in the Series 2019 Certificates will be made in book-entry form only. Purchasers of such interests (the “Beneficial Owners”) will not receive certificates representing their interests in the Series 2019 Certificates. So long as Cede & Co., as nominee of DTC, is the owner of the Series 2019 Certificates, references herein to the owners or registered owners mean Cede & Co., as aforesaid, and do not mean the Beneficial Owners of the Series 2019 Certificates. See APPENDIX IV – BOOK-ENTRY-ONLY SYSTEM to this Official Statement.

The Principal Component and Interest Component distributable with respect to the Series 2019 Certificates is payable by the Trustee. So long as DTC or its nominee, Cede & Co., is the owner, such payments will be made directly to such owner. Upon receipt of payments of the Principal Component and Interest Component, DTC will in turn remit such Principal Component and Interest Component to DTC’s participants for subsequent disbursement to the Beneficial Owners of the Series 2019 Certificates. The Principal Component will be payable annually on July 15, beginning on July 15, 2020. The Interest Component will be payable semiannually on January 15 and July 15, beginning on January 15, 2020 by check or draft mailed (or by electronic transfer in certain circumstances described herein) to the persons who are the registered owners of the Series 2019 Certificates as of the close of business on the first day of the month of the applicable interest payment date.

The Series 2019 Certificates will be payable solely from the Rental Payments under the Lease and certain money held by the Trustee under the Indenture. See the caption “SECURITY FOR THE SERIES 2019 CERTIFICATES” herein. The City will agree to pay the total Rental Payments due under the Lease for each fiscal year, but only if the City Council annually appropriates sufficient money specifically designated to pay the Rental Payments coming due during each succeeding fiscal year. The obligation to make payments will not create a general obligation or other indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction. Neither the execution of the Lease nor the delivery of the Series 2019 Certificates will obligate the City to levy any form of taxation therefor or to make any appropriation for their payment in any year subsequent to a year in which the Lease is in effect.

There are risks associated with the purchase of the Series 2019 Certificates. See “RISK FACTORS AND INVESTMENT CONSIDERATIONS” herein for a discussion of certain of these risks. This cover page contains information for reference only. It is not a summary of the Series 2019 Certificates. Investors must read the entire Official Statement including the cover page and appendices hereto to obtain information essential to making an informed investment decision.

The Series 2019 Certificates are subject to prepayment prior to their stated payment dates under certain conditions as described herein. See the caption “THE SERIES 2019 CERTIFICATES - Prepayment Provisions” herein.

The Series 2019 Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approval of legality by Gilmore & Bell, P.C., Kansas City, Missouri, Special Counsel, and certain other conditions. Certain legal matters related to this Official Statement will be passed upon by Thompson Coburn LLP, St. Louis, Missouri, as Underwriter’s Counsel and by Anne Gardner, Esq., Sedalia, Missouri, as counsel to the City. It is expected that the Series 2019 Certificates will be available for delivery through The Depository Trust Company in New York, New York, on or about June 12, 2019.

STIFEL

The date of this Official Statement is May 22, 2019.

\$28,950,000
City of Sedalia, Missouri
Refunding and Improvement Certificates of Participation
Series 2019

Maturity Schedule

Payment Date <u>July 15</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Price</u>	CUSIP¹ <u>815187</u>
2020	\$1,335,000	3.00%	101.453%	KJ 7
2021	1,375,000	3.00	102.638	KK 4
2022	1,425,000	4.00	106.710	KL 2
2023	1,485,000	4.00	108.515	KM 0
2024	1,545,000	4.00	110.348	KN 8
2025	1,610,000	4.00	111.841	KP 3
2026	1,675,000	4.00	112.878	KQ 1
2027	1,740,000	4.00	113.910	KR 9
2028	1,815,000	4.00	113.036	KS 7
2029	1,885,000	4.00	112.170	KT 5
2030	1,965,000	4.00	111.390	KU 2
2031	2,045,000	4.00	110.693	KV 0
2032	2,130,000	4.00	110.001	KW 8
2033	2,215,000	4.00	109.390	KX 6
2034	2,305,000	4.00	108.935	KY 4
2035	2,400,000	4.00	108.557	KZ 1

¹ CUSIP numbers shown above have been assigned by an organization not affiliated with the City. The City is not responsible for the selection of CUSIP numbers nor does the City make any representations to the correctness of such numbers on the Series 2019 Certificates or as shown above.

CITY SEDALIA, MISSOURI
200 South Osage Avenue
Sedalia, Missouri 65301

ELECTED OFFICIALS

John Kehde	Mayor
Bob Cross	Council Member
Andrew Dawson	Council Member
Jeff Leeman	Council Member
Charles Lowe	Council Member
Bonita Nash	Council Member
Megan Page	Council Member
Tolbert Rowe	Council Member
Thomas Oldham	Council Member

CITY ADMINISTRATION

Kelvin Shaw	City Administrator
Arlene Silvey	City Clerk
Anne Gardner	City Attorney

SPECIAL COUNSEL

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

UNDERWRITER

Stifel, Nicolaus & Company, Incorporated
St. Louis, Missouri

UNDERWRITER'S COUNSEL

Thompson Coburn LLP
St. Louis, Missouri

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Saint Paul, Minnesota

Baker Tilly Municipal Advisors, LLC is a registered municipal advisor and wholly-owned subsidiary of Baker Tilly Virchow Krause, LLP, an accounting firm. Baker Tilly Virchow Krause, LLP trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. © 2019 Baker Tilly Municipal Advisors, LLC.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2019 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2019 CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representation with respect to the Series 2019 Certificates offered hereby other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Series 2019 Certificates offered hereby 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 obtained from the City and from other sources believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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

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

IF AND WHEN AN OWNER ELECTS TO SELL A CERTIFICATE PRIOR TO ITS MATURITY, THERE IS NO ASSURANCE THAT A MARKET WILL HAVE BEEN ESTABLISHED AND MAINTAINED OR WILL BE IN EXISTENCE FOR THE PURCHASE AND SALE OF THE SERIES 2019 CERTIFICATES. THE UNDERWRITER OF THE SERIES 2019 CERTIFICATES INTENDS, BUT ASSUMES NO OBLIGATION, TO ESTABLISH OR MAINTAIN SUCH A MARKET, AND THE UNDERWRITER IS NOT OBLIGATED TO REPURCHASE ANY OF THE SERIES 2019 CERTIFICATES AT THE REQUEST OF THE OWNER THEREOF.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included in or incorporated by reference in this Official Statement that are not purely historical, are “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 27A of the United States Securities Act of 1933, as amended (the “Securities Act”) and reflect the City’s current expectations, hopes, intentions, or strategies regarding the future. Such statements may be identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “intend” or other similar words. Such forward-looking statements include, among others, certain statements under the caption “RISK FACTORS AND INVESTMENT CONSIDERATIONS” in the forepart of this Official Statement.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INCLUDED IN SUCH RISKS AND UNCERTAINTIES ARE (i) THOSE RELATING TO THE POSSIBLE INVALIDITY OF THE UNDERLYING ASSUMPTIONS AND ESTIMATES, (ii) POSSIBLE CHANGES OR DEVELOPMENTS IN SOCIAL, ECONOMIC, BUSINESS, INDUSTRY, MARKET, LEGAL AND REGULATORY CIRCUMSTANCES, AND (iii) CONDITIONS AND ACTIONS TAKEN OR OMITTED TO BE TAKEN BY THIRD PARTIES, INCLUDING CUSTOMERS, SUPPLIERS, BUSINESS PARTNERS AND COMPETITORS, AND LEGISLATIVE, JUDICIAL AND OTHER GOVERNMENTAL AUTHORITIES AND OFFICIALS. ASSUMPTIONS RELATED TO THE FOREGOING INVOLVE JUDGMENTS WITH RESPECT TO, AMONG OTHER THINGS, FUTURE ECONOMIC, COMPETITIVE, AND MARKET CONDITIONS AND FUTURE BUSINESS DECISIONS, ALL OF WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT ACCURATELY. FOR THESE REASONS, THERE CAN BE NO ASSURANCE THAT THE FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT WILL PROVE TO BE ACCURATE.

UNDUE RELIANCE SHOULD NOT BE PLACED ON FORWARD-LOOKING STATEMENTS. ALL FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT ARE BASED ON INFORMATION AVAILABLE TO THE CITY ON THE DATE HEREOF, AND THE CITY ASSUMES NO OBLIGATION TO UPDATE ANY SUCH FORWARD- LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR OR FAIL TO OCCUR, OTHER THAN AS INDICATED UNDER THE CAPTION “CONTINUING DISCLOSURE.”

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OFFICIAL STATEMENT

\$28,950,000
CITY OF SEDALIA, MISSOURI
REFUNDING AND IMPROVEMENT CERTIFICATES OF PARTICIPATION
SERIES 2019

(BOOK ENTRY ONLY)

INTRODUCTION

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and the Appendices, must be considered in its entirety. The offering of the Series 2019 Certificates to potential investors is made only by means of the entire Official Statement. See APPENDIX III – DEFINITIONS OF WORDS AND TERMS AND SUMMARY OF THE DOCUMENTS for the definitions of certain capitalized terms used in this Official Statement.

General

The purpose of this Official Statement is to furnish information in connection with the offering and sale of the City of Sedalia, Missouri Refunding and Improvement Certificates of Participation, Series 2019, in the aggregate principal amount of \$28,950,000 (the “Series 2019 Certificates”). The Series 2019 Certificates represent undivided interests in Rental Payments to be paid by the City of Sedalia, Missouri (the “City”) pursuant to an annually renewable Lease Agreement dated as of May 15, 2019 (the “Lease”), between BOKF, N.A., Kansas City, Missouri (the “Trustee”), as lessor, and the City, as lessee. The Trustee has agreed to execute and deliver the Series 2019 Certificates pursuant to a Trust Indenture dated as of May 15, 2019 (the “Indenture”) between the Trustee and the City. The Rental Payments constitute rent for the Project Site (hereafter defined) pursuant to the Lease. Simultaneously with the delivery of the Series 2019 Certificates, the City will lease the Project Site to the Trustee pursuant to a Base Lease dated as May 15, 2019 (the “Base Lease”). The leasehold interest granted pursuant to the Base Lease only includes the underlying real property and any existing buildings and fixtures and any additional buildings and fixtures located on the real property commonly described as the Central Wastewater Treatment Plant and Equalization Basin (the “Project Site”). The Trustee will lease the Project Site back to the City pursuant to the Lease for an initial term ending March 31, 2020, with successive one year renewal options (the “Renewal Terms”), with a final Renewal Term ending March 31, 2036. Each Renewal Term is subject to annual appropriation by the City Council. See “PLAN OF FINANCING” herein.

The City

The City is a municipal corporation and city of the third class, organized and existing under the laws of the State of Missouri (the “State”). See the caption “THE CITY” herein and APPENDIX I – THE CITY OF SEDALIA, MISSOURI.

Plan of Financing

Proceeds from the sale of the Series 2019 Certificates will be used, together with other legally available funds of the City, to (i) finance and refinance the costs of improvements to the City's wastewater system (the "Project"), including improvements on certain real estate and the improvements located thereon, generally described as the 24-acres on which one of the City's wastewater treatment plants and associated improvements are located (the "Project Site"); (ii) advance refund the June 1, 2020 through June 1, 2035 maturities of the City's Taxable Certificates of Participation (Build America Bonds), Series 2010B, dated December 22, 2010 (the "Refunded Certificates"); and (iii) pay the costs related to the issuance of the Series 2019 Certificates.

The City and the Trustee have agreed that the City, on behalf of the Trustee and using the proceeds of the Series 2019 Certificates deposited in the Project Fund, will acquire, construct, improve, furnish and equip the Project, which includes improvements to be constructed on the Project Site and other property of the City. See "Security for the Series 2019 Certificates-Base Lease" herein for a more detailed description of the property located on the Project Site. The lease of the Project Site by the City to the Trustee pursuant to the Base Lease only includes the leasehold interest in the real property and the buildings and fixtures located at the Project Site and the right of possession and access granted pursuant to the Base Lease subsequent to an Event of Default or an Event of Nonappropriation to the Project Site to make arrangements to sell or lease the leasehold estate granted by the Base Lease of the Project Site, all as provided in the Base Lease, the Lease and the Indenture. The Project Site shall be leased to the City pursuant to the Lease for an initial term ending March 31, 2020, with successive one year renewal options (the "Renewal Terms"), with a final Renewal Term ending March 31, 2036. Each Renewal Term is subject to annual appropriation by the City Council. See "PLAN OF FINANCING" herein. Upon such lease, title to the Project Site will remain vested in the City subject to the Base Lease and the Lease; provided, however, that (i) in the event of the termination of the Lease by the Trustee in accordance with the terms thereof, or (ii) upon the occurrence of an Event of Default or Event of Nonappropriation under the Indenture or the Lease and as long as such Event of Default or Event of Nonappropriation is continuing, possession of the Project Site will, at Trustee's sole option, vest in Trustee or its assignee to be used to provide for payment of the Rental Payments due on the Certificates. If an Event of Default or an Event of Nonappropriation shall occur, then the City will, upon the Trustee's request, reasonably surrender possession of the Project Site and the Trust Estate to the Trustee.

If an Event of Default or Event of Nonappropriation occurs under the Indenture or the Lease, the proceeds from any sale or sublease of the Trustee's interest in the Project Site are required to be paid to the Trustee and applied in accordance with the Indenture. Owners of the Series 2019 Certificates are cautioned, however, that due to the nature of the Project Site and its incorporation into the City's wastewater system, the ability of the Trustee to relet or sell its leasehold interest in the Project Site will be extremely limited. Such limitations may impair the Trustee's ability to sell any portions of the Project Site or assign or sublease the Project Site upon the occurrence of an Event of Default or Event of Nonappropriation or to obtain an amount therefor that would be sufficient to pay the Principal Components and Interest Components distributable with respect to all Certificates then outstanding. See the caption "RISK FACTORS AND INVESTMENT CONSIDERATIONS — Not All of Project Included in the Project Site," "Project Site Has Limited Collateral Value," and "— Expiration or Termination of the Lease" herein.

The City intends to use available funds, primarily available moneys in its wastewater fund, to pay the Rental Payments. None of such funds are, or can be, pledged to the payment of the Series 2019 Certificates.

Pursuant to the Indenture, a portion of each Rental Payment (as hereinafter defined) represents Interest Components (as hereinafter defined) distributable with respect to the Series 2019 Certificates, and a portion of each Rental Payment represents Principal Components (as hereinafter defined) and prepayment premium, if any, distributable with respect to the Series 2019 Certificates.

See "PLAN OF FINANCING" herein.

Security and Source of Payment; Limited Obligations

Under the Lease, the City has agreed to pay Rental Payments consisting of a principal component (the “Principal Component”) and an interest component (the “Interest Component” and, collectively with the Principal Component, the “Rental Payments”) that are distributable with respect to the Series 2019 Certificates, but only if and to the extent that the City Council annually appropriates sufficient money to pay the Rental Payments coming due during each succeeding Renewal Term. The Series 2019 Certificates represent undivided, proportionate interests in the Rental Payments.

Neither the Series 2019 Certificates, the Lease nor any payments required under the Lease will constitute a mandatory payment obligation of the City in any year beyond the year during which the City is a lessee under the Lease, or constitute or give rise to a general obligation or other indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction. The City is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year or any subsequent fiscal year in which the Lease is in effect, and there can be no assurance that the City will appropriate funds to pay Rental Payments or renew the Lease after the Initial Term or any Renewal Term of the Lease. The City may terminate its obligations under the Lease on an annual basis. The City will have the option to purchase the Trustee’s interest in the Project Site at the times and upon the conditions described under “SUMMARY OF THE LEASE – Purchase Option” in APPENDIX III – DEFINITIONS OF WORDS AND TERMS AND SUMMARY OF THE DOCUMENTS.

Neither the Series 2019 Certificates nor the Lease will constitute a debt or liability of the City, the State or any other political subdivision thereof, nor will they constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The execution and delivery of the Lease will not obligate the City to levy any form of taxation for the payments required thereunder or to make any appropriation for such payments in any fiscal year subsequent to a fiscal year in which the Lease is in effect.

The Trustee’s interest in the Project Site under the Lease only includes the underlying real property and any existing buildings and fixtures and any additional buildings and fixtures located on such real property. The real property is generally described as the Central Wastewater Treatment Plant and Equalization Basin. The Base Lease is for a term ending March 31, 2070. See “PLAN OF FINANCING” and “RISK FACTORS AND INVESTMENT CONSIDERATIONS — Not All of Project Included in the Project Site,” and “- Project Site Has Limited Collateral Value” herein.

Parity Obligations

Upon the execution and delivery of a Supplemental Lease that provides for an increase in the amount of Rental Payments payable under the Lease and compliance with the conditions set forth in the Indenture, so long as no Event of Default or Event of Nonappropriation exists, the Indenture provides for the future delivery of Additional Certificates which, if delivered, would rank on a parity with the Series 2019 Certificates and any other Additional Certificates then Outstanding under the Indenture. The Series 2019 Certificates, together with any Additional Certificates, are collectively the “Certificates.” See the caption “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Additional Certificates” in APPENDIX III - DEFINITIONS OF WORDS AND TERMS AND SUMMARY OF THE DOCUMENTS to this Official Statement.

Authority to Issue Revenue Obligations

The City may issue revenue bonds to finance additional capital projects of the wastewater system for the City upon a simple majority vote of the qualified voters and establishing compliance with the terms of the ordinances related to the authorization of the revenue bonds. The debt service on such revenue bonds would be payable prior to the payment of Rental Payments under the Lease.

Risk Factors

Payment of the Principal Components and Interest Components represented by the Series 2019 Certificates is subject to various risks and the Series 2019 Certificates are not a suitable investment for all persons. Prospective purchasers should carefully evaluate the risks and merits of an investment in the Series 2019 Certificates, confer with their own legal and financial advisors and be able to bear the risk of loss of their investment in the Series 2019 Certificates. See “RISK FACTORS AND INVESTMENT CONSIDERATIONS.”

Continuing Disclosure Information

The City has covenanted in a Continuing Disclosure Undertaking to provide certain financial information and notices of events to the Municipal Securities Rulemaking Board, in compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission. See “CONTINUING DISCLOSURE.”

Definitions and Descriptions; Inspection of Documents

All capitalized terms used in this Official Statement not defined in the text hereof are defined under the caption “DEFINITIONS OF WORDS AND TERMS” set forth in APPENDIX III - DEFINITIONS OF WORDS AND TERMS AND SUMMARY OF THE DOCUMENTS to this Official Statement. Brief descriptions of the Series 2019 Certificates, the Base Lease, the Lease, the Indenture and certain other matters are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Base Lease, the Lease and the Indenture are qualified in their entirety by reference to such documents, drafts of which may be viewed prior to the delivery of the Series 2019 Certificates at the office of the Underwriter, Stifel, Nicolaus & Company, Incorporated, One Financial Plaza, 10th Floor, 501 North Broadway, St. Louis, Missouri 63102. Copies of the final executed documents may be viewed after the delivery of the Series 2019 Certificates at the office of the Trustee, BOKF, N.A., Corporate Trust Department, 2405 Grand Boulevard, Suite 840, Kansas City, Missouri 64108, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request. All references to the Series 2019 Certificates are qualified in their entirety by the definitive terms thereof and the information with respect thereto included in the Base Lease, Lease and the Indenture.

THE SERIES 2019 CERTIFICATES

Description

The Series 2019 Certificates are dated the date of their original issuance and delivery, and the Principal Component of Rental Payments distributable with respect to each Series 2019 Certificate will bear interest at specified rates as set forth on the inside front cover page hereof. The Interest Component of Rental Payments distributable with respect to the Series 2019 Certificates will be payable semiannually on January 15 and July 15 of each year, beginning on January 15, 2020 (collectively the “Payment Dates”). The Principal Component of Rental Payments distributable with respect to the Series 2019 Certificates is payable on July 15 in each of the years and in the principal amounts set forth on the inside front cover page of this Official Statement.

Interest Components distributable with respect to the Series 2019 Certificates are payable by (a) check or draft mailed by the Trustee to the person in whose name each Certificate is registered on the first day of the month of each Payment Date at such person’s address as it appears on the registration books kept by the Trustee under the Indenture (the “Register”), or (b) in the case of the payment of Interest Components to the Securities Depository or any Registered Owner of \$500,000 or more in aggregate principal amount of Series 2019 Certificates, by electronic transfer to such Registered Owner upon written notice given to the

Trustee by such Registered Owner not less than five business days prior to the Record Date for such Interest Components, containing the electronic transfer instructions including the bank (which shall be in the continental United States), ABA routing number and account name and account number to which such Registered Owner wishes to have such transfer directed. Principal Components distributable with respect to the Series 2019 Certificates are payable upon presentation and surrender thereof at the payment office of the Trustee.

The Series 2019 Certificates are issuable only as fully registered certificates, without coupons, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Series 2019 Certificates. Purchases of the Series 2019 Certificates will be made only in book-entry form, in denominations of \$5,000 or any integral multiple thereof. Purchasers of the Series 2019 Certificates ("Beneficial Owners") will not receive certificates representing their interest in the Series 2019 Certificates. So long as Cede & Co. is the registered owner of the Series 2019 Certificates, as nominee of DTC, references herein to the certificate owners or registered owners shall mean Cede & Co. as aforesaid and shall not mean the Beneficial Owners of the Series 2019 Certificates. See APPENDIX IV – BOOK-ENTRY-ONLY SYSTEM and APPENDIX V – REGISTRATION, TRANSFER AND EXCHANGE OF SERIES 2019 CERTIFICATES.

Prepayment Provisions

Optional Prepayment. The Series 2019 Certificates are subject to prepayment on and after July 15, 2027, as a whole or in part at any time at 100% of the Principal Component being prepaid, plus the Interest Component accrued thereon to the prepayment date.

Extraordinary Optional Prepayment. The Series 2019 Certificates shall be subject to prepayment prior to the stated maturity thereof, upon instructions from the City, in whole or in part on any date, at a prepayment price equal to 100% of the principal amount of the Series 2019 Certificates to be prepaid plus interest accrued thereon to the prepayment date, upon the occurrence of any of the following conditions or events:

- (1) if title to, or the use for a limited period of, all or substantially all of the Project Site or the Project is condemned by any authority having the power of eminent domain (other than the City or any entity controlled by or otherwise affiliated with the City);
- (2) if title to all or substantially all of the Project Site or the Project is found to be deficient or nonexistent to the extent that the efficient utilization of the Project Site or the Project by the City is impaired;
- (3) if all or substantially all of the Project Site or the Project is damaged or destroyed by fire or other casualty; or
- (4) if as a result of changes in the constitution of the State, or of legislative or administrative action by the State or any political subdivision thereof, or by the United States, or by reason of any action instituted in any court, the Base Lease, the Lease or the Indenture shall become void or unenforceable, or impossible of performance without unreasonable delay, or in any other way, by reason of such change of circumstances, unreasonable burdens or excessive liabilities are imposed on the City with respect to the Base Lease, the Lease or the Indenture.

Selection of Certificates to be Prepaid. Certificates shall be prepaid only in the principal amount of \$5,000 or any integral multiple thereof. When less than all of the Outstanding Certificates of any series are to be prepaid prior to maturity (other than by mandatory sinking fund prepayment, if any), the City shall designate which maturities of such series of the Certificates shall be prepaid. Certificates to be prepaid of less than a full maturity shall be selected by the Trustee in \$5,000 units of face value by lot or in such other equitable manner as the Trustee may determine.

In the case of a partial prepayment of Certificates when Certificates of denominations greater than \$5,000 units of face value are then Outstanding, then for all purposes in connection with such prepayment, each \$5,000 unit of face value shall be treated as though it were a separate Certificate. If it is determined that one or more, but not all, of the \$5,000 units of face value represented by any Certificate is selected for prepayment, then upon notice of intention to prepay such \$5,000 unit or units, the Registered Owner of such Certificate or his duly authorized agent shall forthwith present and surrender such Certificate to the Trustee (1) for payment of the prepayment price (including amounts representing premium, if any, and Interest Components to the date fixed for prepayment) of the \$5,000 unit or units of face value called for prepayment, and (2) for exchange, without charge to the Registered Owner thereof, for a new Certificate or Certificates of the aggregate principal amount of the unprepaid portion of the principal amount of such Certificate. If the Registered Owner of any such Certificate of a denomination greater than \$5,000 fails to present such Certificate to the Trustee for payment and exchange as aforesaid, such Certificate shall, nevertheless, become due and payable on the prepayment date to the extent of the \$5,000 unit or units of face value called for prepayment (and to that extent only).

Notice and Effect of Call for Prepayment. Official notice of any prepayment shall be given by the Trustee by mailing a copy of an official prepayment notice at least 20 days prior to the date fixed for prepayment by first class mail to the Purchaser of the Certificates and the Registered Owner of the Certificate or Certificates to be prepaid, unless waived by any Registered Owner thereof, at the address shown on the Certificate Register as of the date of the notice.

Each notice of prepayment shall be dated and shall state (i) the prepayment date, (ii) the prepayment price, (iii) if less than all Outstanding Certificates are to be prepaid, the identification number, series, maturity date (and, in the case of partial prepayment of any Certificates, the respective principal amounts) of the Certificates to be prepaid, (iv) that on the prepayment date the prepayment price will become due and payable upon each such Certificate or portion thereof called for prepayment, and that interest thereon shall cease to accrue from and after said date, and, and (v) the place where such Certificates are to be surrendered for payment of the prepayment price, which place of payment shall be the corporate trust office of the Trustee or such other office as the Trustee shall designate.

With respect to optional prepayments, such notice may be conditioned upon moneys being on deposit with the Trustee on or prior to the prepayment date in an amount sufficient to pay the prepayment price on the prepayment date. If such notice is conditional and either the Trustee receives written notice from the City that moneys sufficient to pay the prepayment price will not be on deposit on the prepayment date, or such moneys are not received on the prepayment date, then such notice shall be of no force and effect, the Trustee shall not prepay such Certificates and the Trustee shall give notice, in the same manner in which the notice of prepayment was given, that such moneys were not or will not be so received and that such Certificates will not be prepaid.

The Trustee, as long as a book-entry-only system is used for the Series 2019 Certificates, will send notices of prepayment only to Cede & Co., as the nominee of DTC (the "Securities Depository"), as the Owner of the Series 2019 Certificates. Any failure of the Securities Depository to advise any of its participants, or of any participant or any nominee to notify any beneficial owner of the Series 2019 Certificates, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Series 2019 Certificates called for prepayment.

After funds sufficient for payment of the prepayment price have been deposited with the Trustee and notice of prepayment has been given as required by the Indenture, on the prepayment date designated in the notice, (1) the Certificates (or portions thereof) called for prepayment will become due and payable at the prepayment price specified in the notice, (2) the Interest Component of Rental Payments represented by the Certificates called for prepayment will cease to accrue, (3) the Certificates (or portions thereof) will cease to be entitled to any benefit or security under the Indenture and (4) the Owners of such Certificates will have no rights in respect thereof except to receive payment of the prepayment price.

Acceleration of Maturity

If an Event of Default or an Event of Nonappropriation shall have occurred and be continuing, (1) the Trustee may, and (2) the Trustee shall, at the written direction of the Registered Owners of not less than 25% in aggregate principal amount of Certificates then Outstanding, by notice in writing delivered to the City, declare the Rental Payments and Additional Payments payable during the current Renewal Term immediately due and payable, and such Rental Payments and Additional Payments shall thereupon become and be immediately due and payable, anything in this Indenture or in the Certificates to the contrary notwithstanding.

If, at any time after such declaration, but before the Certificates shall have matured by their terms, all overdue installments representing Principal and Interest Components with respect to the Certificates, together with the reasonable and proper costs, charges, fees and expenses of the Trustee, and all other sums then payable by the City under the Indenture either has been paid or provision satisfactory to the Trustee for such payment has been made, then and in every such case the Trustee shall, upon the written request of the Registered Owners of not less than a majority in aggregate Principal Components of the Certificates Outstanding, rescind such declaration and annul such default in its entirety. In such event, the Trustee shall rescind any declaration of acceleration of installments of Rental Payments made pursuant to the Lease.

In case of any rescission, then and in every such case the City, the Trustee and the Registered Owners shall be restored to their former position and rights hereunder respectively, but no such rescission shall extend to any subsequent or other default or Event of Default or Event of Nonappropriation or impair any right consequent thereon. See “RISK FACTORS AND INVESTMENT CONSIDERATIONS” below and “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Events of Default” and “— Remedies Upon an Event of Default or Event of Nonappropriation” in APPENDIX III - DEFINITIONS OF WORDS AND TERMS AND SUMMARY OF THE DOCUMENTS to this Official Statement.

SECURITY FOR THE SERIES 2019 CERTIFICATES

Limited Obligations; Sources of Payment

Each Certificate evidences the undivided interest of the Owner thereof in the right to receive Rental Payments to be paid by the City under the Lease. The Series 2019 Certificates are payable solely out of the Rental Payments and other money and investments held by the Trustee under the Indenture.

The City’s obligation to pay Rental Payments and to make other payments under the Lease is subject to annual appropriation by the City Council and will not constitute a debt or liability of the City, the State or any political subdivision thereof. Neither the Lease nor the Series 2019 Certificates will constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The execution and delivery of the Lease and the Series 2019 Certificates will not obligate the City to levy any form of taxation therefor or to make any appropriation for their payment in any fiscal year subsequent to a fiscal year in which the Lease is in effect.

Under the terms of the Lease, if the City elects to renew the Lease at the end of the Initial Term or any Renewal Term, it is obligated to budget, appropriate and set aside a portion of its surplus revenues of the wastewater system and general revenues derived from other sources, which appropriation must be sufficient to pay the Rental Payments coming due during the ensuing fiscal year. The City is obligated to pay Rental Payments to the Trustee on the first of the month of each Payment Date, which payments will be distributable as Principal Components and Interest Components with respect to the Series 2019 Certificates (but only if the City elects to renew the Lease for each Renewal Term). There can be no assurance that the City Council will appropriate funds for Rental Payments or renew the Lease for any subsequent Renewal Term. The City is not legally required to budget or appropriate money for any subsequent fiscal year beyond the current fiscal year.

The City intends, but is not obligated, to satisfy its obligation to pay Rental Payments out of revenues generated by the City's wastewater system. Revenues received by the City from the operation of the wastewater system are directed first to the payment of operation and maintenance costs of the wastewater system. Revenues in excess of what is required for such purposes are placed in a surplus account and are available for expenditure by the City for purposes such as paying the costs of extending or improving the wastewater system, including debt service related to the Series 2019 Certificates. There is no guarantee that the wastewater system will produce sufficient surplus revenues to pay any portion of the Rental Payments due with respect to the Series 2019 Certificates. See "THE WASTEWATER SYSTEM – Wastewater Fund Summary" in APPENDIX I – THE CITY OF SEDALIA, MISSOURI of this Official Statement for a summary of the income, and expenses of the wastewater system in recent years.

The City may also use other available funds to pay Rental Payments. In the case that the revenues generated by the City's wastewater system are not sufficient, the City intends to use available funds, to pay the remainder of the Rental Payments. None of such funds are, or can be, pledged to the payment of the Series 2019 Certificates. See "FINANCIAL INFORMATION CONCERNING THE CITY" in APPENDIX I – THE CITY OF SEDALIA, MISSOURI for additional information.

Base Lease

The City has, pursuant to the Base Lease, leased the Project Site to the Trustee, as lessee. Only the real estate and the buildings and fixtures located thereon are included in the Project Site. The Project Site consists of an approximately 24-acre tract of land with improvements constructed thereon to provide one of the City's three sewer treatment plants, including a 10-acre equalization basin, aerated grit chamber, flow monitoring equipment, two 40-foot primary clarifiers, two 45-foot secondary clarifiers, two pump stations each having a peak capacity of eight million gallons per day (MGD), two 35-foot anaerobic digesters, a 4,000 square-foot control building and a 1,250 square-foot wastewater laboratory building, but only the real estate and the buildings and fixtures located thereon are leased pursuant to the Base Lease and the Lease. None of the equipment that may be located on the Project Site is leased or encumbered as security for payment of the Certificates. The Base Lease is for a term ending March 31, 2070. See "PLAN OF FINANCING" and "RISK FACTORS AND INVESTMENT CONSIDERATIONS — Not All of Project Included in the Project Site," and "-Project Site Has Limited Collateral Value" herein.

If an Event of Default or Event of Nonappropriation occurs under the Indenture or the Lease, the Trustee has the right to possession of the Project Site for the remainder of the term of the Base Lease, and has the right to assign or sublease its interest in the Base Lease upon such terms as it deems prudent. The proceeds from such assignment or sublease are required to be paid to the Trustee and applied in accordance with the Indenture. Owners of the Series 2019 Certificates are cautioned, however, that the nature of the Project Site may impair the Trustee's ability to assign or sublease it upon the occurrence of an Event of Default or Event of Nonappropriation or to obtain an amount therefor that would be sufficient to pay the principal and interest distributable with respect to all Series 2019 Certificates then outstanding. See "RISK FACTORS AND INVESTMENT CONSIDERATIONS — Expiration or Termination of the Lease" herein.

Maintenance of the Project Site

The City has agreed in the Lease, at its own expense, to keep the Project Site in good condition and repair, ordinary wear and tear excepted. As provided in the Lease, the Trustee and the Owners of the Series 2019 Certificates will not have any obligation to incur any expense of any kind or character for the maintenance of the Project Site during the term of the Lease.

Parity Obligations

Additional Certificates may be delivered under and be equally and ratably secured by the Indenture on a parity with the Series 2019 Certificates and any other Additional Certificates Outstanding, at any time and from time to time and in any amount while no Event of Default or Event of Nonappropriation has occurred and is continuing under the Indenture, upon compliance with the conditions thereafter provided, for any one or more of the following purposes: (1) to provide funds to pay the costs of completing the Project, the total of such costs to be evidenced by a certificate signed by an Authorized City Representative; (2) to provide funds to pay all or any part of the costs of repairing, replacing or restoring the Project in the event of damage, destruction or condemnation thereto or thereof, but only to the extent that such costs exceed the Net Proceeds of the insurance or condemnation awards out of which such costs are to be paid pursuant to the Lease; (3) to provide funds to pay all or any part of the costs of acquisition, construction, furnishing and equipping of Project Additions or other facilities; (4) to provide funds for refunding all or any portion of the Certificates of any series then Outstanding, including the payment of any premium thereon and interest to accrue to the designated prepayment date and any expenses in connection with such refunding; or (5) any other lawful purpose for the benefit of the City.

All Additional Certificates will be secured by the lien of the Indenture, the Base Lease, and the Lease and will be secured on parity with the Series 2019 Certificates and any other Additional Certificates. Unless provided otherwise in a supplement to the Indenture, any Additional Certificates will be in substantially the same form as the Series 2019 Certificates, but will bear such date or dates, bear such interest rate or rates, have such payment date or dates, prepayment dates and prepayment premiums, and be issued at such prices as are approved in writing by the City, subject to the requirements of the Indenture.

Authority to Issue Revenue Obligations

The City may issue revenue bonds to finance additional capital projects of the wastewater system for the City upon a simple majority vote of the qualified voters and establishing compliance with the terms of the ordinances related to the authorization of the revenue bonds. The debt service on such revenue bonds would be payable prior to the payment of Rental Payments under the Lease.

THE CITY

The City is a third-class city located in, and is the county seat of, Pettis County, Missouri. The City was founded in 1860 and incorporated in 1864. Certain information describing the City is attached hereto in APPENDIX I – THE CITY OF SEDALIA, MISSOURI.

THE TRUSTEE

BOKF, N.A., Kansas City, Missouri, a national banking association authorized to transact business in the United States of America, will be the Trustee under the Indenture and a party to the Lease. The Trustee may consult with counsel, and the opinion of such counsel will be full and complete authorization and protection with respect to any action taken or suffered by the Trustee in good faith in accordance with such opinion. The Trustee may execute any trusts or powers or perform the duties required by the Indenture or the Lease by or through attorneys, agents or receivers and will not be answerable for the default or misconduct of any such attorney, agent or receiver selected by it with due care.

The Series 2019 Certificates are executed by the Trustee, not individually or personally but solely as Trustee under the Indenture, in the exercise of the power and authority conferred upon and invested in it as such Trustee. Except for its negligence or willful misconduct, nothing contained in the Indenture or the Lease is to be construed as creating any liability on the Trustee, individually or personally, to perform any

covenant either express or implied in the Series 2019 Certificates, the Indenture or the Lease, all such liability, if any, being expressly waived by the Owners of the Series 2019 Certificates by the acceptance thereof and by each and every person now or hereafter claiming by, through or under the Trustee or the Owners of the Series 2019 Certificates. Insofar as the City is concerned, the Trustee and the Owner of any Series 2019 Certificate and any person claiming by, through or under the Trustee or the Owner of any Series 2019 Certificate may look solely to the Trust Estate described in the Indenture for payment of the interests evidenced by the Series 2019 Certificates.

As security for the compensation, expenses, disbursements and indemnification to which it is entitled upon the occurrence of an Event of Default under the Indenture or an Event of Nonappropriation under the Lease, the Trustee will have a first lien with right of payment prior to payment on account of any principal or interest with respect to the Series 2019 Certificates for such compensation, expenses, disbursements and indemnification.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

An investment in the Series 2019 Certificates is subject to a number of significant risk factors. The following is a discussion of certain risks that could affect payments to be made with respect to the Series 2019 Certificates. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2019 Certificates should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Official Statement.

Limited Obligations

The Series 2019 Certificates represent an interest in the right to receive amounts due under the Lease, which constitute currently budgeted expenditures of the City, payable only if the City Council appropriates sufficient money to extend the term of the Lease for each successive fiscal year. The current term of the Lease expires on March 31, 2020. The Lease is subject to successive one-year Renewal Terms commencing on April 1 of each year, and a final renewal term ending March 31, 2036.

The City's obligations under the Lease do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The City Council has declared its current intention and expectation that the Lease will be renewed annually until the City exercises its option to acquire the Trustee's interest in the Project Site. However, such a declaration may not be construed as contractually obligating or otherwise binding the City. Accordingly, the likelihood that the City will renew the Lease for all Renewal Terms and continue to pay the Rental Payments thereunder for distribution by the Trustee with respect to the Series 2019 Certificates is dependent upon certain factors which are beyond the control of the Owners, including (1) the City's continuing need for the Project Site, (2) the demographic conditions within the City, (3) the City's ability to generate sufficient funds from the operation of its wastewater system, property taxes, sales taxes, utility fees and charges and other sources to pay its obligations under the Lease and its other obligations and (4) the value of the Project Site if assigned or subleased in proceedings instituted by the Trustee if the term of the Lease is terminated as a result of an Event of Default or Event of Nonappropriation. The City may also use other available funds to pay Rental Payments. The revenues and funds of the City, including the revenues from the City's wastewater system, are not and cannot be pledged to the payment of the Series 2019 Certificates. See "FINANCIAL INFORMATION CONCERNING THE CITY" in APPENDIX I – THE CITY OF SEDALIA, MISSOURI of this Official Statement for a discussion of the types, amounts and collections of sales taxes by the City. See also "SECURITY FOR THE SERIES 2019 CERTIFICATES – Limited Obligations; Sources of Payment" in this Official Statement for a discussion of the available sources of funds for payment of the City's Rental Payments.

Not All of Project Included in the Project Site

Only the Project Site and the buildings and fixtures located thereon are included in the lease of the Project Site. Personal property and equipment are not included in the lease of the Project Site; provided, however, that title to any such machinery, equipment and other tangible personal property which becomes permanently affixed to real property such that it is classified as a “fixture” under the Uniform Commercial Code as enacted by the laws of the State shall be considered part of the lease of the Project Site and shall be included under the terms of the Base Lease and the Lease in the event that the Project Site would be damaged or impaired by the removal of such fixture. The Trustee will have no interest in the remainder of the Project or any other personal property located on the Project Site and will not be able to require the City to transfer any portion of the Project other than the Project Site to the Trustee or exclude the City from such other portions of the Project if the Lease is terminated.

Project Site Has Limited Collateral Value

The City and the Trustee have agreed that the City, on behalf of the Trustee and using the proceeds of the Series 2019 Certificates deposited in the Project Fund, will acquire, construct, improve, furnish and equip the Project, which includes improvements to be constructed on the Project Site. Only the underlying real property and any existing buildings and fixtures and any additional buildings and fixtures located on the Project Site are leased pursuant to the Base Lease and the Lease. See “Security for the Series 2019 Certificates-Base Lease” herein for a more detailed description of the property located on the Project Site. The lease of the Project Site by the City to the Trustee pursuant to the Base Lease only includes the leasehold interest in the underlying real property and the right of possession and access granted pursuant to the Base Lease subsequent to an Event of Default or an Event of Nonappropriation to the Project Site to allow the Trustee to make arrangements to sell or lease the leasehold estate granted by the Base Lease, all as provided in the Base Lease, the Lease and the Indenture. The Project Site shall be leased to the City pursuant to the Lease for an initial term ending March 31, 2020, with successive one year renewal options (the “Renewal Terms”), with a final Renewal Term ending March 31, 2036. Each Renewal Term is subject to annual appropriation by the City Council. See “PLAN OF FINANCING” herein. Upon such lease, title to the Project Site will remain vested in the City subject to the Base Lease and the Lease; provided, however, that (i) in the event of the termination of the Lease by the Trustee in accordance with the terms thereof, or (ii) upon the occurrence of an Event of Default or Event of Nonappropriation under the Indenture or the Lease and as long as such Event of Default or Event of Nonappropriation is continuing, possession of the Project Site will, at Trustee’s sole option, vest in the Trustee or its assignee to be used to provide for payment of the Rental Payments due on the Certificates. If an Event of Default or an Event of Nonappropriation shall occur, then the City will, upon the Trustee’s request, reasonably surrender possession of the Project Site and the Trust Estate to the Trustee.

If an Event of Default or Event of Nonappropriation occurs under the Indenture or the Lease, the proceeds from any sale or sublease of the Trustee’s interest in the Project Site are required to be paid to the Trustee and applied in accordance with the Indenture. Owners of the Series 2019 Certificates are cautioned, however, that due to the nature of the Project Site and its incorporation into the City’s wastewater system, the ability of the Trustee to relet or sell its leasehold interest in the Project Site will be extremely limited. Such limitations may impair the Trustee’s ability to sell any portions of the Project Site or assign or sublease the Project Site upon the occurrence of an Event of Default or Event of Nonappropriation or to obtain an amount therefor that would be sufficient to pay the Principal Components and Interest Components distributable with respect to all Certificates then outstanding.

No Reserve Fund or Credit Enhancement

No debt service reserve fund, financial guaranty insurance policy, letter of credit or other credit enhancement will be issued to insure payment of the Principal Component or Interest Component due with respect to the Series 2019 Certificates. Accordingly, any potential purchaser of the Series 2019 Certificates should consider the financial ability of the City to pay Rental Payments under the Lease.

Changes in Economic, Demographic and Market Conditions

Changes in real estate market conditions in and around the City, as well as changes in general or local demographic or economic conditions, could adversely affect the value of the property located within the City and the level of economic activity in the City and, consequently, the amounts of real estate taxes, sales taxes and other revenues generated by the City. Such changes could also have an adverse impact on the financial condition of the City and, thus, the City resources available for appropriation for the payment of the Rental Payments with respect to the Series 2019 Certificates.

In particular, sales tax revenues historically have been sensitive to changes in local, regional and national economic conditions. For example, sales tax revenues have historically declined during economic recessions, when high unemployment adversely affects consumption. Demographic changes in the population of the City may adversely affect the level of sales tax revenues. A decline in the City's population, or reductions in the level of commercial and industrial activity in the City, could reduce the number and value of taxable transactions and thus reduce the amount of sales tax revenues. Internet and online sales have also caused local sales tax collections to decline. It is not possible to predict whether or to what extent any such changes in economic conditions, demographic characteristics, population or commercial and industrial activity will occur, and what impact any such changes would have on sales tax revenues. The City significantly depends on retail sales tax revenues, with approximately 35.2% of total City's revenues during the fiscal year ended March 31, 2018 being derived from such taxes. Total City revenues encompasses core City units and enterprise funds, and excludes component units such as the Water Department and Bothwell Regional Health Center. See "FINANCIAL INFORMATION CONCERNING THE CITY – Sources of Revenue" in APPENDIX I – THE CITY OF SEDALIA, MISSOURI in this Official Statement.

Expiration or Termination of the Lease

The Lease will expire by its terms on March 31 during each year from 2020 through 2036, unless the City in its sole discretion exercises the option provided in the Lease to extend its term for each next succeeding Renewal Term. If the City does not extend in any year the term of the Lease, the City's obligation to make payments will terminate on the March 31 occurring at the end of the then current Renewal Term. Upon (1) the expiration of any Renewal Term during which an Event of Nonappropriation occurs or (2) a default under the Lease and an election by the Trustee to terminate the City's possessory interest under the Lease, the City's right of possession of the Project Site under the Lease will expire or be terminated, as appropriate. See "SUMMARY OF CERTAIN PROVISIONS OF THE LEASE — Events of Default" and "— Remedies on Default" in APPENDIX III - DEFINITIONS OF WORDS AND TERMS AND SUMMARY OF THE DOCUMENTS to this Official Statement.

If the City's right of possession of the Project Site under the Lease expires or is terminated for either of the reasons described in the preceding paragraph, the City's obligation to make payments thereunder will continue through the Renewal Term then in effect, but not thereafter, and the Series 2019 Certificates will be payable from, among other sources, such money as may be available by way of recovery from the City of the Rental Payments that are due through the Renewal Term then in effect. If the Lease expires at the end of a Renewal Term without any extension for the next succeeding Renewal Term or if an event occurs as described above pursuant to which the Trustee terminates the City's right of possession of the Project Site under the Lease, the Trustee may recover and relet or assign its interest in the Project Site as provided in the Base Lease, the Lease, and the Indenture. The net proceeds of any reletting or assignment of the Trustee's interest in the Project Site, together with certain other money then held by the Trustee under the Indenture, are required to be used to pay the Series 2019 Certificates to the extent of such money.

Due to the nature of the Project Site, no assurance can be given that the Trustee could relet or assign its interest in the Project Site for the amount necessary (after taking into account money legally available from other sources) to pay in full the Principal Components and Interest Components of Rental Payments then due with respect to the Series 2019 Certificates. The Project Site consists of the real property and the buildings and fixtures located thereon related to one of the City's three sewer treatment plants and the number of potential purchasers or lessees may be limited. Furthermore, no assurance can be given that the amount, if any, realized upon any reletting or assignment of the Trustee's interest in the Project Site will be available to provide for the payment of the Series 2019 Certificates on a timely basis.

Construction Risks

Weather, labor disputes, availability of materials and supplies, casualty damages, unanticipated subsoil conditions, unanticipated construction difficulties and other “**force majeure**” occurrences or events or financial failure or failure to perform by a contractor, subcontractor or supplier may affect the timely construction of the Project. No assurance can be given that the acquisition, construction and installation of the Project will be completed on schedule, within budget or without material errors and defects. Any such failure could affect the City's decision to continue appropriations under the Lease.

Delays in Exercising Remedies

A termination of the City's right of possession of the Project Site under the Lease as a result of an Event of Default or an Event of Nonappropriation or expiration of the term of the Lease at the end of the Initial Term or any Renewal Term without an extension for the next succeeding Renewal Term will give the Trustee the right to remove and sell the Project Site and the right to possession of, and the right to relet or assign its interest in the Project Site in accordance with the provisions of the Base Lease, the Lease, and the Indenture. However, the enforceability of the Base Lease, the Lease, and the Indenture is subject to applicable bankruptcy laws and trust instruction procedures available under the laws of certain states, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, the exercise of judicial authority by State, jurisdictions other than the State potentially having jurisdiction under trust instruction procedure laws or federal courts and the exercise by the United States of America of the powers delegated to it by the U.S. Constitution.

Further, the Project Site is used by the City for the performance of its essential governmental functions. Due to the essential governmental use of the Project Site and the delays inherent in obtaining possession of the Project Site and other judicial remedies, no assurance can be given that (1) a court, in the exercise of judicial discretion, would enforce these remedies in a timely manner, or (2) any money realized by the Trustee upon an exercise of any remedies would be sufficient to pay in full the Principal Components and Interest Components of Rental Payments with respect to the Series 2019 Certificates. The legal opinions to be delivered with the delivery of the Series 2019 Certificates will be qualified as they relate to the enforceability of the various legal instruments by reference to the limitations on enforceability of those instruments under (1) applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights, general principles of equity, and (2) the exercise of judicial discretion in appropriate cases. If such money is insufficient to pay all outstanding Series 2019 Certificates in full, the Series 2019 Certificates would be paid in part on a pro rata basis. Any delays in the ability of the Trustee to obtain possession of the Project Site will, of necessity, result in delays in any payment of Principal Components and Interest Components of Rental Payments with respect to the Series 2019 Certificates.

Damage, Destruction and Condemnation of the Project Site

If during the Lease Term, the Project Site is damaged or destroyed, in whole or in part, by fire or other casualty, or in the event the Project Site is condemned or taken for any public or quasi-public use or title thereto is found to be deficient, to such extent that the claim for loss (including any deductible amount pertaining thereto) resulting from such damage, destruction, condemnation or deficient title is greater than \$100,000, the City shall promptly notify the Trustee in writing as to the nature and extent of such damage or loss and whether it is practicable and desirable to rebuild, repair, restore or replace such damage or loss.

If the City shall determine that such rebuilding, repairing, restoring or replacing is practicable and desirable, the City shall proceed promptly with and complete with reasonable dispatch such rebuilding, repairing, restoring or replacing of the Project Site so as to place said Project Site in substantially the same condition as existed prior to the event affecting the Project Site, with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the City and as will not impair the utility and condition of the Project Site. The City and the Trustee will cause the Net Proceeds to be applied to the prompt repair, restoration, modification or improvement of the Project Site. Any balance of the Net Proceeds remaining after such work has been completed shall be deposited into the applicable subaccount of the Certificate Fund. If the Net Proceeds exceeds \$100,000, such Net Proceeds shall be paid to the Trustee and shall be deposited into a separate account to be established in the applicable subaccount of the Project Fund and shall be used and applied in accordance with the disbursement requirements of the Indenture for the purpose of paying the cost of such rebuilding, repairing, restoring or replacing of the Project Site. Any amount remaining in the applicable subaccount of the Project Fund after completion of such rebuilding, repairing, restoring or replacing shall be deposited into the applicable subaccount of the Certificate Fund which completion shall be evidenced by a certificate signed by an Authorized City Representative and filed with the Trustee. If said Net Proceeds are not sufficient to pay in full the costs of such replacement, repair, rebuilding or restoration, the Trustee shall nonetheless complete the work thereof and shall, subject to the appropriation provisions of the Lease, pay that portion of the costs thereof in excess of the amount of said Net Proceeds.

If the City shall determine that rebuilding, repairing, restoring or replacing the Project Site is not practicable and desirable, then, in lieu of rebuilding, repairing, restoring or replacing the Project Site, the City shall promptly prepay the Certificates or purchase the Project Site by paying the Option Purchase Price to the Trustee and any Net Proceeds shall be applied to such payment. Any balance of the Net Proceeds remaining after paying the Option Purchase Price to the Trustee shall belong to the City. The City agrees that any acquisition of the Project Site or rights to their use by the City shall be pursuant to and in accordance with the Lease, including payment of Rental Payments and the applicable Option Purchase Price.

The City shall not, by reason of its inability to use all or any part of the Project Site during any period in which the Project Site is condemned, damaged or destroyed or loss related to the title of the Project Site, or are being repaired, rebuilt, restored or replaced, or by reason of the payment of the costs of such rebuilding, repairing, restoring or replacing, be entitled to any reimbursement from the Trustee or the Registered Owners of the Certificates, or any abatement or diminution of the rentals payable by the City under the Lease or of any other obligations of the City under the Lease except as expressly provided in the Lease.

The City covenants and agrees, to the extent it may lawfully do so, that so long as any of the Certificates remain Outstanding and unpaid, the City will not exercise the power of condemnation with respect to the Project Site. The City further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fail or refuse to abide by such covenant and condemns the Project Site, the appraised value of the Project Site shall not be less than the greater of (i) if such Certificates are then subject to prepayment, the Principal and Interest Components of the Certificates Outstanding through the date of their prepayment, or (ii) if such Certificates are not then subject to prepayment, the amount necessary to defease such Certificates to the first available prepayment date in accordance with the Indenture.

Parity Obligations

The Indenture provides for the future delivery of Additional Certificates that, if delivered, would rank on a parity with the Series 2019 Certificates and any other Additional Certificates then Outstanding under the Indenture. Additional Certificates may be delivered for any purpose and in any amount without the consent of or notice to the Registered Owners of the Series 2019 Certificates for any lawful purpose of the City. There is no requirement to provide additional property in connection with the delivery of Additional Certificates that would be subject to the terms of the Base Lease or the Lease. The delivery of Additional Certificates without a corresponding addition to the Project Site could reduce the likelihood that, in the Event of Default or Event of Nonappropriation by the City, the Trustee would be able to relet or assign its interest in the Project Site for the amount necessary (after taking into account money legally available from other sources) to pay in full the Principal Components and Interest Components of Rental Payments then due with respect to the Certificates.

Authority to Issue Revenue Obligations

The City may issue revenue bonds to finance additional capital projects of the wastewater system for the City upon a simple majority vote of the qualified voters and establishing compliance with the terms of the ordinances related to the authorization of the revenue bonds. The debt service on such revenue bonds would be payable prior to the payment of Rental Payments under the Lease.

Bankruptcy

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

Effect on Tax-Exemption of Termination of the Lease

Special Counsel is not rendering an opinion with respect to the tax-exempt status of the Interest Component of the Rental Payments distributable to owners of the Series 2019 Certificates subsequent to the termination of the Lease for any reason (including an Event of Default or an Event of Nonappropriation under the Lease). If the Lease is terminated while Series 2019 Certificates are outstanding, there is no assurance that payments made to Series 2019 Certificate owners after such termination with respect to Interest Components will be excluded from gross income of the owners thereof for federal or State income tax purposes.

Amendments of the Indenture, the Lease, and the Base Lease

Certain amendments to the Indenture, the Lease and the Base Lease may be made without notice to or the consent of the owners of the Series 2019 Certificates (including amendments relating to the issuance of Additional Certificates). Certain other amendments to the Indenture, the Lease, and the Base Lease may be made with the consent of the owners of not less than a majority in principal amount of the Series 2019 Certificates (including any Additional Certificates which may be hereafter issued) then outstanding affected by such supplemental indentures or supplemental leases. Such amendments may adversely affect the security of the owners of the Series 2019 Certificates. In addition to the foregoing, in some jurisdictions outside the State, there are a variety of trust instruction procedure ("TIP") statutes, which generally allow judicially supervised remedies for trust estates of trustees that have a nexus, such as an office, with such jurisdiction. Under such TIP statutes, such jurisdictions may allow or order the Trustee to amend the documents relating to the Series 2019 Certificates, including the Indenture, the Lease and the Base Lease,

in contravention of the manner provided for in these documents, including without limitation allowing the Trustee to disregard provisions requiring the consent of the holders of the Series 2019 Certificates prior to certain amendments of these documents.

Pension

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

For more information specific to the City’s participation, including the City’s past contributions, net pension liability, and pension expense, see “Note IV. Other Information” and “Required Supplementary Information” to the City’s financial statements included in “APPENDIX II – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED MARCH 31, 2018” to this Official Statement.

Power of Eminent Domain

Cities are granted under the laws of the State of Missouri the power to condemn property for any purpose for which such cities are authorized to acquire property. There is no assurance that if the City were to condemn the Trustee’s interest under the Base Lease or the Lease that the condemnation award would be sufficient to pay the outstanding Principal Components and Interest Components with respect to the Series 2019 Certificates. The City has agreed in the Base Lease and the Lease that, in the event that the whole or any part of the Project Site is taken by eminent domain proceedings, the interest of the Trustee will be recognized. The City and the Trustee have reached an agreement on the terms of the acquisition of the Project Site at the City’s option, and to the use of the Project Site. The City has agreed that any acquisition of the Project Site or rights to their use by the City (whether pursuant to the exercise of eminent domain powers or otherwise) shall be pursuant to and in accordance with the Lease Agreement, including payment of Rental Payments and the applicable purchase price (as defined and set forth in the Indenture). If the City allows the Lease Agreement to expire without exercising its option to purchase, whether by failure to exercise its option to extend the Lease Agreement for a Renewal Term, failure to exercise its option to purchase at the conclusion of the Lease Term or failure to cure an Event of Default (as such terms are defined in the Lease Agreement), the City’s failure to exercise the option to purchase shall constitute an irrevocable determination by the City that the Project Site are not required by it for any public purpose for the term of the Base Lease. The enforceability of the foregoing agreements of the City has not been the subject of judicial interpretation. Accordingly, no assurance can be given that the proceeds of any eminent domain proceedings would be sufficient to pay in full the Principal Components and Interest Components of Rental Payments then due with respect to the Series 2019 Certificates.

The Hancock Amendment

An amendment to the Missouri Constitution limiting taxation and government spending was approved by Missouri voters on November 4, 1980. This amendment limits the ability of the City to impose new or increased taxes to provide funding for the payment of the Series 2019 Certificates, or other governmental purposes of the City, without voter approval. The amendment (commonly known as the Hancock Amendment) limits the rate of increase and the total amount of taxes which may be imposed in any Fiscal Year, and the limit may not be exceeded without voter approval. The tax rate ceiling, determined annually, is the rate of levy which, when charged against the newly assessed valuation of the City for the current year, excluding new construction and improvements, will produce an amount of tax revenues equal to tax revenues for the previous year increased by 5% or the Consumer Price Index, whichever is lower. This

may require a roll back of property tax rates if the definition of tax base is changed or if property is reassessed. The limitation on local governmental units does not apply to taxes imposed for the payment of principal of and interest on general obligation bonds approved by the requisite percentage of voters.

The Hancock Amendment also requires political subdivisions of the State to obtain voter approval in order to increase any “tax, license or fee.” The precise meaning and application of the phrase “tax, license or fee” is unclear, but decisions of the Missouri Supreme Court have indicated that it does not apply to traditionally set user fees. The limitations imposed by the Hancock Amendment restrict the City’s ability to increase many but not all taxes, licenses and certain fees without obtaining voter approval.

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

Risk of Taxability of the Interest Component of the Rental Payments Represented by the Series 2019 Certificates

Special Counsel’s opinions as to the exclusion of the Interest Component of the Rental Payments with respect to the Series 2019 Certificates from gross income for federal income tax purposes and other matters are not a guarantee of result and are not binding on the Internal Revenue Service (the “Service”); rather, such opinions represent Special Counsel’s legal judgment based upon its review of existing law. Also, events occurring subsequent to execution and delivery of the Series 2019 Certificates may require that the Interest Component of the Rental Payments represented by the Series 2019 Certificates be included in gross income for purposes of federal income taxation and not be exempt from income taxes imposed by the State of Missouri. See “TAX MATTERS” herein.

The Series 2019 Certificates are not subject to prepayment, nor is the payment of any additional interest or penalties on the Series 2019 Certificates required, in the event of a determination by the Service or a court of competent jurisdiction that the Interest Component of the Rental Payments paid or to be paid with respect to any Series 2019 Certificate is or will be included in the gross income of the owner of a Series 2019 Certificate for federal income tax purposes. Such determination may, however, result in a breach of the City’s tax covenants set forth in the Indenture or the Lease. Likewise, the Indenture does not require the prepayment of the Series 2019 Certificates or the payment of any additional interest or penalty on the Series 2019 Certificates if the Interest Component of the Rental Payments with respect to the Series 2019 Certificates loses its exemption from income taxes imposed by the State. It may be that owners would continue to hold their Series 2019 Certificates, receiving Principal Components and Interest Components as and when due, but would be required to pay federal and state income tax on each payment of Interest Component as received or accrued.

Special Counsel expresses no opinion as to the federal or State of Missouri tax exemption of Interest Components on the Series 2019 Certificates in the event of payment thereof (a) if the City fails to budget and appropriate sufficient moneys to pay the Rental Payments under the Lease or (b) the Lease terminates for any reason.

Risk of Audit

The Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations should be included in gross income for federal income tax purposes. No assurance can be given that the Service will not commence an audit of the Series 2019 Certificates. Owners of the Series 2019 Certificates are advised that, if an audit of the Series 2019 Certificates were commenced, the Service, in accordance with its current published procedures, is likely to treat the City as the taxpayer, and the owners of the Series 2019 Certificates may not have a right to participate in such audit. Public awareness of any audit could adversely affect the market value and liquidity of the Series 2019 Certificates during the pendency of the audit, regardless of the ultimate outcome of the audit.

Loss of Premium from Early Prepayment

Any person who purchases a Series 2019 Certificate at a price in excess of its principal amount or who holds a Series 2019 Certificate trading at a price in excess of par should consider the fact that the Series 2019 Certificates are subject to prepayment prior to maturity at the prepayment prices described herein prior to maturity at the principal amount thereof. See “THE SERIES 2019 CERTIFICATES - Prepayment” herein.

Secondary Markets and Prices

The Underwriter will not be obligated to repurchase any of the Series 2019 Certificates, and no representation is made concerning the existence of any secondary market for the Series 2019 Certificates. No assurance is given that any secondary market will develop following the completion of the offering of the Series 2019 Certificates and no assurance is given that the initial offering price for the Series 2019 Certificates will continue for any period of time.

The lowering or withdrawal of the investment rating initially assigned to the Series 2019 Certificates could adversely affect the market price for and the marketability of the Series 2019 Certificates. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and changes in operating performance of the entities operating the facilities subject to the municipal securities. From time to time the secondary market trading in selected issues of municipal securities will fluctuate as a result of the financial condition or market position of the underwriter, prevailing market conditions, or a material adverse change in the operations of the City, whether or not the subject securities are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices. Municipal securities are generally viewed as long-term investments, subject to material unforeseen changes in the investor’s circumstances, and may require commitment of the investor’s funds for an indefinite period of time, perhaps until maturity.

Cybersecurity Risks

The City relies on its information systems to provide security for processing, transmission and storage of confidential and other credit information. It is possible that the City’s security measures will not prevent improper or unauthorized access or disclosure of personally identifiable information resulting from cyber-attacks. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches can create disruptions or shutdowns of the City and the services it provides, including services provided by the City’s wastewater system, or the unauthorized disclosure of confidential and other credit information. If personal or otherwise protected information is improperly accessed, tampered with or distributed, the City may incur significant costs to remediate possible injury to the affected persons, and the City may be subject to sanctions and civil penalties if it is found to be in violation of federal or state laws or regulations. Any failure to maintain proper functionality and security of information systems could interrupt the City’s operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations.

Other Factors

The City intends to use revenues from its wastewater fund to pay the Rental Payments under the Lease. The City may also satisfy a portion of its obligation to pay Rental Payments under the Lease out of revenues generated from its capital improvement sales tax or other revenues of the City. Purchasers of the Series 2019 Certificates should be aware, however, that such sales tax revenues and other funds are not, and cannot be, pledged to the payment of the Series 2019 Certificates.

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

1. **Changes in Management.** Changes in key management personnel could affect the capability of the management of the City.
2. **Future Economic Conditions.** Adverse economic conditions or changes in demographics in the City, including increased unemployment and inability to control expenses in periods of inflation, could adversely impact the City's financial condition.
3. **Insurance Claims.** Increases in the cost of general liability insurance coverage and the amounts paid in settlement of liability claims not covered by insurance could adversely impact the City's financial performance.
4. **Natural Disasters.** The occurrence of natural disasters, such as floods, droughts, tornadoes or earthquakes, could damage the City's facilities, interrupt services or otherwise impair operations and adversely impact the City's financial performance.
5. **Environmental Hazards.** The City has covenanted in the Lease to comply with all applicable environmental laws. No environmental studies have been performed with respect to the Project Site. The City is not aware of any environmental condition at the Project Site or any of the City's other property that requires any present remedial action. The discovery of such a condition with respect to the Project Site may adversely affect the City's willingness to renew the Lease after the expiration of any Renewal Term and the discovery of such a condition with respect to any of the other property of the City could adversely impact the City's financial performance.
6. **Competition from Other Service Providers.** State law does not prohibit other providers of water and sewer services from operating within the boundaries of the City. For-profit providers of water and sewer services, however, are subject to regulation by the Missouri Public Service Commission (the "PSC"), and are limited to operations within certificated service areas. Currently the boundaries of the City do not overlap with any other providers of water or sewer service. Although the City is not aware of any initiative by any other service provider to compete with the City, at some time in the future, such competition may exist. Increased competition within the City's boundaries could adversely affect the City's ability to impose rates or otherwise generate revenues at a level sufficient to pay the Rental Payments from surplus revenues of its wastewater system.
7. **Concentration of Customers.** One customer represented over 4.2% of the City's total wastewater system usage in 2018. Together, the top five customers represented almost 14.3% of the City's total wastewater system usage in 2018. The loss of one or more of these customers or the failure of one or more of these customers to pay the charges for its use of the wastewater system could have a material adverse impact on the financial operation of the wastewater system.

Defeasance Risks

When all Series 2019 Certificates are deemed paid as provided in the Indenture (see "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Satisfaction and Discharge of the Indenture" and "Certificates Deemed to be Paid" in APPENDIX III – DEFINITIONS OF WORDS AND TERMS AND

SUMMARY OF THE DOCUMENTS to this Official Statement), the Indenture will be released and terminated and the Project Site encumbered by the Base Lease and the Lease as security for the Series 2019 Certificates will be released. Any Series 2019 Certificate shall be deemed to be paid when (a) payment of the Principal Component of Rental Payments evidenced by such Series 2019 Certificate and premium, if any, thereon and the Interest Component of Rental Payments payable with respect thereto whether such payment is by reason of the stated payment date or upon prepayment as provided in the Indenture either (i) has been made in accordance with the terms of such Series 2019 Certificate (determined assuming the City has appropriated funds to pay all Rental Payments through the final Renewal Term of the Lease), or (ii) has been provided by irrevocably depositing, in trust and irrevocably set aside exclusively for such payment, (1) cash sufficient to make such payment and/or (2) Defeasance Obligations, maturing as to principal and interest in such amounts and at such time as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee pertaining to such Series 2019 Certificate have been paid or the payment thereof provided for to the satisfaction of the Trustee. Defeasance Obligations include, in addition to cash and obligations pre-refunded with cash, bonds, notes, certificates of indebtedness, treasury bills and other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America. There is no legal requirement in the Indenture or the Lease that Defeasance Obligations consisting of such United States obligations be rated in any particular rating category by any rating agency. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and that could include the rating of Series 2019 Certificates defeased with Defeasance Obligations to the extent the Defeasance Obligations have a change or downgrade in rating.

PLAN OF FINANCING

General

Proceeds from the sale of the Series 2019 Certificates will be used, together with other legally available funds of the City, to (i) finance the costs of the Project; (ii) advance refund the Refunded Certificates; and (iii) pay the costs related to the issuance of the Series 2019 Certificates. The proceeds from the Refunded Certificates, together with the proceeds of the City's Tax Exempt Refunding and Improvement Certificates of Participation, Series 2010A, dated December 22, 2010 (the "Series 2010A Certificates," and, together with the Refunded Certificates, the "Series 2010 Certificates"), were used to finance certain capital projects for the City's wastewater system.

The refunding of the Refunded Certificates has been structured as a full net advance refunding, and is being issued to achieve debt service savings. A portion of the proceeds of the Series 2019 Certificates, along with available City funds, will be used to provide for the refunding and defeasance of the Refunded Certificates.

A portion of the proceeds of the Series 2019 Certificates will be placed in an escrow account with BOKF, N.A. Kansas City, Missouri (the "Escrow Agent"). The amounts on deposit with the Escrow Agent will be invested in obligations of the United States Treasury or other obligations of the United States or of its agencies, which shall mature in such amounts and at such times as to be available to:

- pay the principal of and interest on the Refunded Certificates maturing to and including June 1, 2020, the anticipated call date of the Refunded Certificates;
- redeem the Refunded Certificates on the anticipated call date of June 1, 2020 at a price of par plus accrued interest.

With the establishment of the escrow upon delivery of the Series 2019 Certificates, the Refunded Certificates will be defeased. In conjunction with delivery of the Series 2019 Certificates, the City will use other available funds to establish an additional escrow fund with the Escrow Agent to provide for the defeasance of the Series 2010A Certificates.

Pursuant to the Indenture, the balance of the proceeds to be received from the sales of the Series 2019 Certificates will be deposited into the Project Fund for the acquisition, construction, improvement, furnishing and equipping of the Project.

Verification Agent

Verification services necessary to insure the adequacy of the escrow account to provide timely payment of the principal and interest for which the escrow account is obligated will be performed by a certified public accounting firm.

The Project

The City is undergoing a period of economic growth with new and expanding manufacturers and residential and commercial development. Some areas within the wastewater collection and treatment system have been identified that require improvements, upgrades or expansion. The Project seeks, in part, to provide for implementation of a wastewater master plan and hydraulic model. The plan and model will allow the City to seamlessly plan for the future and better manage system growth; monitor and schedule system maintenance; evaluate conditions and capacities of the collection system and receiving plants in advance of need; and identify opportunities for expansion bringing additional rate payers to the System. The City's overarching goal remains providing reasonably priced services to its customers while maintaining compliance with the City's National Pollutant Discharge Elimination System (NPDES) permits issued by the Missouri Department of Natural Resources.

The Project specifically allows for the Central Wastewater Treatment Plant and Equalization Basin (CWWTP) to be upgraded, accommodating residential and commercial growth on the west side of the City. Upon completion of the Project the CWWTP will have sufficient capacity to manage 3.8 million gallons of wastewater per day. The Main Street Lift Station, which is located adjacent to the gate of the CWWTP, will be upgraded with new pumps and backup power sufficient to meet the capacity needed during peak flow and loss of power periods.

In addition, the City has seen increased growth in the area of Menard's Plaza (located on the west side of the City) and increasing requests for service. The Menard's Lift Station is currently undersized and requires replacement. Upon completion of the Project, replacement of the Menard's Lift Station with a larger regional lift station to the north, will allow for increased flow already occurring in the area; for overall growth presently occurring and connection of additional rate payers adjacent to the new sewer line.

Further, the Project's planned upgrades to the Thompson Meadows Lift Station will allow for increased flow from new businesses within the industrial park as well as new residential growth south of U.S. Highway 50 near West Main Street. Lastly, as funding is available, new sewer mains and lift stations are being constructed to handle identified areas of growth to the north and west. Alternative funding for these projects will be used to complete these added expansions as needed.

SOURCES AND USES OF FUNDS

The composition of the Series 2019 Certificates is as follows:

	<u>Refunding Portion</u>	<u>Improvement Portion</u>	<u>Total</u>
Sources of Funds:			
Principal Amount	\$24,290,000.00	\$4,660,000.00	\$28,950,000.00
Debt Service Reserve Fund	2,508,923.62	0.00	2,508,923.62
Premium	<u>2,414,488.75</u>	<u>412,326.55</u>	<u>2,826,815.30</u>
Total Sources of Funds	\$29,213,412.37	\$5,072,326.55	\$34,285,738.92
Uses of Funds:			
Deposit to Escrow Fund	\$28,850,880.16	0.00	\$28,850,880.16
Deposit to Project Fund	0.00	\$5,000,000.00	5,000,000.00
Costs of Issuance*	<u>362,532.21</u>	<u>72,326.55</u>	<u>434,858.76</u>
Total Uses of Funds	\$29,213,412.37	\$5,072,326.55	\$34,285,738.92

* *Costs of issuance include attorney fees, municipal advisor fees, initial trustee fees, Underwriter's compensation, CUSIP fees, and any additional costs.*

FINANCIAL STATEMENTS

The City maintains its financial records on the basis of a fiscal year ending March 31. Set forth in APPENDIX II - AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED MARCH 31, 2018 are the City's audited financial statements for the fiscal year ended March 31, 2018, which include the financial statements for the City's wastewater system for the fiscal year ended March 31, 2018.

The City neither requested nor received a consent of its independent auditor to the inclusion of its audit reports in this Official Statement. Neither the City's independent auditors, nor any other independent accountants, have examined the City's records, or performed any procedures with respect to the City or its wastewater system since the date of each such audit for the fiscal year ended March 31, 2018.

FUTURE FINANCING

The City does not anticipate issuing any additional long-term debt within the next 12 months.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, execution and delivery of the Series 2019 Certificates are subject to the approving opinion of Gilmore & Bell, P.C., Kansas City, Missouri, Special Counsel. The factual and financial information appearing herein has been supplied or reviewed by certain officials of the City, as referred to herein. Certain legal matters will be passed upon for the Underwriter by Thompson Coburn LLP, St. Louis, Missouri, as Underwriter's Counsel and for the City by Anne Gardner, Esq., Sedalia, Missouri, as Counsel to the City.

The various legal opinions to be delivered concurrently with the delivery of the Series 2019 Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transactions opined upon, or of the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

The following is a summary of the material federal and State income tax consequences of holding and disposing of the Series 2019 Certificates. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2019 Certificates as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers) and, except for the income tax laws of the State of Missouri, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2019 Certificates in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2019 Certificates.

Opinion of Special Counsel

In the opinion of Gilmore & Bell, P.C., Special Counsel, under the law existing as of the issue date of the Series 2019 Certificates:

Federal and State of Missouri Tax Exemption. The Interest Component of the Rental Payments paid by the City under the Lease and distributed to the owners of the Series 2019 Certificates is excludable from gross income for federal and Missouri income tax purposes.

Alternative Minimum Tax. The Interest Component is not an item of tax preference for purposes of computing the federal alternative minimum tax.

No Bank Qualification. The Series 2019 Certificates have not been designated as "qualified tax- exempt obligations" for purposes of Section 265(b)(3) of the Code.

Special Counsel's opinions are provided as of the date of delivery of the Series 2019 Certificates, subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the delivery of the Series 2019 Certificates in order that the Interest Component be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all

such requirements. Failure to comply with certain of such requirements may cause the inclusion of the Interest Component in gross income for federal and State of Missouri income tax purposes retroactive to the date of delivery of the Series 2019 Certificates. Special Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2019 Certificates, but has reviewed the discussion under this “TAX MATTERS” section.

Other Tax Consequences

Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of a Series 2019 Certificate over its stated redemption price at maturity. The issue price of a Series 2019 Certificate is generally the first price at which a substantial amount of the Series 2019 Certificates of that maturity have been sold to the public. Under Section 171 of the Code, the purchaser of that Series 2019 Certificate must amortize the premium over the term of the Series 2019 Certificate using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Series 2019 Certificate and the amount of tax-exempt Interest Component received will be reduced by the amount of amortizable premium properly allocable to the owner, that will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on the sale or disposition of the Series 2019 Certificate prior to its maturity. Even though the owner’s basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of premium.

Sale, Exchange or Retirement of Series 2019 Certificates. Upon the sale, exchange or retirement (including redemption) of a Series 2019 Certificate, an owner of the Series 2019 Certificate generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series 2019 Certificate (other than in respect of accrued and unpaid Interest Component) and such owner’s adjusted tax basis in the Series 2019 Certificate. To the extent a Series 2019 Certificate is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2019 Certificate has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of Principal Component, Interest Component and prepayment premium paid on the Series 2019 Certificates, and to the proceeds paid on the sale of the Series 2019 Certificates, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner’s federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Series 2019 Certificates should be aware that ownership of the Series 2019 Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2019 Certificates. Special Counsel expresses no opinion regarding these tax consequences. Purchasers of the Series 2019 Certificates should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2019 Certificates, including the possible application of state, local, foreign and other tax laws.

ABSENCE OF LITIGATION

There is not now pending or, to the City's knowledge, threatened, any litigation seeking to restrain or enjoin or in any way limit the approval or the delivery of this Official Statement or the Series 2019 Certificates or the proceedings or authority under which they are to be delivered. There is no litigation pending or, to the City's knowledge, threatened which in any manner challenges or threatens the City's powers to enter into or carry out the transactions contemplated by the Indenture, the Base Lease, the Lease and this Official Statement, or which would materially and adversely affect the financial condition of the City. See "LITIGATION" in APPENDIX I – THE CITY OF SEDALIA, MISSOURI for information relating to litigation involving the City.

CONTINUING DISCLOSURE

The City is executing a Continuing Disclosure Undertaking for the benefit of the owners and Beneficial Owners of the Series 2019 Certificates in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). The City is the only "obligated person" with responsibility for continuing disclosure.

In accordance with the Rule, the City will agree to provide:

- (i) Within six months after the close of each Fiscal Year, beginning with the fiscal year ending March 31, 2019, to the Municipal Securities Rulemaking Board ("MSRB"), via the Electronic Municipal Market Access system for municipal securities disclosures operated by the MSRB ("EMMA"), the City's Annual Report, which shall include the City's audited financial statements for such fiscal year, the audited financial statements for the City's wastewater system for such fiscal year (to the extent not included in the City's audited financial statements) and except to the extent otherwise substantially contained in the City's audited financial statements, such financial information and operating data regarding the City set forth in the tables contained in the following-captioned sections of APPENDIX I – THE CITY OF SEDALIA, MISSOURI to this Official Statement:
 - (1) "DEBT STRUCTURE OF THE CITY – Current Obligations of the City" (in addition to the tables, information should also be provided on any general obligation, revenue bond or annual appropriation obligations, including a description of the issue, the outstanding principal and the source of payment);
 - (2) "FINANCIAL INFORMATION CONCERNING THE CITY – Sources of Revenue;"
 - (3) "FINANCIAL INFORMATION CONCERNING THE CITY – Retail Sales and Use Taxes;"
 - (4) "TAX INFORMATION CONCERNING THE CITY – Property Valuations – *Current Assessed Valuation*;"
 - (5) "TAX INFORMATION CONCERNING THE CITY – Property Tax Levies and Collections – *Property Tax Levies*;"
 - (6) "TAX INFORMATION CONCERNING THE CITY – Property Tax Levies and Collections – *Property Tax Collection Record*;"
 - (7) "TAX INFORMATION CONCERNING THE CITY – Major Property Taxpayers;"
 - (8) "THE WASTEWATER SYSTEM – Largest Customers;"
 - (9) "THE WASTEWATER SYSTEM – Customers by Category; and
 - (10) "THE WASTEWATER SYSTEM – Sewer Rates and Charges" (solely with respect to the then-existing rates); and
 - (11) "THE WASTEWATER SYSTEM – Wastewater Fund Summary.

(ii) within 10 days of the occurrence of any of the following events, to the MSRB, via EMMA:

(a) notice of the occurrence of any of the following events with respect to the Series 2019 Certificates:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the security, or other material events affecting the tax-exempt status of the security;
- (7) modifications to rights of security holders, if material;
- (8) certificate calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the City;
- (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material;
- (15) incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material;
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties; and
- (17) the occurrence of an Event of Nonappropriation under the Lease.

For purposes of the events identified in paragraphs (1) – (17) above, the term “security” means Series 2019 Certificates, “security holders” means Series 2019 Certificate holders, and “obligated person” means the City. For purposes of the events identified in paragraphs (15) and (16) above, the term “financial obligation” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

If the City has not submitted its Annual Report to the MSRB by the date required, the City shall, within 10 days of when such Annual Report was due, send a notice to the MSRB of the failure of the City to file the Annual Report on a timely basis.

The City may also, from time to time, choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the City, any such other event is material with respect to the Series 2019 Certificates, but the City does not undertake to commit to provide any such notice of the occurrence of any material event except those indicated herein.

The City reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the

City, provided that, the City agrees that any such modification will be done in a manner consistent with the Rule. The City's undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Series 2019 Certificates and shall be enforceable by the holders of the Series 2019 Certificates provided that the right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the obligations under the undertaking and any failure to comply with the provisions of this undertaking shall not be an event of default with respect to the Indenture, the Lease, the Base Lease or the Series 2019 Certificates.

The City has engaged in undertakings similar to the Continuing Disclosure Undertaking with respect to certain outstanding obligations of the City, under which it has agreed to provide to the national information repositories (presently, only the MSRB) certain operating data of the City, the audited financial statements of the City and its waterworks system and notices of certain enumerated events. Over the past five years, the City has substantially complied with its obligations to file its annual report, except that in at least one instance it did not timely file the audited financial statements of the waterworks system. In order to promote compliance with the City's obligations under its continuing disclosure undertakings with respect to the timeliness and content of Annual Reports, the City engaged the law firm of Gilmore & Bell, P.C.

RATING

S&P Global Ratings, a division of S&P Global Inc., has assigned a rating of "A+" to the Series 2019 Certificates, based on the credit of the City. Such rating reflects only the view of such rating agency, and an explanation of the significance of such rating may be obtained therefrom. There is no assurance that the rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, by said rating agency if, in its judgment, circumstances warrant. Any such downward revisions or withdrawal of the rating may have an adverse effect on the market price of the Series 2019 Certificates.

MUNICIPAL ADVISOR

The City has retained Baker Tilly Municipal Advisors, LLC, of Saint Paul, Minnesota, as municipal advisor in connection with certain aspects of the issuance of the Series 2019 Certificates. In preparing this Official Statement, Baker Tilly Municipal Advisors, LLC has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for this Official Statement. Baker Tilly Municipal Advisors, LLC has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. Baker Tilly Municipal Advisors, LLC is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

UNDERWRITING

The Series 2019 Certificates are being purchased for reoffering by Stifel, Nicolaus & Company, Incorporated, St. Louis, Missouri (the "Underwriter"). The Underwriter has agreed to purchase the Series 2019 Certificates at an aggregate purchase price of \$31,523,502.80 (the principal amount of the Series 2019 Certificates, less an underwriter's discount of \$253,312.50, plus an original issue premium of \$2,826,815.30), plus accrued interest, if any. The Underwriter will sell certain of the Series 2019 Certificates at a price greater than such purchase price, as shown on the inside front cover hereof. The Underwriter reserves the right to offer any of the Series 2019 Certificates to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter, in its discretion, shall determine. The Underwriter is purchasing the Series 2019 Certificates for resale in the normal course of the Underwriter's business activities.

MISCELLANEOUS

References herein to the Indenture, the Lease, the Base Lease and certain other matters are brief discussions of certain provisions thereof. Such discussions do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions.

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein.

Simultaneously with the delivery of the Series 2019 Certificates, the City will furnish to the Underwriter a certificate which shall state, among other things, that to the best knowledge and belief of such officer, this Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of delivery of the Series 2019 Certificates does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading in any material respect.

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

The form of this Official Statement, and its distribution and use by the Underwriter, has been approved by the City and deemed final. Neither the City nor any of its officers, directors or employees, in either their official or personal capacities, has made any warranties, representations or guarantees regarding the financial condition of the City or the City's ability to make payments required of it; and further, neither the City nor its officers, directors or employees assumes any duties, responsibilities or obligations in relation to the execution and delivery of the Series 2019 Certificates other than those either expressly or by fair implication imposed on the City by the Indenture and the Lease.

The agreements of the City with the owners of the Series 2019 Certificates are fully set forth in the Indenture, the Base Lease, and the Lease, and neither any advertisement of the Series 2019 Certificates nor this Official Statement is to be construed as constituting a contract or agreement between the City, the Trustee or, the Underwriter with the purchasers of the Series 2019 Certificates. Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information presented herein since the date hereof.

It is anticipated that CUSIP identification numbers will be printed on the Series 2019 Certificates, but neither the failure to print such numbers on any Series 2019 Certificates, nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and payment for any Series 2019 Certificates.

The attached Appendices are integral parts of this Official Statement and should be read together with all of the foregoing information.

CITY OF SEDALIA, MISSOURI

By: /s/ John Kehde
Mayor

THE CITY OF SEDALIA, MISSOURI

THE CITY OF SEDALIA, MISSOURI
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INFORMATION CONCERNING THE CITY OF SEDALIA, MISSOURI

General Information

The City, founded in 1860 and incorporated in 1864, is the county seat of Pettis County, Missouri. The City is located in west-central Missouri 90 miles east of the City of Kansas City and 120 miles north of the City of Springfield. The City is near the heart of the nation, and is the geographical and retail marketing hub of the surrounding area. The City has an incorporated area of approximately 14 square miles.

U.S. Highway 65, serving north and south-bound traffic, provides a connection with U.S. Interstate 70, which passes 18 miles north of the City. U.S. Highway 50 serves traffic to the east (55 miles to the City of Jefferson City) and to the west (90 miles to the City of Kansas City). These highways provide a network of accessibility to the City by means of auto and truck transportation. Common carrier service is provided by the Union Pacific Railroad and Amtrak service, and there are eight licensed motor/freight companies with terminals in the City that provide inter-line connections and overnight service to many locations. The City's municipal airport, located on the east end of the City, has two runways and is capable of serving 737 and DC-9 jet aircraft. Charter air service is also available.

The City is probably best known for hosting the annual Missouri State Fair since 1899. Today the Missouri State Fair is one of the largest in the United States with nearly 400,000 people in attendance.

The City is the largest municipality in Pettis County, Missouri and serves as the County's retail center. The City's economy is represented by several outdoor access shopping centers and there are many businesses in the City's central business district. The City also has several industrial enterprises and support services. The majority of the area surrounding the City is rural farmland.

Government and Organization

The City is a third class city governed by a Mayor and an eight-person City Council. The City's four wards each elect two council members for two-year terms, while the Mayor is elected at large once every four years. The elected officials of the City are:

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	John Kehde	April 2022
Council Members	Bob Cross	April 2021
	Andrew Dawson	April 2021
	Jeff Leeman	April 2020
	Charles Lowe	April 2020
	Bonita Nash	April 2020
	Megan Page	April 2021
	Tolbert Rowe, Mayor Pro-Tem	April 2020
	Thomas Oldham	April 2021

Kelvin Shaw became the City Administrator of the City on November 13, 2017, having previously served as the City's Finance Director and Interim City Administrator. The City Administrator is the chief operating officer of the City appointed by the Mayor with the approval of the City Council, and is responsible to the Mayor for the administration of all City affairs. The City Administrator directs and supervises the administration of all departments, offices and agencies of the City except as otherwise provided by law.

Employees

As of January 1, 2019, the City had approximately 257 full-time employees and a total of approximately 25 part-time employees, including police officers and firefighters. Other than the City Administrator, all employees of the City are at-will employees.

The employment contract of the City Administrator does not specify a termination date. Upon any termination of the City Administrator's employment by the City other than termination for acts of "dishonesty or moral turpitude," the City is required to pay a severance payment equal to twelve months' salary.

City Services

The City provides police protection with 46 full-time officers, 11 telecommunication staff members, and five administrative employees for a total of 62 employees. Fire protection is provided with 43 full-time firemen. The City's ISO fire insurance rating is Class 3.

The City provides trash collection service for the community. The City owns the water distribution system serving the City. The waterworks system consists of 10 deep wells that are currently active, a filtration plant and 5.56 million gallons of storage capacity. The average daily water usage is between 2.5 and 3.0 million gallons, depending on the season and conditions. The City also owns the wastewater system with three wastewater treatment plants, 15 lift stations and more than 180 miles of sewer mains. The management and operation of the wastewater system is provided by the City with assistance of a contract with Alliance, which provides one employee. Please reference Appendix I "THE CITY OF SEDALIA, MISSOURI – THE WASTEWATER SYSTEM – Management and Organization" herein.

General Employee Relations

The City's firefighters are represented by the local chapter of the International Association of Firefighters union, Local 3835 with 39 members. The Local 3835 contract is renegotiated annually. The City's sworn police officers are represented by the local chapter of the Fraternal Order of Police union with 36 members. The Fraternal Order of Police union contract is in effect through December 31, 2020. The City's public works employees are represented by the AFSCME union, with limited (if any) membership. The City has no obligation to execute agreements or memorandums with the unions but must meet with union representatives on an annual basis prior to preparing the budget. The City considers its relationship with employees to be good.

Education

Public Education

The City is served by the accredited Sedalia School District 200, which encompasses five public elementary schools, one early childhood co-op, one public middle school, one public junior high school, and two public high schools, and has a total enrollment of over 5,058 students for the 2018/19 school year. There are also three parochial elementary schools and two parochial high schools in the City. The City has two libraries, one owned by the municipal library district and the other owned by a regional library district.

Source: Missouri Department of Elementary & Secondary Education. <https://dese.mo.gov/schooldata>.

Post-secondary Education

The City is the home of State Fair Community College, a two-year community college which is fully accredited by the North Central Association of Colleges and Schools; Division of Career and Adult Education; Missouri Department of Elementary and Secondary Education; Joint Review Committee for Respiratory Therapy Education; and Missouri State Board of Nursing. State Fair Community College has an approximate enrollment of over 5,000 full-time and part-time students at seven locations within its 14-county service area.

Located within 25 miles of the City is the University of Central Missouri located in the City of Warrensburg, Missouri, and located within 60 miles of the City are the University of Missouri-Columbia, Stephens College and Columbia College located in the City of Columbia, Missouri.

Recreation

The City offers varied recreational opportunities at seven parks covering a total of 300 acres, including two public swimming pools, lighted baseball fields, lighted tennis courts, play grounds, play equipment, shelter houses, and softball and soccer fields. The Sedalia Country Club has a swimming pool and an 18-hole golf course and there are two local public golf courses. In addition to the State Fair, the State Fairgrounds is also the site of numerous special events and festivals throughout the year.

Bothwell Lodge State Park is located five miles north of the City while Knob Noster State Park is located 20 miles to the west. Truman reservoir and Lake of the Ozarks, both with over 50,000 acres of water and numerous marinas and public access areas are located approximately 30 miles south of the City.

Medical and Health Facilities

Bothwell Regional Health Center (the “Hospital”) is located in the City and serves West Central Missouri. Founded in 1930, the accredited and award-winning hospital continues to expand, build new wings, remodel existing areas and add state-of-the-art equipment. The existing Hospital contains 145 beds and approximately 315,000 square feet of space on four levels to accommodate the medical, surgical, obstetric, pediatric and intensive care beds and outpatient services. Additional services available include cancer care, emergency services, orthopedics, cardiovascular care, neurodiagnostics, diagnostic imaging, hospice, home health, medical equipment and community outreach and education. The Hospital is a City hospital managed by a board of trustees appointed by the Mayor with the approval of the City Council, and also operates a network of clinics, outpatient service facilities and rehabilitation therapy.

Hospitals located within 60 miles of the City include the University Medical Center, Columbia Regional Medical Center, Boone Hospital Center, Truman Veterans Administration Hospital and Ellis Fischel State Cancer Center in the City of Columbia, Missouri and the Western Missouri Medical Center in the City of Warrensburg, Missouri.

Additionally, the City is served by the Pettis County Ambulance District for ambulance service and 15 nursing homes and/or residential care facilities.

Population

The historical population of the City, Pettis County, and the State is set forth in the following table:

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2017</u>
City of Sedalia	20,927	19,800	20,339	21,387	21,568
Pettis County	36,378	35,437	39,403	42,201	42,558
State of Missouri	4,916,766	5,116,901	5,594,211	5,988,927	6,113,532

Source: United States Census Bureau, <http://www.census.gov/>.

The estimated populations for the City, Pettis County, and the State were further categorized in 2019 by age group as follows:

	<u>0-17</u>	<u>18-34</u>	<u>35-64</u>	<u>65 and Over</u>	<u>Total</u>
City of Sedalia	5,632	4,813	7,708	3,285	21,438
Pettis County	10,591	9,312	15,709	7,113	42,725
State of Missouri	1,380,129	1,389,830	2,321,998	1,049,858	6,141,815

Sources: Environics Analytics and Claritas, Inc.

Labor Force Data

	<u>Annual Average</u>				<u>March</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Labor Force:					
Pettis County	21,063	20,948	20,904	20,716	20,347
State of Missouri	3,075,227	3,080,850	3,061,441	3,052,386	3,041,039
United States of America	157,130,000	159,187,000	160,320,000	162,075,000	162,823,000
Unemployment Rate:					
Pettis County	5.2%	4.9%	4.2%	4.1%	4.2%
State of Missouri	5.0	4.6	3.8	3.2	3.9
United States of America	5.3	4.9	4.4	3.9	3.9

Source: Missouri Local Area Unemployment Statistics (LAUS).

Largest Employers

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
Bothwell Regional Health Center	Healthcare	940
ProEnergy Services	Power industries	750
Sedalia School District 200	Public education	728
Waterloo Stanley Black & Decker	Metal tool chests and tool manufacturing	550
Wal-Mart Supercenter	Discount retail	430
Duke Manufacturing Company	Food service equipment	381
Inter-State Studio	Photo processing	360
Maxion Wheels	Aluminum and steel wheels manufacturing	288
Gardner-Denver Machinery, Inc.	Air compressors	270
State Fair Community College	Post-secondary education	200

Source: This does not purport to be a comprehensive list and is based on a March 2019 best efforts telephone survey of individual employers. Some employers do not respond to inquiries.

In addition, Tyson Foods, Inc. produces chicken products at a plant located outside the City limits and employs approximately 1,778 people in the area. Also, WireCo, a wire cable manufacturer is located just outside the City limits and employs approximately 250 people. Whiteman Air Force Base is located approximately 20 miles west of the City with more than 10,000 military members, Department of Defense civilians, and Air Force family members. In 2018, approximately 450 temporary construction jobs were created when construction began on a rebar micro steel mill in the City. Upon completion of the mill in 2019, Nucor estimates the creation of 250 permanent jobs.

Income Statistics

The following table sets forth per capita money income and median household income statistics (in 2010 dollars) for the City, Pettis County and State of Missouri according to the 2010 Census American Community Survey:

	<u>Per Capita Money Income</u>	<u>Median Household Income</u>
City of Sedalia	\$18,460	\$32,346
Pettis County	19,351	37,658
State of Missouri	24,724	46,262

Source: U.S. Department of Commerce Bureau of the Census.

The following table contains information relating to per capita personal income for Pettis County, Missouri (no separate statistics for the City are available) and, for comparison purposes, the State of Missouri:

<u>Year</u>	<u>Pettis County, Missouri Per Capita Personal Income</u>	<u>State of Missouri Per Capita Personal Income</u>
2013	\$33,664	\$40,152
2014	34,968	41,538
2015	35,198	42,839
2016	35,284	42,587
2017	36,186	44,978

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

Construction

The following table sets forth the number and value of building permits issued in the City during the past five calendar years. These numbers reflect permits issued either for new construction or for major renovation and the values are based upon the values listed in the building permit applications.

<u>Year</u>	<u>Number of Permits Issued</u>			<u>Estimated Valuation</u>		
	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
2014	15	4	19	\$1,710,000	\$ 7,136,000	\$ 8,846,000
2015	14	15	29	2,458,000	15,589,000	18,047,000
2016	28	4	32	4,649,000	2,911,000	7,560,000
2017	13	13	26	2,043,000	20,638,000	22,681,000
2018	14	8	22	3,028,000	227,674,000	230,702,000

Source: The City.

The increase in commercial permits in 2018 is due to several manufacturers announcing projects of new plants or expansions. The City has seen an increase in the amount of new investment and new jobs coming to the community through large projects and a diverse group of different types of manufacturers. For example, North Carolina-based Nucor began construction of a rebar micro steel mill in the City in September of 2018, spawning the creation of both an estimated 450 temporary jobs in the field of construction, and upon completion of the mill, approximately 250 permanent jobs at the mill. Production is anticipated to begin in the latter portion of 2019.

Over the past 10 years the City has had a steady growth rate from manufactures. Projects were announced from 2006 through 2016 representing an investment of \$315,000,000 and creating 1,940 new jobs with a new payroll of \$82,612,960. Project announcements during 2018 through the first quarter of 2019 represent an added investment of \$368,869,706, and are anticipated to create 1,218 new jobs with a new payroll of \$72,962,500. Current projects exceed the total capital investment from the previous 10 years (117%), and the City has almost equaled the number of new jobs (63%) and added payroll (88%).

DEBT STRUCTURE OF THE CITY

Current Obligations of the City

The City currently has no general obligation bonds outstanding.

As of June 12, 2019, the dated date of the Series 2019 Certificates, the City will have the following other obligations outstanding, including the Series 2019 Certificates and excluding the Series 2010 Certificates:

- \$4,590,000 outstanding of the City's \$7,235,000 Waterworks Refunding Revenue Bonds, Series 2012, dated January 25, 2012, (the "Series 2012 Bonds") with a final maturity date of March 15, 2026, payable from the revenues of its water system; and
- \$58,062,266 of annual appropriation obligations outstanding, as described below.

The following table shows the certificates of participation and lease purchase obligations of the City anticipated to be outstanding as of June 12, 2019, including the source of revenues that have been or are expected to be annually appropriated for their payment.

<u>Issue</u> *	<u>Outstanding Principal</u>	<u>Anticipated Final Maturity</u>	<u>Expected Source of Payment</u>
Series 2010 Energy Loan	\$ 152,911	3-31-2024	General revenues – energy cost savings
Series 2011 Lease Purchase	1,878,788	3-31-2026	Water system
Series 2015 Lease Purchase	72,510	3-31-2021	Wastewater system user fees
Series 2012 Certificates	5,380,000	3-01-2032	Capital improvement sales tax; Library district property tax
Series 2017 Lease Purchase	83,538	3-31-2023	Transportation fund
Series 2017 Lease Purchase	194,533	3-31-2022	Transportation fund
Series 2017 Certificates	2,904,200	3-15-2026	Capital improvement sales tax
Series 2017B Certificates	5,380,786	9-15-2032	Capital improvement sales tax
Series 2018A Certificates	13,065,000	9-15-2042	Water system user fees
Series 2019 Certificates	<u>28,950,000</u>	6-1-2035	Wastewater system user fees
Total	\$58,062,266		

* Excludes the Series 2010 Certificates which will be defeased upon delivery of the Series 2019 Certificates.

Source: Audited Financial Statements of the City.

Debt Service Requirements

The following schedule shows the yearly principal and interest requirements for the City's certificates of participation and lease purchase obligations outstanding on June 12, 2019 (collectively, the "Existing Certificates"), including the Series 2019 Certificates and excluding the Series 2010 Certificates.

Calendar Year	<u>Series 2019 Certificates</u>		<u>Existing Certificates*</u> (Paid)	<u>Total Certificate Debt Service</u> (Paid)
	<u>Principal</u>	<u>Interest</u>		
2019				
2020	\$ 1,335,000	\$ 1,234,566	\$ 2,650,462	\$ 5,220,028
2021	1,375,000	1,090,850	2,681,827	5,147,677
2022	1,425,000	1,049,600	2,705,153	5,179,753
2023	1,485,000	992,600	2,610,909	5,088,509
2024	1,545,000	933,200	3,193,956	5,672,156
2025	1,610,000	871,400	2,237,647	4,719,047
2026	1,675,000	807,000	2,232,284	4,714,284
2027	1,740,000	740,000	1,778,038	4,258,038
2028	1,815,000	670,400	1,776,188	4,261,588
2029	1,885,000	597,800	1,778,588	4,261,388
2030	1,965,000	522,400	1,774,463	4,261,863
2031	2,045,000	443,800	1,774,183	4,262,983
2032	2,130,000	362,000	1,772,708	4,264,708
2033	2,215,000	276,800	810,115	3,301,915
2034	2,305,000	188,200	810,878	3,304,078
2035	2,400,000	96,000	810,818	3,306,818
2036			809,468	809,468
2037			812,418	812,418
2038			813,838	813,838
2039			814,358	814,358
2040			813,625	813,625
2041			811,980	811,980
2042			814,045	814,045
Totals	\$28,950,000	\$10,876,616	\$37,087,949	\$76,914,565

* Excludes the Series 2010 Certificates which will be defeased upon delivery of the Series 2019 Certificates.

Other Debt Obligations

Bothwell Regional Health Center, (Health Center) is an acute care hospital located in the City. The Health Center is governed by a board of trustees appointed by the City Council. The Health Center may not issue debt without the City's approval. For these reasons, the Health Center is considered to be a component unit of the City. The City, on behalf of the Health Center entered into a lease-purchase agreement dated December 31, 2009 which allowed for the advancement of up to \$18,300,000 to be used for construction projects through December 31, 2011. The agreement bears interest at 2.77% through December, 2019 and thereafter is adjusted every five years to a rate equal to the Federal Home Loan Bank of Des Moines published interest rate for five-year fixed-rate advances, plus 0.7%. Interest only payments are required on a monthly basis. The maturity date of the agreement is the Health Center's fiscal year end with the option of the Health Center to extend the agreement for an additional one year renewal term which is an automatic renewal unless the note is paid in full or upon reaching the final maturity date. The Health Center cannot extend the agreement past the final maturity date of January 1, 2030. The agreement is currently outstanding in the amount of \$7,910,659 and is payable solely from revenues from the Health Center, and is not a general obligation of the City.

History of Debt Payment

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

Authority to Incur Debt; Legal Debt Margin

The City is authorized to issue general obligation bonds payable from unlimited ad valorem taxes to finance capital improvements upon a four-sevenths (4/7) or two-thirds (2/3) majority vote of the qualified voters voting on the specific proposition, depending upon the specific dates of the election. The City may issue general obligation bonds in an amount not exceeding 10% of the total assessed valuation of the taxable tangible property within the City, according to the last completed assessment for state and county purposes at the time of authorization of such indebtedness.

The City is authorized to issue refunding bonds in an amount not exceeding the principal amount of the bonds to be refunded plus an amount equal to the interest accrued on said bonds to be refunded to the date of such refunding bonds. Refunding bonds do not require voter approval.

The legal debt margin of the City is as follows:

Assessed Value for the City for 2019 (i.e., based on 2018 assessment)	\$245,453,103
Limit of General Obligation Bond Indebtedness at 10% of Assessed Value	\$ 24,545,310
General Obligation Bond Indebtedness Outstanding	<u>(-0-)</u>
Remaining Legal Debt Margin	\$ 24,545,310

In addition, the City is authorized to issue additional general obligation bonds (a) in an amount not to exceed 10 percent of the total assessed valuation of the taxable tangible property within the City to acquire rights-of-way, construct, extend and improve streets and avenues and sanitary or storm sewer systems; (b) in an amount not to exceed 10 percent of the total assessed valuation of the taxable tangible property within the City to purchase or construct waterworks, electric or other light plants to be owned exclusively by the City (so long as the total general obligation indebtedness of the City does not exceed 20 percent of such total assessed valuation); and (c) in an amount not to exceed 10 percent of the total assessed valuation of the taxable tangible property within the City to purchase, construct, extend or improve plants to be leased or sold to private persons or corporations for manufacturing, warehousing and industrial purposes. The issuance of these general obligation bonds, also payable from unlimited ad valorem taxes also require a four-sevenths (4/7) or two-thirds (2/3) majority vote of the qualified voters voting on the specific proposition, depending upon the specific dates of the election.

Overlapping General Obligation Debt

Political subdivisions with boundaries overlapping the City did not have any general obligation indebtedness outstanding as of the date of this Official Statement. Such political subdivisions may, however, have lease or other obligations outstanding, the amounts of which cannot be determined at this time.

FINANCIAL INFORMATION CONCERNING THE CITY

General Description of Financial Practices and Recent Results of Operations

Accounting, Budgeting and Auditing Procedures. The City follows a modified accrual basis system of accounting for all of its funds except its enterprise funds which follow the accrual basis system of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. 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.

Proprietary, nonexpendable trust and pension trust fund types are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations.

The City is required by law to prepare an annual budget of estimated receipts and disbursements for the coming fiscal year under the direction of the City Administrator which is presented to the City Council for approval. The City’s fiscal year is April 1 through March 31. The budget includes estimated receipts by fund and sources and estimated disbursements by fund and purposes and includes a statement of the rate of levy per hundred dollars of assessed valuation required to raise each amount shown on the budget as coming from City taxes.

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with governmental accounting standards generally accepted in the United States of America. The last annual audit of the City was performed by Gerding, Korte & Chitwood, P.C., Boonville, Missouri. Copies of the audit reports for the past five (5) years are on file in the Clerk’s office and are available for review.

General Fund Sources of Revenue

The City's General Fund, which finances its general operations, was funded through the following taxes and other miscellaneous sources of revenue as indicated below for the Fiscal Year ended March 31, 2018:

<u>Source</u>	<u>Amount</u>	<u>Percent</u>
Retail sales taxes	\$ 5,173,901	50.6%
Gross receipts taxes on utilities	2,353,486	23.0
Local property taxes	1,253,972	12.3
Other taxes	202,674	2.0
Licenses and permits	546,665	5.3
Fines and court costs	108,648	1.1
Intergovernmental	48,439	0.5
Charges for services	283,866	2.8
Interest Income	84,132	0.8
Miscellaneous	<u>170,291</u>	<u>1.6</u>
TOTAL	\$10,226,074	100.0%

Source: The City.

Retail Sales and Use Taxes

The City voters approved its first general (unrestricted) sales tax from the sale at retail of all tangible personal property or taxable services at retail in the City of 1% effective January 1, 1971. Subsequently, voters approved restricted sales taxes of 1/2% for transportation expenditures effective January 1, 1987, 1/4% for capital improvements effective July 1, 1989, 1/4% for capital improvements effective October 1, 1991, and 3/8% for park purposes effective October 1, 1996.

Pursuant to a special election held in the City in August 1999, the City is authorized to extend its capital improvement sales taxes in the amount of 1/2 of one percent on retail sales in the City to be used for capital improvement purposes until June 30, 2026. The voters approved imposing a use tax at the same rates as the sales taxes at a special election held on August 4, 2015. A portion of the capital improvement sales and uses taxes has been and is expected to continue to be used to pay debt service on certain of the City's outstanding certificates of participation. Such sales tax revenues are not pledged to secure payment of any of the City's certificates of participation, including the Series 2019 Certificates. The capital improvement sales tax is currently the only City sales tax with a sunset.

The following table shows the retail sales and use tax collections for the City for the last ten fiscal years:

<u>Fiscal Year</u>	<u>1% General</u>	<u>1/2% Transportation</u>	<u>1/2% Capital Improvements</u>	<u>3/8% Parks</u>
2009	\$4,665,500	\$2,237,807	\$2,284,830	\$1,678,013
2010	4,256,990	2,036,046	2,081,929	1,526,772
2011	4,276,401	2,053,016	2,094,674	1,539,056
2012	4,772,435	2,283,766	2,332,959	1,711,351
2013	4,551,609	2,194,238	2,233,951	1,644,883
2014	4,494,908	2,159,679	2,202,652	1,619,072
2015	4,887,217	2,342,494	2,392,400	1,756,389
2016	5,221,034	2,518,696	2,563,545	1,888,579
2017	5,308,494	2,573,062	2,613,116	1,929,319
2018	5,214,955	2,552,793	2,564,521	1,891,636

Source: The City.

General Fund Summary

The following table summarizes the revenues and expenditures from the City's General Fund for the last three fiscal years. Beginning with the fiscal year ended March 31, 2018, the City created a new Transportation Fund and reclassified revenues and expenditures from the City's transportation sales tax to such fund. The final column below depicts, solely for comparison purposes, the revenues and expenditures for the General Fund and the Transportation Fund on a combined basis.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2018 (with Trans. Fund)</u>
Revenues				
Taxes	\$ 11,542,778	\$ 11,614,838	\$ 8,984,033	\$ 12,055,936
Licenses and permits	484,522	461,035	546,665	546,665
Intragovernmental (Grants)	895,914	954,930	48,439	913,039 ^(a)
Charges for services	471,449	503,668	283,866	559,724
Fines and penalties	140,919	114,533	108,648	108,648
Miscellaneous	359,974	278,271	254,423	718,448
Total Revenues	<u>\$ 13,895,556</u>	<u>\$ 13,927,275</u>	<u>\$ 10,226,074</u>	<u>14,902,461</u>
Expenditures				
General and administrative	\$ 2,750,197	\$ 3,051,209	\$ 2,754,160	\$ 2,754,160
Public Safety	7,420,030	7,413,531	8,139,266 ^(b)	8,139,266
Transportation	2,960,862	3,010,810	329,764	3,002,740
Cultural	46,364	35,358	5,692	5,692
Capital outlay	914,068	749,130	329,227	967,912
Debt service	-	61,038	-	-
Total Expenditures	<u>\$ 14,091,521</u>	<u>\$ 14,321,076</u>	<u>\$ 11,558,109</u>	<u>\$ 14,869,770</u>
Excess (Deficit) of Revenues over Expenditures	<u>\$ (195,965)</u>	<u>\$ (393,801)</u>	<u>\$ (1,332,035)</u>	<u>\$ 32,691</u>
Other Financing Sources (Uses)				
Operating transfers in (out)	<u>\$ 143,773</u>	<u>\$ 247,389</u>	<u>\$ 1,096,009</u>	<u>\$ 751,693</u>
Total Other Financing Sources (Uses)	<u>\$ 143,773</u>	<u>\$ 247,389</u>	<u>\$ 1,096,009</u>	<u>\$ 751,693</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	<u>\$ (52,192)</u>	<u>\$ (146,412)</u>	<u>\$ (236,026)</u>	<u>\$ 784,384</u>
Beginning Fund Balance	<u>\$ 7,963,759</u>	<u>\$ 7,911,567</u>	<u>\$ 7,765,155</u>	<u>\$ 7,765,155</u>
Ending Fund Balance	<u><u>\$ 7,911,567</u></u>	<u><u>\$ 7,765,155</u></u>	<u><u>\$ 7,529,129</u></u>	<u><u>\$ 8,549,539</u></u>

(a) The increase is from other governmental units and not internal transfers.

(b) The increase in expenditures for the Public Safety Fund for Fiscal Year ended 2018 is due to the purchase of extra equipment.

Sources: Audited Financial Statements of the City.

Major General Fund Revenue Sources

<u>Revenue</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Taxes*	\$10,655,370	\$11,273,656	\$11,542,778	\$11,614,838	\$8,984,033
Transfers	604,115	250,040	143,773	247,389	1,096,009
Licenses and Permits	452,389	452,854	484,522	461,035	546,665
Charges for Services	1,687,701	1,615,158	471,449	503,668	283,866
Miscellaneous	879,103	272,817	359,974	278,271	254,423
Intergovernmental	904,391	938,462	895,914	954,930	48,439

* The decrease for Fiscal Year ended March 31, 2018 is due to a reclassification of moneys into the Transportation Fund that would have been included in the General Fund in prior years.

Sources: City's Annual Financial Statements.

FUNDS AND INVESTMENTS as of January 31, 2019

Funds on Hand

General Fund	\$ 6,667,097
Special Revenues Funds	4,291,830
Debt Service Funds	17,791,653
Capital Project Funds	2,230,719
Enterprise Funds	5,313,007
Agency Funds	<u>10,252,090</u>
Total	\$46,546,396

Investments

The City's investment policy applies to all operating funds of the City. Funds of the City shall be handled and invested in accordance with the applicable statutes of the State, including but not limited to Sections 95.280 through 95.350 and 110.010 through 110.060 RSMo and applicable City Ordinances. Cash management and investment shall be undertaken in a manner that seeks to ensure the preservation of the capital in the portfolio. To attain this objective, diversification as described herein is required to minimize the potential losses caused by loss of value of individual securities. The investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's legal investment risk constraints and the cash flow characteristics and requirements of the portfolio. The Accounting Manager as Treasurer is delegated the authority to purchase the following securities as investment instruments for the City's portfolios:

- United States Treasury obligations such as but not limited to Treasury Bills,
- Treasury Notes and Treasury Bonds;
- United States Agency obligations such as but not limited to Government National
- Mortgage Assoc. (GNMA), Small Business Administration, (SBA), and Tennessee Valley Authority (TVA);
- United States Instrumentality obligations such as but not limited to Federal Home Loan Banks (FHLB), Federal National Mortgage Assoc. (FNMA), Federal Farm Credit System, Student Loan Marketing Assoc., Federal Land Banks, Federal Home Loan Mortgage Assoc.;
- Repurchase Agreements;

- Collateralized Certificates of Deposits;
- FDIC Insured Certificate of Deposit; and
- Collateralized Deposits in Savings and Loan Associations and Commercial Banks

The City had investments of \$6,168,032 in certificates of deposit as of January 31, 2019.

City Pension Plans

The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by Missouri statutes. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

Employees covered by benefit terms. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees of beneficiaries receiving benefits	95
Inactive employees entitled to but not yet receiving benefits	31
Active employees	<u>193</u>
	<u>319</u>

Funding Status. The City's full-time employees do not contribute to the LAGERS pension plan. The City is required to contribute at an actuarially determined rate. The current rate is 16.6% for general employees, 14.6% for police employees and 25.4% for library employees. The City Council of the City has adopted a plan that is non-contributory by the employees, so the City covers the entire contribution. The City's annual actuarial determined recommended contribution and actual contributions for the current year were as follows:

Actuarial determined contribution	\$ 1,175,123
Actual contribution	<u>1,159,787</u>
Contribution deficiency (excess)	\$ 15,336

The City's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2018. The total pension liability in the February 28, 2018 valuation was determined using actuarial assumptions including the following: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.25% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 3.3% per year, depending on age and division, attributable to seniority/merit, and (d) pre-retirement and post-retirement mortality based on the RP-2014 healthy annuitant mortality tables for males and females. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period as of February 28, 2018 was 30 years.

City Schedule of Contributions			
Fiscal Year Ending	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency
2009	\$ 462,145	\$ 462,145	--
2010	509,174	509,174	--
2011	1,167,611	1,024,862	\$142,749
2012	731,478	625,325	106,153
2013	1,078,981	944,349	134,632
2014	1,088,630	1,000,422	88,208
2015	1,118,381	1,107,128	11,252
2016	1,142,403	1,142,403	--
2017	1,189,477	1,184,470	5,006
2018	1,175,123	1,159,787	15,336

City Schedule of Funding Progress						
	(a)	(b)	(b-a)		(c)	((b-1)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	Annual Covered Payroll	UAL as a Percentage of Covered Payroll
2/29/2015	\$23,950,429	\$23,924,133	\$ (26,296)	100%	\$6,783,530	0%
2/29/2016	24,210,329	25,289,019	1,078,690	96	7,159,922	15
2/28/2017	23,879,665	27,321,911	3,442,246	87	7,541,525	46

Additional Information. For additional information regarding the LAGERS plan in relation to the Water Department, Fire Department, Police Department, and Bothwell Regional Health Center, see “Note IV. Other Information” and “Required Supplementary Information” to the City’s audited financial statements contained in “APPENDIX II –AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED MARCH 31, 2018” hereto. The Missouri Local Government Employees Retirement System also issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800- 447-4334.

Other Postemployment Benefits

The Government Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), establishing new accounting and financial reporting requirements related to post-employment healthcare and other non-pension benefits (referred to as Other Post-Employment Benefits or “OPEB”).

Statement No. 75 requires accrual-based measurement, recognition and disclosure of other postemployment benefits (OPEB) expense, such as retiree medical and dental costs, over the employees’ years of service, along with the related liability, net of any plan assets. At this time the City does not have any other post-employment benefits.

TAX INFORMATION CONCERNING THE CITY

Property Valuations

Assessment Procedure. All taxable real and personal property within the City is assessed annually by the County Assessor. Missouri law requires that personal property be assessed at 33-1/3% of true value and that real property be assessed at the following percentages of true value:

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

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

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

Current Assessed Valuation: The following table shows the total assessed valuation and the estimated actual valuation, by category, of all taxable tangible property situated in the City, including state-assessed railroad and utility property, according to figures for the assessment for the 2019 calendar year.

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

	<u>Taxable Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Market Valuation</u>
Real Estate:			
Residential	\$101,729,590	19%	\$535,418,895
Commercial	90,226,252	32%	281,957,038
Agricultural	<u>88,380</u>	12%	<u>736,500</u>
Sub-Total	\$192,044,222		\$818,112,432
Personal Property	<u>53,408,881</u>	33 1/3%*	<u>160,242,667</u>
Total	\$245,453,103		\$978,355,100

* Assumes all personal property is assessed at 33 1/3%. Because certain subclasses of tangible personal property are assessed at less than 33 1/3%, the estimated actual valuation for personal property would likely be greater than that shown above.

Source: The City.

History of Property Valuation. The total assessed valuation of all taxable tangible property situated in the City, including state-assessed railroad and utility property, according to the assessments after adjustment by the State Board of Equalization in each of the following years, has been as follows:

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Percent Change</u>
2014	\$251,007,572	--
2015	249,822,458	(0.5%)
2016	253,058,425	1.3%
2017	251,819,695	(0.5%)
2018	245,453,103	(2.5%)

Source: The City.

Property Tax Levies and Collections

Property Tax Levies. The City assesses property taxes only upon real and personal property located with the City. The following table shows the City's property tax levies (per \$100 of assessed valuation) for each of the last five calendar years and the current calendar year:

<u>Year Ended December 31*</u>	<u>General Revenue</u>	<u>Parks and Recreation</u>	<u>Library</u>	<u>Police</u>	<u>Fire</u>	<u>Library Temporary</u>	<u>Total Levy</u>
2014	\$0.4565	\$0.1588	\$0.2260	\$0.0894	\$0.0488	\$0.0700	\$1.0495
2015	0.4677	0.1627	0.2350	0.0916	0.0500	0.0700	1.0770
2016	0.4582	0.1594	0.2350	0.0897	0.0490	0.0700	1.0613
2017	0.4827	0.1678	0.2404	0.0946	0.0510	0.0713	1.1078
2018	0.4805	0.1671	0.2409	0.0941	0.0500	0.0716	1.1042

* The Property Tax Levy for the City's Special Business District (which encompasses a significant portion of the City's downtown area) was \$0.8322 for 2015; \$0.8406 for 2016; \$0.8500 for 2017; and \$0.8489 for 2018.

Source: The City.

Property Tax Collection Record. The following table sets forth real property tax collection information for the City for ad valorem taxes levied in the last five calendar years. Such taxes are due on December 31 of each year and the majority of such taxes are paid by taxpayers in December and January, with receipt by the City in January and February. In each case, the amounts shown as being collected are for amounts received by the City from September 1 of the year indicated through August 31 of the following year.

<u>Calendar Year</u>	<u>Current Taxes Collected</u>			<u>Current & Delinquent Taxes Collected⁽¹⁾</u>	
	<u>Total Tax Levy</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
2013	\$2,513,890	\$2,454,581	97.6%	\$2,542,972	101.2%
2014	2,414,326	2,220,903	92.0	2,464,849	102.1
2015	2,557,475	2,326,320	91.0	2,594,394	101.4
2016	2,530,160	2,489,174	98.4	2,548,822	100.7
2017 ⁽²⁾	2,665,549	2,523,432	94.7	2,563,873	96.2
2018	2,701,370		Not Yet Available		

(1) Includes penalties. A small portion of the City is located in a tax increment financing redevelopment area. A portion of the tax revenues in this area is diverted to the payment of redevelopment project costs.

(2) Includes amounts received by the City from September 1, 2017 through January 31, 2018.

Source: The City.

Major Property Taxpayers

The ten largest property taxpayers, based on the 2018 assessed valuation of real and personal property, are as follows:

<u>Business</u>	<u>Business Type</u>	<u>Assessed Valuation</u>	<u>Percentage of Assessed Valuation</u>
1. KCP&L - Greater MO Operations	Utility	\$7,260,102	2.96%
2. Web & Sons Inc.	Grocer	3,796,750	1.55
3. Union Pacific Railroad Co.	Railroad	2,645,240	1.08
4. Menard Inc.	Lumber retailer	2,488,250	1.01
5. Wal-Mart Real Estate Business Trust	Retailer	2,052,850	0.84
6. Thompson Hills Investment Corp.	Investment company	1,864,260	0.76
7. Empire District Gas Co.	Gas company	1,618,180	0.66
8. Duke Sedalia LLC	Manufacturing	1,586,110	0.65
9. RAC-JAC Properties Inc.	Real estate investor	1,561,660	0.64
10. Lowe's Home Centers Inc.	Retailer	1,456,210	0.59

Source: *The City*.

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THE WASTEWATER SYSTEM

Management and Organization

The City owns the wastewater system (the “System” or the “Wastewater System”) with approximately 180 miles of sewer mains. The City Council is responsible for all basic policy decisions relating to the Wastewater System including budgetary matters, bidding, construction and rates and fees for services.

The City has contracted with Alliance Water Resources, Inc. to provide for a manager of the System and other services. Duties of the manager include budget development, planning and directing the activities of the System. However, daily operations and maintenance of the System are performed by 20 City operators and maintenance personnel from the City’s Public Works Department. All City operators are certified and licensed as required by the State.

The existing contract commenced on April 1, 2018 is to continue with two years and six months agreement with an extension of two years and six months allowed. The contract provides for base fee compensation of \$142,500 annually, with annual adjustments based on the Consumer Price Index for all Urban Consumers; provided that the increase could not be less than 1% and no more than 5% annually. The annual fee for the fiscal year 2020 is \$202,326.

Collection System

The collection system consists of gravity lines, pressure lines, force mains, gravity service connections, lift stations, grinder pump stations and manholes. Most facilities are connected to the system through a gravity-type service line which connects directly to an existing gravity system. However, due to the terrain of the project area, some of the facilities require grinder pumps to convey their sewage into the collection system. These grinder pumps reduce the size of larger particles or objects by their cutting and grinding action and then pump this conditioned sewage into the collection system through pressure lines. These pressure lines are connected to gravity lines, force mains or pumping stations, which transport the sewage through the system. The majority of the pump stations and lift stations have generators to continue operation during periods when electrical power is lost.

Treatment System

Sewage treatment is provided by three wastewater treatment plants. The southeast plant contains a modified oxidation ditch, the central plant uses an aeration basin with in line clarification and the north plant uses a two-stage trickling filter system wastewater treatment facility. The rated capacity of the wastewater system is 8.13 million gallons per day. The system currently treats an average of 6.9 million gallons of wastewater per day.

Consent Order

The City's sewage collection and transmission systems had experienced periodic sanitary sewer overflows and bypasses at pumping stations and from overflow basins at each of the City's three wastewater treatment facilities. These releases would flow onto city streets and alleys, private properties and the stormwater drainage system eventually reaching rivers and streams. As a result, on July 1, 2009, the City entered into a consent order with the Missouri Department of Natural Resources. This consent order required the City to complete improvements to its sewage collection, transmission and treatment systems to eliminate incidents of sanitary sewer overflows and bypasses.

In compliance with the consent order, the City established an electronic tracking and management system to permit the City to organize and analyze information regarding sanitary sewer overflows and bypasses and continues in the process of compliance reducing inflow and infiltration of stormwater drainage into the sanitary sewer system. The City engaged Olsson Associates to assist it in this matter. The Missouri Department of Natural Resources has accepted the City's Inflow and Infiltration Reduction Plan (the "VI Reduction Plan") which was submitted in July 2010 and supplemented in September 2010. The City satisfied the requirements of AOC-1002 (Action of Consent) as of October 6, 2017.

The Project

The City is undergoing a period of economic growth with new and expanding manufacturers and residential and commercial development. Some areas within the wastewater collection and treatment system have been identified that require improvements, upgrades or expansion. The Project seeks, in part, to provide for implementation of a wastewater master plan and hydraulic model. The plan and model will allow the City to seamlessly plan for the future and better manage system growth; monitor and schedule system maintenance; evaluate conditions and capacities of the collection system and receiving plants in advance of need; and identify opportunities for expansion bringing additional rate payers to the System.

The City's overarching goal remains providing reasonably priced services to its customers while maintaining compliance with the City's National Pollutant Discharge Elimination System (NPDES) permits issued by the Missouri Department of Natural Resources.

The Project specifically allows for the Central Wastewater Treatment Plant and Equalization Basin (CWWTP) to be upgraded accommodating residential and commercial growth on the west side of the City. Upon completion of the Project the CWWTP will have sufficient capacity to manage 3.8 million gallons of wastewater per day. The Main Street Lift Station, which is located adjacent to the gate of the CWWTP, will be upgraded with new pumps and backup power sufficient to meet the capacity needed during peak flow and loss of power periods.

In addition, the City has seen increased growth in the area of Menard's Plaza (located on the west side of the City) and increasing requests for service. The Menard's Lift Station is currently undersized and requires replacement. Upon completion of the Project, replacement of the Menard's Lift Station with a larger regional lift station to the north, will allow for increased flow already occurring in the area; for overall growth presently occurring and connection of additional rate payers adjacent to the new sewer line.

Further, the Project's planned upgrades to the Thompson Meadows Lift Station will allow for increased flow from new businesses within the industrial park as well as new residential growth south of U.S. Highway 50 near West Main Street. Lastly, as funding is available, new sewer mains and lift stations are being constructed to handle identified areas of growth to the north and west. Alternative funding for these projects will be used to complete these added expansions as needed.

Service Area and Customers

The System serves residential, commercial, institutional and governmental facilities within the City as well as certain adjacent areas. All wastewater generators in the City are required to connect to the sewer system with the exception of residential customers 300 or more feet from sewer line.

Largest Customers

The following table sets forth information regarding the largest customers of the System based on number of gallons of monthly usage for the fiscal year ended March 31, 2019. The City's sewer charges are based on water usage. The City does not meter sewer usage and, therefore, the information in the table is based on the City's estimates of the customer's monthly usage.

<u>Customer</u>	<u>Estimated Gallons of Monthly Usage</u>	<u>Estimated Percentage of Monthly Usage</u>
Maxion Wheels	4,031,797	4.2%
Pittsburg Corning	3,393,687	3.5
Stanley Black & Decker	2,648,104	2.8
MPW Water Manufacturing	1,989,242	2.1
Gardner Denver	1,671,018	1.7

Source: The City.

Customers by Category

The following table indicates the customers served by the System as of March 31, 2018.^(a)

<u>Customer Type</u>	<u>Customers Served</u>	<u>Total Annual MGal^(b) Billing Units</u>
Residential	8,924	447,945
Commercial	1,312	301,110
Industrial	12	171,655
Governmental Entities	51	37,305

(a) Audited figures for March 31, 2019 are not yet available.

(b) An M Gal is 1,000 gallons of water usage.

Source: The City.

Billing

The City is authorized by RSMo 250.234 to collect any delinquent connection fees or user charges by creating a lien upon the land within the City's corporate limits, or land outside the City limits being served by the Wastewater System which is liable for such fees and charges and enforcing such lien by suit or foreclosure.

The City estimates that at any time approximately 4% of its wastewater customers are delinquent in the payment of their wastewater bills. Service to customers more than 60 days delinquent is discontinued until the billed amount, penalties and a deposit have been paid.

Sewer Rates and Charges

Rates and charges for the services of the System are established by the City Council and are subject to regulation as a part of compliance with the Department of Natural Resources Discharge Elimination System (NPDES) operating permits. The current charges for sewer rates were established by ordinance adopted on March 18, 2019. See the following table for base and volume rates.

Sewer use charges are based upon the average water usage during the months of December, January and February by residential, multi-residential, commercial and industrial establishments. Sewer charges are based on metered water flow to users.

Certain commercial customers whose metered water usage is not indicative of its wastewater generation are subject to modified metering processes to adjust how their units of water use are calculated to account for use of water in commercial processes that result in substantially less discharge to the sewer system. In addition, the City imposes higher charges on customers located outside the City. The monthly base charge for each customer type for customers located inside the City are as follows.

<u>Customer Type</u>	<u>Base Monthly Fee</u>	<u>Fee Per 1,000 Gal.</u>
Residential	\$10.65	\$5.70
Commercial	43.54	5.70
Industrial	90.76	5.70
Governmental Entities	2.18	2.13

Source: The City.

Property owners within the City limits and owners of property located within 300 feet of the System must connect to the System and pay a connection charge. Sewer charges are then applied to the property owners 30 days after notification by the City that sewer service has been connected. The connection charge is based on average daily sewage discharged and relates to the type of customer being served.

The City engaged Olsson Associates ("Olsson") to assist it in preparing a rate study for the System. The rates recommended by Olsson were included in a rate ordinance adopted by the City Council on December 6, 2010. Thereafter, sewer rates have been reviewed annually with incremental rate increases applied.

The City will continue to impose higher charges on customers located outside the City and may grant discounts to certain commercial users whose metered water usage is not indicative of its wastewater use.

The following chart compares an estimate of the annual revenues from each customer class, based on the estimated usage for each type of customer, under the existing rate structure and the April 1, 2019 rate structure.

<u>Customer Type</u>	<u>Annual Revenues - Existing Rate Structure</u>	<u>Annual Revenues - New Rate Structure</u>
Residential	\$2,988,282	\$3,101,837
Commercial	1,954,524	2,028,797
Industrial	521,247	541,055
City Water	99,534	103,316
Total	\$5,563,587	\$5,775,005

Source: The City.

Wastewater Fund Summary

The following table summarizes the revenues and expenditures from the City's Wastewater Fund for the last five years:

CITY OF SEDALIA, MISSOURI STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS FOR THE YEARS ENDED MARCH 31,					
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
OPERATING REVENUES					
Charges for services	\$ 4,237,430	\$ 4,240,978	\$ 4,432,537	\$ 4,745,542	\$ 5,465,985
Miscellaneous	15,509	17,222	25,533	25,051	15,944
TOTAL OPERATING REVENUES	<u>\$ 4,252,939</u>	<u>\$ 4,258,200</u>	<u>\$ 4,458,070</u>	<u>\$ 4,770,593</u>	<u>\$ 5,481,929</u>
OPERATING EXPENSES					
Personal services	\$ 970,503	\$ 1,103,747	\$ 1,105,857	\$ 1,086,102	\$ 908,422
Transmission and distribution	1,096,706	1,498,141	1,406,212	1,452,244	1,325,500
Depreciation and amortization	1,320,375	1,425,121	1,560,071	2,504,653	2,693,402
TOTAL OPERATING EXPENSES	<u>\$ 3,387,584</u>	<u>\$ 4,027,009</u>	<u>\$ 4,072,140</u>	<u>\$ 5,042,999</u>	<u>\$ 4,927,324</u>
NET OPERATING INCOME	<u>\$ 865,355</u>	<u>\$ 231,191</u>	<u>\$ 385,930</u>	<u>\$ (272,406)</u>	<u>\$ 554,605</u>
NONOPERATING INCOME (EXPENSES)					
Taxes	\$ 875,041	\$ 978,061	\$ 1,009,181	\$ -	\$ -
Investment income (loss)	23,349	52,134	133,131	40,660	49,789
Interest expense	(141,630)	(126,197)	(101,367)	(1,435,129)	(1,394,782)
Noncapital contributions	-	-	-	9,673	2,852
Gain(loss) on disposal of capital assets	-	-	34,666	-	-
TOTAL NONOPERATING INCOME (EXPENSES)	<u>\$ 756,760</u>	<u>\$ 903,998</u>	<u>\$ 1,075,611</u>	<u>\$ (1,384,796)</u>	<u>\$ (1,342,141)</u>
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	\$ 1,622,115	\$ 1,135,189	\$ 1,461,541	\$ (1,657,202)	\$ (787,536)
CAPITAL CONTRIBUTIONS AND GRANTS TRANSFERS	344,108	182,150	-	-	-
	<u>(275,000)</u>	<u>(575,000)</u>	<u>(296,534)</u>	<u>(242,292)</u>	<u>(603,330)</u>
NET INCOME	\$ 1,691,223	\$ 742,339	\$ 1,165,007	\$ (1,899,494)	\$ (1,390,866)
NET POSITION - Beginning of Year	<u>\$ 27,402,879</u>	<u>\$ 28,775,757</u>	<u>\$ 29,315,731</u>	<u>\$ 30,690,053</u>	<u>\$ 28,790,559</u>
PRIOR PERIOD ADJUSTMENT	<u>(318,345)</u>	<u>(202,365)</u>	<u>209,315</u>		
Net Position, Beginning of Year Restated	<u>\$ 27,084,534</u>	<u>\$ 28,573,392</u>	<u>\$ 29,525,046</u>		
NET POSITION - End of Year	<u>\$ 28,775,757</u>	<u>\$ 29,315,731</u>	<u>\$ 30,690,053</u>	<u>\$ 28,790,559</u>	<u>\$ 27,399,693</u>

Sources: Annual Financial Statement of the City.

Authority to Issue Revenue Obligations

The City may issue revenue bonds to finance additional capital projects of the wastewater system for the City upon a simple majority vote of the qualified voters and establishing compliance with the terms of the ordinances authorizing such revenue bonds. The debt service on such revenue bonds would be payable prior to the payment of Rental Payments under the Lease.

**AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR FISCAL YEAR ENDED MARCH 31, 2018**

**ANNUAL REPORT OF
CITY OF SEDALIA, MISSOURI
YEAR ENDED MARCH 31, 2018**

INDEPENDENT AUDITOR'S REPORT

To The City Council
City of Sedalia, Missouri

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Health Center Fund, which represent 50 percent, 60 percent, and 90 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Health Center Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of March 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, capital project fund #2 budgetary comparison, schedule of contributions, schedule of changes in net pension liability and related ratios, notes to required supplementary information, schedule of employer contributions, and notes to schedule of contributions on pages 4 through 11 and 104 through 117 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 an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, detailed major governmental fund budgetary schedules, and fiduciary statements are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements; detailed major governmental fund budgetary statements and fiduciary statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above and the report of the other auditors, the combining and individual nonmajor fund financial statements, detailed major governmental fund budgetary statements and fiduciary statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



August 13, 2018

Gerding, Korte & Chitwood, P.C.
Certified Public Accountants
Boonville, Missouri

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2018
(UNAUDITED)**

As management of the City of Sedalia, Missouri, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended March 31, 2018.

Financial Highlights

The assets and deferred outflows of the City of Sedalia exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$192,359,873 (net position). Of this amount, \$24,740,160 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.

The City's total net position decreased by \$3,156,898 during the year from its beginning net position.

As of the close of the current fiscal year, the City of Sedalia's governmental funds reported combined ending fund balances of \$18,006,506. Of this total, 39% is unassigned and available for use within the City's policies, and 34% is assigned to capital projects and special revenue purposes.

At the end of the fiscal year, unassigned fund balance for the general fund was \$7,092,418 which is 61% of the total general fund expenditures.

The City's revenue bonds payable decreased \$390,000 due to scheduled payments.

The City's certificates of participation debt increased \$18,760,000 due to the issuance of new certificates of participation and decreased \$1,824,300 due to scheduled payments and other retirements.

The City's capital lease debt decreased \$523,621 due to scheduled payments and increased by \$387,500 from the issuance of new loans.

The City's note payable debt decreased \$667,761 due to scheduled payments.

The City's other loan payable debt decreased by a net of \$280,592 due to scheduled payments.

In total the City's long term debt increased by \$15,461,226.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2018
(UNAUDITED)**

Government-wide financial statements - The government-wide financial statements are designed to provide readers with the broad overview of the City's finances, in a manner similar to private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred outflows, deferred inflows and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator to whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration, public safety, transportation, cultural, parks and recreation and community development. The business-type activities of the City include Health, Water, Wastewater, and Sanitation operations. The government-wide financial statements can be found on page 12-15 of this report.

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

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2018
(UNAUDITED)**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Sedalia, assets and deferred outflows exceeded liabilities and deferred inflows by \$192,359,873 as of March 31, 2018.

The largest portion of the City's net position (73%) reflects its investments in capital assets (e.g., land, building, equipment, improvements, and construction in progress), less applicable allowances for depreciation, less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves could not be used to liquidate these liabilities while still providing services with such assets.

The following provides a summary of net position at March 31, 2018 and 2017:

Net Position

	March 31, 2018			March 31, 2017		
	Governmental Activities	Business Enterprises	Total	Governmental Activities	Business Enterprises	Total
Current assets	\$ 16,181,363	\$ 48,724,595	\$ 64,905,958	\$ 14,992,076	\$ 50,528,213	\$ 65,190,289
Capital assets	4,441,752	22,327,250	26,769,002	9,640,161	9,777,751	16,891,251
Restricted assets	84,694,913	124,516,836	209,306,749	84,102,818	128,414,269	212,617,085
Other assets		177,065	177,065		153,077	153,077
Total Assets	\$ 103,318,028	\$ 196,383,746	\$ 301,701,774	\$ 98,853,462	\$ 188,744,720	\$ 287,638,202
Current liabilities	\$ 3,668,747	\$ 6,318,953	\$ 9,987,700	\$ 5,644,594	\$ 8,796,635	\$ 14,263,229
Long-term liabilities						
Deferred Outflow						
Total Liabilities	\$ 3,668,747	\$ 6,318,953	\$ 9,987,700	\$ 5,644,594	\$ 8,796,635	\$ 14,263,229
Net Position	\$ 99,649,281	\$ 190,064,793	\$ 291,712,074	\$ 93,208,868	\$ 179,948,085	\$ 273,375,073
Current liabilities	\$ 2,845,887	\$ 15,857,506	\$ 18,503,093	\$ 2,966,220	\$ 14,402,101	\$ 17,448,321
Long-term liabilities	\$ 30,928,980	\$ 67,960,980	\$ 98,950,978	\$ 25,087,250	\$ 95,951,788	\$ 86,639,038
Total Liabilities	\$ 30,928,980	\$ 83,824,486	\$ 114,856,071	\$ 28,053,470	\$ 70,003,889	\$ 103,087,359
Net Position	\$ 1,825,628	\$ 2,947,302	\$ 4,773,130	\$ 2,092,301	\$ 1,225,000	\$ 3,317,301
Deferred Inflow						
Total Liabilities	\$ 1,825,628	\$ 2,947,302	\$ 4,773,130	\$ 2,092,301	\$ 1,225,000	\$ 3,317,301
Change	\$ 1,825,628	\$ 2,947,302	\$ 4,773,130	\$ 2,092,301	\$ 1,225,000	\$ 3,317,301
% Change	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
	173.8%	173.8%	173.8%	173.8%	173.8%	173.8%
	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
	368.4%	368.4%	368.4%	368.4%	368.4%	368.4%
	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%
	30.1%	30.1%	30.1%	30.1%	30.1%	30.1%
	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
	12.2%	12.2%	12.2%	12.2%	12.2%	12.2%
	11.1%	11.1%	11.1%	11.1%	11.1%	11.1%
	43.9%	43.9%	43.9%	43.9%	43.9%	43.9%

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 104-117 of this report.

Schedules of Revenues, Expenditures and Changes in Fund Balance with comparisons to budgeted amounts are presented for each governmental fund on pages 120-133.

Analysis of the City's Operations: Overall the City had a decrease in net position of \$3,156,898 as of the year ending March 31, 2018 as compared to the previous year end.

Governmental Activities: Governmental activities increased the net position by \$2,030,057 from \$74,202,305 to \$76,232,362. This is due primarily to a decrease in expenses.

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CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2018
(UNAUDITED)

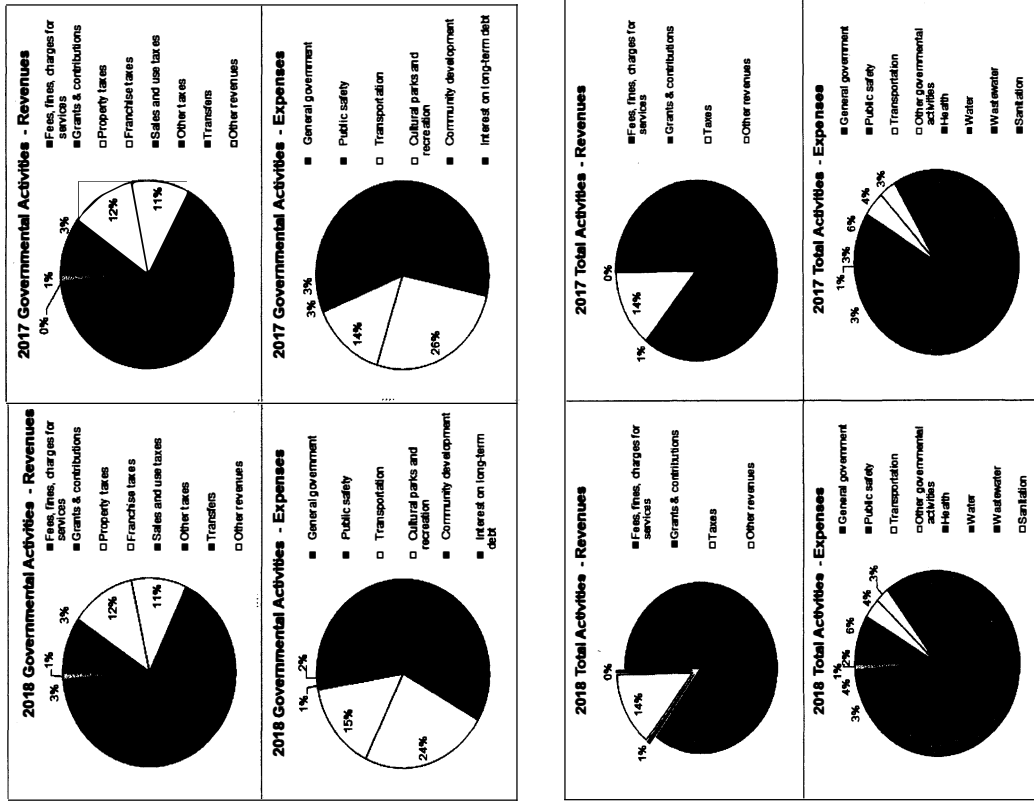
Business-Type Activities: Net position from business-type activities decreased by \$5,186,955 from \$121,314,466 to \$116,127,511.

The following table and charts provide a summary and comparison of the City's operations for years ending March 31, 2018 and 2017.

Changes in Net Position

	March 31, 2018		March 31, 2017			
	Governmental Activities	Business Type Activities	Governmental Activities	Business Type Activities	Total	% Change
Revenues:						
Program Revenues:	\$ 1,632,104	\$ 115,252,254	\$ 1,403,500	\$ 112,308,504	\$ 113,710,004	2.8%
Fees, fines, charges for services	55,463	-	58,951	18,981	77,932	(56.6%)
Operating grants & contributions	492,232	196,050	688,282	780,124	1,351,588	(48.1%)
Capital grants and contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	2,735,988	-	2,521,732	-	2,521,732	8.5%
Franchise taxes	2,353,486	-	2,281,774	-	2,281,774	3.1%
Sales and use taxes	13,965,760	-	12,846,265	-	12,846,265	4.0%
Other taxes	198,575	-	182,543	-	182,543	(8.8%)
Investment earnings	141,706	-	121,224	-	121,224	(9.9%)
Transfers	751,693	141,706	60,425	111,223	201,648	81.56%
Miscellaneous	169,397	61,635	184,888	17,351	202,039	12.5%
Total Revenues	\$ 22,646,017	\$ 114,658,952	\$ 21,044,955	\$ 113,179,611	\$ 134,218,566	2.9%
Expenses:						
General government	\$ 3,093,838	\$ -	\$ 3,823,453	\$ -	\$ 3,823,453	(14.6%)
Public safety	8,918,273	-	8,416,252	-	8,416,252	6.0%
Transportation	4,917,238	-	5,695,103	-	5,695,103	(16.6%)
Cultural parks and recreation	3,113,810	-	3,090,209	-	3,090,209	0.8%
Community development	277,078	-	728,971	-	728,971	(62.0%)
Interest on long-term debt	295,925	-	706,252	-	706,252	(58.2%)
Health	107,871,260	-	107,871,260	-	107,871,260	0.0%
Wastewater	6,322,106	-	6,476,128	-	6,476,128	(1.4%)
Sanitation	-	1,531,585	-	1,812,349	1,812,349	(16.0%)
Total Expenses	\$ 20,615,960	\$ 1,531,585	\$ 22,467,240	\$ 1,812,349	\$ 24,279,589	(3.1%)
Change in Net Position	2,030,057	(5,186,955)	(1,422,285)	(640,238)	(2,271,523)	39.0%
Net Position Beginning of Year	\$ 74,202,305	\$ 121,314,466	\$ 195,516,771	\$ 75,624,590	\$ 197,768,294	(1.1%)
Net Position End of Year	\$ 76,232,362	\$ 116,127,511	\$ 192,359,873	\$ 74,202,305	\$ 195,516,771	(1.5%)

CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2018
(UNAUDITED)



CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2018
(UNAUDITED)

Financial Analysis of the Government's Funds

Governmental Funds - The focus of the City of Sedalia's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Sedalia's governmental funds reported combined ending fund balances of \$18,006,506. This is an increase of 56% from \$11,526,109. In the general fund, the City originally budgeted for a decrease in the fund balance of \$64,791. The actual fund balance decrease from activities for fiscal year 2018 was \$236,026. The resulting unassigned fund balance of \$7,092,418. **Proprietary Funds** - The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net positions of the respective proprietary funds are Health - \$32,388,655; Water - \$417,281; Wastewater - (\$3,899,829); and Sanitation - (\$496,512). The funds had a net position increase/(decrease) from activities in 2018 as follows: Health - (\$3,333,576); Water - (\$163,157); Wastewater - (\$1,390,866); and Sanitation - (\$299,356).

General Fund Budgetary Highlights - The City spent \$394,871 less than the final budget for the General Fund.

Capital Assets

The City of Sedalia's investment in capital assets for its governmental and business-type activities as of March 31, 2018 amounts to \$209,309,749 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements and construction in progress.

Capital Assets at Year End - Net of Accumulated Depreciation

	March 31, 2018			March 31, 2017			% Change
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total	
Property, Plant and Equipment	\$ 3,782,821	\$ 6,913,394	\$ 10,696,215	\$ 3,626,776	\$ 4,725,426	\$ 8,352,202	28.1%
Land, rights, & improvements	24,785,284	37,177,876	61,963,160	24,302,515	41,006,971	65,309,486	(5.2%)
Structures, improvements, & plant equipment	-	14,182,425	14,182,425	-	14,445,360	14,445,360	(1.8%)
Distribution system	-	27,481,845	27,481,845	-	28,972,391	28,972,391	(5.1%)
Pumping & purification equipment	-	22,935,567	22,935,567	-	23,860,057	23,860,057	(4.0%)
Transmission mains	2,515,675	11,308,570	13,824,245	2,620,143	15,965,012	18,585,155	(25.9%)
General equipment	51,760,174	4,608,199	56,368,373	53,276,902	2,018,965	55,295,867	(2.1%)
Construction in progress	-	5,700,375	5,700,375	-	53,276,902	53,276,902	(93.0%)
Net Capital Assets	\$ 84,684,913	\$ 124,614,636	\$ 209,299,549	\$ 84,102,816	\$ 128,414,265	\$ 212,517,085	(1.5%)

Additional information on the City of Sedalia's capital assets can be found in Note III-E and III-F on pages 51-54 of this report.

CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2018
(UNAUDITED)

Debt Administration

At the end of the current fiscal year, the City of Sedalia had a total bonded debt, certificate of participation debt, note payable, capital lease payable, and a refund of sales taxes due to the State of \$75,930,498. Of this amount, \$4,990,000 comprises revenue bonded debt backed by the revenues of the Water Department; \$38,368,800 represents certificates of participation debt; \$2,840,328 represents capital lease obligations that are expected to be paid so long as the City appropriates funds for payment; \$9,274,992 represents the amount due on notes payable; \$183,503 represents the amount due on loans payable; and \$272,875 represents a sales tax refund due the State.

Outstanding Debt at Year End

	March 31, 2018			March 31, 2017			% Change
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total	
Revenue bonds payable	\$ -	\$ 4,990,000	\$ 4,990,000	\$ -	\$ 5,380,000	\$ 5,380,000	(7.2%)
Certificates of participation	15,258,500	43,110,000	58,368,500	10,370,500	31,062,500	41,433,000	40.8%
Capital lease obligations	233,316	2,597,012	2,830,328	106,371	2,695,916	2,802,287	(4.6%)
Notes payable	9,274,992	9,274,992	18,549,984	9,247,755	9,947,533	19,195,288	(3.9%)
Loans payable	183,503	-	183,503	464,095	-	464,095	(60.5%)
Sales tax refund due to State	272,875	-	272,875	1,227,539	-	1,227,539	(77.8%)
Total Outstanding Debt	\$ 15,648,484	\$ 58,982,004	\$ 74,630,488	\$ 12,171,005	\$ 40,253,331	\$ 52,424,336	23.5%

During the fiscal year, the City's total debt increased by \$14,506,162. The increase was due to the issuance of new debt.

Additional information on the City of Sedalia's long term-debt can be found in footnote III-G on pages 55-72 of this report.

Economic Outlook

The FY19 budget continues to remain strong. It is a budget that presents a combination of conservative revenue projections mandated by a sales tax that is trending relatively flat. This budget has made some strict adjustments because of the sales tax challenge. On the other hand, it is a budget that continues to maintain an exceptionally healthy General Fund Balance. The FY19 budget is a document that continues a multi-year debt service program. The FY19 Budget provides a city wide step increase and a slight COLA hike will be possible in future years. Of course, the economy will determine if this step and COLA hike will be possible in future years.

**CITY OF SEDALIA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2018
(UNAUDITED)**

The large unknown factors impacting this budget and every municipal budget in Missouri are the State, Federal, and regional economies. Another related unknown factor is legislation coming out of the Missouri legislature that may negatively impact municipal budgets. It is important that we monitor these developments. It also is important that we systematically monitor city revenues and expenditures. Another budget goal is to continue to monitor sales tax revenues, a major source of city income, and possibly work with the League of Cities, other cities, and the federal and state legislatures to address the worrisome problem of declining sales tax revenues due to more internet sales and fewer sales at brick-and-mortar stores. The City began to address this problem with the public approval of the Use Tax in 2015.

Due to this flattening of the trend line of the largest revenue source, the City must pay particular attention to corresponding trends in expenditures. Last fiscal year the City added a three year forecasting model to do just that. This management tool facilitates a longer term look for decisions on prudent spending. Additionally, last fiscal year we formalized and adopted a longer term look at our capital improvements and related debt service requirements. These tools again provide a more concise plan looking out further, in order for management and Council to make informed current decisions that ripple out into the future. Additionally, the City took a more detailed approach to its strategic planning process and a more direct conversion of these initiatives into realistic resource allocation decisions. It was in part due to the cited strong financial management resulting in historically strong reserves that the City's already strong credit rating was increased

In FY19 the City General Fund Balance once again remains exceptionally strong following the adoption and recent review of a fund balance policy requiring an ending balance of no less than 35% and no more than 75% of revenues. In FY19 we are at approximately 65%. In the meantime, although it is wise to be financially conservative and cautious, the City of Sedalia must move forward with our budgetary efforts to strengthen community services and infrastructure. This Fiscal Year 2019 budget attempts to reach both of those goals.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City of Sedalia, Missouri, Attn: Peggy Bay, Accounting Manager, 200 S Osage, Sedalia, Missouri 65301 or call (660) 827-3000.

CITY OF SEDALIA, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET POSITION
MARCH 31, 2018

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 11,358,925	\$ 24,234,553	\$ 35,593,478
Short-term investments	-	2,904,713	2,904,713
Internal balances	(4,584)	-	(4,584)
Accrued interest receivable	5,356	523	5,879
Accounts receivable net of allowance for uncollectibles - \$4,611,000	990,543	17,499,752	18,490,295
Taxes receivable - net of allowance for uncollectible - \$10,000	3,521,069	-	3,521,069
Estimated third-party payor settlements receivable	-	697,100	697,100
Due from other governmental agencies	54,112	-	54,112
Inventory	94,699	1,882,974	1,977,673
Prepaid expenses and other assets	161,243	1,504,980	1,666,223
Total Current Assets	16,181,363	48,724,595	64,905,958
Restricted assets:			
Cash and cash equivalents	4,441,752	13,703,642	18,145,394
Noncurrent cash and investments	-	8,623,608	8,623,608
Total Restricted Assets	4,441,752	22,327,250	26,769,002
Noncurrent Assets:			
Capital Assets			
Land, land rights and land improvements	3,782,821	5,781,376	9,564,197
Structures, improvements and plant equipment	42,786,140	98,486,780	141,272,920
Distribution system	-	19,333,734	19,333,734
Pumping and purification equipment	-	45,865,020	45,865,020
Transmission mains	-	31,552,732	31,552,732
Equipment	10,584,161	81,530,742	92,114,903
Infrastructure	164,065,168	-	164,065,168
Construction in progress	1,930,754	4,606,159	6,536,913
Accumulated depreciation	(138,454,131)	(162,541,707)	(300,995,838)
Total Capital Assets, net of accumulated depreciation	84,694,913	124,614,836	209,309,749
Other Assets	-	717,065	717,065
Total Noncurrent Assets	84,694,913	125,331,901	210,026,814
Total Assets	\$ 105,318,028	\$ 196,383,746	\$ 301,701,774
DEFERRED OUTFLOWS			
Deferred outflows related to pension - LAGERS	\$ 1,902,878	\$ 5,993,070	\$ 7,895,948
Deferred outflows related to pension - Police & Fire	1,682,084	-	1,682,084
Unamortized issuance cost and deferred loss on debt	83,785	325,483	409,268
Total Deferred Outflows	\$ 3,668,747	\$ 6,318,553	\$ 9,987,300
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 766,296	\$ 3,759,043	\$ 4,525,339
Accrued expenses	529,012	4,943,762	5,472,774
Accrued long-term debt interest	-	703,350	703,350
Current maturities of long term debt	-	2,082,267	2,082,267
Estimated amounts due to third-party payers	-	1,608,000	1,608,000
Estimated self insurance costs	-	1,541,523	1,541,523
Court bonds payable	38,590	-	38,590
Protested taxes payable	30,624	-	30,624
Sales tax overpayment payable	272,875	-	272,875
Payable from segregated funds:			
Accrued bond interest	-	6,492	6,492
Current maturities of long term debt	1,208,190	400,000	1,608,190
Customer's deposits	-	613,069	613,069
Total Current Liabilities	2,845,587	15,657,506	18,503,093
Noncurrent Liabilities:			
Accrued expenses	1,666,955	-	1,666,955
Certificates of participation	14,119,986	42,055,000	56,174,986
Energy loans payable	152,911	-	152,911
Capital lease payable	194,533	2,256,991	2,451,524
Bonded debt due after one year	-	4,590,000	4,590,000
Notes payable to bank	-	8,597,746	8,597,746
Net pension liability - LAGERS	1,862,300	10,470,243	12,332,543
Net pension liability - Police & Fire	10,086,313	-	10,086,313
Total Noncurrent Liabilities	28,082,998	67,969,980	96,052,978
Total Liabilities	\$ 30,928,585	\$ 83,627,486	\$ 114,556,071
DEFERRED INFLOWS			
Unavailable revenue - grants and contract services	\$ 857,967	\$ -	\$ 857,967
Deferred inflows related to pension - LAGERS	476,147	2,879,562	3,355,709
Deferred inflows related to pension - Police & Fire	491,714	-	491,714
Unamortized premium on bonds	-	67,740	67,740
Total Deferred Inflows	\$ 1,825,828	\$ 2,947,302	\$ 4,773,130
NET POSITION			
Net investment in capital assets	\$ 69,019,294	\$ 71,676,495	\$ 140,695,789
Restricted for:			
Expendable for debt service	587,436	3,277,704	3,865,140
Expendable for other purposes	10,295,067	12,662,103	22,957,170
Nonexpendable permanent endowments	-	101,614	101,614
Unrestricted	(3,669,435)	28,409,595	24,740,160
Total Net Position	\$ 76,232,362	\$ 116,127,511	\$ 192,359,873

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government:							
General and administration	\$ 3,093,638	\$ 546,665	\$ 950	\$ 298,274	\$ (2,247,749)	\$ -	\$ (2,247,749)
Total General Government	3,093,638	546,665	950	298,274	(2,247,749)	-	(2,247,749)
Public Safety:							
Police	4,794,623	233,089	47,489	-	(4,514,045)	-	(4,514,045)
Fire	3,276,913	12,107	-	-	(3,264,806)	-	(3,264,806)
Cemetery	306,273	157,225	-	-	(149,048)	-	(149,048)
Animal control	344,586	-	-	-	(344,586)	-	(344,586)
Municipal law	195,878	-	-	-	(195,878)	-	(195,878)
Total Public Safety	8,918,273	402,421	47,489	-	(8,468,363)	-	(8,468,363)
Transportation:							
Airport	678,789	275,858	-	69,160	(333,771)	-	(333,771)
Streets	1,774,153	-	-	124,798	(1,649,355)	-	(1,649,355)
Alley	104,276	-	-	-	(104,276)	-	(104,276)
Infrastructure	2,360,020	-	-	-	(2,360,020)	-	(2,360,020)
Total Transportation	4,917,238	275,858	-	193,958	(4,447,422)	-	(4,447,422)
Cultural, Parks and Recreation:							
Library	660,194	11,193	7,024	-	(641,977)	-	(641,977)
Park	2,401,960	370,857	-	-	(2,031,103)	-	(2,031,103)
Community center	51,656	2,200	-	-	(49,456)	-	(49,456)
Total Cultural, Parks and Recreation	3,113,810	384,250	7,024	-	(2,722,536)	-	(2,722,536)
Community/Economic Development:							
Planning, building and economic	277,076	-	-	-	(277,076)	-	(277,076)
Total Community/Economic	277,076	-	-	-	(277,076)	-	(277,076)
Debt Service							
Interest and fees	295,925	-	-	-	(295,925)	-	(295,925)
Total Debt Service	295,925	-	-	-	(295,925)	-	(295,925)
Total Governmental Activities	20,615,960	1,609,194	55,463	492,232	(18,459,071)	-	(18,459,071)
Business-Type Activities:							
Health	107,871,240	104,252,265	-	148,000	-	(3,470,975)	(3,470,975)
Water	4,361,976	4,137,468	-	48,050	-	(176,458)	(176,458)
Wastewater	6,322,106	5,481,929	-	-	-	(840,177)	(840,177)
Sanitation	1,531,585	1,380,592	-	-	-	(150,993)	(150,993)
Total Business-Type Activities	120,086,907	115,252,254	-	196,050	-	(4,638,603)	(4,638,603)
Total	\$ 140,702,867	\$ 116,861,448	\$ 55,463	\$ 688,282	\$ (18,459,071)	\$ (4,638,603)	\$ (23,097,674)

See Notes to Financial Statements

CITY OF SEDALLIA, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (Cont'd)
YEAR ENDED MARCH 31, 2018

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Taxes:			
Property taxes, levied for general purposes	2,735,968	-	2,735,968
Franchise taxes	2,353,486	-	2,353,486
Sales and use taxes	13,365,750	-	13,365,750
Motor vehicle and fuel taxes	864,600	-	864,600
Other taxes	109,756	-	109,756
Unrestricted investment earnings	141,508	141,706	283,214
Transfers	751,693	(751,693)	-
Transfers - government wide	-	-	-
Miscellaneous	166,367	61,635	228,002
Total general revenues	20,489,128	(548,352)	19,940,776
Change in net position	2,030,057	(5,186,955)	(3,156,898)
Net position - beginning	74,202,305	121,314,466	195,516,771
Net position - ending	\$ 76,232,362	\$ 116,127,511	\$ 192,359,873

CITY OF SEDALIA, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2018

	General Fund	Capital Projects Fund #2	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash, including time deposits	\$ 6,543,736	\$ 1,192,545	\$ 3,771,340	\$ 11,507,621
Taxes receivable - net of allowance for uncollectible - \$10,000	1,807,107	632,250	1,081,712	3,521,069
Accrued interest receivable	4,811	-	545	5,356
Accounts receivable	886,710	91,350	12,483	990,543
Due from other governmental agencies	5,952	-	48,160	54,112
Inventory	39,689	-	55,010	94,699
Prepaid expenses	108,050	-	53,193	161,243
Restricted cash and investments	-	4,441,752	-	4,441,752
Total Assets	<u>\$ 9,396,055</u>	<u>\$ 6,357,897</u>	<u>\$ 5,022,443</u>	<u>\$ 20,776,395</u>
LIABILITIES				
Bank overdraft	\$ -	\$ -	\$ 148,696	\$ 148,696
Accounts payable	367,959	105,026	293,311	766,296
Accrued expenses	331,062	102,660	95,290	529,012
Court bonds payable	38,590	-	-	38,590
Due to other funds	4,584	-	-	4,584
Protested taxes payable	30,624	-	-	30,624
Sales tax overpayment payable	114,895	57,447	100,533	272,875
Total Liabilities	<u>887,714</u>	<u>265,133</u>	<u>637,830</u>	<u>1,790,677</u>
DEFERRED INFLOWS				
Unavailable revenue - property taxes, grants and contract services	979,212	-	-	979,212
Total Deferred Inflows	<u>979,212</u>	<u>-</u>	<u>-</u>	<u>979,212</u>
FUND EQUITY				
Nonspendable				
Inventory	39,689	-	55,010	94,699
Prepaid expenses	108,050	-	53,193	161,243
Restricted for cemetery	108,102	-	-	108,102
Restricted for debt service	-	587,436	-	587,436
Restricted for construction	-	3,854,316	-	3,854,316
Assigned for specific purposes	180,870	-	-	180,870
Assigned for special revenue purposes	-	-	4,392,564	4,392,564
Assigned for capital project purposes	-	1,651,012	-	1,651,012
Unassigned	7,092,418	-	(116,154)	6,976,264
Total Fund Equity	<u>7,529,129</u>	<u>6,092,764</u>	<u>4,384,613</u>	<u>18,006,506</u>
Total Liabilities, Deferred Inflows and Fund Equity	<u>\$ 9,396,055</u>	<u>\$ 6,357,897</u>	<u>\$ 5,022,443</u>	<u>\$ 20,776,395</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
MARCH 31, 2018

Total fund balance - total governmental funds	\$ 18,006,506
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds, net of accumulated depreciation of \$138,454,131.	84,694,913
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The deferred outflows related to pension are not available resources and, therefore, are not reported in the funds.	3,584,962
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The deferred inflows and net pension liability related to pension are not payable from available resources and, therefore, are not reported in the funds.	(2,830,161)
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Unavailable revenue accounts are used by management to report revenues earned but not collected within 60 days of the fiscal year-end as deferred. These revenues are considered revenues of the government-wide statements when earned.	121,245
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Debt due within one year	(1,208,190)
Debt due in more than one year	(14,467,430)
Net pension liability - police & fire fund	(10,086,313)
Accrued compensated absences due in more than one year	(1,666,955)

Unamortized debt issuance costs are not financial resources and therefore are not reported in the funds, net of accumulated amortization.	<div style="border-top: 1px solid black; display: inline-block;">83,785</div>
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Net position of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ 76,232,362</div>
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See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2018

	General Fund	Capital Projects Fund #2	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 8,984,033	\$ 3,100,398	\$ 6,417,422	\$ 18,501,853
Licenses and permits	546,665	-	-	546,665
Intergovernmental	48,439	124,798	1,239,058	1,412,295
Charges for services	283,866	-	670,015	953,881
Fines and penalties	108,648	-	-	108,648
Miscellaneous	254,423	16,160	231,593	502,176
Total Revenues	<u>10,226,074</u>	<u>3,241,356</u>	<u>8,558,088</u>	<u>22,025,518</u>
EXPENDITURES				
General and administrative	2,754,160	-	-	2,754,160
Public safety	8,139,266	-	13,048	8,152,314
Transportation	329,764	-	2,672,976	3,002,740
Cultural	5,692	-	-	5,692
Library	-	-	553,558	553,558
Park	-	-	1,872,702	1,872,702
Planning, building and economic development	-	243,562	33,514	277,076
Capital outlay	329,227	2,297,606	1,844,821	4,471,654
Debt service	-	1,068,822	105,196	1,174,018
Total Expenditures	<u>11,558,109</u>	<u>3,609,990</u>	<u>7,095,815</u>	<u>22,263,914</u>
Excess (Deficit) of Revenues over Expenditures	<u>(1,332,035)</u>	<u>(368,634)</u>	<u>1,462,273</u>	<u>(238,396)</u>
Other Financing Sources (Uses)				
COPS lease proceeds	-	5,695,000	-	5,695,000
Capital lease proceeds	-	-	272,100	272,100
Operating transfers in (out)	1,096,009	-	(344,316)	751,693
Total Other Financing Sources (Uses)	<u>1,096,009</u>	<u>5,695,000</u>	<u>(72,216)</u>	<u>6,718,793</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	<u>(236,026)</u>	<u>5,326,366</u>	<u>1,390,057</u>	<u>6,480,397</u>
Fund Balance, beginning of year	<u>7,765,155</u>	<u>766,398</u>	<u>2,994,556</u>	<u>11,526,109</u>
Fund Balance, end of year	<u>\$ 7,529,129</u>	<u>\$ 6,092,764</u>	<u>\$ 4,384,613</u>	<u>\$ 18,006,506</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2018

Net change in fund balances - total governmental funds	<u>\$ 6,480,397</u>
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset purchases capitalized	5,088,385
Disposition of assets	(194,301)
Depreciation expense	<u>(4,301,987)</u>
	<u>592,097</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Deferred inflows - unavailable property taxes changes	<u>63,107</u>
	<u>63,107</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Net pension expense	(433,205)
Increase in long-term accrued compensated absences	70,277
	<u>(362,928)</u>

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Certificates of participation obligation issued	(5,695,000)
Certificates of participation obligation principal payments	806,800
Note payable principal payments	280,592
Capital lease proceeds received	(272,100)
Capital lease principal payments	147,154
Amortization expense	<u>(10,062)</u>
	<u>(4,742,616)</u>

Change in Net Position of Governmental Activities	<u><u>\$ 2,030,057</u></u>
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See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 9,148,602	\$ 9,148,602	\$ 8,984,033	\$ (164,569)
Licenses and permits	492,228	492,228	546,665	54,437
Intergovernmental	51,521	51,521	48,439	(3,082)
Charges for services	254,645	254,645	283,866	29,221
Fines and penalties	137,845	137,845	108,648	(29,197)
Miscellaneous	211,888	211,888	254,423	42,535
Total Revenues	<u>10,296,729</u>	<u>10,296,729</u>	<u>10,226,074</u>	<u>(70,655)</u>
EXPENDITURES				
General and administrative	2,775,773	2,936,820	2,754,160	182,660
Public safety	8,066,354	8,281,881	8,139,266	142,615
Transportation	333,600	340,612	329,764	10,848
Cultural	18,553	18,553	5,692	12,861
Capital outlay	263,249	375,114	329,227	45,887
Debt service	-	-	-	-
Total Expenditures	<u>11,457,529</u>	<u>11,952,980</u>	<u>11,558,109</u>	<u>394,871</u>
Excess (Deficit) of Revenues over Expenditures	<u>(1,160,800)</u>	<u>(1,656,251)</u>	<u>(1,332,035)</u>	<u>324,216</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	1,096,009	1,096,009	1,096,009	-
Total Other Financing Sources (Uses)	<u>1,096,009</u>	<u>1,096,009</u>	<u>1,096,009</u>	<u>-</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	<u>(64,791)</u>	<u>(560,242)</u>	<u>(236,026)</u>	<u>\$ 324,216</u>
Fund Balance, beginning of year	<u>7,765,155</u>	<u>7,765,155</u>	<u>7,765,155</u>	
Fund Balance, end of year	<u>\$ 7,700,364</u>	<u>\$ 7,204,913</u>	<u>\$ 7,529,129</u>	

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2018

	Business-Type Activities - Enterprise Funds				
	Health	Water	Wastewater	Sanitation	Total
ASSETS					
Operating Funds					
Cash and cash equivalents	\$ 21,682,275	\$ 477,895	\$ 2,658,172	\$ -	\$ 24,818,342
Short-term investments	1,805,876	363,837	735,000	-	2,904,713
Accounts receivable:					
Consumers	15,960,183	583,762	-	52,226	16,596,171
Other	753,321	140,983	9,277	-	903,581
Estimated third-party payor settlements receivable	697,100	-	-	-	697,100
Due from other funds	-	(913,445)	770,841	142,604	-
Accrued interest	-	126	397	-	523
Inventories	1,646,399	236,575	-	-	1,882,974
Prepaid expenses and other assets	1,388,744	80,472	26,822	8,942	1,504,980
	<u>43,933,898</u>	<u>970,205</u>	<u>4,200,509</u>	<u>203,772</u>	<u>49,308,384</u>
SEGREGATED FUNDS					
Cash and cash equivalents	101,614	13,459,055	142,973	-	13,703,642
Noncurrent cash and investments	5,628,608	-	2,995,000	-	8,623,608
	<u>5,730,222</u>	<u>13,459,055</u>	<u>3,137,973</u>	<u>-</u>	<u>22,327,250</u>
Total Current Assets (Including Segregated Funds)	<u>49,664,120</u>	<u>14,429,260</u>	<u>7,338,482</u>	<u>203,772</u>	<u>71,635,634</u>
Noncurrent Assets					
Capital Assets					
Land, land rights and land improvements	3,070,155	176,240	2,409,349	125,632	5,781,376
Structures, improvements and plant equipment	86,169,169	12,259,697	-	57,914	98,486,780
Distribution system	-	19,333,734	-	-	19,333,734
Pumping and purification equipment	-	4,809,133	41,055,887	-	45,865,020
Transmission mains	-	964,302	30,588,430	-	31,552,732
Equipment	74,668,160	2,204,161	3,318,763	1,339,658	81,530,742
Construction in progress	3,335,279	1,270,880	-	-	4,606,159
Accumulated depreciation	(120,019,131)	(15,044,064)	(26,499,948)	(978,564)	(162,541,707)
Total Capital Assets, net of accumulated depreciation	47,223,632	25,974,083	50,872,481	544,640	124,614,836
Other assets	717,065	-	-	-	717,065
Total Noncurrent Assets	<u>47,940,697</u>	<u>25,974,083</u>	<u>50,872,481</u>	<u>544,640</u>	<u>125,331,901</u>
Total Assets	<u>97,604,817</u>	<u>40,403,343</u>	<u>58,210,963</u>	<u>748,412</u>	<u>196,967,535</u>
DEFERRED OUTFLOWS					
Deferred outflows related to pension	4,941,037	475,553	329,975	246,505	5,993,070
Unamortized issuance premium on bonds	-	-	325,483	-	325,483
Total Deferred Outflows	<u>4,941,037</u>	<u>475,553</u>	<u>655,458</u>	<u>246,505</u>	<u>6,318,533</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 102,545,854</u>	<u>\$ 40,878,896</u>	<u>\$ 58,866,421</u>	<u>\$ 994,917</u>	<u>\$ 203,286,088</u>
LIABILITIES					
Operating Funds:					
Bank overdraft	\$ -	\$ -	\$ -	\$ 583,789	\$ 583,789
Accounts payable	3,498,657	91,296	137,767	31,323	3,759,043
Accrued interest	-	19,105	684,245	-	703,350
Accrued payroll and related benefits	4,658,416	65,566	113,848	105,932	4,943,762
Estimated amounts due to third-party payers	1,608,000	-	-	-	1,608,000
Estimated self-insurance costs	1,541,523	-	-	-	1,541,523
Current maturities of capital lease obligations	-	232,224	1,095,178	-	1,327,402
Current maturities of long-term debt	754,865	-	-	-	754,865
	<u>12,061,461</u>	<u>408,191</u>	<u>2,031,038</u>	<u>721,044</u>	<u>15,221,734</u>
Segregated Funds:					
Accrued bond interest	-	6,492	-	-	6,492
Current portion of long-term debt due within one year	-	400,000	-	-	400,000
Consumer's deposits	-	613,069	-	-	613,069
	<u>-</u>	<u>1,019,561</u>	<u>-</u>	<u>-</u>	<u>1,019,561</u>
Total Current Liabilities (Including Segregated Funds)	<u>12,061,461</u>	<u>1,427,752</u>	<u>2,031,038</u>	<u>721,044</u>	<u>16,241,295</u>
Long-Term Debt:					
Bonded debt due after one year	-	4,590,000	-	-	4,590,000
Notes payable to bank	8,597,746	-	-	-	8,597,746
Capital lease obligations	222,274	1,878,788	155,929	-	2,256,991
Certificates of participation	-	13,065,000	28,990,000	-	42,055,000
Net pension liability	9,555,184	582,927	188,640	143,492	10,470,243
Total Noncurrent Liabilities	<u>18,375,204</u>	<u>20,116,715</u>	<u>29,334,569</u>	<u>143,492</u>	<u>67,969,980</u>
Total Liabilities	<u>30,436,665</u>	<u>21,544,467</u>	<u>31,365,607</u>	<u>864,536</u>	<u>84,211,275</u>
DEFERRED INFLOWS					
Unamortized premium on bonds	-	67,740	-	-	67,740
Deferred inflows related to pension	2,456,685	239,503	101,121	82,253	2,879,562
Total Deferred Inflows	<u>2,456,685</u>	<u>307,243</u>	<u>101,121</u>	<u>82,253</u>	<u>2,947,302</u>
NET POSITION					
Net investment in capital assets	37,162,235	5,808,071	28,161,549	544,640	71,676,495
Restricted					
For debt service	-	139,731	3,137,973	-	3,277,704
For construction	-	12,662,103	-	-	12,662,103
Nonexpendable permanent endowments	101,614	-	-	-	101,614
Unrestricted	<u>32,388,655</u>	<u>417,281</u>	<u>(3,899,829)</u>	<u>(496,512)</u>	<u>28,409,595</u>
Total Net Position	<u>69,652,504</u>	<u>19,027,186</u>	<u>27,399,693</u>	<u>48,128</u>	<u>116,127,511</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 102,545,854</u>	<u>\$ 40,878,896</u>	<u>\$ 58,866,421</u>	<u>\$ 994,917</u>	<u>\$ 203,286,088</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2018

	Business-Type Activities - Enterprise Funds				
	Health	Water	Wastewater	Sanitation	Total
Operating revenues:					
Charges for services	\$ 103,432,547	\$ 3,996,746	\$ 5,465,985	\$ 1,380,592	\$ 114,275,870
Miscellaneous	819,718	140,722	15,944	-	976,384
Total operating revenues	104,252,265	4,137,468	5,481,929	1,380,592	115,252,254
Operating expenses:					
Professional and purchased services	11,496,287	13,030	-	329,647	11,838,964
Personnel services	54,718,040	1,439,115	908,422	958,994	58,024,571
Transmission and distribution	-	1,505,266	1,325,500	-	2,830,766
Supplies	20,797,363	-	-	24,260	20,821,623
Other expenses	13,907,557	-	-	129,675	14,037,232
Depreciation and amortization	6,641,145	764,338	2,693,402	89,009	10,187,894
Total operating expenses	107,560,392	3,721,749	4,927,324	1,531,585	117,741,050
Net operating income	(3,308,127)	415,719	554,605	(150,993)	(2,488,796)
Nonoperating revenue (expense):					
Investment income	90,248	1,669	49,789	-	141,706
Interest expense	(310,848)	(237,330)	(1,394,782)	-	(1,942,960)
Costs of issuance fees - 2018 COPS Issue	-	(402,897)	-	-	(402,897)
Noncapital contributions	47,151	-	2,852	-	50,003
Gain(loss) on disposal of capital assets	-	11,632	-	-	11,632
Total nonoperating revenue (expense)	(173,449)	(626,926)	(1,342,141)	-	(2,142,516)
Net Income before contributions and transfers	(3,481,576)	(211,207)	(787,536)	(150,993)	(4,631,312)
Capital contributions and grants	148,000	48,050	-	-	196,050
Transfers	-	-	(603,330)	(148,363)	(751,693)
Total capital contributions and transfers	148,000	48,050	(603,330)	(148,363)	(555,643)
Net income	(3,333,576)	(163,157)	(1,390,866)	(299,356)	(5,186,955)
Net position - beginning of year	72,986,080	19,190,343	28,790,559	347,484	121,314,466
Net position - end of year	\$ 69,652,504	\$ 19,027,186	\$27,399,693	\$ 48,128	\$ 116,127,511

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2018

	Business Type Activities - Enterprise Funds				
	Health	Water	Wastewater	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from and on behalf of customers/patients	\$ 102,294,197	\$ 4,035,943	\$ 5,484,523	\$ 1,366,256	\$113,180,919
Payments to suppliers and contractors	(45,915,282)	(1,393,590)	(1,265,844)	(500,901)	(49,075,617)
Payments to and on behalf of employees	(53,640,615)	(1,349,571)	(887,258)	(920,891)	(56,798,335)
Other receipts and payments	(3,453)	-	-	-	(3,453)
Net cash provided (used) by operating activities	2,734,847	1,292,782	3,331,421	(55,536)	7,303,514
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Noncapital contributions	47,151	-	-	-	47,151
Interfund transfer	-	-	(696,917)	(527,903)	(1,224,820)
Net cash provided by noncapital financing activities	47,151	-	(696,917)	(527,903)	(1,177,669)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital grants and contributions	148,000	48,050	-	-	196,050
Proceeds from sale of assets	4,172	11,632	56,855	-	72,659
Acquisition and construction of capital assets	(5,388,614)	(1,450,179)	(205,067)	-	(7,043,860)
Proceeds from capital lease	-	13,065,000	-	-	13,065,000
Repayment of long-term debt	(739,637)	(614,111)	(982,579)	-	(2,336,327)
Interest paid on capital debt	(310,848)	(642,928)	(1,408,349)	-	(2,362,125)
Net cash provided (used) by capital and related financing activities	(6,286,927)	10,417,464	(2,539,140)	-	1,591,397
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investment assets	7,420,050	1,545,139	4,218,287	-	13,183,476
Purchase of investment assets	(7,438,917)	(363,837)	(3,730,000)	-	(11,532,754)
Income from investments	90,248	2,315	50,607	-	143,170
Net cash provided by investing activities	71,381	1,183,617	538,894	-	1,793,892
Net increase (decrease) in cash and cash equivalents	(3,433,548)	12,893,863	634,258	(583,439)	9,511,134
Balances - beginning of year	25,222,786	1,043,087	2,166,887	(350)	28,432,410
Balances - end of year	\$ 21,789,238	\$13,936,950	\$ 2,801,145	\$ (583,789)	\$ 37,943,544
Cash and cash equivalents	\$ 21,682,275	\$ 477,895	\$ 2,658,172	\$ (583,789)	\$ 24,234,553
Segregated cash and cash equivalents	106,963	13,459,055	142,973	-	13,708,991
Total cash and cash equivalents, end of year	\$ 21,789,238	\$13,936,950	\$ 2,801,145	\$ (583,789)	\$ 37,943,544
Noncash investing, capital, and financing activities:					
Capital asset acquisitions included in accounts payable	\$ 486,512	\$ -	\$ -	\$ -	\$ 486,512

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF CASH FLOWS (CONT'D)
PROPRIETARY FUNDS
YEAR ENDED MARCH 31, 2018

	Business Type Activities - Enterprise Funds				
	Health	Water	Wastewater	Sanitation	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO					
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (3,308,127)	\$ 415,719	\$ 554,605	\$ (150,993)	\$ (2,488,796)
Adjustments to reconcile operating income to net cash					
provided (used) by operating activities:					
Cash flows reported in other categories:					
Depreciation and amortization expense	6,641,145	764,338	2,693,402	89,009	10,187,894
Provision for bad debts	12,425,976	-	-	-	12,425,976
Impairment of asset values	700,459	-	-	-	700,459
(Gain)/Loss on sale of capital assets	(4,172)	-	-	-	(4,172)
Change in assets and liabilities:					
Receivables, net	(14,605,019)	(101,525)	2,594	(14,336)	(14,718,286)
Estimated third-party payor settlements	1,040,693	-	-	-	1,040,693
Inventory and other assets	-	13,261	-	-	13,261
Prepaid expenses	-	(9,355)	(1,950)	(298)	(11,603)
Deferred outflows related to pension	1,668,901	409,451	202,145	177,061	2,457,558
Deferred inflows related to pension	1,580,271	158,686	(6,093)	(5,337)	1,727,527
Net pension liability	(2,489,230)	(468,631)	(163,200)	(142,949)	(3,264,010)
Accounts payable and accrued expenses	(203,433)	27,211	61,606	(17,021)	(131,637)
Other assets and liabilities	(1,030,100)	(9,962)	-	-	(1,040,062)
Estimated self-insurance liabilities	317,483	-	-	-	317,483
Accrued payroll, related taxes and benefits	-	93,589	(11,688)	9,328	91,229
Net cash provided (used) by operating activities	<u>\$ 2,734,847</u>	<u>\$ 1,292,782</u>	<u>\$ 3,331,421</u>	<u>\$ (55,536)</u>	<u>\$ 7,303,514</u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF FIDUCIARY NET POSITION
MARCH 31, 2018

Cash	\$ 44,924
Receivables:	
Accrued interest and dividends	23,358
Investments, at fair value	13,701,883
Due from General Fund	<u>4,584</u>
Total assets	<u>13,774,749</u>
Net position - restricted for pension benefits	<u><u>\$ 13,774,749</u></u>

See Notes to Financial Statements

CITY OF SEDALIA, MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED MARCH 31, 2018

ADDITIONS

Contributions

Property taxes	\$ 395,526
Employer	830,153
Miscellaneous	5,324
Total contributions	<u>1,231,003</u>

Investment income (loss)

Investment income	533,036
Net depreciation in fair value of investments	676,091
Total investment loss	<u>1,209,127</u>

Investment expenses	<u>(76,150)</u>
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Net loss from investing activities	<u>1,132,977</u>
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Total Additions	<u>2,363,980</u>
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DEDUCTIONS

Benefits	1,398,723
Disability insurance	34,704
Administrative expense	71,996
Pension refunds	626
Total Deductions	<u>1,506,049</u>

Net decrease	857,931
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Net position - restricted for pension benefits

Beginning of year	<u>12,916,818</u>
End of year	<u><u>\$ 13,774,749</u></u>

See Notes to Financial Statements

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Sedalia, Missouri (the "City"), was incorporated in February, 1864 under the provisions of the State of Missouri. The City operates under a City Council - Mayor form of government and provides the following services: public safety (police and fire), streets, culture, recreation, public improvements, planning, and general administrative services. Other services include health care, water, sewer and sanitation operations. The City receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since Council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Bothwell Regional Health Center, (Health Center) is an acute care hospital located in Sedalia, Missouri. The Health Center is governed by a board of trustees appointed by the City Council of Sedalia, Missouri (City). The Health Center may not issue debt without the City's approval. For these reasons, the Health Center is considered to be a component unit of the City of Sedalia and is included as a discretely presented component unit in the basic financial statements of the City. The Health Center is owned by and is a part of the primary government of the City because the City holds the corporate powers of the Health Center. The Health Center primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Pettis County, Missouri area. The Health Center has been designated as a sole community provider and a rural referral center for Medicare reimbursement purposes. It also operates various physician clinics in the same geographic area.

The Sedalia Water Department (the Department) was established by ordinance of the City of Sedalia (the City) in 1957 and provides service to approximately 10,000 customers. The Department is owned by and is a part of the primary government of the City because the City holds the corporate powers of the Department.

B. Financial Reporting Entity

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Blended Component Units

Bothwell Regional Health Center is governed by a board of trustees appointed by the City Council of Sedalia, Missouri. Bothwell Regional Health Center has a May 31 year end.

Sedalia Water Department was established by ordinance of the City of Sedalia. The City holds the corporate powers of the department. Sedalia Water Department has a March 31 year end.

Complete financial statements for each of the individual component units may be obtained at the entity's administrative offices.

Bothwell Regional Health Center 601 East 14 th Street Sedalia, Missouri 65301	Sedalia Water Department 111 West 4 th Street Sedalia, Missouri 65301
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During 2003, the City adopted GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments*, as amended. The City adopted the retroactive infrastructure provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* for the fiscal year ending March 31, 2007.

C. Basis of Presentation

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The City's net position is reported in three parts – net investment in capital assets; restricted net position, and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities. When the Health Center has both restricted and unrestricted resources available to finance capital acquisitions, it is the Health Center's policy to use restricted resources before unrestricted resources.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, public works, community and youth services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The City distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from transaction providing services and producing and delivering goods in connection with the City's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund: The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund: The special revenue funds account for revenue sources that are legally restricted to expenditures for specified purposes. The Library, Park, Special Business District, Midtown Special Allocation, and Fire Academy Funds are Special Revenue Funds of the City.

Capital Projects Fund: The capital projects funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds. The Capital Project and Capital Project #2 Funds are Capital Project Funds of the City.

Proprietary Fund

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Health Center, Water, Sewer and Sanitation Funds.

Fiduciary Funds (Not included in government-wide statements)

Trust Funds

Trust funds account for assets held by the City in trust for cemetery upkeep and pension benefits. The trust funds are as follows:

- Fireman's Pension Fund - Accounts for additions and deductions to the pension plan for firemen.
- Police Pension Fund - Accounts for additions and deductions for the pension plan for policemen.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

<u>Fund</u> <u>Major:</u>	<u>Brief Description</u>
General	See above for description
Capital Projects Fund #2	Accounts for the revenues and expenditures of the capital projects fund #2.
Proprietary Fund: Health Center, Water, Wastewater and Sanitation	Accounts for activities in providing health, water, wastewater and sanitation services to the public.
Nonmajor: Special Revenue Funds: Library	Accounts for revenues and expenditures of the library.
Park	Accounts for revenues and expenditures of the park.
Special Business District	Accounts for revenues and expenditures of the special business district.
Midtown Special Allocation	Accounts for revenues and expenditures of the midtown special allocation district.
Fire Academy	Accounts for revenues and expenditures of the fire academy.
Transportation	Accounts for street and airport revenues and expenditures.
Capital Project Fund	Accounts for the revenues and expenditures of the capital projects fund #1.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Patient Accounts Receivable: The Health Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Health Center provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Net Patient Service Revenue: The Health Center has agreements with third-party payers that provide for payments to the Health Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care: The Health Center provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Health Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. Charges excluded from revenue under the Health Center's policy were approximately \$469,000 for the year ended May 31, 2017.

Contributions: From time to time, the Health Center receives contributions from individuals and private organizations. Revenue contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Endowments: Endowments are provided to the Health Center on a voluntary basis by individuals. Permanent endowments require that the principal or corpus of the endowment be retained in perpetuity. Investment earnings from the permanent endowment are expendable to support the Health Center.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Electronic Health Records Incentive Program: The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR) technology. Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the Health Center continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Health Center recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

Assets, Liabilities and Equity

Cash and Investments

Cash of all funds, except Health and Water, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has an equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's pooled Cash and Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities not included in the common pooled accounts that are purchased with a maturity of ninety days or less are also considered to be "cash equivalents".

For the purpose of the Statement of Net Position, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in debt and equity securities are reported at fair market value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned. Additional cash and investment disclosures are presented in Note III-A.

Noncurrent cash and investments consist of cash, short-term certificates of deposit, money markets and U.S. Treasury Obligations. These assets include assets restricted under a bond indenture agreement, restricted by contributors for capital acquisitions, principal of permanent endowment and internally designated unrestricted assets set aside by the Board of Trustees over which the Board retains control and may, at its discretion, use for other purposes. Amounts required to meet current liabilities of the Health Center are included in current assets.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities report utilities and interest earnings as their major receivables.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

The Health Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Health Center provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

Inventory

The inventories are recorded at the lower of cost or market using the latest invoice cost, which approximates the first-in, first-out method.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

With the implementation of GASB Statement No. 34, the City has recorded all its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems in its government-wide financial statements.

Capital assets are reported at cost, if purchased, or at fair market value on the date received if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the property. Useful lives are assigned based on estimated useful lives of depreciable assets. It is the City's policy to include amortization expense on assets acquired under capital leases with depreciation on owned assets.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of the assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of the capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the statement of net position as a reduction in the book value of the fixed assets.

Government-Wide Statements

In the government-wide financial statements, all capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements	20-50 years
Machinery and Equipment	3-20 years
Utility System	25-75 years
Infrastructure	5-50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to revenue bond trustee accounts and utility meter deposits.

When the Health Center has both restricted and unrestricted resources available to finance a particular program, it is the Health Center's policy to use restricted resources before unrestricted resources.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of certificates of participation, notes payable, revenue bonds payable and capital leases payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Deferred Charges

Revenue bond and capitalized lease issuance costs and related refunding costs and losses arising from the issuance of debt in the Proprietary Funds are capitalized and amortized over the period the related debt is outstanding.

Compensated Absences - City

Under the terms of the City's personnel policy, City employees are granted vacation based upon length of service. In the event of termination, employees are paid for accumulated vacation days. Vested or accumulated vacation is recorded as an expenditure or expense and liability of those funds as the benefits accrue to the employee. Sick leave is granted at varying rates dependent upon department of employment. Upon retirement, employees are paid for one-third of accumulated sick leave.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences – Health Center

Health Center policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits when earned whether the employee is expected to realize benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Compensated Absences – Water Department

Under the terms of the Department's personnel policy, employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days up to the equivalent of one year's vacation (maximum of three weeks). Employees are not paid for unused sick leave. The costs of vacation are accrued.

Capital Leases

Property, plant and equipment financed by capital leases are reflected as assets and corresponding liabilities of the Enterprise Funds and the related depreciation expense is provided on the same basis as assets financed with other resources.

Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position -
 - (1) Expendable - Net position whose use by the City is subject to externally imposed stipulations that can be fulfilled by actions of the City pursuant to those stipulations or that expire by the passage of time. The City's policy is to utilize specifically restricted net position, as required by revenue bond indentures, prior to unrestricted net position.
 - (2) Nonexpendable - Net position subject to externally imposed stipulations that they be maintained permanently by the City. Such assets include the Health Center's permanent endowment funds.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- c. Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."
- d. Net position of the Health Center is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the Health Center. Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Health Center, such as permanent endowments. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Fund Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Fund Equity – Fund Financial Statements:

Governmental fund equity is classified as fund balance. Beginning with FY 2012, the City implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The City's nonspendable funds are as detailed in Note III-K.
- Restricted: This classification includes amounts for which constraints have been placed on the use of resources because they are either:
 - Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
 - Imposed by law through constitutional provisions or enabling legislation.

The City's restricted funds are as detailed in Note III-K.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City's board of aldermen, which is the City's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the board of aldermen removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of year-end.
- **Assigned:** This classification includes spendable amounts that are reported in governmental funds *other than the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose in accordance with the provisions of GASB Statement 54. The intent of an assigned fund balance should be expressed by either the City's board of aldermen, or a subordinate high-level body, such as a finance committee, or an official, such as the executive director, that has the authority to assign amounts to be used for specific purposes. The City's management assigned funds during year as detailed in Note III-K.
- **Unassigned:** This classification is the residual fund balance for the General Fund. It also 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 including any governmental fund in a deficit position.

When fund balance resources are available for a specific purpose in multiple classifications, the City would use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. However, it reserves the right to selectively spend unassigned resources first and to defer to the use of the other classified funds.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. During fiscal year 2018 the City capitalized interest of \$81,356.

Unamortized bond discounts and deferred financing fees are amortized over the lives of the bonds using the level yield method.

Amortization of deferred bond costs is capitalized during the period of construction of capital assets.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Function
Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Income Taxes

As an essential government function of the City, the Health Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The Health Center is also exempt from income taxes under 501 of the Internal Revenue Code and similar provision of the state law. However, the Health Center is subject to federal income tax on any unrelated business taxable income.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 government has two items that qualify for reporting in this category. The first is the deferred loss on debt and unamortized insurance cost on the government-wide statement of net position. The second is for excess investment returns and contributions made subsequent to the measurement date, both relating to the City's pension on the government-wide statement of net position.

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 has four types of deferred inflows. The first, unavailable revenue, is reported for revenue not yet earned in the government-wide statements. The second is reported on the government-wide statement of net position and proprietary funds statement of net position and relates to differences in experience on the City's pension valuation. The third is reported on the government-wide statement of net position and proprietary statement of net position and relates to the unamortized premium on bonds. The fourth is unavailable revenue on the governmental fund statements for revenues deferred and recognized as inflows in the period they become available.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deposits and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Missouri or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note III-A, all deposits were fully insured or collateralized.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. Budget Basis of Accounting

The City of Sedalia prepares its annual budget on a basis (budget basis), which agrees with generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual to provide a meaningful comparison of actual results with the budget.

The City amended the budget four times during the fiscal year.

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, net position, revenues, and expenditures/expenses.

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Deposits and Investments

The City of Sedalia is governed by the deposit and investment limitations of state law. The deposits and investments held at March 31, 2018, are shown below:

	Maturity Date	Carrying Value
Deposits:		
Demand deposits		\$ 14,756,329
Time deposits	08/27/18	490,000
Time deposits	09/28/18	490,000
Time deposit	03/28/19	245,000
Time deposit	12/23/19	245,000
Time deposits	12/30/19	490,000
Time deposit	01/27/20	245,000
Time deposit	02/15/20	145,000
Time deposit	03/30/20	245,000
Time deposit	11/02/20	245,000
Time deposit	03/15/21	245,000
Time deposits	03/29/21	490,000
Total deposits		<u>18,331,329</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

	Maturity Date	Carrying Value
Investments:		
Fixed Income	08/06/18	150,098
Fixed Income	10/30/18	490,841
Fixed Income	11/02/18	244,789
Fixed Income	11/13/18	244,753
Fixed Income	05/10/19	242,055
Fixed Income	11/04/19	480,285
Fixed Income	11/08/19	240,044
Fixed Income	08/18/20	241,127
Fixed Income	09/28/20	211,644
Fixed Income	10/05/20	241,146
Fixed Income	11/02/20	241,288
Fixed Income	11/09/20	241,247
Fixed Income	12/14/20	147,387
Total Investments		<u>3,416,704</u>
Water Department deposits and investments		
Health Center deposits and investments		14,300,787
Total deposits and investments		<u>\$ 29,218,373</u>
		<u>\$ 65,267,193</u>
Reconciliation of Statement of Net Position:		
Current:		
Cash and cash equivalents		\$ 35,593,478
Short-term investments		2,904,713
Total Current		<u>38,498,191</u>
Restricted:		
Cash and cash equivalents		18,145,394
Noncurrent cash and investments		8,623,608
Total Restricted		<u>26,769,002</u>
Total		<u>\$ 65,267,193</u>

Custodial credit risk. Deposits in financial institutions, reported as components of cash and investments had a bank balance of \$14,367,450 at March 31, 2018, which was fully insured by depository insurance or secured with collateral. This amount does not include the Water Department's or Health Center's deposits, which are discussed below.

Investment interest rate risk. The City has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at March 31, 2018, are provided in the previous schedule.

Investment credit risk. The City maintains cash deposits and investments which are authorized by City ordinances related to the long-term debt issuances. The Council has given the City Administrator and Finance Director the authority to invest idle funds of the City in low-risk investments such as United States government securities or collateralized certificates of deposit.

Concentration of investment credit risk. The City places no limit on the amount it may invest in any one issuer. At March 31, 2018, the City had no concentration of credit risk.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Sedalia Water Department Deposits and Investments

The Sedalia Water Department is governed by the deposit and investment limitations of state law. State statutes authorize the Department to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool. The deposits and investments held at March 31, 2018 are shown below:

	Maturities	Carrying Value
Deposits:		
Demand deposits		\$ 13,936,950
Time deposit	04/15/18	363,837
Total Deposits		<u>\$ 14,300,787</u>
Reconciliation of Statement of Net Position:		
Current:		
Cash and cash equivalents		\$ 477,895
Investments		363,837
Total Current		<u>841,732</u>
Segregated:		
Cash and cash equivalents		13,459,055
Total Segregated		<u>13,459,055</u>
Total		<u>\$ 14,300,787</u>

Custodial credit risk. Deposits in financial institutions, reported as components of cash and investments had a bank balance of \$1,716,423 at March 31, 2018. All deposits were adequately secured at March 31, 2018.

Investment interest rate risk. The Department has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at March 31, 2018, are provided in the previous schedule.

Investment credit risk. The Department maintains cash deposits and investments which are authorized by the Board of Public Works.

Concentration of investment credit risk. The Department places no limit on the amount it may invest in any one issuer. At March 31, 2018, the Department had no concentration of credit risk.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Bothwell Health Center Deposits and Investments

Deposits

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

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. Agencies or instrumentalities or the state of Missouri; bonds of any city, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At May 31, 2017, \$29,642,589 of the Health Center's bank balances of \$30,631,140 were exposed to custodial credit risk as being uninsured and uncollateralized.

	Uninsured and uncollateralized	\$ 6,021,139
•	Uninsured and collateral held by the pledging financial institution	<u>23,621,450</u>
		<u>\$ 29,642,589</u>

Investments

The Health Center may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities. The Health Center did not have any such investments at May 31, 2017.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

Carrying value	
Deposits	<u>\$ 29,218,373</u>
Included in the following balance sheet captions	
Cash	\$ 21,682,275
Certificates of deposit	1,805,876
Noncurrent cash and deposits	<u>5,730,222</u>
Total	<u>\$ 29,218,373</u>

Interest income for the year ended May 31, 2017 amounted to \$90,248.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

B. Net Patient Service Revenue - Health Center

The Health Center has agreements with third party payors that provide for payments to the Health Center at amounts different from its established rates. These payment arrangements include:

- *Medicare.* Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity. Certain inpatient nonacute services and defined medical education costs are paid based on a cost reimbursement methodology. The Health Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the Medicare administrative contractor.
 - *Medicaid.* Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. The Health Center is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the Medicaid administrative contractor. Medicaid settlements are recognized each year based on estimated final settlements.
- Approximately 59% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the year ended May 31, 2017. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Health Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Health Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The Health Center receives additional reimbursement, for disproportionate share, from the Missouri Medicaid program in relation to the percentage of Medicaid and indigent population they serve. Beginning in 2011, funding received in excess of costs to provide these services was to be refunded to the state for reallocation to other health care systems. The Health Center has accrued \$1,608,000, under this program for the year ended May 31, 2017, which is included in the estimated amounts due to third-party payers in the balance sheets. It is reasonably possible that circumstances related to the state's Medicaid program could change materially in the near term.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The Health Center grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at May 31, 2017, consisted of:

Medicare	\$ 5,503,792
Medicaid	1,465,061
Other third-party payers	6,027,995
Patients	7,574,335
	<u>20,571,183</u>
Less: Allowance for uncollected accounts	<u>(4,611,000)</u>
	<u>\$ 15,960,183</u>

C. Accounts Receivable

Accounts receivable of the business-type activities consists of patient and utilities receivable. Accounts receivable of the governmental activities consists of miscellaneous receivables. Receivables detail at March 31, 2018, is as follows:

	Governmental Activities	Business- Type Activities	Total
Accounts receivable	\$ 990,543	\$ 22,110,752	\$ 23,101,295
Allowance for doubtful accounts	-	(4,611,000)	(4,611,000)
Net accounts receivable	<u>\$ 990,543</u>	<u>\$ 17,499,752</u>	<u>\$ 18,490,295</u>

D. Taxes Receivable

Taxes receivable of the governmental activities consist of property, sales, franchise, gas and motor vehicle tax receivable. Receivables detail at March 31, 2018, was as follows:

	Governmental Activities	Business- Type Activities	Total
Taxes receivable	\$ 3,531,069	\$ -	\$ 3,531,069
Allowance for doubtful accounts	(10,000)	-	(10,000)
Net taxes receivable	<u>\$ 3,521,069</u>	<u>\$ -</u>	<u>\$ 3,521,069</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

E. Capital Assets - Governmental Activities

Capital asset activity for the year ended March 31, 2018, was as follows:

	Balance at April 1, 2017	Additions	Disposals	Transfers	Balance at March 31, 2018
Capital assets not being depreciated:					
Land and land rights	\$ 3,626,776	\$ 156,045	\$ -	\$ -	\$ 3,782,821
Construction work in process	267,780	1,930,754	-	(267,780)	1,930,754
Subtotal	<u>3,894,556</u>	<u>2,086,799</u>	<u>-</u>	<u>(267,780)</u>	<u>5,713,575</u>
Other capital assets being depreciated:					
Structures and improvements	27,414,292	136,913	(633,556)	-	26,917,649
Other improvements	14,167,536	1,433,175	-	267,780	15,868,491
General equipment	10,307,728	629,373	(371,568)	18,628	10,584,161
Infrastructure	163,281,671	783,497	-	-	164,065,168
Subtotal	<u>215,171,227</u>	<u>2,982,958</u>	<u>(1,005,124)</u>	<u>286,408</u>	<u>217,435,469</u>
Total capital assets at historical costs	<u>219,065,783</u>	<u>5,069,757</u>	<u>(1,005,124)</u>	<u>18,628</u>	<u>223,149,044</u>
Accumulated Depreciation					
Structures and improvements	(11,548,669)	(768,872)	568,509	-	(11,749,032)
Other improvements	(5,730,644)	(541,180)	-	-	(6,271,824)
General	(7,678,885)	(631,915)	242,314	-	(8,068,486)
Infrastructures	(110,004,769)	(2,360,020)	-	-	(112,364,789)
Subtotal	<u>(134,962,967)</u>	<u>(4,301,987)</u>	<u>810,823</u>	<u>-</u>	<u>(138,454,131)</u>
Net capital assets being depreciated	<u>80,208,260</u>	<u>(1,319,029)</u>	<u>(194,301)</u>	<u>286,408</u>	<u>78,981,338</u>
Governmental activities capital assets	<u>\$ 84,102,816</u>	<u>\$ 767,770</u>	<u>\$ (194,301)</u>	<u>\$ 18,628</u>	<u>\$ 84,694,913</u>

F. Capital Assets - Business-Type Activities

Capital assets of the Health, Water, and Wastewater Funds are stated at cost if purchased, or fair market value on the date of contribution (appraised value) if donated, adjusted for the cost of subsequent additions and disposals or retirements. The costs of normal maintenance and repairs are charged to operations as incurred. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized and depreciated over the remaining estimated useful lives of the related assets. The interest cost of borrowed funds used to finance construction projects is capitalized when material. Capital asset activity for the year ended March 31, Health Center year-end is May 31, 2017, was as follows:

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Health

	Beginning Balance	Additions	Disposals	Adjustments/Transfers	Ending Balance
Land	\$ 3,070,155	-	\$ -	-	\$ 3,070,155
Land improvements	1,172,928	-	-	-	1,172,928
Buildings and leasehold improvements	84,452,122	50,981	-	493,138	84,996,241
Equipment	71,987,787	2,967,044	-	(286,671)	74,668,160
Construction in progress	2,019,895	2,301,410	-	(986,026)	3,335,279
	162,702,887	5,319,435	-	(779,559)	167,242,763
Less Accumulated Depreciation					
Land improvements	1,013,504	33,042	-	-	1,046,546
Buildings and leasehold improvements	51,747,509	3,024,331	-	(37,821)	54,734,019
Equipment	60,847,016	3,432,829	-	(41,279)	64,238,566
Total Accumulated Depreciation	113,608,029	6,490,202	-	(79,100)	120,019,131
Capital Assets, Net	\$ 49,094,858	\$ (1,170,767)	\$ -	\$ (700,459)	\$ 47,223,632

Water

	Balance at April 1, 2017	Additions	Disposals	Balance at March 31, 2018
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 176,240	\$ -	\$ -	\$ 176,240
Construction in progress	-	-	-	-
Total capital assets not being depreciated	176,240	1,270,880	-	1,270,880
Other capital assets being depreciated:				
Structures and improvements	12,253,745	5,952	-	12,259,697
Pumping and purification equipment	4,809,133	-	-	4,809,133
Transmission mains	964,302	-	-	964,302
Distribution mains and equipment	19,270,543	74,617	(11,426)	19,333,734
General equipment	2,154,882	98,730	(49,451)	2,204,161
Total capital assets being depreciated	39,452,605	179,299	(60,877)	39,571,027
Total capital assets at historical cost	39,628,845	1,450,179	(60,877)	41,018,147
Accumulated Depreciation				
Structures and improvements	(5,141,562)	(217,486)	-	(5,359,048)
Pumping and purification equipment	(1,992,934)	(105,317)	-	(2,098,251)
Transmission mains	(521,972)	-	-	(521,972)
Distribution mains and equipment	(4,825,183)	(327,552)	11,426	(5,141,309)
General equipment	(1,853,727)	(119,208)	49,451	(1,923,484)
Total accumulated depreciation	(14,335,378)	(769,563)	60,877	(15,044,064)
Other capital assets, net	25,117,227	(590,264)	-	24,526,963
Business-Type Activities Capital Assets	\$ 25,293,467	\$ 680,616	\$ -	\$ 25,974,083

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Wastewater

	Balance at April 1, 2017	Additions	Disposals	Balance at March 31, 2018
Business-type activities:				
Capital assets not being depreciated:				
Land and land rights	\$ 2,409,349	\$ -	\$ -	\$ 2,409,349
Construction work in process	-	-	-	-
Subtotal	2,409,349	-	-	2,409,349
Capital assets being depreciated:				
Pumping and purification equipment	41,029,351	26,536	-	41,055,887
Transmission mains	30,582,262	6,168	-	30,588,430
General equipment	3,290,409	172,363	(144,009)	3,318,763
Subtotal	74,902,022	205,067	(144,009)	74,963,080
Total	77,311,371	205,067	(144,009)	77,372,429
Less accumulated depreciation and amortization:				
Pumping and purification equipment	(14,873,159)	(1,411,765)	-	(16,284,924)
Transmission mains	(7,144,535)	(949,658)	-	(8,094,193)
General equipment	(1,901,382)	(309,455)	90,006	(2,120,831)
Subtotal	(23,919,076)	(2,670,878)	90,006	(26,499,948)
Net capital assets being depreciated	50,982,946	(2,465,811)	(54,003)	48,463,132
Business-Type Activities Capital Assets	\$ 53,992,295	\$ (2,465,811)	\$ (54,003)	\$ 50,872,481

	Balance at April 1, 2017	Additions	Disposals	Transfers	Balance at March 31, 2018
Business-type activities:					
Capital assets not being depreciated:					
Land and land rights	\$ 125,632	\$ -	\$ -	\$ -	\$ 125,632
Construction work in process	-	-	-	-	-
Subtotal	125,632	-	-	-	125,632
Capital assets being depreciated:					
Structures and improvements	57,914	-	-	-	57,914
Transmission mains	-	-	-	-	-
General equipment	1,339,658	-	-	-	1,339,658
Subtotal	1,397,572	-	-	-	1,397,572
Total	1,523,204	-	-	-	1,523,204
Less accumulated depreciation and amortization:					
Land and land rights	(40,597)	(313)	-	-	(40,910)
Structures and improvements	(42,516)	(393)	-	-	(42,909)
General equipment	(806,442)	(88,303)	-	-	(894,745)
Subtotal	(889,555)	(89,009)	-	-	(978,564)
Net capital assets being depreciated	508,017	(89,009)	-	-	419,008
Business-Type Activities Capital Assets	\$ 633,649	\$ (89,009)	\$ -	\$ -	\$ 544,640

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General and administration	\$ 260,062
Sanitation	-
Total general government	<u>260,062</u>
Public safety:	
Police	281,361
Fire	225,537
Cemetery	13,371
Animal control	60,856
Total public safety	<u>581,125</u>
Transportation:	
Airport	211,752
Streets	215,961
Total transportation	<u>427,713</u>
Cultural, parks and recreation:	
Library	86,948
Park	526,386
Community center	59,733
Total cultural, parks and recreation	<u>673,067</u>
Infrastructure	2,360,020
Total Infrastructure	<u>2,360,020</u>
Total depreciation expense - Governmental activity	<u>\$ 4,301,987</u>
Business-type activities:	
Health	\$ 6,490,202
Water	769,563
Sewer	2,670,878
Sanitation	89,009
Total depreciation expense - Business-type activity	<u>\$ 10,019,652</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

G. Long-Term Debt

A summary of changes in long-term debt for the year is as follows:

Business-Type Activities:	Beginning of Year	Additions	Retirements	End of Year	Amount Due Within One Year
Revenue Bonds:					
Health Center	\$ 5,380,000	-	-	-	-
Water	-	-	-	-	-
Certificates of Participation:					
Sewer Department	1,582,500	-	1,017,500	565,000	110,000
Series 2010A	29,480,000	-	-	-	945,000
Series 2010B	-	13,065,000	-	13,065,000	-
Series 2018	-	-	-	-	-
Other Debt:					
Health Center	9,942,753	-	667,761	9,274,992	677,246
Note payable - Construction	-	-	-	-	-
Capital Leases:					
Health Center	371,769	-	71,876	299,893	77,619
Water Department	2,335,123	-	224,111	2,111,012	232,234
Sewer Department	161,186	115,400	80,479	196,107	40,178
Total Business-Type Activities	<u>\$ 49,253,331</u>	<u>\$ 13,180,400</u>	<u>\$ 2,451,727</u>	<u>\$ 59,982,004</u>	<u>\$ 2,482,267</u>
Governmental Activities:					
Certificates of Participation:					
Series 2010A	672,500	-	107,500	565,000	110,000
Series 2012A	6,060,000	-	-	5,720,000	340,000
Series 2017	3,638,100	-	359,300	3,278,800	374,600
Series 2017B	-	5,695,000	-	5,695,000	314,214
Sedalia School Loan	250,000	-	250,000	-	-
DNR Energy Loan	214,095	-	30,592	183,503	30,592
Capital Leases	108,371	272,100	147,155	233,316	38,784
Total Governmental Activities	<u>\$ 10,943,066</u>	<u>\$ 5,967,100</u>	<u>\$ 1,234,547</u>	<u>\$ 15,675,619</u>	<u>\$ 1,208,190</u>

1. Certificates of Participation

Certificates of participation for park and public works improvement projects at March 31, 2018, are comprised of the following individual issues:

Series 2010A

On December 22, 2010, the City entered into a lease/purchase agreement to advance refund the Series 2005 issue in the amount of \$2,630,000 and the remainder of \$5,080,000 to fund various improvements. The initial term of this Lease expired on March 31, 2011 (the "Initial Term"), subject to the Lessee's option to extend the term of this Lease for successive one-year terms commencing April 1, of each year, and a final renewal term ending March 31, 2023. Each option shall be exercised by the appropriation by the City Council of the Lessee, in accordance with applicable law, of sufficient moneys (after taking into account any moneys legally available for such purpose) specifically designated for the payment of Base Rentals and adequate moneys to pay the reasonably estimated Supplemental Rent for the next succeeding Renewal Term. Such appropriation shall automatically extend the term of this Lease for the succeeding Renewal Term without any further action required by any officers or officials of the Lessee. The terms of the lease set the interest rate at 2.00% to 4.10%.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The City is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year. It is expected that the City will not abandon this lease, and accordingly, the lease obligation is shown as long-term debt.

\$7,595,000 2010A series due in annual installments of \$185,000 to \$1,125,000 beginning June 1, 2011, to \$1,125,000 through June 1, 2022, interest at 2.00% to 4.10%. \$ 1,130,000

The annual debt service requirements to maturity for the 2010A certificates of participation outstanding at March 31, 2018, are as follows:

Year Ending March 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 110,000	\$ 19,398	\$ 110,000	\$ 19,398
2020	117,500	15,467	117,500	15,467
2021	120,000	11,073	120,000	11,073
2022	125,000	6,292	125,000	6,292
2023	92,500	1,897	92,500	1,897
	<u>\$ 565,000</u>	<u>\$ 54,127</u>	<u>\$ 565,000</u>	<u>\$ 54,127</u>

Series 2010B

On December 22, 2010, the City entered into a lease/purchase agreement to fund various improvements. The initial term of the lease commenced on December 22, 2010. The initial term of this Lease expired on March 31, 2011 (the "Initial Term"), subjected to the Lessee's option to extend the term of this Lease for successive one-year terms commencing April 1, of each year, and a final renewal term ending March 31, 2036. Each option shall be exercised by the appropriation by the City Council of the Lessee, in accordance with applicable law, of sufficient moneys (after taking into account any moneys legally available for such purpose) specifically designated for the payment of Base Rentals and adequate moneys to pay the reasonably estimated Supplemental Rent for the next succeeding Renewal Term. Such appropriation shall automatically extend the term of this Lease for the succeeding Renewal Term without any further action required by any officers or officials of the Lessee. The terms of the lease set the interest rate at 4.800% to 7.300%.

The City is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year. It is expected that the City will not abandon this lease, and accordingly, the lease obligation is shown as long-term debt.

In lieu of issuing the Certificates as Tax-Exempt Obligations, the Issuer is electing (a) to issue the Certificates as taxable "Build America Bonds" (BAB) as defined in Code § 54AA ("Build America Bonds"), and (b) to treat the Certificates as "qualified" Build America Bonds, eligible to receive payments from the U.S. Treasury equal to 35% of each Interest Component payment on the Certificates in accordance with Code §54AA and 6431 ("BAB Interest Subsidy Payments").

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

\$29,480,000 2010B series due in annual installments of \$945,000 beginning June 1, 2018, to \$2,445,000 through June 1, 2035, interest at 4.800% to 7.300%. \$ 29,480,000

The annual debt service requirements to maturity for the Series 2010B certificates of participation outstanding at March 31, 2018 are as follows:

Year Ending March 31	Principal Series 2010B	Business-Type Activities		B&B Interest Subsidy	Net Payments
		Interest Series 2010B	Debt Service Before Subsidy		
2019	\$ 945,000	\$ 1,998,988	\$ 2,943,988	\$ (699,645)	\$ 2,244,343
2020	970,000	1,951,572	2,921,572	(683,050)	2,238,522
2021	1,005,000	1,899,703	2,904,703	(664,896)	2,239,807
2022	1,045,000	1,843,046	2,888,046	(645,066)	2,242,980
2023	1,160,000	1,775,825	2,935,825	(621,539)	2,314,286
2024-2028	7,685,000	7,444,227	15,129,227	(2,605,479)	12,523,748
2029-2033	9,670,000	4,378,195	14,048,195	(1,532,369)	12,515,826
2034-2036	7,000,000	782,560	7,782,560	(273,897)	7,508,663
	<u>\$ 29,480,000</u>	<u>\$ 22,074,116</u>	<u>\$ 51,554,116</u>	<u>\$ (7,725,941)</u>	<u>\$ 43,828,175</u>

Series 2012A

On December 1, 2012, the City entered into a lease/purchase agreement to fund various improvements. The initial term of the lease commenced on December 1, 2012. The initial term of this Lease expired on March 31, 2013 (the "Initial Term"), subjected to the Lessee's option to extend the term of this Lease for successive one-year terms commencing April 1, of each year, and a final renewal term ending March 31, 2032. Each option shall be exercised by the appropriation by the City Council of the Lessee, in accordance with applicable law, of sufficient moneys (after taking into account any moneys legally available for such purpose) specifically designated for the payment of Base Rentals and adequate moneys to pay the reasonably estimated Supplemental Rent for the next succeeding Renewal Term. Such appropriation shall automatically extend the term of this Lease for the succeeding Renewal Term without any further action required by any officers or officials of the Lessee. The terms of the lease set the interest rate at 2.000% to 3.100%.

The City is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year. It is expected that the City will not abandon this lease, and accordingly, the lease obligation is shown as long-term debt.

\$6,235,000 2010B series due in annual installments of \$175,000 beginning May 1, 2017, to \$485,000 through May 1, 2032, interest at 2.000% to 3.100%. \$ 5,720,000

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The annual debt service requirements to maturity for the 2012A certificates of participation outstanding at March 31, 2018, are as follows:

Year Ending March 31	Governmental Activities		
	Principal	Interest	Total
2019	\$ 340,000	\$ 162,910	\$ 502,910
2020	345,000	156,110	501,110
2021	360,000	148,348	508,348
2022	365,000	139,478	504,478
2023	380,000	129,310	509,310
2024-2028	2,060,000	471,775	2,531,775
2029-2032	1,870,000	143,990	2,013,990
	<u>\$ 5,720,000</u>	<u>\$ 1,351,921</u>	<u>\$ 7,071,921</u>

Series 2017

On March 15, 2017, the City entered into a lease/purchase agreement to advance refund the Series 2007 issue in the amount of \$3,638,100. The initial term of this Lease commenced on March 15, 2017 (the "Initial Term"), subjected to the Lessee's option to extend the term of this Lease for successive one-year terms commencing April 1, of each year, and a final renewal term ending March 31, 2032. Each option shall be exercised by the appropriation by the City Council of the Lessee, in accordance with applicable law, of sufficient moneys (after taking into account any moneys legally available for such purpose) specifically designated for the payment of Base Rentals and adequate moneys to pay the reasonably estimated Supplemental Rental for the next succeeding Renewal Term. Such appropriation shall automatically extend the term of this Lease for the succeeding Renewal Term without any further action required by any officers or officials of the Lessee. The terms of the lease set the interest rate at 2.550%.

The City is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year. It is expected that the City will not abandon this lease, and accordingly, the lease obligation is shown as long-term debt.

\$3,638,100 2017 series due in annual installments of \$359,300 to \$446,900 beginning March 15, 2017 through March 15, 2026, interest at 2.550%

\$ 3,278,800

The annual debt service requirements to maturity for the 2017 certificates of participation outstanding at March 31, 2018, are as follows:

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Year Ending March 31	Governmental Activities		
	Principal	Interest	Total
2019	374,600	83,609	458,209
2020	384,200	74,057	458,257
2021	394,000	64,260	458,260
2022	404,000	54,213	458,213
2023	414,400	43,911	458,311
2024-2026	1,307,600	67,249	1,374,849
	<u>\$ 3,278,800</u>	<u>\$ 387,299</u>	<u>\$ 3,666,099</u>

Series 2017B

On September 14, 2017, the City entered into a lease/purchase agreement for the purpose of providing funds to pay the costs to acquire, construct, renovate, improve, furnish and equip buildings and facilities for the City. The initial term of this Lease commenced on April 14, 2017 (the "Initial Term"), subjected to the Lessee's option to extend the term of this Lease for successive one-year terms commencing April 1, of each year, and a final renewal term ending March 31, 2033. Each option shall be exercised by the appropriation by the City Council of the Lessee, in accordance with applicable law, of sufficient moneys (after taking into account any moneys legally available for such purpose) specifically designated for the payment of Base Rentals and adequate moneys to pay the reasonably estimated Supplemental Rental for the next succeeding Renewal Term. Such appropriation shall automatically extend the term of this Lease for the succeeding Renewal Term without any further action required by any officers or officials of the Lessee. The terms of the lease set the interest rate at 2.630%.

The City is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year. It is expected that the City will not abandon this lease, and accordingly, the lease obligation is shown as long-term debt.

\$5,695,000 2017B series due in annual installments of \$314,214 to \$452,507 beginning September 15, 2018 through September 15, 2032, interest at 2.630%

\$ 5,695,000

The annual debt service requirements to maturity for the 2017B certificates of participation outstanding at March 31, 2018, are as follows:

Year Ending March 31	Governmental Activities		
	Principal	Interest	Total
2019	\$ 314,214	\$ 150,195	\$ 464,409
2020	322,893	141,515	464,408
2021	331,385	133,022	464,407
2022	340,101	124,307	464,408
2023	349,046	115,362	464,408
2024-2028	1,887,852	434,189	2,322,041
2029-2033	2,149,509	172,531	2,322,040
	<u>\$ 5,695,000</u>	<u>\$ 1,271,121</u>	<u>\$ 6,966,121</u>

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018**

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The Capital Projects #2 Fund has pledged future revenues, net of specified operating expenses, to repay certificates of participation and loans that were issued for the purpose of city improvements. The certificates and loans are payable from Capital Projects #2 net revenues and are payable through 2033. Annual principal and interest payments in 2018 on the leases required 100% of net revenues. The total principal and interest remaining to be paid is \$18,741,922. Principal and interest paid for the current year and total Capital Projects #2 net revenues for the current year were \$2,303,369 and \$700,188, respectively.

The Wastewater Fund has pledged future revenues, net of specified operating expenses, to repay certificates of participation and capital leases that were issued for wastewater improvements. The certificates and leases are payable from wastewater net revenues and are payable through 2036. Annual principal and interest payments in 2018 required 76% of net revenues. The total principal and interest remaining to be paid is \$64,054,500. Principal and interest paid for the current year and total wastewater fund net revenues for the current year were \$2,492,761 and \$3,297,796, respectively.

2. Bonds/Notes Payable - Bothwell Regional Health Center

Notes payable as of May 31, 2017, are as follows:

Note Payable - Construction

The City acting through the Board of Trustees of Bothwell Regional Health Center entered into an agreement dated December 31, 2009 for issuance of debt within the meaning of Section 103 of the Code.

The agreement allowed for the advancement of up to \$18,300,000 in proceeds to be utilized for construction projects through December 31, 2011. The agreement bears interest at 2.77% through December, 2019 and thereafter is adjusted every five years to a rate equal to the Federal Home Loan Bank of Des Moines published interest rate for five-year fixed-rate advances, plus 0.7%. Interest only payments are required on a monthly basis. The maturity date of the agreement is the Health Center's fiscal year end with the option of the Health Center to extend the agreement for an additional one year renewal term which is an automatic renewal unless the note is paid in full or upon reaching the final maturity date. The Health Center cannot extend the agreement past the final maturity date of January 1, 2030. The agreement does not contain terms for repayment of principal; however, future maturities are based on an internally determined repayment schedule. The debt is secured by real property and improvements.

Note Payable - Supplement

The City acting through the board of trustees of Bothwell Regional Health Center entered into an agreement dated February 1, 2013 for issuance of debt within the meaning of Section 103 of the Code. The agreement is supplementary to the note payable - construction agreement dated December 31, 2009.

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018**

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The agreement allowed for the advancement of \$3,250,000 in proceeds, which, together with amounts on deposit in accounts held for payment of the Series 2004 Revenue Bonds, were used to advance refund the Series 2004 Revenue Bonds on March 1, 2013. The agreement bears interest at 3.7%. The maturity date of the agreement is March 2017. The agreement requires monthly payments of interest and principal at a rate that amortizes the aggregate proceeds over the term of the agreement. The debt is secured by real property and improvements. This agreement was paid off early in January 2016.

The debt service requirements as of May 31, 2017 are as follows:

Year Ending March 31	Total to be Paid	Principal	Interest
2018	\$ 934,163	\$ 677,246	\$ 256,917
2019	925,245	687,087	238,158
2020	916,424	697,299	219,125
2021	907,706	707,896	199,810
2022	899,091	718,890	180,201
2023-2027	4,370,223	3,774,417	595,806
2028-2030	2,112,982	2,012,157	100,825
	<u>\$ 11,065,834</u>	<u>\$ 9,274,992</u>	<u>\$ 1,790,842</u>

3. Capital Lease Obligations - Health Center

The Health Center leases an asset under a capital lease with monthly payments of \$8,170 at a rate of imputed interest of 7.71%.

Assets under capital leases at May 31, 2017 totaled:

Buildings and leasehold improvements	\$ 870,000
Equipment	-
Less accumulated depreciation	(663,052)
Balance, end of year	<u>\$ 206,948</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The following is a schedule by year of future minimum lease payments under the capital lease including interest together with the present value of the future minimum lease payments as of May 31, 2017:

2018	\$	98,040
2019		98,040
2020		98,040
2021		49,020
Total minimum lease payments		343,140
Less amount representing interest		(43,247)
	\$	<u>299,893</u>

4. Bonds/Capital Lease Payable - Water Department

The following is a summary of changes in long-term debt transactions for the year ended March 31, 2018:

	Revenue Bonds	Capital Lease	COPS Lease	Total
Balance, April 1, 2017	\$ 5,380,000	\$ 2,335,123	\$ -	\$ 7,715,123
Issued	-	-	13,065,000	13,065,000
Paid	(390,000)	(224,111)	-	(614,111)
Balance, March 31, 2018	<u>\$ 4,990,000</u>	<u>\$ 2,111,012</u>	<u>\$ 13,065,000</u>	<u>\$ 20,166,012</u>
Current portion	<u>\$ 400,000</u>	<u>\$ 232,224</u>	<u>\$ -</u>	<u>\$ 632,224</u>

Revenue Bonds

Revenue bonded debt as of March 31, 2018 is as follows:

Water refunding revenue bonds 2.000% to 3.000%, series of 2012, due in \$345,000 to \$545,000 annual installments to March 15, 2029	\$ 4,990,000
Less amounts due in one year	(400,000)
Long-term portion of debt	<u>\$ 4,590,000</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The annual debt service requirements to amortize the revenue bonds outstanding as of March 31, 2018 are as follows:

Year Ending March 31,	Principal	Interest	Total
2019	\$ 400,000	\$ 147,700	\$ 547,700
2020	405,000	137,700	542,700
2021	415,000	125,550	540,550
2022	425,000	113,100	538,100
2023	425,000	100,350	525,350
2024-2028	2,375,000	299,850	2,674,850
2029	545,000	16,350	561,350
	<u>\$ 4,990,000</u>	<u>\$ 940,600</u>	<u>\$ 5,930,600</u>

The City ordinance authorizing the issuance of the Waterworks Revenue Bonds requires that the Department be accounted for as a separate fund. It also requires the establishment of the following accounts:

1. *Waterworks System Project Account* - This account was established to make payments for bond-related planning, engineering, and construction costs of the project.
2. *Waterworks System Operation and Maintenance Account* - This account was established to account for funds set aside to pay estimated costs of operating and maintaining the Department during the ensuing month as long as the bonds remain outstanding.
3. *Debt Service Account for Waterworks Refunding Revenue Bonds Series 2012* - This account was established to account for principal and interest in the amounts specified in the Bond Agreement.

All amounts paid and credited to the Debt Service Account are expended and used for the purpose of paying the interest on and principal of the bonds as and when the same become due at maturity and on each interest payment date.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Restricted amounts and special reserves are reported on the accompanying balance sheets as restricted assets and reservations of retained earnings as follows:

Account	Restricted Assets	Restricted Retained Earnings	Liabilities Payable from Restricted Assets
Debt Service	\$ 139,731	\$ 139,147	\$ 6,492
Construction	12,662,103	-	-
Customer Deposits	657,221	-	613,069
	<u>\$ 13,459,055</u>	<u>\$ 139,147</u>	<u>\$ 619,561</u>

The revenue bond ordinances require that the systems be accounted for in separate Enterprise Funds. They also require that sufficient current assets have been set aside to operate the systems, all remaining monies held in the funds be segregated and restricted in separate special reserves and accounts, in the following sequence:

Account	Purpose
Principal and Interest (Debt Service) Account	Paying current principal and interest on bonds
Reserve Account	Paying principal and interest in the event of a deficiency in the principal and interest account
Renewal and Replacement Account	Paying the expenses of operating, maintaining and repairing the utility systems
Surplus Account	Recording all amounts remaining after accounts payment into the above.

Surplus account monies are reflected as unrestricted cash. Assets of all special reserves and accounts, along with assets restricted for repayment of customer deposits and for donor-specified purposes, consist of cash and investments and are reported in the accompanying combined balance sheet as follows:

Account	Enterprise Funds
Principal and interest accounts	Restricted Assets
Reserve account	\$ 139,733
Customer Deposits	3,137,971
Donor-specified purposes	101,614
Construction funds	18,290,711
	<u>\$ 22,327,250</u>
	Restricted Net Position
	\$ 139,733
	3,137,971
	101,614
	<u>\$ 3,379,318</u>
	Liabilities Payable from Restricted Assets
	\$ 406,492
	-
	613,069
	<u>\$ 1,019,561</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The various bond ordinances and indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. The City is in compliance with all such significant financial limitations and restrictions.

Certificates of Participation - Series 2018

On March 27, 2018, the Department entered into a lease/purchase agreement to provide funds to pay the costs to acquire, construct, install and improve the City's waterworks system. The Series 2018 certificates were issued at par \$13,065,000; costs of issuance were \$402,897 and \$12,662,103 was transferred to a construction account.

The initial term of the lease commenced on March 8, 2018, and ended on March 31, 2018. Under the lease, the Department has the option of extending the lease for twenty-five consecutive one-year terms commencing April 1, 2018. The final renewal term will commence March 1, 2042, and end March 31, 2043. The terms of the lease set the interest rates at 2.000% to 3.700%.

The Department is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year. It is expected that the Department will not abandon this lease, and accordingly, the lease obligation is shown as long-term debt.

The annual debt service requirements to maturity for the Series 2018 certificates of participation outstanding at March 30, 2018 are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ -	\$ 413,535	\$ 413,535
2020	375,000	424,045	799,045
2021	385,000	416,445	801,445
2022	395,000	406,670	801,670
2023	405,000	394,670	799,670
2024-2028	2,215,000	1,780,900	3,995,900
2029-2033	2,580,000	1,414,450	3,994,450
2034-2038	3,055,000	945,556	4,000,556
2039-2043	3,655,000	345,927	4,000,927
Total	<u>\$ 13,065,000</u>	<u>\$ 6,542,198</u>	<u>\$ 19,607,198</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Capital Leases

On January 5, 2011, the Department entered into a lease/purchase agreement to fund water improvements. The initial term of the lease commenced on December 1, 2010 and ended on March 31, 2011. Payments under the Lease are subject to annual appropriation and are expected to be payable only from the funds maintained by the Department and the assets under control of the Department.

The Department is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year. It is expected that the Department will not abandon this lease, and accordingly, the lease obligation is shown as long-term debt.

Future payments as of March 31, 2018 are as follows assuming noncancellation:

Year Ending March 31,	Principal	Interest	Total
2019	\$ 232,224	\$ 76,419	\$ 308,643
2020	240,631	68,012	308,643
2021	249,342	59,301	308,643
2022	258,368	50,275	308,643
2023	267,721	40,922	308,643
2024-2026	862,726	63,200	925,926
	<u>\$ 2,111,012</u>	<u>\$ 358,129</u>	<u>\$ 2,469,141</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at March 31, 2018:

Distribution mains	\$ 3,725,942
Less accumulated amortization	(559,265)
	<u>\$ 3,166,677</u>

Amortization of capital leases was \$93,831 for the fiscal year ending March 31, 2018. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Pledged Revenues

The Department pledged future revenues, net of specified operating expenses, to repay revenue bonds and capital lease obligations that were issued for the purpose of water improvements. The bonds and leases are payable from water net revenues and are payable through 2043. Annual principal and interest payments in 2018 required 72% of net revenues. The total principal and interest remaining to be paid on the bonds and leases is \$28,006,939. Principal and interest paid for the current year was \$851,441 and total net revenues for the current year were \$1,181,726.

5. Capital Lease – City (Sewer Fund)

On April 17, 2012, the City entered into a lease/purchase agreement to fund the purchase of equipment. The initial term of the lease commenced on April 17, 2012 and ended on March 31, 2013. Payments under the Lease are subject to annual appropriation and are expected to be payable only from the funds maintained by the City and the assets under control of the City.

The City is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year. It is expected that the City will not abandon this lease, and accordingly, the lease obligation is shown as long-term debt.

This lease was paid off in fiscal year 2018.

Property, plant and equipment includes the following amounts for leases which have been capitalized at March 31, 2018:

Equipment	\$ 100,800
Less accumulated amortization	(60,032)
	<u>\$ 40,768</u>

Amortization of the capital lease was \$10,080 for the fiscal year ending March 31, 2018. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018**

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

On August 1, 2015, the City entered into a lease/purchase agreement to fund the purchase of equipment. The initial term of the lease commenced on August 1, 2015 and ended on August 1, 2016. Payments under the Lease are subject to annual appropriation and are expected to be payable only from the funds maintained by the City and the assets under control of the City.

The City is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year. It is expected that the City will not abandon this lease, and accordingly, the lease obligation is shown as long-term debt.

Future payments as of March 31, 2018 are as follows assuming noncancellation:

Year Ending March 31,	Principal	Interest	Total
2019	\$ 24,128	\$ 3,009	\$ 27,137
2020	24,972	2,165	27,137
2021	47,538	1,422	48,960
	<u>\$ 96,638</u>	<u>\$ 6,596</u>	<u>\$ 103,234</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at March 31, 2018:

Equipment		\$ 170,166
Less accumulated amortization		(33,483)
		<u>\$ 136,683</u>

Amortization of the capital lease was \$11,161 for the fiscal year ending March 31, 2018. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

On April 13, 2017, the City entered into a lease/purchase agreement to fund the purchase of equipment. The initial term of the lease commenced on April 13, 2017 and ended on March 31, 2018. Payments under the Lease are subject to annual appropriation and are expected to be payable only from the funds maintained by the City and the assets under control of the City.

The City is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year. It is expected that the City will not abandon this lease, and accordingly, the lease obligation is shown as long-term debt.

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018**

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Future payments as of March 31, 2018 are as follows assuming noncancellation:

Year Ending March 31,	Principal	Interest	Total
2019	\$ 15,931	-	\$ 15,931
2020	15,931	-	15,931
2021	15,932	-	15,932
2022	15,931	-	15,931
2023	35,744	-	35,744
	<u>\$ 99,469</u>	<u>\$ -</u>	<u>\$ 99,469</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at March 31, 2018:

Equipment		\$ 115,400
Less accumulated amortization		(10,299)
		<u>\$ 105,101</u>

Amortization of the capital lease was \$10,299 for the fiscal year ending March 31, 2018. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

6. Capital Leases – City

On April 17, 2012, the City entered into two lease/purchase agreement to fund the purchase of equipment. The initial term of the lease commenced on April 17, 2012 and ended on March 31, 2013. Payments under the Lease are subject to annual appropriation and are expected to be payable only from the funds maintained by the City and the assets under control of the Sewer Fund.

The City is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year. It is expected that the City will not abandon this lease, and accordingly, the lease obligation is shown as long-term debt.

This lease was paid off in fiscal year 2018.

Property, plant and equipment includes the following amounts for leases which have been capitalized at March 31, 2018:

Equipment		\$ 253,700
Less accumulated amortization		(151,092)
		<u>\$ 102,608</u>

Amortization of the capital lease was \$25,370 for the fiscal year ending March 31, 2018. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

7. Capital Leases – City

On April 3, 2017, the City entered into two lease/purchase agreement to fund the purchase of equipment. The initial term of the lease commenced on April 3, 2017 and ended on March 31, 2018. Payments under the Lease are subject to annual appropriation and are expected to be payable only from the funds maintained by the City and the assets under control of the City.

The City is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year. It is expected that the City will not abandon this lease, and accordingly, the lease obligation is shown as long-term debt.

Future payments as of March 31, 2018 are as follows assuming noncancellation:

Year Ending March 31,	Principal	Interest	Total
2019	\$ 38,783	\$ -	\$ 38,783
2020	38,783	-	38,783
2021	38,783	-	38,783
2022	116,967	-	116,967
	<u>\$ 233,316</u>	<u>\$ -</u>	<u>\$ 233,316</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at March 31, 2018:

Equipment	\$ 272,100
Less accumulated amortization	<u>(24,284)</u>
	<u>\$ 247,816</u>

Amortization of the capital lease was \$24,284 for the fiscal year ending March 31, 2018. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

8. Loans

DNR Energy Construction Loan:

On April 2, 2007, the City approved a loan agreement with the Missouri Department of Natural Resources and the State Environmental Improvement Energy Resources Authority to provide financing for the installation and construction of energy conservation measures. The financing is to be repaid from energy cost savings realized by the City as a result of implementation of such energy conservation measures.

The amount of the loan received was \$489,424. The loan proceeds were received by the City on May 19, 2010.

The interest rate is 0.00% plus a 1% loan origination fee and semi-annual payments are \$15,449 for 15 years.

The annual debt service requirements to amortize the principal on the loan outstanding at March 31, 2018, are as follows:

Year Ending March 31,	Governmental Funds		
	Principal	Interest	Total
2019	\$ 30,592	\$ 306	\$ 30,898
2020	30,592	306	30,898
2021	30,592	306	30,898
2022	30,592	306	30,898
2023	30,592	306	30,898
2024	30,543	305	30,848
	<u>\$ 183,503</u>	<u>\$ 1,835</u>	<u>\$ 185,338</u>

School Loan:

On September 9, 2013, the City approved the purchase of land from the Sedalia School District #20 for a cost of \$1,000,000. Payments of \$250,000 are payable annually at no interest.

This loan was paid off in fiscal year 2018.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

9. Legal Debt Limit

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

At March 31, 2018, based on the total assessed valuation as of December 31, 2017, of \$244,062,627 the constitutional general obligation debt limit was \$48,812,525.

H. Interfund Transfers

Interfund transfers during the year ended March 31, 2018, were as follows:

Disbursing Fund	Receiving Fund	Amount
Transportation (Non-Major)	General (Major)	\$ 344,316
Sanitation (Major)	General (Major)	148,363
Wastewater (Major)	General (Major)	603,330

From the Transportation to General (\$344,316) – This transfer was to cover the general and administration costs borne by the General Fund relating to operating streets, the airports, alleys and right of ways.

From Sanitation to General (\$148,363) – This is to cover the general and administration costs borne by the General Fund related to operating the refuse services.

From Wastewater to General Fund (\$603,330) – This is an allocation to cover general and administrative costs borne by the General Fund related to operating the sewer utilities. This represents services from departments in the General Fund such as Administration, IT, Finance, Personnel, Building Maintenance, Fleet Maintenance, and Public Works.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

I. Restricted Net Position

The following table shows the net position restricted for other purposes as shown on the Statement of Net Position:

Activity	Governmental Activities	
	Restricted By	Amount
Library	Council action	\$ 1,011,580
Park	Council action	2,379,588
Special Business District	Council action	86,265
Fire Academy	Council action	2,924
Transportation	Council action	1,020,410
Capital Project #2	Council action	6,092,764
Cemetery	Council action	108,102
DARE Program	Council action	96,912
Court Clerk Training	Council action	2,771
Police Seizure	Council action	19,333
Trooper	Council action	2,692
Fire Insurance	Council action	20,572
Court Bonds	Council action	38,590
		<u>\$ 10,882,503</u>

J. Accounts Payable

Payables in the governmental funds are composed of payables to vendors (59%) and accrued salaries and benefits (41%). Payables of Enterprise Funds are composed of payables to vendors (43%) and accrued salaries and benefits (57%).

K. Fund Balance

Classifications of fund balances at March 31, 2018 are as follows:

Fund Balances:	General Fund	Capital Projects		Other Governmental Funds	Total
		#2 Fund			
Nonspendable					
Inventory	\$ 39,689	\$ -	\$ -	\$ 55,010	\$ 94,699
Prepaid expenses	108,050	-	-	53,193	161,243
Restricted for debt service	-	587,436	-	-	587,436
Restricted for construction	-	3,854,316	-	-	3,854,316
Restricted for cemetery	108,102	-	-	-	108,102
Assigned for:					
DARE program	96,912	-	-	-	96,912
Court clerk training	2,771	-	-	-	2,771
Police seizure	19,333	-	-	-	19,333
Trooper	2,692	-	-	-	2,692
Fire insurance proceeds	20,572	-	-	-	20,572
Court bonds	38,590	-	-	-	38,590
Assigned for special revenue purposes	-	-	-	4,392,564	4,392,564
Assigned for capital project purposes	-	1,651,012	-	-	1,651,012
Unassigned	7,092,418	-	-	(116,154)	6,976,264
	<u>\$ 7,529,129</u>	<u>\$ 6,092,764</u>	<u>\$ -</u>	<u>\$ 4,384,613</u>	<u>\$ 18,006,506</u>

The City has not adopted a policy that sets forth a minimum fund balance amount.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The City had ending fund balance deficits of \$67,736 and \$48,418 in the Midtown Special Allocation and Capital Project Funds, respectively.

L. Sales Tax Overpayment Payable

In late June of 2015, management was notified by the Missouri Department of Revenue (DOR) about a potential negative impact on its future sales tax remittances. A specific business had applied for a refund of sales taxes previously remitted and the audit division of DOR had just finished their review resulting in their approval of the refund. In the normal course of business, refunds are deducted from the next remittance allocation to the City from DOR. However, due to the amount and the relatively dated nature of this refund, management requested more specific information from DOR and reviewed this instance with legal counsel. Since that time management has determined that the refund is being handled by DOR in accordance with current statutes and regulations. Further, the City has negotiated with DOR an extended period of time for the refund to be deducted from future remittances. The refund is from remittances made by the business over the period beginning May of 2009 and extending through February 2012. The amount of the refund that will be allocated to the City is \$1,978,344.13. The agreement reached in August with DOR spread the reduction of future remittances over 36 months which began in September 2015. The refund has been recorded in the March 31, 2018 financial statements as "Sales Tax Overpayment Payable" in several funds. The payable, as reflected in the financial statement, is detailed by fund below:

General Fund	\$ 114,895
Park Fund	43,086
Transportation Fund	57,447
Capital Project #2 Fund	57,447
Total	<u>\$ 272,875</u>

M. Due To/From

As of March 31, 2018 the General Fund owes the Fire Pension Fund \$4,584 related to investment fees.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION

A. Related Organization

The Sedalia-Pettis County Development Corporation was created on July 8, 1975, as a "General Not-For-Profit Corporation" under Missouri Statutes and has been recognized by the Internal Revenue Service as a tax-exempt corporation operating under Internal Revenue Code Section 501(c)(6). The Corporation promotes industrial and business opportunities in Sedalia, Missouri. The Corporation solicits new businesses and manufacturers, develops industrial parks and other facilities, and acts as an information clearing house for existing businesses. The City has paid \$135,400 to the Corporation for the year ended March 31, 2018.

B. Pension Plans

1. City Employee Pension Plan

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

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

	2017 Valuation
Benefit Multiplier:	2% for life
Frial Average Salary:	3 years
Member Contributions:	0%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees covered by benefit terms. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	95
Inactive employees entitled to but not yet receiving benefits	31
Active employees	193
	319

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 16.6% for general, 14.6% for police, and 25.4% for library.

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2017.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

Actuarial assumptions. The total pension liability in the February 28, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage; 2.5% price
Salary Increase	3.25% to 6.55% including inflation
Investment rate of return	7.25%

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 healthy annuitant mortality tables for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality tables for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality tables for males and females.

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

The actuarial assumptions used in the February 28, 2017 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target		Long-Term Expected	
	Allocation		Real Rate of Return	
Equity	43.0%		5.29%	
Fixed Income	26.0%		2.23%	
Real Assets	21.0%		3.31%	
Strategic Assets	10.0%		5.73%	

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

Discount rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at 3/31/17	\$ 27,321,911	\$ 23,879,665	\$ 3,442,246
Changes for the year:			
Service Cost	829,316	-	829,316
Interest	1,973,803	-	1,973,803
Difference between expected and actual experience	(57,298)	-	(57,298)
Changes in assumptions	-	-	-
Contributions - employer	-	1,154,325	(1,154,325)
Contributions - employee	-	-	-
Net investment income	-	2,817,682	(2,817,682)
Benefit payments, including refunds	(1,026,862)	(1,026,862)	-
Administrative expense	-	(26,299)	26,299
Other changes	-	47,927	(47,927)
Net changes	\$ 1,718,959	\$ 2,966,773	\$ (1,247,814)
Balances at 3/31/18	\$ 29,040,870	\$ 26,846,438	\$ 2,194,432

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability	\$ 33,226,990	\$ 29,040,870	\$ 25,581,104
Plan Fiduciary Net Position	26,846,438	26,846,438	26,846,438
Net Position Liability (Asset)	\$ 6,380,552	\$ 2,194,432	\$ (1,265,334)

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

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

For the year ended March 31, 2018 the employer recognized pension expense of \$1,487,292. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 96,207	\$ 659,521
Differences in assumptions	780,681	-
Excess (deficit) investment returns	718,809	-
Contributions subsequent to the measurement date*	883,661	-
Total	\$ 2,479,358	\$ 659,521

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending March 31, 2018.

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

Year Ended	Net Deferred Outflows of Resources
2018	\$ 435,534
2019	421,929
2020	173,182
2021	(194,008)
2022	9,492
Thereafter	90,047

Payable to the Pension Plan

At March 31, 2018, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended March 31, 2018.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

2. Water Department Employee Pension Plan

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. The Department's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Department participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

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

	2017 Valuation
Benefit Multiplier:	2.0%
Final Average Salary:	3 years
Member Contributions:	0%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

Employees covered by benefit terms. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	4
Active employees	23
	<u>49</u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 18.8%.

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2017.

Actuarial assumptions. The total pension liability in the February 28, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.5% price inflation
Salary Increase	3.25% to 6.55% including wage inflation
Investment rate of return	7.25%, net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 healthy annuitant mortality tables for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality tables for males and females. The pre-retirement mortality tables used were the RP-2014 employee's mortality tables for males and females.

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

The actuarial assumptions used in the February 28, 2017 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	43.0%	5.29%
Fixed Income	26.0%	2.23%
Real Assets	21.0%	3.31%
Strategic Assets	10.0%	5.73%

Discount rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Change (Decrease) Net Pension Liability (Asset) (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 6/30/16	\$ 6,743,603	\$ 5,692,045	\$ 1,051,558
Changes for the year:			
Service Cost	96,379	-	96,379
Interest	484,758	-	484,758
Difference between expected and actual experience	(238,135)	-	(238,135)
Contributions - employer	-	185,053	(185,053)
Changes in Assumptions	-	659,620	(659,620)
Net investment income	(212,984)	(212,984)	-
Benefit payments, including refunds	-	(4,129)	4,129
Administrative expense	-	(28,911)	28,911
Other changes	130,018	598,649	(468,631)
Net changes	\$ 6,873,621	\$ 6,290,694	\$ 582,927
Balances at 6/30/17			

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability	\$ 7,772,485	\$ 6,873,621	\$ 6,120,882
Plan Fiduciary Net Position	6,290,694	6,290,694	6,290,694
Net Pension Liability (Asset)	\$ 1,481,791	\$ 582,927	\$ (169,812)

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

For the year ended March 31, 2018, the employer recognized pension expense of \$285,899. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ -	\$ 239,503
Changes in assumptions	157,893	-
Excess (deficit) investment returns	174,801	-
Contributions subsequent to the measurement date*	142,859	-
Total	\$ 475,553	\$ 239,503

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending March 31, 2018.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

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

Year Ended	Net Deferred Outflows of Resources
2018	\$ 82,224
2019	88,201
2020	871
2021	(78,105)

Payable to the Pension Plan

At March 31, 2018, the Department reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended March 31, 2018.

3. Firemen's Pension Trust Fund

Plan description

The Firemen's Pension Trust Fund is administered by the Fire Pension Fund Board of Trustees. The single-employer, defined benefit pension plan was established by City ordinance with the City charter and state statutes.

Benefits provided

The Firemen's Pension Trust Fund provides retirement, death and disability benefits. All employees of the fire department earning \$100 or more per calendar year are covered under the plan. Reserve and voluntary firemen are not eligible to participate in the plan. Employees of the fire department become eligible for the plan immediately upon employment and are fully vested after ten years of full-time service. Employees completing twenty-two years of service are entitled to a monthly benefit of 50% of a base amount which increases 3% per year (\$54,478 for the 2017 plan year). Any employee hired after July 1, 1989 must also attain age 55. Participants who become disabled prior to retirement or separation from service are entitled to the greater of his or her accrued benefit payable as a monthly benefit commencing at his or her normal retirement date, of his or her employee contribution benefit. Death benefits are paid at a greater of 75% of the participant's accrued benefit payable commencing at date of death, or 100% of the participant's employee contribution benefit payable as a lump sum. If a participant terminates employment prior to their normal retirement date, the participant is entitled to the greater of his or her employee contribution benefit credited with interest, or a deferred payable for life on his or her normal retirement date equal to his or her vested accrued benefits.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

Employees covered by benefit terms

At March 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	48
Inactive employees entitled to but not yet receiving benefits	0
Active employees	36
	<u>84</u>

Contributions

As required by City ordinance, each member historically contributed 7.5% of a base compensation amount, which was matched by the City. Effective, April 1, 2012, employee contributions to the plan were discontinued, and all contributions to the plan are now being made by the City. Participants are 100% vested in their contributions. Included in net position are employee contributions totaling \$742,947.

The City makes contributions to the plan based on the recommendation of the independent actuary. In addition, contributions to the plan are made by the City from a \$.051 per \$100 assessed valuation property tax levy established by City ordinance. Total City-paid contributions for the year ended March 31, 2018 were \$309,046. Total contributions provided from the property tax levy were \$138,544.

Net Pension Liability

The employer's net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2017.

Actuarial assumptions

The total pension liability in the April 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.2%
Salary Increase	3%
Investment rate of return	7%

The change in the actuarial assumptions from April 1, 2016 valuation included mortality rates being based on different tables. For the April 1, 2017 valuation, mortality rates were based on the MP-2016 Blue Collar tables.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

The plan had an experience study completed in November 2017. This experience study was completed for the period 2010 through 2017. Recommendations from this study have yet to be implemented.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	6.00%
Fixed Income	40.00%	3.00%

Discount rate

The discount rate used to measure the total pension liability is 7.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 3/31/16	\$ 10,783,917	\$ 6,986,184	\$ 3,797,733
Changes for the year:			
Service Cost	138,608	-	138,608
Interest	741,030	-	741,030
Difference between expected and actual experience	(10,253)	-	(10,253)
Changes in Assumptions	(100,970)	-	(100,970)
City contributions	-	220,408	(220,408)
Property tax revenues	-	133,018	(133,018)
Net investment income	-	605,999	(605,999)
Benefit payments, including refunds	(672,768)	(672,768)	-
Administrative expense	-	(33,340)	33,340
Net changes	95,647	253,117	(157,670)
Balances at 3/31/17	\$ 10,879,564	\$ 7,239,501	\$ 3,640,063

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

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

The following presents the net pension liability of the employer, calculated using the discount rate of 7.0%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Single Discount Rate Assumption (7.0%)	1% Increase (8.0%)
Total Pension Liability	\$ 12,173,143	\$ 10,879,564	\$ 9,809,282
Plan Fiduciary Net Position	7,239,501	7,239,501	7,239,501
Net Position Liability	\$ 4,933,642	\$ 3,640,063	\$ 2,569,781

Pension Plan Fiduciary Net Position

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

For the year ended March 31, 2018 the City recognized pension expense of \$190,634. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between:		
Expected and actual experience	\$ 161,311	\$ 250,243
Changes in assumptions	494,416	85,938
Projected and actual earnings on investments	287,778	-
Contributions subsequent to the measurement date*	309,046	-
Total	\$ 1,252,551	\$ 336,181

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending March 31, 2019.

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

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

Year Ending	
2018	\$ 184,200
2019	184,199
2020	181,662
2021	39,624
2022	29,514
Thereafter	(11,875)
Total	<u>\$ 607,324</u>

Payable to the Pension Plan

At March 31, 2018, the City had a payable totaling \$4,584 to the pension fund for outstanding contributions.

4. Police Pension Trust Fund

Plan Description

The Police Pension Trust Fund is administered by the Police Pension Fund Board of Trustees. The single-employer, defined-benefit pension plan was established by City ordinance in accordance with the City charter and state statutes.

Benefits provided

The Police Pension Trust Fund provides retirement, death and disability benefits. The benefits of the plan were frozen as of April 1, 2010 and all active participants became 100% vested in their accrued benefits as of that date. Previously, all employees of the police department earning \$100 or more per calendar year were covered under the plan. Reserve and voluntary police officers were not eligible to participate in the plan. Employees completing twenty-two years of service are entitled to a monthly benefit of 2% of their final three-year average monthly compensation multiplied by total number of years of service. Any employee hired after August 1, 1989, must complete ten years of service or attain age 65. The employee may elect the age 65 option in which they may defer receipt of any benefit until age 65 and upon attaining age 65, the employee is entitled to an increased actuarially adjusted retirement benefit. The plan permits early retirement with reduced benefits for employees who complete eleven years of service and attain age 52. Participants who become disabled prior to retirement or separation from service are entitled to the greater of his or her accrued benefit payable as a monthly benefit commencing at his or her normal retirement date, of his or her employee contribution benefit. If a participant dies prior to his or her retirement date, the participant's beneficiary will receive a death benefit equal to the participant's employee contribution benefit. If a participant terminates employment prior to their normal retirement date, the participant is entitled to the greater of his or her employee contribution benefit credited with interest, or a deferred monthly benefit commencing on his or her normal retirement date equal to his or her vested accrued benefits.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

Employees covered by benefit terms

At March 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>27</u>
	<u>71</u>

Contributions

As required by City ordinance, each member historically contributed \$15 per month of a base compensation amount. When the plan was frozen, employee contributions to the plan were discontinued, and all contributions to the plan are now being made by the City. Participants are 100% vested in their contributions. Included in net position are employee contributions totaling \$61,454.

The plan's independent actuary provides an annual recommended contribution. In addition, contributions to the plan are made by the City from a \$.0946 per \$100 assessed valuation property tax levy. Any additional contributions required above what property taxes provide are paid from City funds. Total City-paid contributions for the year ended March 31, 2018 were \$286,425. Total contributions provided from the property tax levy were \$256,609.

Net Pension Liability

The employer's net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 1, 2017.

Actuarial assumptions

The total pension liability in the August 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	0%
Salary Increase	0%
Investment rate of return	6%

The change in the actuarial assumptions from August 1, 2016 valuation included mortality rates being based on different tables. For the August 1, 2017 valuation, mortality rates were based on the MP-2016 Blue Collar male and female tables.

The plan has not had a formal actuarial experience study performed.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	55 - 80%	9.50%
Fixed Income	20 - 45%	4.50%
Alternatives	0 - 10%	6.50%

Discount rate

The discount rate used to measure the total pension liability is 6.0%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 8/1/2016	\$ 10,089,024	\$ 3,238,807	\$ 6,850,217
Changes for the year:			
Interest	587,517	-	587,517
Difference between expected and actual experience	(47,229)	-	(47,229)
Property tax revenues	-	244,057	(244,057)
City contributions	-	289,949	(289,949)
Net investment income	-	359,699	(359,699)
Benefit payments, including refunds	(594,137)	(594,137)	-
Changes in Assumptions	(96,597)	-	(96,597)
Administrative expense	-	(46,047)	46,047
Net changes	(150,446)	253,521	(403,967)
Balances at 8/1/2017	\$ 9,938,578	\$ 3,492,328	\$ 6,446,250

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

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

The following presents the net pension liability of the employer, calculated using the discount rate of 6.0%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (5.0%) or one percentage point higher (7.0%) than the current rate.

	1% Decrease (5.0%)	Current Single Discount Rate Assumption (6.0%)	1% Increase (7.0%)
Total Pension Liability	\$ 11,102,462	\$ 9,938,578	\$ 8,976,360
Plan Fiduciary Net Position	3,492,328	3,492,328	3,492,328
Net Pension Liability	\$ 7,610,134	\$ 6,446,250	\$ 5,484,032

Pension Plan Fiduciary Net Position

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

For the year ended March 31, 2018 the employer recognized pension expense of \$(20,234). The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between:		
Expected and actual experience	\$ 95,115	\$ 61,053
Changes in assumptions	334,418	74,618
Projected and actual earnings on investments	-	19,862
Contributions subsequent to the measurement date*	-	-
Total	\$ 429,533	\$ 155,533

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending March 31, 2019.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

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

Year Ending	
2018	\$ 71,351
2019	71,353
2020	63,002
2021	57,101
2022	11,193
Total	<u>\$ 274,000</u>

Payable to the Pension Plan

At March 31, 2018, the City did not have a payable to the pension fund for outstanding contributions.

5. Bothwell Regional Health Center Employee Pension Plan

Plan Description: The Health Center sponsors a single-employer defined benefit pension plan (the plan) covering eligible employees. The plan provides retirement and death benefits to plan members and their beneficiaries. The plan is administered by the Retirement Committee, appointed by the Board of Trustees. Benefit provisions are contained in the plan document and were established and can be amended by action of the Health Center's governing body. The plan does not issue a separate report that includes financial statements and required supplementary information for the plan.

Effective June 1, 2006, the Plan was amended such that no employee whose employment date is after May 31, 2006, shall become a member of the Plan. The Plan was further amended to place certain restrictions on Plan members as of May 31, 2006.

Benefits Provided. The plan provides retirement and death benefits to plan members and their beneficiaries. For members whose age and years of continuous service equal at least 65 as of October 1, 1998, retirement benefits are calculated as 1.35% of employee's final 5-year average salary times the employee's years of service. For members whose age and years of continuous service do not equal at least 65 as of October 1, 1998, retirement benefits are calculated as the sum of: (1) 1.35% of the employee's 5-year average salary as of October 1, 1998 times the employee's years of service and (2) 1.20% of the employee's 5-year average salary times the employee's years of service earned after September 30, 1998 through the employee's retirement date. Death benefits are equal to 50% of the employee's accrued retirement benefit. Disability retirement benefits are determined in a similar manner as retirement benefits. Employees must earn 15 years of credited service to be eligible for the disability benefits described above.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

The terms of the Plan provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are based upon section 401(a)(17)(B) of the Internal Revenue Code.

The employees covered by the Plan at May 31, 2017 are:

Active participants	241
Retired participants, beneficiaries and disableds	257
Participants with deferred benefits	<u>319</u>
	<u>817</u>

Contributions. The contribution requirements of participants and the Health Center are established and may be amended by the Health Center. Plan members are not required or permitted to contribute any of their annual covered salary. The Health Center contributes to the plan at a level that meets the minimum funding requirements as determined by independent actuarial valuation. Contribution rate for the Health Center expressed as a percentage of covered payroll was 12.0% for 2017. The Health Center's contribution to the plan for 2017 was \$1,847,945, which equaled the required contributions for the year.

Net Pension Liability. The Health Center's net pension liability was measured as of May 31, 2017, for the year then ended, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. Liabilities are then projected to the May 31 measurement date by using actuarial assumptions to increase the liabilities for interest and a partial year's normal cost and also decreasing the liabilities for benefit payments expected to be made between January 1 and the measurement date.

The total pension liability in the June 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.00% - 2.90%
Salary Increase – graded table pared back	3.00% - 4.50%
Investment rate of return	7.75%

Mortality rates were based on the *MP-2016 Mortality Table* for 2017.

The long-term expected rate of return on pension plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of rates of return for each major asset class are summarized in the following table:

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NOTES TO COMBINED FINANCIAL STATEMENTS
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IV. OTHER INFORMATION (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	62.00%	4.6%-7.1%
Fixed Income	25.00%	1.7%-2.6%
Real Estate	5.00%	3.4%-6.9%
Tangible Assets	8.00%	-0.4%-0.6%
	100.00%	

Discount rate. The discount rate used to measure the total pension liability is 7.75% for the year ended May 31, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the rates equal to the actuarially determined contribution rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the total pension liability, plan fiduciary net position and the net pension liability for 2017 are:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance, beginning of year	\$ 53,049,883	\$ 41,005,469	\$ 12,044,414
Changes for the year:			
Service Cost	605,012	-	605,012
Interest	4,048,326	-	4,048,326
Difference between expected and actual experience	(452,424)	-	(452,424)
Contributions - employer	-	1,847,945	(1,847,945)
Net investment income	-	4,842,199	(4,842,199)
Benefit payments	(2,836,860)	(2,836,860)	-
Net changes	1,364,054	3,853,284	(2,489,230)
Balance, end of year	\$ 54,413,937	\$ 44,858,753	\$ 9,555,184

The net pension liability of the Health Center has been calculated using the discount rate of 7.75%. The following presents the net pension liability at May 31, 2017 using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Hospital's net pension liability	\$ 14,819,018	\$ 9,555,184	\$ 5,066,955

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
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IV. OTHER INFORMATION (continued)

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

For the year ended May 31, 2017 the Health Center recognized pension expense of \$2,631,836. At May 31, 2017 the Health Center reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,055,502	\$ 896,579
Changes of assumptions	-	192,345
Net difference between projected and actual earnings on pension plan investments	3,885,535	1,367,761
Total	\$ 4,941,037	\$ 2,456,685

Amounts reported as deferred outflows and inflows of resources at May 31, 2017, related to pensions will be recognized in pension expense as follows:

2018	\$ 1,087,047
2019	1,087,047
2020	599,179
2021	(370,759)
2022	146,470
Thereafter	(64,632)
	\$ 2,484,352

C. Defined Contribution Plan – Bothwell Regional Health Center

The Health Center sponsors a defined contribution requirement plan covering substantially all employees. Retirement expense is recorded for the amount of the Health Center's required contributions, determined in accordance with the terms of the plan. The plan is administered by the Retirement Committee, appointed by the Board of Trustees. Benefit provisions are contained in the plan document and were established and can be amended by the Retirement Committee. The Health Center's contribution to the plan is dependent on the employee's date of hire and participation in the Health Center's Defined Benefit Pension Plan described above. For employees whose employment date is prior to June 1, 2006, the Health Center contributes at the rate of 20% of the employee's voluntary contribution up to a 4% employee contribution. For those whose employment date is after May 31, 2006, the Health Center contributes an amount equal to the employee's voluntary contribution up to 4% of compensation.

Contribution rates for plan members and the Health Center expressed as a percentage of covered payroll was 6% for 2017. Contributions actually made by plan members totaled \$1,785,130 in 2017. The Health Center's contributions aggregated \$714,868 during 2017.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

D. Employee Health Claims – Bothwell Regional Health Center

Substantially all of the Health Center's employees and their dependents are eligible to participate in the Health Center's employee health insurance plan. Costs resulting from noninsured losses are charged to expense when incurred. The Health Center has purchased commercial stop-loss insurance coverage that limits its exposure for individual claims up to \$100,000 and limits its aggregate exposure to the greater of \$5,319,602 or 90% of the first month's covered units, times the number of months of coverage times the monthly stop-loss limit factors. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Health Center's estimate will change by a material amount in the near term.

Activity in the Health Center's accrued employee health claims liability during 2017 is summarized as follows:

Balance, beginning of year	\$ 957,109
Current year claims incurred and changes in estimates for claims incurred in prior years	(5,542,593)
Claims and expenses paid	5,706,499
Balance, end of year	<u>\$ 1,121,015</u>

E. Workers' Compensation Insurance – Bothwell Regional Health Center

The Health Center is self-insured with respect to workers' compensation. Losses from asserted claims are accrued based on estimates that incorporate the Health Center's experience and from unasserted claims that are accrued based on the Health Center's experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that the Health Center's estimate will change by a material amount in the near term. The Health Center has purchased commercial stop-loss insurance coverage that limits its exposure for individual claims up to \$400,000 and \$1,711,527 aggregate per policy period, and each incident individually up to \$1,000,000 and \$5,000,000 aggregate per policy period.

Activity in the Health Center's accrued workers compensation liability during 2017 is summarized as follows:

Balance, beginning of year	\$ 266,931
Current year claims incurred and changes in estimates for claims incurred in prior years	(158,025)
Claims and expenses paid	311,602
Balance, end of year	<u>\$ 420,508</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

F. Funds Held in Trust by Others

The Health Center is the sole beneficiary of a trust established by John H. Bothwell in 1926. The trust is administered by an independent board of trustees and proceeds from the Trust are restricted for capital acquisitions. Distributions from the Trust during the year ended May 31, 2017, amounted to \$42,792. The proceeds from the trust are held by the Foundation. The assets and liabilities of the Trust are not included in the financial statements of the Health Center.

G. Related Party Transactions

Bothwell Regional Health Center Foundation

The Bothwell Regional Health Center Foundation (the Foundation) is an independent non-profit corporation established in 2005 with a purpose to support the programs and services of charitable non-profit healthcare institutions located in Pettis County and surrounding areas. The Foundation is governed by a Board of Directors that includes several Health Center Board members and members of management. The Board of Directors of the Foundation determines the amount, timing and purpose of the distribution of Foundation funds.

During the year ending May 31, 2010, the Foundation completed a capital campaign to assist with the raising of funds to complete a medical office building and cancer center. The total amount pledged was \$3.5 million. During the year ended May 31, 2017, \$148,000 was contributed to the Health Center in relation to the pledged contributions and other projects. The Foundation is expected to make additional contributions to the Health Center in future years as pledges are received. The Foundation also has funds for the benefit of specific Health Center departments. The Health Center has not recorded an interest in the Foundation due to the lack of control and direction of the funds.

H. Commitments and Contingencies

1. Risk Management

The Health Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than workers compensation and employee health claims. Settled claims have not exceeded commercial coverage in any of the three preceding years.

The Health Center is self-insured for a portion of its exposure to risk of loss from workers compensation claims and employee health claims. Annual estimated provisions are accrued for the self-insured portion of workers compensation and employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

2. Healthcare Legislation & Regulation

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Government activity has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties as well as significant repayments of previously billed and collected revenues for patient services. As part of the Health Center's compliance efforts, the Health Center investigates and attempts to resolve and remedy all reported or suspected incidents of material noncompliance with applicable laws, regulations or policies on a timely basis.

The Health Center is in various stages of responding to inquiries and investigations. These various inquiries and investigations could result in fines and/or financial penalties, which could be material. At this time, the Health Center is unable to estimate the possible liability, if any, that may be incurred as a result of these inquiries and investigations, but the Health Center does not believe it would materially affect the financial position of the Health Center.

3. Medical Malpractice Claims

The Health Center purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Health Center's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

4. Litigation

In the normal course of business, the Health Center is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Health Center's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Health Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each claim. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

5. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is administered by a third-party administrator, is available to all City employees who qualify under the plan terms and permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets carried in an agency fund, totaling \$2,680,363 at March 31, 2018, to satisfy the claims of general creditors in the future.

6. Grants

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of March 31, 2018, significant amounts of grant expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

7. Health Center

Medicare and Medicaid laws are very complex in nature and such laws are subject to interpretations. Management believes that they are in compliance with the applicable laws and regulations; however, the possibility of future government review and interpretation exists.

8. Infrastructure Improvement Agreement

The City has entered into an agreement with a developer whereby the developer constructs infrastructure improvements in accordance with City specifications. Upon completion of the project and subject to the City's acceptance, the City will reimburse the developer up to a maximum of \$646,670. This project is currently on hold as the developer has not begun construction.

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

I. Postclosure Care Cost

State and federal laws and regulations require the City to place a final cover on its Cherry Tree Street site as it has stopped accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure in 1989. The City reports a portion of these postclosure care costs as an operating expense in each period based on the remaining postclosure term as of each balance sheet date. The City will recognize the remaining estimated cost of postclosure care of \$85,120 over the remaining postclosure term. These amounts are based on what it would cost to perform all postclosure care in 2011. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City has filed a contract of obligation with the Department of Natural Resources authorizing the state to collect from future revenues due the City of Sedalia, primarily sales tax revenue, should the City fail to meet its postclosure care obligations.

In a letter dated May 6, 2004 the Missouri Department of Natural Resources has determined that the landfill no longer poses a detrimental impact to either the environment or public health and the post-closure care financial assurance obligation is no longer required.

J. Taxes

The City's real estate tax is levied each November 1 on the assessed value as of the prior January 1 for all real property located in the City. Real estate taxes are due on December 31 following the levy date. On January 1, a lien attaches to all property for which taxes are unpaid. Taxes remaining unpaid for two years after that date are submitted to Pettis County for collection through foreclosure proceedings.

Assessed values are established by the Pettis County Assessor subject to review by the County's Board of Equalization and State Tax Commission. The assessed value for property located in the City as of January 1, 2017 on which the fiscal year 2017 levy was based was as follows:

Real estate	\$ 186,005,420
Personal property	<u>58,057,207</u>
	<u>\$ 244,062,627</u>

CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018

IV. OTHER INFORMATION (continued)

The City is permitted by Missouri State Statutes, which encompass certain limitations, to levy taxes for various general governmental services and in unlimited amounts for the payment of principal and interest on general obligation bonded debt. Property tax levies per \$100 assessed valuation for the year ended March 31, 2018, are as follows:

Fund	Levy
General Fund	\$ 0.4827
Public Library	0.2404
Library - temp	0.0713
Public Parks	0.1678
Firemen's Pension	0.0510
Police Pension	0.0946
Total City-Wide Levy	<u>1.1078</u>
Special Business District	0.8500
Total	<u>\$ 1.9578</u>

K. 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.

L. Litigation

The City currently has several lawsuits pending, the outcomes of which are not known at this time. Management believes there are no outstanding matters which will have a material effect on the financial statements of the City.

M. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018**

IV. OTHER INFORMATION (continued)

N. Missouri Department of Natural Resources Consent Order

The City and the Missouri Department of Natural Resources have agreed on a consent order to address problems with the City's sanitary sewer system. The City has until June, 2016 to comply with the terms of the order. The estimated cost to comply with the order is over \$24 million. Additional improvements to the system may be necessary after the order has been complied with, which will cost an additional \$24 - \$30 million. The City has obtained a COPS issue and has increased wastewater user fees to comply with the order. The total improvements have been completed.

O. Tax Abatement

The City entered into a Tax Increment Financing (TIF) agreement in 2015 with a developer for the development of property in the City of Sedalia. The TIF plan includes a private investment of over Eleven Million Dollars in a redevelopment project with the potential of reimbursement of captured incremental taxes generated by the project of up to Two Million Six Hundred Thousand One Hundred Seventy-Six Dollars of qualifying expenditures, representing approximately Thirty Four Percent of the total project costs. This is a "pay as you go" arrangement in that the developer bears all the risk and is only reimbursed for costs incurred at the stated ratio if, and only if, incremental taxes are generated by the redevelopment project, and then only as they are collected. A baseline of current taxes has been set at the levels before the adoption of the plan. Increases in real estate property taxes (if any) along with Fifty Percent of any increased sales taxes over a Twenty Three year period beginning with the enactment of the TIF plan will be captured and deposited into a segregated fund for allowable reimbursements in accordance with the plan.

Pettis County has also enacted enterprise zones which allow for abatement of real estate taxes for business developments that meet the criteria of such enterprise zone. There have been several businesses inside the city limits of Sedalia awarded tax abatements by the County under this program. The County has reported to the City that \$100,770 of city real estate taxes were abated for 2017.

P. Fines

Fines and penalties revenues as shown on the Statement of Revenues, Expenditures, and Changes in Fund Balances is \$108,648 for the year ended March 31, 2018, which is 1% of general fund revenues.

**CITY OF SEDALIA, MISSOURI
NOTES TO COMBINED FINANCIAL STATEMENTS
MARCH 31, 2018**

IV. OTHER INFORMATION (continued)

Q. Fair Value Measurement

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.

The City has the following recurring fair value measurement as of March 31, 2018:

- Fixed income securities of \$3,416,704 are valued using quoted prices in an active market for identical assets (Level 1 inputs).

R. Consideration of Subsequent Events

Subsequent events have been evaluated through August 13, 2018, which is the date the financial statements are available to be issued. No events requiring disclosure were identified as a result of this review.

CITY OF SEDALIA, MISSOURI
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECT #2 FUND
YEAR ENDED MARCH 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,018,913	\$ 3,018,913	\$ 3,100,398	\$ 81,485
Intergovernmental	-	-	124,798	124,798
Miscellaneous	13,028	13,028	16,160	3,132
Total Revenues	3,031,941	3,031,941	3,241,356	209,415
EXPENDITURES				
Planning, building and economic development	264,957	264,957	243,562	21,395
Capital outlay	6,559,130	6,559,130	2,297,606	4,261,524
Debt service	1,067,016	1,069,416	1,068,822	594
Total Expenditures	7,891,103	7,893,503	3,609,990	4,283,513
Excess (Deficit) of Revenues over Expenditures	(4,859,162)	(4,861,562)	(368,634)	4,492,928
OTHER FINANCING SOURCES (USES)				
COFS lease proceeds	5,690,500	5,690,500	5,695,000	(4,500)
Operating transfers in (out)	(190,000)	(190,000)	-	(190,000)
Total Other Financing Sources (Uses)	5,500,500	5,500,500	5,695,000	(194,500)
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	641,338	638,938	5,326,366	4,298,428
Fund Balance, beginning of year	766,398	766,398	766,398	
Fund Balance, end of year	\$ 1,407,736	\$ 1,405,336	\$ 6,092,764	

CITY OF SEDALIA, MISSOURI
(CITY ONLY)
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS)
YEAR ENDED MARCH 31, 2018

Fiscal Year	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency	Covered Employee Payroll	Contribution as Percentage
2009	462,145.06	462,144.97	0.09	4,098,867.87	11.27%
2010	509,173.80	509,173.80	-	4,160,793.97	12.24%
2011	1,167,610.52	1,024,861.75	142,748.77	7,505,654.62	13.65%
2012	731,477.93	625,325.29	106,152.64	4,400,675.49	14.21%
2013	1,078,980.94	944,348.70	134,632.24	6,345,614.28	14.88%
2014	1,088,630.01	1,000,421.54	88,208.47	6,439,018.02	15.54%
2015	1,118,380.87	1,107,128.47	11,252.40	6,783,529.61	16.32%
2016	1,142,402.93	1,142,403.10	(0.17)	7,159,552.11	15.96%
2017	1,189,476.74	1,184,470.41	5,006.33	7,541,524.87	15.71%
2018	1,175,123.38	1,159,787.12	15,336.26	7,120,097.04	16.29%

CITY OF SEDALIA, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
(MISSOURI LAGERS)
YEAR ENDED MARCH 31, 2018

Valuation Date:	February 28, 2017
Notes:	The roll-forward of total pension liability from February 28, 2017 to June 30, 2017 reflects expected service cost and interest reduced by actual benefit payments.
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal and Modified Terminal Funding
Amortization Method	A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period or (ii) 15 years.
Remaining Amortization Period	Multiple bases from 14 to 15 years (General); 13 to 23 years (Police); 12 to 21 years (Library)
Asset Valuation Method	5-Year smoothed market; 20% corridor
Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increases	3.25% to 6.55% including wage inflation
Investment Rate of Return	7.25%, net of investment expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females. Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.
Other Information:	None

CITY OF SEDALIA, MISSOURI
(CITY ONLY)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS)
YEAR ENDED MARCH 31, 2018

CITY OF SEDALIA, MISSOURI
SEDALIA WATER DEPARTMENT
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS)
YEAR ENDED MARCH 31, 2018

	Fiscal Year Ending March 31, 2018	Fiscal Year Ending March 31, 2017	Fiscal Year Ending March 31, 2016	Fiscal Year	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency	Covered Employee Payroll	Contribution as Percentage
Total Pension Liability									
Service Cost	\$ 829,316	\$ 807,647	\$ 790,153	2009	\$ 147,429.33	\$ 147,429.80	\$ (0.47)	\$ 823,628.36	17.90%
Interest on the Total Pension Liability	1,973,803	1,826,743	1,722,378	2010	136,810.13	136,810.12	0.01	804,765.36	17.00%
Benefit Changes	-	-	-	2011	174,700.58	149,743.52	24,957.06	831,907.67	18.00%
Difference between expected and actual experience	(57,298)	(793,454)	(17,154)	2012	184,735.39	157,398.00	27,337.39	828,409.65	19.00%
Assumption Changes	-	1,188,031	-	2013	196,645.97	168,073.49	28,572.48	840,368.06	20.00%
Benefit Payments	(1,026,862)	(996,075)	(1,130,491)	2014	203,453.13	184,957.58	18,495.55	880,748.84	21.00%
Refunds	-	-	-	2015	207,755.09	203,138.04	4,617.05	923,355.60	22.00%
Net Change in Total Pension Liability	1,718,959	2,032,892	1,364,886	2016	206,086.31	206,086.36	(0.05)	1,000,419.79	20.60%
Total Pension Liability beginning	27,321,911	25,289,019	23,924,133	2017	183,874.52	183,874.51	0.01	938,135.19	19.60%
Total Pension Liability ending	\$ 29,040,870	\$ 27,321,911	\$ 25,289,019	2018	186,392.52	186,392.43	0.09	991,449.78	18.80%
Plan Fiduciary Net Position									
Contributions - employer	\$ 1,154,325	\$ 1,140,316	\$ 1,126,448						
Contributions - employee	-	-	-						
Pension Plan Net Investment Income	2,817,682	(50,914)	464,211						
Benefit Payments	(1,026,862)	(996,075)	(1,130,491)						
Refunds	-	-	-						
Pension Plan Administrative expense	(26,299)	(25,998)	(27,868)						
Other	47,927	(397,993)	(172,400)						
Net Change in Plan Fiduciary Net Position	2,966,773	(330,664)	259,900						
Plan Fiduciary Net Position beginning	23,879,665	24,210,329	23,950,429						
Plan Fiduciary Net Position ending	\$ 26,846,438	\$ 23,879,665	\$ 24,210,329						
Employer Net Pension Liability	\$ 2,194,432	\$ 3,442,246	\$ 1,078,690						
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	92.44%	87.40%	95.73%						
Covered Employee Payroll	\$ 7,213,080	\$ 7,541,525	\$ 7,159,922						
Employer's Net Pension Liability as a percentage of covered employee payroll	30.42%	45.64%	15.07%						

Data prior to 2016 is not available.

CITY OF SEDALIA, MISSOURI
SEDALIA WATER DEPARTMENT
NOTES TO SCHEDULE OF CONTRIBUTIONS
(MISSOURI LAGERS)
YEAR ENDED MARCH 31, 2018

Valuation Date:

February 28, 2017

Notes:

The roll-forward of total pension liability from February 28, 2017 to June 30, 2017 reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method

Entry Age Normal and Modified Terminal Funding

Amortization Method

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

Remaining Amortization Period

Multiple bases from 15 to 19 years

Asset Valuation Method

5-Year smoothed market, 20% corridor

Inflation

3.25% wage inflation; 2.50% price inflation

Salary Increases

3.25% to 6.55% including wage inflation

Investment Rate of Return

7.25%, net of investment expenses

Retirement Age

Experience-based table of rates that are specific to the type of eligibility condition.

Mortality

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

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

Other Information:

None

CITY OF SEDALIA, MISSOURI
SEDALIA WATER DEPARTMENT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS
(MISSOURI LAGERS)
YEAR ENDED MARCH 31, 2018

	Fiscal Year Ending March 31, 2018	Fiscal Year Ending March 31, 2017	Fiscal Year Ending March 31, 2016
Total Pension Liability			
Service Cost	\$ 96,379	\$ 95,986	\$ 92,032
Interest on the Total Pension Liability	484,758	447,224	429,548
Benefit Changes	-	-	-
Difference between expected and actual experience	(238,135)	(74,158)	(43,550)
Assumption Changes	-	292,759	-
Benefit Payments	(212,984)	(274,521)	(199,141)
Refunds	-	-	-
Net Change in Total Pension Liability	130,018	487,290	278,889
Total Pension Liability beginning	6,743,603	6,256,313	5,977,424
Total Pension Liability ending	\$ 6,873,621	\$ 6,743,603	\$ 6,256,313
Plan Fiduciary Net Position			
Contributions - employer	185,053	195,838	202,067
Contributions - employee	-	-	-
Pension Plan Net Investment Income	659,620	(13,473)	115,738
Benefit Payments	(212,984)	(274,521)	(199,141)
Refunds	-	-	-
Pension Plan Administrative expense	(4,129)	(4,037)	(4,567)
Other	(28,911)	9,248	119,878
Net Change in Plan Fiduciary Net Position	598,649	(86,945)	233,975
Plan Fiduciary Net Position beginning	5,692,045	5,778,990	5,545,015
Plan Fiduciary Net Position ending	\$ 6,290,694	\$ 5,692,045	\$ 5,778,990
Employer Net Pension Liability			
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	91.52%	84.41%	92.37%
Covered Employee Payroll	947,070	965,777	928,744
Employer's Net Pension Liability as a percentage of covered employee payroll	61.55%	108.88%	51.39%

Data prior to 2016 is not available.

CITY OF SEDALIA, MISSOURI
BOTHWELL REGIONAL HEALTH CENTER
(A Component Unit of the City of Sedalia, Missouri)
SCHEDULES OF HEALTH CENTER CONTRIBUTIONS
FOR THE YEAR ENDED MARCH 31, 2018

	2017	2016	2015
Actuarially determined contribution	\$ 1,847,945	\$ 1,625,285	\$ 2,145,553
Contributions in relation to the actuarially determined contribution	\$ 1,847,945	\$ 1,625,285	\$ 2,145,553
Covered payroll (calendar year compensation)	\$ 15,391,581	\$ 16,438,236	\$ 17,059,939
Contributions as a percentage of covered-employee payroll	12.0%	9.9%	12.6%
Notes to Schedule			
Valuation date:	June 1, 2017	June 1, 2015	June 1, 2015
Methods and assumptions used to determine contribution rates:			
Actuarial cost method:	Entry Age Normal Cost		
Amortization method:	Level Dollar Closed Amortization		
Remaining amortization period:	18 years		
Asset valuation method:	Smoothed Market Value of Assets		
Inflation:	2.0%-2.9%		
Salary increases:	3.0%-4.5%		
Investment rate of return:	7.75%		
Retirement age:	65		
Mortality tables:	MP-2016 Mortality Table		

CITY OF SEDALIA, MISSOURI
BOTHWELL REGIONAL HEALTH CENTER
(A Component Unit of the City of Sedalia, Missouri)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED MARCH 31, 2018

	2017	2016	2015
Total Pension Liability			
Service cost	\$ 605,012	\$ 634,623	\$ 1,007,317
Interest	4,048,326	3,872,320	4,108,554
Difference between expected and actual experience	(452,424)	1,477,702	(890,375)
Changes of assumptions	-	-	(336,603)
Benefit payments	(2,836,860)	(4,531,124)	(5,284,267)
Net Change in Total Pension Liability	1,364,054	1,453,521	(1,395,374)
Total Pension Liability beginning	53,049,883	51,596,362	52,991,736
Total Pension Liability ending	\$ 54,413,937	\$ 53,049,883	\$ 51,596,362
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,847,945	\$ 1,625,285	\$ 2,145,553
Net investment income (loss)	4,842,199	(1,447,831)	1,213,819
Benefit payments, including refunds of employee contributions	(2,836,860)	(4,531,124)	(5,284,267)
Net Change in Plan Fiduciary Net Position	3,853,284	(4,353,670)	(1,924,895)
Plan Fiduciary Net Position - Beginning	41,005,469	45,359,139	47,284,034
Plan Fiduciary Net Position - Ending	\$ 44,858,753	\$ 41,005,469	\$ 45,359,139
Net Pension Liability - Ending	\$ 9,555,184	\$ 12,044,414	\$ 6,237,223
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	82.4%	77.3%	87.9%
Covered Employee Payroll	\$ 15,391,581	\$ 16,438,236	\$ 17,059,939
Employer's Net Pension Liability as a percentage of covered employee payroll	62.1%	73.3%	36.6%

Note to Schedule

The improvements scale applied to the mortality table was updated to the MP-2016 scale. The effect on the plan liabilities from this change was relatively small, so was comingled with experience gains and losses.

CITY OF SEDALIA, MISSOURI
FIREMEN'S PENSION TRUST FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED MARCH 31, 2018

CITY OF SEDALIA, MISSOURI
FIREMEN'S PENSION TRUST FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED MARCH 31, 2018

	2017	2016	2015
Total Pension Liability			
Service cost	\$ 138,608	\$ 138,948	\$ 133,713
Interest cost	741,030	703,414	671,001
Difference between actual and expected experience	(10,253)	(340,276)	291,541
Benefit payments, including refunds of member contributions	(672,768)	(649,155)	(627,757)
Effect on assumption changes or inputs	(100,970)	696,590	-
Net Change in Total Pension Liability	95,647	549,521	468,498
Total Pension Liability beginning	10,783,917	10,234,396	9,765,898
Total Pension Liability ending	\$10,879,564	\$10,783,917	\$10,234,396
Plan Fiduciary Net Position			
Employer contributions	\$ 220,408	\$ 197,176	\$ 239,610
Property tax revenues	133,018	134,275	127,619
Net investment return	605,999	(141,491)	483,075
Benefit payments, including refunds of member contributions	(672,768)	(649,155)	(627,757)
Administrative and other expenses	(33,340)	(32,548)	(29,183)
Net Change in Plan Fiduciary Net Position	253,317	(491,743)	193,364
Plan Fiduciary Net Position - beginning of year	6,986,184	7,477,927	7,284,563
Plan Fiduciary Net Position - end of year	7,239,501	6,986,184	7,477,927
Net Pension Liability - end of year	\$ 3,640,063	\$ 3,797,733	\$ 2,756,469
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	67%	65%	73%
Covered Employee Payroll	\$ 1,906,721	\$ 1,745,386	\$ 1,694,537
Employer's Net Pension Liability as a percentage of covered employee payroll	191%	218%	163%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

The information presented in the required supplementary information was determined as part of the most recent actuarial valuation as of April 1, 2017. Additional information as of this actuarial valuation follows.

Actuarial methods and assumptions: The actuarially determined contribution rates in the schedule of employers' contributions are calculated as of April 1 of the respective fiscal year.

The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule as of April 1, 2017.

Actuarially cost method	Entry age normal
Amortization method:	
Level percent or dollar	Level percent of indexed earnings
Closed, open, or layered periods	Open
Amortization period	30 years
Asset valuation method	Market value
Investment rate of return	7%
Inflation	2.2%
Compensation increases	3%
Retirement age	Rates vary by age as shown in Section 4 of the April 1, 2017 Actuarial Valuation Report
Turnover	Rates vary by age as shown in Section 4 of the April 1, 2017 Actuarial Valuation Report
Mortality rates	MP-2016 Blue Collar report

CITY OF SEDALIA, MISSOURI
POLICE PENSION TRUST FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED MARCH 31, 2018

	2017	2016	2015
Total Pension Liability			
Service cost	\$ -	\$ -	\$ -
Interest cost	587,517	549,954	550,731
Difference between actual and expected experience	(47,229)	141,433	(48,294)
Benefit payments, including refunds of member contributions	(594,137)	(531,079)	(499,698)
Effect of assumption changes or inputs	(96,597)	497,270	-
Net Change in Total Pension Liability	(150,446)	657,578	2,739
Total Pension Liability beginning	10,089,024	9,431,446	9,428,707
Total Pension Liability ending	\$ 9,938,578	\$10,089,024	\$ 9,431,446
Plan Fiduciary Net Position			
Employer contributions	\$ 289,949	\$ 230,000	\$ 210,000
Property tax revenues	244,057	250,774	238,165
Net investment return	359,699	31,411	150,079
Benefit payments, including refunds of member contributions	(594,137)	(531,079)	(499,698)
Administrative and other expenses	(46,047)	(41,832)	(44,084)
Net Change in Plan Fiduciary Net Position	253,521	(60,726)	54,462
Plan Fiduciary Net Position - beginning of year	3,238,807	3,299,533	3,245,071
Plan Fiduciary Net Position - end of year	3,492,328	3,238,807	3,299,533
Net Pension Liability - end of year	\$ 6,446,250	\$ 6,850,217	\$ 6,131,913
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	35%	32%	35%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF SEDALIA, MISSOURI
POLICE PENSION TRUST FUND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED MARCH 31, 2018

The information presented in the required supplementary information was determined as part of the most recent actuarial valuation as of August 1, 2017. Additional information as of this actuarial valuation follows.

Actuarial methods and assumptions: The actuarially determined contribution rates in the schedule of employers' contributions are calculated as of January 1 of the respective fiscal year. The plan is frozen. The actuary calculated a total contribution based on the assumptions below as of August 1, 2017. That amount is offset by anticipated property taxes to determine the amount the City will contribute.

The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule as of August 1, 2017.

Actuarially cost method	Entry age normal
Amortization method:	
Level percent or dollar	Level percent
Closed, open, or layered periods	Closed
Amortization period	25 years
Asset valuation method	Market value
Investment rate of return	6 %
Inflation	0%
Compensation increases	0%
Retirement age	Age 52
Turnover	None assumed
Mortality rates	MP-2016 Blue Collar male and female tables

CITY OF SEDALIA, MISSOURI
PENSION TRUST FUNDS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED MARCH 31, 2018

Firemen's Pension Trust Fund

Year Ended March 31	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Excess/ Deficiency	Actual Covered Employee Payroll	Contribution as a % of Covered Payroll
2015	\$ 331,814	\$ 367,229	\$ (35,415)	\$ 1,694,537	21.67%
2016	358,679	331,451	27,228	1,745,386	18.99%
2017	439,494	353,426	86,068	1,906,721	18.54%

Note: Employer Contributions in this schedule include both City contributions and property tax revenues. The Actuarially Determined Contribution is the total required amount. The City contributes amounts not covered by the property tax revenue.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION

Police Pension Trust Fund

Year Ended July 31	Actuarially Determined Contribution	Actual Employer Contributions	Property Tax Revenues	Total Contributions in Relation to the ADC	Contributions Deficiency/ (Excess)
2015	\$ 469,836	\$ 210,000	\$ 238,165	\$ 448,165	\$ 21,671
2016	465,906	230,000	250,774	480,774	(14,868)
2017	536,425	289,949	244,057	534,006	2,419

Note: Employer Contributions in this schedule include both City contributions and property tax revenues. The Actuarially Determined Contribution is the total required amount. The City contributes amounts not covered by the property tax revenue.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

COMBINING FINANCIAL STATEMENTS
NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Library	Accounts for revenues and expenditures of the library.
Park	Accounts for revenues and expenditures of the park.
Special Business District	Accounts for revenues and expenditures of the special business district.
Midtown Special Allocation	Accounts for revenues and expenditures of the midtown special allocation district.
Fire Academy	Accounts for revenues and expenditures of the fire academy.
Transportation	Accounts for street and airport revenues and expenditures.

Capital Project Funds

Capital Project Fund	Accounts for resources restricted for the acquisition or construction of specified capital projects or items.
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COMBINING FINANCIAL STATEMENTS

CITY OF SEDALIA, MISSOURI
COMBINING FINANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
MARCH 31, 2018

	Special Revenue Funds						Totals (Memorandum Only)
	Library	Park	Business District	Special Allocation	Fire Academy	Transportation	
ASSETS							
Cash including time deposits	\$ 1,022,438	\$ 2,112,409	\$ 86,315	\$ -	\$ 3,202	\$ 546,976	\$ 3,771,340
Receivables, net of allowance	-	465,256	-	-	-	616,456	1,081,712
Due from other governmental agencies	-	-	-	-	-	12,483	12,483
Accrued interest receivable	38	507	-	-	-	-	48,160
Due from other funds	-	-	-	-	-	-	545
Inventory	-	-	-	-	-	55,010	55,010
Prepaid expenses	-	14,667	-	-	-	38,526	53,193
Reserve for contingencies	-	-	-	-	-	-	-
Total Assets	1,022,476	2,592,839	86,315	-	3,202	1,269,451	5,022,443
LIABILITIES							
Bank overdraft	-	-	-	59,200	-	-	59,200
Accounts payable	567	110,115	-	8,536	278	166,683	275,579
Accrued expenses	10,329	60,050	-	-	-	24,911	95,290
Sales tax overpayment payable	-	43,086	-	-	-	57,447	100,533
Due to other funds	-	-	-	-	-	-	-
Total Liabilities	10,896	213,251	50	67,736	278	249,041	637,810
DEFERRED INFLOWS							
Total Deferred Inflows	-	-	-	-	-	-	-
FUND EQUITY							
Nonspendable	-	-	-	-	-	-	-
Inventory	-	14,667	-	-	-	55,010	55,010
Prepaid expenses	-	-	-	-	-	38,526	38,526
Reserve for debt service	-	-	-	-	-	-	-
Assigned for special revenue purposes	1,011,580	2,364,921	86,265	-	2,924	926,874	4,392,564
Assigned for capital project purposes	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	(67,736)	-	-	(67,736)
Total Fund Equity	1,011,580	2,379,588	86,265	(67,736)	2,924	1,020,410	4,384,613
Total Liabilities, Deferred Inflows and Fund Equity	\$ 1,022,476	\$ 2,592,839	\$ 86,315	\$ -	\$ 3,202	\$ 1,269,451	\$ 5,022,443

CITY OF SEDALIA, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2018

	Special Revenue Funds						Totals (Memorandum Only)
	Library	Park	Business District	Special Allocation	Fire Academy	Transportation	
REVENUES							
Taxes	\$ 672,799	\$ 2,475,222	\$ 40,634	\$ 152,284	\$ -	\$ 3,071,903	\$ 6,417,822
Intergovernmental	7,024	-	-	-	-	864,600	1,290,668
Charges for services	1,000	370,857	-	-	12,107	191,606	574,569
Miscellaneous	101,331	28,769	671	-	94	191,896	231,599
Total Revenues	783,229	2,874,848	41,305	152,284	12,201	4,460,205	8,538,888
EXPENDITURES							
Library	553,538	-	-	-	-	-	553,538
Park	-	1,872,702	-	-	-	-	1,872,702
Planning, building and economic development	-	-	25,867	6,082	-	-	31,949
Public safety	-	-	-	-	13,048	-	13,048
Transportation	-	-	-	-	-	2,672,976	2,672,976
Capital outlay	23,892	815,069	2,120	-	-	618,685	1,844,821
Debt service	105,196	-	-	-	-	-	105,196
Total Expenditures	682,646	2,887,771	27,987	6,082	13,048	3,311,661	7,095,815
Excess (Deficit) of Revenues over Expenditures	23,083	187,077	13,318	146,202	(847)	1,028,606	1,462,273
OTHER FINANCING SOURCES (USES)							
Capital lease proceeds	-	-	-	-	-	272,100	272,100
Operating transfers in (out)	-	-	-	-	-	(344,316)	(344,316)
Total Other Financing Sources (Uses)	-	-	-	-	-	(72,216)	(72,216)
Excess (Deficit) of Revenues over Expenditures and Other Financing Sources (Uses)	23,083	187,077	13,318	146,202	(847)	1,000,410	1,390,057
Fund Balance, beginning of year (deficit)	988,897	2,193,511	72,947	(213,930)	3,771	-	2,994,566
Fund Balance, end of year (deficit)	\$ 1,011,980	\$ 2,379,588	\$ 86,265	\$ (67,736)	\$ 2,924	\$ 1,020,410	\$ 4,384,613

CITY OF SEDALIA, MISSOURI
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2018

	Budgeted Amounts		Actual	Amounts	Variance With
	Original	Final			Final Budget
REVENUES					
Taxes					
Property	\$ 623,530	\$ 623,530	\$ 632,248	\$	8,718
Payment in-lieu-of	695	695	799		104
Financial institution	4,030	4,030	7,418		3,388
Railroad and utilities	31,400	31,400	36,914		5,514
Total Taxes	659,655	659,655	677,379		17,724
Intergovernmental					
State and federal grants	6,355	6,355	7,024		669
Total Intergovernmental	6,355	6,355	7,024		669
Charges for Services					
Library fees	12,500	12,500	11,193		(1,307)
Total Charges for Services	12,500	12,500	11,193		(1,307)
Miscellaneous					
Interest	5,000	5,000	10,133		5,133
Miscellaneous	500	500	-		(500)
Total Miscellaneous	5,500	5,500	10,133		4,633
TOTAL REVENUES	684,010	684,010	705,729		21,719
EXPENDITURES					
Personnel services	382,273	382,273	374,709		7,564
Other charges and services	80,362	88,472	87,019		1,453
Operating supplies	90,700	96,200	91,830		4,370
Capital outlay	25,362	31,431	23,892		7,539
Debt service	105,313	105,313	105,196		117
TOTAL EXPENDITURES	684,010	703,689	682,646		21,043
Excess (Deficit) of Revenues over Expenditures	-	(19,679)	23,083	\$	42,762
Fund Balance, beginning of year	988,497	988,497	988,497		
Fund Balance, end of year	\$ 988,497	\$ 968,818	\$ 1,011,580		

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Special Revenue Funds and Capital Project Fund

CITY OF SEDALIA, MISSOURI

PARK FUND

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes				
Property	\$ 423,873	\$ 423,873	\$ 435,952	\$ 12,079
Payment in-lieu-of	370	370	430	60
Railroad and utility	18,243	18,243	19,292	1,049
General sales and use	1,959,160	1,959,160	2,019,548	60,388
Total Taxes	2,401,646	2,401,646	2,475,222	73,576
Charges for Services				
Park and recreation fees	273,441	273,441	370,857	97,416
Total Charges for Services	273,441	273,441	370,857	97,416
Miscellaneous				
Interest	9,852	9,852	26,043	16,191
Miscellaneous	6,152	6,152	2,726	(3,426)
Total Miscellaneous	16,004	16,004	28,769	12,765
TOTAL REVENUES	2,691,091	2,691,091	2,874,848	183,757
EXPENDITURES				
Personnel services	1,104,695	1,175,140	1,080,647	94,493
Other charges and services	470,371	508,305	489,317	18,988
Operating supplies	291,000	338,500	302,738	35,762
Capital outlay	773,442	913,988	815,069	98,919
TOTAL EXPENDITURES	2,639,508	2,935,933	2,687,771	248,162
Excess (Deficit) of Revenues over Expenditures	51,583	(244,842)	187,077	(64,405)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(51,583)	(51,583)	-	51,583
Total Other Financing Sources (Uses)	(51,583)	(51,583)	-	51,583
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	-	(296,425)	187,077	\$ (12,822)
Fund Balance, beginning of year	2,192,511	2,192,511	2,192,511	
Fund Balance, end of year	\$ 2,192,511	\$ 1,896,086	\$ 2,379,588	

CITY OF SEDALIA, MISSOURI
SPECIAL BUSINESS DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes				
Property	\$ 40,768	\$ 40,768	\$ 40,634	\$ (134)
Financial institution	2,204	2,204	-	(2,204)
Total Taxes	42,972	42,972	40,634	(2,338)
Miscellaneous				
Interest	218	218	671	453
Miscellaneous	735	735	-	(735)
Total Miscellaneous	953	953	671	(282)
TOTAL REVENUES	43,925	43,925	41,305	(2,620)
EXPENDITURES				
Other charges and services	41,203	41,603	25,867	15,736
Capital outlay	11,000	11,000	2,120	8,880
TOTAL EXPENDITURES	52,203	52,603	27,987	24,616
Excess (Deficit) of Revenues over Expenditures	(8,278)	(8,678)	13,318	\$ 21,996
Fund Balance, beginning of year	72,947	72,947	72,947	
Fund Balance, end of year	\$ 64,669	\$ 64,269	\$ 86,265	

CITY OF SEDALIA, MISSOURI
MIDTOWN SPECIAL ALLOCATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes				
Property	\$ 120,939	\$ 120,939	\$ 152,284	\$ 31,345
Total Taxes	120,939	120,939	152,284	31,345
Total Revenues	120,939	120,939	152,284	31,345
EXPENDITURES				
Other charges and services	15,122	15,122	6,082	9,040
Total Expenditures	15,122	15,122	6,082	9,040
Excess (Deficit) of Revenues over Expenditures	105,817	105,817	146,202	\$ 40,385
Fund Balance, beginning of year	(213,938)	(213,938)	(213,938)	
Fund Balance, end of year	\$ (108,121)	\$ (108,121)	\$ (67,736)	

CITY OF SEDALIA, MISSOURI
FIRE ACADEMY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 28,800	\$ 28,800	\$ 12,107	\$ (16,693)
Tuition and fees	28,800	28,800	12,107	(16,693)
Total Charges for Services				
Miscellaneous	40	40	94	54
Interest income	40	40	94	54
Total Miscellaneous				
Total Revenues	28,840	28,840	12,201	(16,639)
EXPENDITURES				
Personnel services	15,694	15,694	9,562	6,132
Other charges and services	5,150	5,150	1,939	3,211
Operating supplies	7,060	7,060	1,547	5,513
Total Expenditures	27,904	27,904	13,048	14,856
Excess (Deficit) of Revenues over Expenditures	936	936	(847)	\$ (1,783)
Fund Balance, beginning of year	3,771	3,771	3,771	
Fund Balance, end of year	\$ 4,707	\$ 4,707	\$ 2,924	

CITY OF SEDALIA, MISSOURI
TRANSPORTATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes				
City sales and use tax	\$ 2,613,364	\$ 2,612,860	\$ 3,071,903	\$ 459,043
Total Taxes	2,613,364	2,612,860	3,071,903	459,043
Intergovernmental				
State gasoline tax	585,548	585,548	575,404	(10,144)
Motor vehicle sales tax	274,278	274,782	289,196	14,414
Total Intergovernmental	859,826	860,330	864,600	4,270
Charges for Services				
Airport fees	355,477	355,477	275,858	(79,619)
Total Charges for Services	355,477	355,477	275,858	(79,619)
Miscellaneous				
Interest	1,000	1,000	4,275	3,275
Rental	72,093	72,093	73,763	1,670
Miscellaneous	108,371	108,371	113,888	5,517
Total Miscellaneous	181,464	181,464	191,926	10,462
TOTAL REVENUES	4,010,131	4,010,131	4,404,287	394,156
EXPENDITURES				
Airport Maintenance				
Personnel services	195,168	209,368	164,718	44,650
Other charges and services	51,665	63,239	52,618	10,621
Operating supplies	252,319	254,710	237,696	17,014
Total Airport Maintenance	499,152	527,317	455,032	72,285
Street Maintenance				
Personnel services	1,182,455	1,184,855	1,125,409	59,446
Other charges and services	748,664	752,400	696,292	56,108
Operating supplies	341,397	341,647	291,967	49,680
Total Street Maintenance	2,272,516	2,278,902	2,113,668	165,234
Alley and ROW Maintenance				
Personnel services	164,289	164,289	78,039	86,250
Other charges and services	11,581	12,642	10,947	1,695
Operating supplies	27,907	27,907	15,290	12,617
Total Alley and ROW Maintenance	203,777	204,838	104,276	100,562
Capital Expenditures				
Capital outlay	399,549	401,429	638,685	(237,256)
Total Capital Expenditures	399,549	401,429	638,685	(237,256)
TOTAL EXPENDITURES	3,374,994	3,412,486	3,311,661	100,825

CITY OF SEDALIA, MISSOURI
TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONT'D)
YEAR ENDED MARCH 31, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Excess (Deficit) of Revenues over Expenditures	635,137	597,645	1,092,626	494,981
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	272,100	272,100
Operating transfers in (out)	(344,316)	(344,316)	(344,316)	-
Total Other Financing Sources (Uses)	(344,316)	(344,316)	(72,216)	272,100
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	290,821	253,329	1,020,410	\$ 767,081
Fund Balance, beginning of year	-	-	-	-
Fund Balance, end of year	\$ 290,821	\$ 253,329	\$ 1,020,410	

**CITY OF SEDALIA, MISSOURI
CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental				
State and federal grants	\$ 1,710,000	\$ 1,963,830	\$ 367,434	\$ (1,596,396)
Total Intergovernmental	1,710,000	1,963,830	367,434	(1,596,396)
Total Revenues	1,710,000	1,963,830	367,434	(1,596,396)
EXPENDITURES				
Other charges and services	-	700	1,565	(865)
Capital outlay	1,900,000	2,245,830	365,055	1,880,775
Total Expenditures	1,900,000	2,246,530	366,620	1,879,910
Excess (Deficit) of Revenues over Expenditures	(190,000)	(282,700)	814	283,514
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	190,000	190,000	-	(190,000)
Total Other Financing Sources (Uses)	190,000	190,000	-	(190,000)
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	-	(92,700)	814	\$ 93,514
Fund Balance, beginning of year (Deficit)	(49,232)	(49,232)	(49,232)	
Fund Balance, end of year (Deficit)	\$ (49,232)	\$ (141,932)	\$ (48,418)	

**SUPPLEMENTARY INDIVIDUAL FUND
FINANCIAL SCHEDULE**

**General Fund
Capital Project Fund #2**

This supplementary schedule is included to provide management additional information for financial analysis.

CITY OF SEDALIA, MISSOURI
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes				
Property	\$ 1,221,993	\$ 1,221,993	\$ 1,253,972	\$ 31,979
Interest and penalties	32,645	32,645	30,268	(2,377)
Payment-in-lieu-of taxes	3,827	3,827	7,202	3,375
Railroad and utilities	52,441	52,441	55,448	3,007
Financial institution	12,935	12,935	10,323	(2,612)
General sales and operation	5,390,527	5,390,527	5,173,901	(216,626)
Franchise	2,321,244	2,321,244	2,353,486	32,242
Cigarette	112,990	112,990	99,433	(13,557)
Total Taxes	9,148,602	9,148,602	8,984,033	(164,569)
Licenses and Permits				
Occupational	347,767	347,767	358,706	10,939
Building	140,203	140,203	183,890	43,687
Street cuts	-	-	775	775
Other licenses	4,258	4,258	3,294	(964)
Total Licenses and Permits	492,228	492,228	546,665	54,437
Intergovernmental				
State and federal grants	51,521	51,521	48,439	(3,082)
Total Intergovernmental	51,521	51,521	48,439	(3,082)
Charges for Services				
Community center fees	9,668	9,668	2,200	(7,468)
Cemetery fees and lot sales	117,921	117,921	157,225	39,304
Dispatch fees	127,056	127,056	124,441	(2,615)
Total Charges for Services	254,645	254,645	283,866	29,221

CITY OF SEDALIA, MISSOURI
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONTD)
YEAR ENDED MARCH 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES (cont'd)				
Fines and Forfeitures	137,845	137,845	108,648	(29,197)
Total Fines and Forfeitures	137,845	137,845	108,648	(29,197)
Miscellaneous				
Interest income	51,309	51,309	84,132	32,823
Miscellaneous	160,579	160,579	170,291	9,712
Total Miscellaneous	211,888	211,888	254,423	42,535
TOTAL REVENUES	10,296,729	10,296,729	10,226,074	(70,655)
EXPENDITURES				
General and Administrative				
Administrative	466,882	505,278	500,851	4,427
Personnel services	242,613	279,451	254,309	25,142
Other charges and services	6,250	7,600	5,783	1,817
Operating supplies	715,745	792,329	760,943	31,386
Total Administrative				
Finance				
Personnel services	265,072	265,072	236,750	28,322
Other charges and services	116,639	118,197	99,485	18,712
Operating supplies	2,890	2,890	2,302	588
Total Finance	384,601	386,159	338,537	47,622
Records				
Personnel services	149,193	186,745	149,053	37,692
Other charges and services	30,445	31,420	26,265	5,155
Repairs and maintenance	750	750	649	101
Total Records	180,388	218,915	175,967	42,948

CITY OF SEDALIA, MISSOURI
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONT'D)
YEAR ENDED MARCH 31, 2018

EXPENDITURES (cont'd)	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Code Enforcement				
Personnel services	521,948	521,948	506,223	15,725
Other charges and services	69,988	72,323	63,086	9,237
Repairs and maintenance	49,700	49,700	39,528	10,172
Total Code Enforcement	641,636	643,971	608,837	35,134
Building Maintenance				
Personnel services	245,029	245,029	222,374	22,655
Other charges and services	39,631	79,501	70,554	8,947
Operating supplies	7,400	8,800	8,955	(155)
Total Building Maintenance	292,060	333,330	301,883	31,447
Information Solutions				
Personnel services	125,564	125,564	125,553	11
Other charges and services	78,352	78,825	59,228	19,597
Operating supplies	800	800	788	12
Total Information Solutions	204,716	205,189	185,569	19,620
Management of Public Works				
Personnel services	280,883	280,883	271,801	9,082
Other charges and services	72,504	72,804	109,689	(36,885)
Operating supplies	3,240	3,240	934	2,306
Total Management of Public Works	356,627	356,927	382,424	(25,497)
Total General and Administrative	2,775,773	2,936,820	2,754,160	182,660

CITY OF SEDALIA, MISSOURI
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONT'D)
YEAR ENDED MARCH 31, 2018

EXPENDITURES (cont'd)	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Public Safety				
Police				
Personnel services	3,945,616	3,952,516	3,947,092	5,424
Other charges and services	383,264	432,643	394,926	37,717
Operating supplies	110,987	92,687	84,561	8,126
Total Police	4,439,867	4,477,846	4,426,579	51,267
Fire				
Personnel services	2,694,294	2,820,864	2,788,226	32,638
Other charges and services	133,359	154,627	133,097	21,530
Operating supplies	38,233	39,033	32,216	6,817
Total Fire	2,865,886	3,014,524	2,953,539	60,985
Cemetery				
Personnel services	251,094	251,794	249,823	1,971
Other charges and services	19,571	27,471	24,360	3,111
Operating supplies	11,155	11,155	9,434	1,721
Total Cemetery	281,820	290,420	283,617	6,803
Animal Control				
Personnel services	204,803	205,303	196,321	8,982
Other charges and services	58,451	66,591	59,392	7,199
Operating supplies	18,070	27,920	23,940	3,980
Total Animal Control	281,324	299,814	279,653	20,161
Municipal Law Adjudication				
Personnel services	188,884	188,884	187,440	1,444
Other charges and services	7,988	9,058	7,423	1,635
Operating supplies	585	1,335	1,015	320
Total Municipal Law Adjudication	197,457	199,277	195,878	3,399
Total Public Safety	8,066,354	8,281,881	8,139,266	142,615
Transportation				
Streets and Alleys				
Personnel services	261,040	261,690	260,753	937
Other charges and services	33,660	40,022	28,603	11,419
Operating supplies	38,900	38,900	40,408	(1,508)
Total Streets and Alleys	333,600	340,612	329,764	10,848

CITY OF SEDALIA, MISSOURI
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (CONT'D)
YEAR ENDED MARCH 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Airport				
Total Airport	-	-	-	-
Total Transportation	333,600	340,612	329,764	10,848
Cultural Parks and Recreation Community Center				
Other charges and services	17,403	17,403	5,572	11,831
Operating supplies	1,150	1,150	120	1,030
Total Community Center	18,553	18,553	5,692	12,861
Capital Expenditures				
Capital outlay	263,249	375,114	329,227	45,887
Total Capital Expenditures	263,249	375,114	329,227	45,887
Debt Service				
Total Debt Service	-	-	-	-
TOTAL EXPENDITURES	11,457,529	11,952,980	11,558,109	398,270
Excess (Deficit) of Revenues over Expenditures	(1,160,800)	(1,656,251)	(1,332,035)	324,216
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	1,096,009	1,096,009	1,096,009	-
Total Other Financing Sources (Uses)	1,096,009	1,096,009	1,096,009	-
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	(64,791)	(560,242)	(236,026)	\$ 324,216
Fund Balance, beginning of year	7,765,155	7,765,155	7,765,155	
Fund Balance, end of year	\$ 7,700,364	\$ 7,204,913	\$ 7,529,129	

CITY OF SEDALIA, MISSOURI
CAPITAL PROJECT FUND #2
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes				
Sales and use	\$ 3,018,913	\$ 3,018,913	\$ 3,100,398	\$ 81,485
Total Taxes	3,018,913	3,018,913	3,100,398	81,485
Intergovernmental				
State and federal grants	-	-	124,798	124,798
Total Intergovernmental	-	-	124,798	124,798
Miscellaneous				
Interest income	13,028	13,028	16,160	3,132
Total Miscellaneous	13,028	13,028	16,160	3,132
Total Revenues	3,031,941	3,031,941	3,241,356	209,415
EXPENDITURES				
Other charges and services	264,957	264,957	243,562	21,395
Capital outlay	6,559,130	6,559,130	2,297,606	4,261,524
Debt service	1,067,016	1,069,416	1,068,822	594
Total Expenditures	7,891,103	7,893,503	3,609,990	4,283,513
Excess (Deficit) of Revenues over Expenditures	(4,859,162)	(4,861,562)	(368,634)	4,492,928
OTHER FINANCING SOURCES (USES)				
COPS lease proceeds	5,690,500	5,690,500	5,695,000	4,500
Operating transfers in (out)	(190,000)	(190,000)	-	190,000
Total Other Financing Sources (Uses)	5,500,500	5,500,500	5,695,000	194,500
Excess (Deficit) of Revenues Over (Under) Expenditures and Other Sources (Uses)	641,338	638,938	5,326,366	\$ 4,687,428
Fund Balance, beginning of year	766,398	766,398	766,398	
Fund Balance, end of year	\$ 1,407,736	\$ 1,405,336	\$ 6,092,764	

CITY OF SEDALIA, MISSOURI
COMBINING STATEMENT OF FIDUCIARY NET POSITION
YEAR ENDED MARCH 31, 2018

COMBINING FINANCIAL STATEMENTS

Fiduciary Funds

	Pension Trust		Agency Fund		Total
	Firemen's Pension	Police Pension	Deferred Compensation		
ASSETS					
Cash	\$ 15,733	\$ 29,191	\$ -	\$	44,924
Receivables:					
Accrued interest and dividends	21,133	2,225	-		23,358
Investments, at fair value	7,507,842	3,513,678	2,680,363		13,701,883
Due from General Fund	4,584	-	-		4,584
Total Assets	7,549,292	3,545,094	2,680,363		13,774,749
Net Position	\$ 7,549,292	\$ 3,545,094	\$ 2,680,363	\$	13,774,749

CITY OF SEDALIA, MISSOURI
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED MARCH 31, 2018

COMPLIANCE AND INTERNAL CONTROL

	Pension Trust Fund		Agency Fund		Total
	Firemen's	Police	Deferred Compensation		
ADDITIONS					
Contributions					
Taxes	\$ 138,675	\$ 256,851	\$ -	\$ -	\$ 395,526
Employer/employee	309,046	286,425	234,682		830,153
Miscellaneous	1,567	3,757	-		5,324
Total contributions	449,288	547,033	234,682		1,231,003
Investment earnings					
Investment income	200,579	58,962	273,495		533,036
Net appreciation in fair value of investments	355,211	320,880	-		676,091
Total investment loss	555,790	379,842	273,495		1,209,127
Investment expenses	(50,690)	(25,460)	-		(76,150)
Net gain/(loss) from investing activities	505,100	354,382	273,495		1,132,977
Total Additions	954,388	901,415	508,177		2,363,980
DEDUCTIONS					
Benefits	625,207	588,656	184,860		1,398,723
Disability insurance	34,704	-	-		34,704
Administrative expense	30,147	23,956	17,893		71,996
Pension refunds	-	626	-		626
Total Deductions	690,058	613,238	202,753		1,506,049
Net decrease	264,330	288,177	305,424		857,931
Net position - restricted for pension benefits					
Beginning of year	7,284,962	3,256,917	2,374,939		12,916,818
End of year	\$ 7,549,292	\$ 3,545,094	\$ 2,680,363	\$	\$ 13,774,749

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members
of the City Council
City of Sedalia, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sedalia, Missouri (the "City"), as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements that we considered to be relevant to the audit. In performing these tests, we did not consider whether the City's actions and policies complied with all applicable laws, regulations, contracts, and grant agreements, or whether the City's financial statements were not materially affected by noncompliance with those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002.


City of Sedalia, Missouri's Response to Findings

City of Sedalia, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Sedalia, Missouri's response was reviewed by the City's management and approved by the City Council. Accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

August 13, 2018


Gerding, Korte & Chilwood, P.C.
Certified Public Accountants
Boonville, Missouri

CITY OF SEDALIA, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
MARCH 31, 2018

Budgeting

2018-1

Criteria: Section 67.010 of the Missouri Revised Statutes states that in no event shall the total proposed expenditures from any fund exceed the estimated revenues to be received plus any unencumbered balance plus any balance estimated for the beginning of the budget year.

Condition:

Budgeted expenditures in the midtown special allocation fund and capital projects fund exceeded budgeted revenues plus the estimated cash balance at the beginning of the fiscal year.

Context:

During our audit, we reviewed the midtown special allocation fund and capital projects fund budgets and noted a deficit fund balance was budgeted in each fund.

Effect:

Expenditures were made from the midtown special allocation fund and capital projects fund during the fiscal year without being done in compliance with the political subdivision budgetary requirements.

Cause:

Deficit midtown special allocation fund and capital projects fund beginning cash balances and budgeted revenues for the fiscal year were less than budgeted expenditures.

Recommendation:

We recommend the City prepare their annual budgets for each fund taking into consideration the beginning of the year bank balances. If transfers are required to cause the City to be in compliance with budgetary statutes, we recommend the transfers be done such that they are not in violation of state statutes or local policies.

CITY OF SEDALIA, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
MARCH 31, 2018

View of
Responsible
Officials & Planned
Corrective Action:

The ending fund balance for each fund was originally budgeted as a positive fund balance through the City's budgeting process in accordance with its policies and state statutes. However during the year certain events occurred causing the underlying financial plan to change. These changes in plans were appropriately reviewed with the City Council as its governing body and approval of the changes were duly adopted by Ordinance.

In the case of the Midtown Special Allocation Fund, Council made the conscious decision to advance from the General Fund sufficient funds to complete a project rather than waiting on available revenues. The original budget included obtaining financing for this project as well as others to accelerate completion and provide the basis for increased economic activity in the area. Since the adoption of the original budget, Council made the decision not to finance all of the projects but to use an advance from the General Fund of the City to allow one part to go forward. Therefore the budget change was a reduction in revenues rather than an increase in expenditures. Staff reported the advance from the general fund simply as a due to / due from account rather than a transfer of funds out of convenience for tracking. It was staff's intent to correct the reporting to reflect the true intent and actions of Council which were within the statute and City policy.

In the case of the Capital Projects Fund, changes and budget variances in grant supported projects affected both the previous fiscal year and the current fiscal year. These changes resulted in changes to the amount of local matching funds required. The original budget anticipated a Zero fund balance to begin the year, however budget variances in revenues last fiscal year resulted in a beginning fund deficit. Likewise late in the current fiscal year a budget amendment was adopted by Council increasing the appropriation, exceeding the revenues available. This fund is typically budgeted to a Zero fund balance to show clearly the grant revenues offsetting the expenditures and where the resulting match is coming from. Staff should have caught this and recommended an additional transfer of available funds from its capital improvement revenue streams. Staff will make a conscious effort to correct the problem in the future and as budget amendments are presented to Council include a recommendation for balancing the fund.

CITY OF SEDALIA, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
MARCH 31, 2018

2018-2	Fund Deficit
Criteria:	No funds should have a negative ending fund balance.
Condition:	The midtown special allocation fund and capital projects fund have a negative ending fund balances of \$67,736 and \$48,418, respectively.
Context:	During our audit we reviewed the midtown special allocation fund and capital projects fund financial statement and noted a negative fund balance existed.
Effect:	A negative fund balance exists in the midtown special allocation fund and capital projects fund.
Cause:	Current year revenues and transfers in plus the beginning fund balance are less than current year expenditures plus transfers out.
Recommendations:	We recommend the City ensure a deficit fund balance does not exist.
View of Responsible Officials & Planned Corrective Action:	In the case of the Midtown Special Allocation Fund, Council made the conscious decision to advance from the General Fund sufficient funds to complete a project rather than waiting on available revenues. Staff reported the advance from the general fund simply as a due to / due from account rather than a transfer of funds out of convenience for tracking. It was staff's intent to correct the reporting to reflect the true actions of Council which were within the statute and City policy. In the case of the Capital Projects Fund, changes and budget variances in grant supported projects affected both the previous fiscal year and the current fiscal year. These changes resulted in changes to the amount of local matching funds required. This fund is typically budgeted to a Zero fund balance to show clearly the grant revenues offsetting the expenditures and where the resulting match is coming from. Staff should have caught this and recommended an additional transfer of available funds from its capital improvement revenue streams. Staff will watch budget variances and changes more closely and as budget amendments are presented to Council include a recommendation for rebalancing the fund.

DEFINITIONS OF WORDS AND TERMS AND SUMMARY OF THE DOCUMENTS

In addition to words and terms defined elsewhere in this Official Statement, the following are definitions of certain words and terms used in the Indenture, the Lease and this Official Statement unless the context clearly otherwise requires. Reference is hereby made to the Indenture and the Lease for complete definitions of all terms.

“Additional Certificates” means any additional parity certificates of participation delivered pursuant to the Indenture.

“Additional Payments” means the additional payments described in the Lease.

“Authorized City Representative” means the Mayor, City Administrator or Finance Director of the City, or such other person at the time designated to act on behalf of the City.

“Business Day” means any day other than (a) a Saturday or Sunday or legal holiday or a day on which banks located in the city in which the corporate trust office of the Trustee is required or authorized by law to remain closed or (b) a day on which the Securities Depository is closed.

“Certificate Payment Date” means any date on which any amount representing the Principal Component or the Interest Component with respect to any Certificate is payable.

“Certificate Register” means the books maintained by the Trustee for the registration, transfer and exchange of Certificates as described in the Indenture.

“Certificate Registrar” means the Trustee when acting in that capacity, or its successor as Certificate Registrar.

“Certificates” means the Series 2019 Certificates delivered under the Indenture and any Additional Certificates delivered pursuant to the Indenture.

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

“Completion Certificate” means the certificate provided by the City to the Trustee pursuant to the Indenture evidencing completion of the Project and acceptance of the Project by the City.

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

“Construction Contracts” means all architect’s and general contractor’s contracts and all prime subcontractor’s contracts and purchase orders for any equipment that have been or will be entered into by the City and that will incorporate the Plans and Specifications related to the Project.

“Construction Period” means the period from the beginning of construction of the Project to the Completion Date.

“Contractor” means any contractor for the Project selected by the City, and its successors and assigns.

“Defaulted Interest” means interest on any Certificate that is payable but not paid on the date due.

“Defeasance Obligations” means any of the following obligations:

- (a) Cash.
- (b) U.S. Treasury Certificates, Notes and Bonds.
- (c) Direct obligations of the Treasury which have been stripped by the Treasury itself.
- (d) The interest component of Resolution Funding Corporation (REFCORP) strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form.
- (e) Pre-refunded municipal bonds, pre-refunded with cash, direct U.S. or U.S. Government Obligations.

“Escrow Agent” means BOKF, N.A., as escrow agent under the Escrow Agreement.

“Escrow Agreement” means the Escrow Trust Agreement between the City and the Escrow Agent relating to the refunding of the Refunded Certificates.

“Escrow Fund” means the Escrow Fund established for the Refunded Certificates pursuant to the Escrow Agreement.

“Event of Default” means (a) with respect to the Indenture, any Event of Default as described in the Indenture, and (b) with respect to the Lease, any Event of Default as described in the Lease.

“Event of Nonappropriation” means a nonrenewal of the Lease by the City determined by the failure of the City to appropriate and budget, or the election of the City not to so appropriate and budget, on or before the date required by the laws of the State during the Initial Term or any Renewal Term, moneys sufficient to pay the Rental Payments and reasonably expected Additional Payments due and payable during the next Renewal Term.

“Fiscal Year” means the fiscal year of the City, currently the twelve-month period beginning on April 1 and ending on March 31.

“Full Insurable Value” means the actual replacement cost of the Project Site less physical depreciation and exclusive of land, excavations, footings, foundations, parking lots and other parts of the Project Site that are not insurable.

“Initial Term” means the initial term of the Lease, which begins on the effective date of the Lease and ends on the last day of the Fiscal Year in which such effective date occurs.

“Interest Component” means the portion of each Rental Payment that represents the payment of interest as set forth in the Lease.

“Lease Term” means the period from the effective date of the Lease until the expiration thereof which includes the Initial Term and any Renewal Term or Terms as provided in the Lease.

“Mandatory Prepayment Date” means any mandatory prepayment date established pursuant to the Indenture.

“Maximum Lease Term” means the Initial Term and all Renewal Terms through the Renewal Term ending March 31, 2036 as provided in the Lease Agreement (unless otherwise provided in a Supplemental Lease).

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns.

“Net Proceeds” means the gross proceeds from any insurance or condemnation award with respect to the Project Site, less the payment of all expenses (including attorneys’ fees and expenses, Trustee’s fees, costs, charges and expenses, including any extraordinary expenses of the Trustee) incurred in the collection of such gross proceeds.

“Opinion of Counsel” means a written opinion of counsel to the City or the Trustee.

“Option Purchase Price” means the price as specified in the Lease at which the City may elect to purchase from the Trustee the Trustee’s interest in the Project Site on the Optional Prepayment Date prior to the scheduled payment of all sums to be paid for the Trustee’s interest in the Project Site.

“Optional Prepayment Date” means any date on which Certificates may be prepaid pursuant to the Indenture and the Certificates.

“Optional Purchase Date” means any date during the Lease Term as specified in the Lease upon which the City, pursuant to the Lease, may elect to purchase the Project Site for the then applicable Option Purchase Price.

“Outstanding” means, as of the date of determination, all Certificates theretofore executed and delivered pursuant to the Indenture except (i) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation, (ii) Certificates for the transfer or exchange of or in lieu of or in substitution for which other Certificates have been executed and delivered by the Trustee pursuant to the Indenture, (iii) Certificates deemed paid or whose payment or prepayment has been provided for in accordance with the prepayment provisions of the Indenture (iv) Certificates alleged to have been mutilated, destroyed, lost or stolen which have been paid as provided in the Indenture and (v) for purposes of any consent or other action to be taken by the Certificate Registered Owners of a specified percentage of Certificates under the Indenture or the Lease, Certificates held by or for the account of the City or any person controlling, controlled by or under common control of the City.

“Owner” or “Registered Owner” means the Certificate Registered owner of a Certificate as shown on the Certificate Register.

“Paying Agent” means the Trustee and any other bank or trust company designated pursuant to the Indenture as paying agent for any series of Certificates and at which the principal, premium, if any, and interest on any such Certificates shall be payable.

“Permitted Encumbrances” means, as of any particular time (a) liens for ad valorem taxes and special assessments not then delinquent or if delinquent are being contested in accordance with the Lease, (b) the Indenture, (c) the Lease, (d) the Base Lease, (e) any and all Uniform Commercial Code Financing Statements executed to perfect any security interest created in connection with the delivery of the Certificates, (f) utility, access and other easements and rights-of-way, street dedications, mineral rights, restrictions, exceptions and encumbrances that the City certifies in writing will not materially interfere with or impair the operations being conducted on the Project Site or easements granted to the Trustee, (g) such minor defects, irregularities, encumbrances, easements, mechanic’s liens, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Project Site and as do not in the aggregate materially impair the property affected thereby for the purpose for which it was acquired or is held by the Trustee or the City, and (h) items affecting the Project Site that are agreed to in writing by the Trustee (in reliance upon the written direction of the Registered Owners of not less than a majority in aggregate Principal Components of the Certificates Outstanding) and the City.

“Permitted Investments” means any of the securities and obligations described in the Indenture, if and to the extent the same are at the time legal for investment of the City’s moneys held in the Funds referred to in the Indenture.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

“Plans and Specifications” means the plans and specifications prepared for and showing the Project, as amended by the City from time to time prior to the Completion Date, the same being duly certified by the Authorized City Representative, which plans and specifications are on file at the principal office of the City and shall be available for reasonable inspection by the Trustee and its duly appointed representatives.

“Prime Rate” means that rate of interest which has most recently been established by the Trustee or its principal banking affiliate, as its prime rate, such Prime Rate to be adjusted on the effective date of any change thereof as announced from time to time by the Trustee or its principal banking affiliate.

“Principal Component” means the portion of each Rental Payment that represents the payment of principal as set forth in the Lease.

“Project” means the acquisition, construction, improvement, furnishing and equipping of the improvements as described in the Indenture paid for in whole or in part from the proceeds of Certificates, and all replacements thereof and substitutions therefor made pursuant to the Lease, and all additions, alterations, modifications and improvements thereof made pursuant to the Lease, including, upon the delivery of Additional Certificates, Project Additions financed with Additional Certificates.

“Project Additions” means all additions, improvements, extensions, alterations, expansions or modifications of the Project or any part thereof financed with the proceeds of Additional Certificates delivered pursuant to the Indenture.

“Project Costs” means all costs of acquisition, construction, improvement, furnishing and equipping of the Project.

“Project Site” means the real estate described in the Indenture and any existing buildings and fixtures located thereon, and any additional buildings and fixtures located thereon.

“Record Date” the 1st day (whether or not a Business Day) of the calendar month in which each Certificate Payment Date occurs.

“Refunded Certificates” means the outstanding principal amount of the Series 2010B Certificates.

“Renewal Term” means the optional renewal terms of the Lease, each being a duration of one year and a term co-extensive with the City’s Fiscal Year.

“Rental Payment Date” means during the Lease Term, any day on or prior to each Certificate Payment Date, and any other date on which any Rental Payments are payable pursuant to the Lease.

“Rental Payments” means the payments described in the Lease.

“S&P” means S&P Global Ratings, its successors and assigns.

“Series 2010B Certificates” means the City’s Taxable Certificates of Participation (Build America Bonds), Series 2010B.

“Special Counsel” means Gilmore & Bell, P.C. or any other attorney or firm of attorneys (which is mutually acceptable to the City and the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“Special Record Date” means the date fixed by the Trustee pursuant to the Indenture for the payment of Defaulted Interest.

“Supplemental Indenture” means any indenture supplemental or amendatory to the Indenture executed by the Trustee and the City pursuant to the Indenture.

“Supplemental Lease” means any agreement supplemental or amendatory to the Lease entered into by the City and the Trustee pursuant to the Indenture.

“Tax Compliance Agreement” means the Tax Compliance Agreement between the City and the Trustee, entered into in connection with the delivery of each series of Certificates for which the interest component of Rental Payments paid by the City and distributed to the registered owners of the Certificates is excluded from gross income for federal income tax purposes, as from time to time amended in accordance with the provisions thereof.

“Trust Estate” means the Trust Estate described in the Granting Clauses of the Indenture.

“United States Government Obligations” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, and such obligations are held in a custodial or trust account for the benefit of the City.

SUMMARY OF THE INDENTURE

The following is a summary of certain provisions contained in the Indenture. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Indenture for a complete recital of the terms thereof.

Trust Estate

The City and the Trustee, transfers in trust, pledges and assigns to the Trustee the property described below (said property being in the Indenture called the “Trust Estate”) as security for the payment of the Certificates:

- (a) all right, title and interest of the City and the Trustee in, to and under the Base Lease and the Lease, including all Rental Payments and other payments, revenues and receipts derived by the Trustee under and pursuant to and subject to the provisions of the Lease (except for the rights of the Trustee to receive money for its own account and to indemnity under the Lease and any amounts required under Section 148(f) of the Code to be paid to the United States); and
- (b) all money, property and securities from time to time held by the Trustee under the terms of the Indenture.

Authorization of Additional Certificates

Additional Certificates may be delivered under and be equally and ratably secured by the Indenture on a parity with the Series 2019 Certificates and any other Additional Certificates Outstanding, at any time and from time to time while no Event of Default or Event of Nonappropriation has occurred and is continuing under the Indenture, upon compliance with the conditions provided in the Indenture, for any lawful purpose for the benefit of the City. The principal amount of any Additional Certificates may include an amount sufficient to pay the costs and expenses of delivery, funding of a reserve account, if required, and such capitalized amounts as are permitted by law.

Additional Certificates may be delivered without the consent of the Registered Owners of the Certificates for any purpose set forth above that the City may deem necessary. Except as to any difference in date, maturity, interest rate or prepayment provisions, such Additional Certificates shall be on a parity with and shall be entitled to the same benefit and security of the Indenture as the Series 2019 Certificates and any other Additional Certificates Outstanding after the delivery of such Additional Certificates. If such Additional Certificates are to be secured by a reserve fund, such fund shall be fully funded to any reserve requirement set at the time of delivery of such Additional Certificates.

Establishment of Funds

There are established with the Trustee the following funds:

- (a) Project Fund; and
- (b) Certificate Fund.

All funds identified above shall be held by the Trustee in trust and for the benefit of the Certificate Owners. The money in all of the funds shall be applied as provided in the Indenture. Separate subaccounts shall be established for each series of Certificates and as otherwise required by the Indenture.

In addition, the Escrow Agreement establishes the Escrow Fund to be held and administered by the Escrow Agent in accordance with the provisions of the Escrow Agreement.

Deposits to the Project Fund

The following moneys shall be paid over to and deposited by the Trustee in the applicable subaccount of the Project Fund, as and when received:

- (a) The proceeds from the sale of the Series 2019 Certificates, to the extent required by the Indenture;
- (b) The proceeds from the sale of Additional Certificates (except Additional Certificates delivered to refund Outstanding Certificates), to the extent provided in the Supplemental Indenture authorizing such Additional Certificates;
- (c) The Net Proceeds of casualty insurance, title insurance or condemnation awards required to be deposited into the Project Fund pursuant to the Lease;
- (d) All payment and performance and labor and material bond payments and any and all payments from any contractors or other suppliers by way of breach of contract, refunds or adjustments required to be deposited into the Project Fund pursuant to the Lease; and
- (e) Except as otherwise provided In the Indenture or in the Lease, any other moneys received by or to be paid to the Trustee from any other source for the acquisition, construction, improvement, furnishing and equipping of the Project, to the extent directed in writing by the Authorized City Representative to be deposited into the Project Fund.

Disbursements from the Project Fund

So long as no Event of Default or Event of Nonappropriation has occurred and is continuing, the money in the Project Fund shall be disbursed by the Trustee for the payment of remaining Project Costs upon receipt of requisition certificates in substantially the form attached to the Lease and signed by an Authorized City Representative. All disbursements of Project Fund moneys shall, at the option of the City, be made either directly to the appropriate payees or to the City for reimbursement of Project Costs. The Trustee covenants and agrees to disburse such money in accordance with the provisions of the Indenture. In making disbursements for Project Costs, the Trustee may conclusively rely as to the completeness and accuracy of all statements in such requisition

certificate without inquiry or investigation if such requisition certificate is signed by the Authorized City Representative. The Trustee shall not make any inspections of the Project nor any improvements thereon, make any provision to obtain completion certificates, mechanic's or materialmen's lien releases or otherwise supervise any phase of the acquisition, construction, improvement, furnishing or equipping of the Project. The receipt of a requisition signed by the Authorized City Representative shall constitute unto the Trustee an irrevocable determination that all conditions precedent to the payment of the specified amounts from the Project Fund have been completed.

Disposition Upon Completion of the Project

The completion of the Project and payment of all costs and expenses incidental thereto shall be evidenced by the filing with the Trustee by the Authorized City Representative of the Completion Certificate required by the Lease. As soon thereafter as practicable, any balance remaining in the Project Fund (other than amounts retained by the Trustee as specified in said certificate) shall without further authorization be deposited in the applicable subaccount of the Certificate Fund and applied by the Trustee as directed in writing by the City solely (i) to pay amounts representing Principal Component or premium, if any, with respect to the Certificates upon the payment or prepayment thereof at the earliest date permissible under the terms of the Indenture, or (ii) at the option of the City, to purchase Certificates at such earlier date or dates as the City may elect. The balance remaining in the Project Fund and transferred to the Certificate Fund shall be invested in accordance with the written direction of the City. Any investment direction of the City shall be in compliance with the Tax Compliance Agreement. Any earnings on such investments may be applied to pay amounts representing Principal Components, premium, if any, or Interest Components with respect to the Certificates. Any Certificates purchased by the Trustee with moneys from the Certificate Fund will be deemed canceled. From time to time as the proper disposition of the amounts retained by the Trustee and specified in said certificate shall be determined, to the extent that such amounts are not paid out by the Trustee pursuant to the Indenture, the City shall so notify the Trustee by one or more certificates as aforesaid and amounts from time to time no longer to be so retained by the Trustee shall be so deposited in the applicable subaccount of the Certificate Fund and applied by the Trustee as aforesaid.

The Trustee shall keep and maintain adequate records pertaining to the Project Fund (and the subaccounts therein), earnings thereon and all disbursements therefrom, and after the Project has been completed and a certificate of payment of all costs filed as provided in the Indenture, the Trustee shall file with the City a final statement of receipts and disbursements with respect thereto.

Disposition upon Acceleration

If any of the Certificates shall have become due and payable pursuant to the Indenture, upon the date of payment by the Trustee of any money due as provided in the Indenture, any balance remaining in the Project Fund shall without further authorization be deposited in the applicable subaccount of the Certificate Fund by the Trustee with written notice to the City of such action.

Deposits to the Certificate Fund

The Trustee shall deposit into the applicable subaccount of the Certificate Fund, as and when received, the following moneys:

- (a) All Rental Payments payable by the City to the Trustee specified in the Lease;
- (b) Any amount remaining in the Project Fund to be transferred to the Certificate Fund pursuant to the Indenture upon completion of the Project and any amount remaining in the Project Fund to be transferred to the Certificate Fund pursuant to the Indenture upon acceleration of the maturity of any of the Certificates;
- (c) The balance of any Net Proceeds of insurance or condemnation awards received by the Trustee pursuant to the Lease;

- (d) All interest and other income derived from investments of moneys required to be transferred to the Certificate Fund as provided in the Indenture; and
- (e) All other moneys received by the Trustee when accompanied by directions from the person depositing such moneys that such moneys are to be paid into the Certificate Fund.

Application of Moneys in the Certificate Fund

Except as provided in the Indenture, moneys in the Certificate Fund shall be expended solely for (1) the payment of the Principal Component, premium, if any, and Interest Component of the Rental Payments represented by the Certificates as the same mature and become due or upon the prepayment thereof, or (2) to purchase Certificates for cancellation prior to maturity.

Payments Due on Days Other than Business Days

In any case where any amount representing Principal Component, premium, if any, or Interest Component with respect to any Certificate is payable on a day other than a Business Day, then such amounts with respect to the Certificates need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made when due, and no interest shall accrue for the period after such date.

Nonpresentment of Certificates

In the event that any Certificate is not presented for payment when the Principal Component and premium, if any, with respect thereto becomes due, whether at maturity, upon prepayment or otherwise, or at the date fixed for prepayment thereof, if funds sufficient to pay such Certificate shall have been made available to the Trustee, all liability of the City to the Registered Owner thereof for the payment of such Certificate shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds, without liability for Interest Components with respect thereto, for the benefit of such Registered Owner of such Certificate, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Indenture with respect to such Certificate. If any Certificate is not presented for payment within one year following the date when such Certificate becomes due, whether by maturity, upon prepayment or otherwise, the Trustee upon the request of the City shall repay to the City without liability for interest thereon the funds theretofore held by the Trustee for payment of such Certificate, and such Certificate shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the City, and the Registered Owner thereof shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid, and the City shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Investment of Moneys in Various Funds

Money in the Funds held by the Trustee under the Indenture shall, pursuant to the City's direction given by the Authorized City Representative, confirmed in writing, and subject to the Tax Compliance Agreement, be separately invested and reinvested by the Trustee in Permitted Investments which mature or are subject to prepayment by the holder prior to the date when such money will be needed or, if such written directions are not received, then the Trustee shall invest such money in certain money market mutual funds described in the Indenture.

The Trustee shall sell and reduce to cash a sufficient amount of Permitted Investments held by the Trustee in any Fund under the Indenture whenever the cash balance in such Fund is insufficient for the purpose of the Fund. All Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the Fund in which such moneys are originally held. The interest accruing thereon and any profit realized from such Permitted Investments shall be credited to such Fund, and any loss resulting from such Permitted Investments shall be charged to such Fund.

Duties, Immunities and Liabilities of Trustee

The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts as a prudent person, but only upon and subject to the express terms and conditions contained in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee. The Trustee shall, prior to an Event of Default or Event of Nonappropriation, and after the curing of all Events of Default that may have occurred, perform only such duties as are specifically set forth in the Indenture. The permissive right or power to take any action shall not be construed as a duty to take action under any circumstances, and the Trustee shall not be liable except in the event of its negligence or willful misconduct. The Trustee shall, during the existence of any Event of Default or Event of Nonappropriation, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

Resignation and Removal of Trustee

The Trustee and any successor Trustee may at any time resign from the trusts created under the Indenture by giving 30 days' written notice to the City and the Registered Owners whose names and addresses are on file with the Trustee, and such resignation shall take effect upon the earlier of (i) the end of such 30 days or (ii) the appointment of a successor Trustee by the City or by the Owners of at least a majority in aggregate stated Principal Components represented by the Certificates then Outstanding; provided, however, that in no event shall the resignation of a Trustee or successor Trustee become effective until such time as a successor Trustee has been appointed and has accepted the appointment. If at any time the Trustee shall cease to be eligible to act as trustee in accordance with the provisions of the Indenture, the Trustee shall immediately resign in the manner provided in the Indenture. In the event that the City or the Registered Owners of at least a majority in aggregate Principal Components represented by the Certificates then Outstanding fail to appoint a successor Trustee within 30 days after notice of resignation has been given by the Trustee, the Trustee shall have the right to petition a court to appoint a successor Trustee.

The Trustee may be removed at any time for any breach of trust or by an instrument or concurrent instruments in writing delivered (a) to the Trustee and the City and signed by the Registered Owners of not less than a majority in aggregate Principal Components represented by the Certificates then Outstanding, or (b) to the Trustee and the Registered Owners and signed by the City (so long as no Event of Default or Event of Nonappropriation shall have occurred and being continuing). In no event shall the removal of a Trustee or successor Trustee become effective until such time as a successor Trustee has been appointed and has accepted such appointment. In the event that the City or the Registered Owners of at least a majority in aggregate Principal Components represented by the Certificates then Outstanding fail to appoint a successor Trustee within 30 days after said instrument or concurrent instruments removing the Trustee are delivered to the Trustee, the Trustee shall have the right to petition a court to appoint a successor Trustee.

Appointment of Successor Trustee

In case the Trustee shall resign or be removed, or shall otherwise become incapable of acting, or in case it shall be taken under the control of any public officer or officers or of a receiver appointed by a court, a successor Trustee may be appointed by the Registered Owners of a majority in aggregate principal amount of Certificates then Outstanding by an instrument or concurrent instruments in writing; provided, nevertheless, that in case of such vacancy and so long as no Event of Default or Event of Nonappropriation shall have occurred and be continuing, the City may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Registered Owners or the City; and any such temporary Trustee so appointed by the City shall immediately and without further act be superseded by the successor Trustee so appointed by such Registered Owners. Every such Trustee appointed shall warrant at the time of accepting such trust and exercising the powers of the Trustee under the Indenture that (i) it is a trust company or bank in good standing located in or incorporated under the laws of one of the states of the United States of America, (ii) it is duly authorized to exercise trust powers and is qualified to accept such trust, (iii) it is subject to examination by a federal or state authority, and (iv) it shall maintain a reported capital and surplus of not less than \$75,000,000. If such institution publishes reports of conditions at least annually pursuant to law or regulation, then the capital and surplus of

such institution shall be deemed to be its capital and surplus as set forth in its most recent report of condition so published.

Supplemental Indentures Not Requiring Consent of Registered Owners

The City and the Trustee may from time to time, subject to the provisions of the Indenture, without the consent of or notice to any of the Registered Owners, enter into a Supplemental Indenture or Supplemental Indentures not inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in the Indenture or make any other change which in the judgment of the Trustee is not prejudicial to the Trustee or materially adverse to the security of the Registered Owners (provided the Trustee is entitled to receive and rely upon an opinion of counsel in exercising such judgment);
- (b) To grant to or confer upon the Trustee for the benefit of the Registered Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Registered Owners or the Trustee or either of them;
- (c) To more precisely identify the Project or the Project Site or the Trust Estate or to add property thereto;
- (d) To subject to the Indenture additional revenues, properties or collateral;
- (e) To comply with the arbitrage rebate requirements of Section 148(f) of the Code; and
- (f) To deliver Additional Certificates as provided in the Indenture.

Supplemental Indentures Requiring Consent of Registered Owners

Exclusive of Supplemental Indentures not requiring consent of Registered Owners and subject to the terms and provisions contained in the Indenture, with the prior written consent of the Registered Owners of not less than a majority in aggregate Principal Components represented by the Certificates then Outstanding, the City and the Trustee shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to execute such other Supplemental Indenture or Supplemental Indentures as shall be deemed necessary and desirable by the City for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing shall permit or be construed as permitting without the consent of the Registered Owners of 100% in aggregate Principal Components represented by the Certificates then Outstanding (1) an extension of the maturity or mandatory prepayment date of any installment representing Principal or Interest Components with respect to any Certificate delivered under the Indenture, (2) a reduction in the Principal Component represented by any Certificate or the rate of interest with respect thereto, (3) a privilege or priority of any Certificate or Certificates over any other Certificate or Certificates, (4) a reduction in the aggregate Principal Components represented by the Certificates, (5) a change to the optional, extraordinary optional or special mandatory prepayment provisions in the Indenture, or (6) a change to this section.

If at any time the City requests the Trustee to enter into any such Supplemental Indenture, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to each Registered Owner as shown on the Certificate Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection. If within 60 days or such longer period as may be prescribed by the City following the mailing of such notice, the requisite percentage of Registered Owners shall have consented to and approved the execution thereof as therein provided, no Registered Owner of any Certificate shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the City from executing the same or from taking any action pursuant to the provisions thereof.

Amendments to the Base Lease or the Lease Not Requiring Consent of Registered Owners

The City and the Trustee shall, without the consent of or notice to any of the Registered Owners, enter into any amendment, change or modification of the Base Lease or the Lease as may be required (a) by the provisions of the Base Lease, the Lease or the Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission in the Base Lease, the Lease or in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or materially adverse to the security for the Registered Owners (provided the Trustee is entitled to receive and rely upon an opinion of counsel in exercising such judgment), (c) so as to more precisely identify the Project or the Project Site or add property thereto, or (d) in connection with the delivery of Additional Certificates under the Indenture.

Amendments to the Base Lease or the Lease Requiring Consent of Registered Owners

Except for the amendments, changes or modifications permitted under the Indenture without the consent of the Registered Owners, neither the City nor the Trustee shall execute any other amendment, change or modification of the Base Lease or the Lease without the giving of notice and the obtaining of the written approval or consent of the Registered Owners of not less than a majority in aggregate Principal Components represented by the Certificates at the time Outstanding.

Defaults

The occurrence of any of the following events, subject to the provisions of the Indenture, is defined as an “Event of Default”:

- (a) Default in the due and punctual payment of any Interest Component of Rental Payments represented by a Certificate; or
- (b) Default in the due and punctual payment of any amount representing Principal Components or premium, if any, with respect to any Certificate, whether at maturity, upon prepayment or otherwise; or
- (c) Any Event of Lease Default; or
- (d) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the City in the Indenture or in the Certificates contained (other than a default described in (a) or (b) above) or in any other document or instrument that secures or otherwise relates to the obligations thereby secured, and the continuance thereof for a period of 30 days after written notice thereof shall have been given to the City by the Trustee, or to the Trustee (which notice of default the Trustee shall be required to accept) and the City by the Registered Owners of not less than 25% in aggregate principal amount of Certificates then Outstanding; provided, however, if any default shall be such that it cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the City within such period and diligently pursued until the default is corrected, so long as said default is corrected within 60 days after written notice thereof was first given as provided in the Indenture unless the Trustee otherwise consents.

Acceleration

If an Event of Default or an Event of Nonappropriation shall have occurred and be continuing, (1) the Trustee may, and (2) the Trustee shall, at the written direction of the Registered Owners of not less than 25% in aggregate principal amount of Certificates then Outstanding, by notice in writing delivered to the City, declare the Rental Payments and Additional Payments payable during the current Renewal Term immediately due and payable, and such Rental Payments and Additional Payments shall thereupon become and be immediately due and payable, anything in the Indenture or in the Certificates to the contrary notwithstanding.

If, at any time after such declaration, but before the Certificates shall have matured by their terms, all overdue installments representing Principal and Interest Components with respect to the Certificates, together with the reasonable and proper costs, charges, fees and expenses of the Trustee, and all other sums then payable by the City under the Indenture either has been paid or provision satisfactory to the Trustee for such payment has been made, then and in every such case the Trustee shall, upon the written request of the Registered Owners of not less than a majority in aggregate Principal Components of the Certificates Outstanding, rescind such declaration and annul such default in its entirety. In such event, the Trustee shall rescind any declaration of acceleration of installments of Rental Payments made pursuant to the Lease.

In case of any rescission, then and in every such case the City, the Trustee and the Registered Owners shall be restored to their former position and rights under the Indenture respectively, but no such rescission shall extend to any subsequent or other default or Event of Default or Event of Nonappropriation or impair any right consequent thereon.

Surrender of Possession of Project Site; Rights and Duties of Trustee in Possession

If an Event of Default or an Event of Nonappropriation shall have occurred and be continuing, the City, upon written demand of the Trustee, shall surrender the possession of, and it shall be lawful for the Trustee to take possession of the Project Site, together with the books, records and accounts of the City pertaining thereto, and the Trustee may exercise all rights under the Lease and/or the Base Lease, and to hold, operate and manage the Project Site, and the right from time to time to make all needful repairs and improvements as shall be deemed wise by the Trustee; and the Trustee may lease the Project Site or any part thereof, and collect, receive and sequester the payments, revenues and receipts therefrom, and out of the same and any moneys received from any receiver of any part thereof pay, and set up proper reserves for the payment of all proper costs and expenses of so taking, holding and managing the same, including without limitation (i) reasonable compensation to the Trustee, its agents and counsel, (ii) any charges of the Trustee under the Indenture, (iii) any taxes and assessments and other charges prior to the lien of the Indenture or the leasehold interest granted by the Base Lease, which the Trustee may deem it wise to pay, and (iv) all expenses of such repairs and improvements, and the Trustee shall apply the remainder of the moneys so received in accordance with the provisions of the Indenture. Whenever all amounts with respect to the Principal Component, premium, if any, and Interest Component of the Rental Payments represented by the Certificates shall have been paid and all defaults made good, the Trustee shall surrender possession of the Project Site to the City, its successors or assigns, the same right of entry, however, to exist upon any subsequent Event of Default or Event of Nonappropriation. While in possession of such property, the Trustee shall render annually to the City a summarized statement of receipts and expenditures in connection therewith.

Appointment of Receivers

If an Event of Default or an Event of Nonappropriation shall have occurred and be continuing, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights and remedies of the Trustee and of the Registered Owners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate, or any part thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Exercise of Remedies by the Trustee

If an Event of Default or Event of Nonappropriation has occurred and is continuing, (1) the Trustee may, and (2) the Trustee shall, upon the written request of the Registered Owners of not less than 25% in aggregate principal amount of Certificates then Outstanding, and upon being indemnified as provided in the Indenture, pursue and exercise any available remedy at law or in equity by suit, action, mandamus or other proceeding or exercise such one or more of the rights and remedies conferred by the Indenture, the Lease and the Base Lease as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Registered Owners, to enforce the payment of the Principal Component, premium, if any, and Interest Component of the Rental Payments represented by the Certificates then Outstanding and to enforce and compel the performance of the duties and obligations of the City under the Lease.

Right of Registered Owners to Direct Proceedings

Anything in the Indenture to the contrary notwithstanding, the Certificate Registered Owners of not less than a majority in aggregate Principal Components with respect to the Certificates then Outstanding shall have the right at any time, upon an Event of Default or an Event of Nonappropriation, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of law and to the extent not inconsistent with the Indenture.

Limitation on Exercise of Remedies by Registered Owners

No Owner of any Certificates shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture for the execution of any trust thereof, for the appointment of a receiver or to enforce any other remedy under the Indenture, unless (a) an Event of Default or an Event of Nonappropriation has occurred; (b) the Owners of not less than 25% in aggregate principal amount of Certificates Outstanding have made written request to the Trustee and have offered the Trustee reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) such Certificate Owners have provided to the Trustee indemnification satisfactory to the Trustee; and (d) the Trustee thereafter fails or refuses to exercise the powers granted in the Indenture or to institute such action, suit or proceedings in its name. Such occurrence, request and indemnity are declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and the trusts of the Indenture and to any action or cause of action for the enforcement of the Indenture or for the appointment of a receiver or for any other right or remedy under the Indenture. No one or more Owners of the Certificates shall have any right in any manner whatsoever to affect, to disturb or to prejudice the lien of the Indenture by its, his, her or their action or to enforce any right or remedy under the Indenture except in the manner provided in the Indenture. All proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of the Owners of all Certificates then Outstanding. Nothing in the Indenture contained shall, however, affect or impair the right of any Certificate Owner to enforce the payment of the Principal Component of and the Interest Component of the Rental Payments represented by any Certificate delivered to the respective Registered Owners thereof at the time, place, from the source and in the manner provided in the Indenture and in the Certificates expressed.

Right of Registered Owners to Direct Proceedings

Anything in the Indenture to the contrary notwithstanding, the Registered Owners of not less than a majority in aggregate Principal Components with respect to the Certificates then Outstanding shall have the right at any time, upon an Event of Default or an Event of Nonappropriation to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings thereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and to the extent not inconsistent with the Indenture.

Application of Moneys

- (a) All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited into the Certificate Fund. All moneys in the funds held under the Indenture shall be applied as follows:

- (1) Unless any of the Principal Components with respect to any Certificates shall have become or shall have been declared due and payable, all such moneys shall be applied:

First - To the payment to the persons entitled thereto of all installments of amounts representing Interest Components then due and payable with respect to any Certificates, in the order in which such interest installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such Interest Component installment, to the persons entitled thereto, without any discrimination or privilege; and

Second - To the payment to the persons entitled thereto of the unpaid amounts representing Principal Components with respect to any of the Certificates which have become due and payable (other than Certificates called for prepayment for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full amounts representing Principal Components due with respect to Certificates on any particular date, then to the payment, ratably, according to the amount of Principal Components due on such date, to the persons entitled thereto without any discrimination or privilege.

- (2) If any of the Principal Component of the Rental Payments represented by the Outstanding Certificates has become due or been declared due and payable, all such moneys shall be applied to the payment of the amounts then due and unpaid with respect to such Certificates, without preference or priority of Principal Component over Interest Component or of Interest Component over Principal Component or of any installment of Interest Component over any other installment of Interest Component or of any Certificate over any other Certificate, ratably, according to the amounts due respectively for the Principal Component and Interest Component, to the persons entitled thereto, without any discrimination or privilege.
- (3) If the Principal Component of the Rental Payments represented by any of the Outstanding Certificates has been declared due and payable, and if such declaration thereafter has been rescinded and annulled under the provisions of the Indenture, then, subject to the provisions of subsection (a)(2) above in the event that the Principal Component with respect to any of the Outstanding Certificates later becomes due or is declared due and payable, the moneys shall be applied in accordance with the provisions of subsection (a)(1) above.

- (b) Whenever moneys are to be applied pursuant to the provisions of the Indenture, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available and which may become available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be a Certificate Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the Registered Owner of any unpaid Certificate until such Certificate shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Waivers of Event of Default or Event of Nonappropriation

Subject to the provisions of the Indenture, the Trustee may waive any Event of Default or any Event of Nonappropriation and its consequences and rescind any declaration of maturity of Rental Payments and Additional Payments, and shall do so upon the written request of the Owners of at least a majority in aggregate

principal amount of all Certificates then Outstanding. In case of any such waiver or rescission, or in case any proceedings taken by the Trustee under the Indenture on account of any such Event of Default or Event of Nonappropriation are discontinued or abandoned for any reason, or are determined adversely, then and in every such case the Trustee and the Registered Owners shall be restored to their former positions, rights and obligations, respectively, under the Indenture, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been undertaken.

Discharge of Indenture

When the Principal Components, premium, if any, and Interest Components with respect to all the Certificates shall have been paid in accordance with their terms or provision has been made for such payment, as provided in the Indenture, and provision has also been made for paying all other sums payable thereunder, including the fees, costs, charges and expenses of the Trustee and the Paying Agent to the date of retirement of the Certificates and all sums payable under the Lease, then the right, title and interest of the Trustee under the Indenture shall thereupon cease, determine and be void, and thereupon the Trustee shall cancel, discharge and release the Indenture and shall execute, acknowledge and deliver to the City such instruments of satisfaction and discharge or release as shall be requisite to evidence such release and the satisfaction and discharge of the Indenture, and shall assign and deliver to the City any property at the time subject to the Indenture which may then be in the Trustee's possession, except funds or securities in which such moneys are invested and held by the Trustee for the payment of the Principal Component, premium, if any, and Interest Component of the Rental Payments represented by the Certificates.

Certificates Deemed to be Paid

Certificates or any portion thereof shall be deemed to be paid within the meaning of the Indenture when payment of the Principal Component, premium, if any, and Interest Component of the Rental Payments represented by the Certificates being paid to the due date thereof (whether such due date is by reason of maturity or upon prepayment as provided in the Indenture, or otherwise), either (1) shall have been made or caused to be made in accordance with the terms of the Indenture, or (2) provision therefor shall have been made by depositing with the Trustee or other duly authorized escrow agent, in trust and irrevocably setting aside exclusively for such payment, (i) moneys sufficient to make such payment or (ii) Defeasance Obligations maturing as to principal and interest, without reinvestment, in such amount and at such times as will ensure the availability of sufficient moneys to make such payment. At such time as a Certificate shall be deemed to be paid under the Indenture, such Certificate shall no longer be secured by or be entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Defeasance Obligations.

SUMMARY OF THE LEASE

The following is a summary of certain provisions of the Lease. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Lease for a full recital of the provisions thereof.

Lease Term

The Lease shall become effective upon its delivery, and subject to earlier termination pursuant to the provisions of the Lease, shall have an Initial Term terminating on the last day of the City's current Fiscal Year. The Lease Term may be extended, solely at the option of the City, at the end of the Initial Term or any Renewal Term for an additional Renewal Term up to the Maximum Lease Term.

At the end of the Initial Term and at the end of each Renewal Term, the City shall be deemed to have exercised its option to continue the Lease for the next Renewal Term, unless the City delivers written notice to the Trustee no later than March 31 of each year stating the City's intention to not extend the Lease Term. The City's option to renew or not to renew the Lease shall be conclusively determined by whether or not the City Council of the City has, on or before the March 31 immediately preceding the end of the Initial Term or any Renewal Term then in effect, budgeted and appropriated, specifically with respect to the Lease, moneys

sufficient to pay all the Rental Payments and reasonably estimated Additional Payments for the ensuing Renewal Term. The City Administrator of the City (or any other officer at any time charged with the responsibility of preparing budget proposals) is directed under the Lease to include in the budget proposal submitted to the City Council, in any year in which the Lease shall be in effect, items for all payments required for the next ensuing Renewal Term under the Lease; it being the intention of the City Council that the decision to renew or not to renew the Lease shall be made solely by the City Council and not by any other official of the City. The City shall in any event, whether or not the Lease is to be renewed, furnish to the Trustee and the Purchaser copies of its annual budget promptly after the budget is adopted, but in any case, no later than 30 days later than the end of each Fiscal Year.

The City's option to renew or not to renew the Lease may not be exercised at any time during which an Event of Default has occurred and is then continuing under any of the terms of the Lease; provided, however, that if such Event of Default (money payments excepted) is of such nature that the same is curable but not within the period allowed for curing such Event of Default, then the right of the City to exercise the option granted under the Lease shall not be suspended if the City shall have promptly commenced within such period to comply with the provisions of the Lease which shall have been breached by it and if so long as the City shall, with diligence and continuity, proceed to cure such Event of Default.

The terms and conditions during any Renewal Term shall be the same as the terms and conditions during the Initial Term, except that the Rental Payments and the Option Purchase Price shall be as provided in the schedules set forth in the Lease, as such schedules may be revised as provided in the Indenture.

Termination of the Lease Term

The Lease Term will terminate, and all of the City's right, title and interest in and to the Lease (except to the extent of any conveyance pursuant to the Lease) and its obligations thereunder shall terminate without penalty upon the earliest to occur of any of the following events:

- (a) the expiration of the Initial Term or any Renewal Term and the nonrenewal of the Lease Term resulting from an Event of Nonappropriation (which is not thereafter waived by the Trustee as provided in the Lease);
- (b) the exercise by the City of the option to purchase the Project Site pursuant to the Lease;
- (c) an Event of Default and the Trustee's election to terminate the Lease as provided in the Lease;
- (d) the payment by the City of all Rental Payments and Additional Payments authorized or required to be paid under the Lease during the Maximum Lease Term; or
- (e) March 31, 2036 (unless otherwise provided in a Supplemental Lease).

Possession and Use of the Project Site and the Project

The City shall have sole and exclusive possession of the Project Site (subject to the Trustee's right of access pursuant to the Lease) and shall and may peaceably and quietly have, hold and enjoy the Project Site during the Lease Term. The Trustee will not take any action, except as expressly set forth in the Lease and the Indenture, to prevent the City from having quiet and peaceable possession and enjoyment of the Project Site during the Lease Term and will, at the request and expense of the City, cooperate with the City in order that the City may have quiet and peaceable possession and enjoyment of the Project Site and will defend the City's enjoyment and possession thereof against all parties. The Trustee has no claim to or interest in the Project, except to the extent of buildings and fixtures constructed on the Project Site.

Subject to the provisions of the Lease, the City shall have the right to use the Project Site for any lawful purpose allowed by law. The City shall comply in all material respects with all statutes, laws, ordinances, orders, judgments, decrees, regulations, directions and requirements of all federal, state, local and other governments or

governmental authorities (including without limitation all environmental laws), applicable to the Project Site and the other property of the City or to any adjoining public ways, as to the manner of use or the condition of the Project Site or of adjoining public ways. The City shall also comply with the mandatory requirements, rules and regulations of all insurers under the policies required to be carried pursuant to the Lease. The City shall pay all costs, expenses, claims, fines, penalties and damages that may in any manner arise out of, or be imposed as a result of, the failure of the City to comply with the provisions of the Lease. The City shall have the right, at its own cost and expense, to contest or review by legal or other appropriate procedures the validity or legality of any such governmental statute, law, ordinance, order, judgment, decree, regulation, direction or requirement, or any such requirement, rule or regulation of an insurer, and during such contest or review the City may refrain from complying therewith unless the Trustee shall notify the City that, in the opinion of Counsel, by noncompliance, the interest of the Trustee in the Project Site will be materially endangered or the Project Site or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly comply therewith or provide the Trustee with full security against any such loss or forfeiture, in form satisfactory to the Trustee.

Trustee's Right of Access to the Project Site

The Trustee and its duly authorized agents shall have the right at reasonable times during business hours, subject to the City's usual safety and security requirements, to examine and inspect the Project Site without interference or prejudice to the City's operations. The Trustee and its duly authorized agents shall have such rights of access to the Project Site (a) as may be reasonably necessary to effect the completion of the acquisition, construction, furnishing and equipping of the Project specified in the Lease, (b) maintaining and performing such work in and about the Project Site made necessary by reason of the City's default under any of the provisions of the Lease, and (c) exhibiting the Project Site to prospective purchasers, lessees or trustees subsequent to an Event of Default or Event of Nonappropriation.

Acquisition, Construction and Installation of the Project

The City will acquire, construct, improve, furnish and equip the Project in accordance with the Construction Contracts and the Plans and Specifications. The City may make minor changes in and to the Construction Contracts and the Plans and Specifications incorporated therein, but major changes may only be made with the approval of the Trustee. The City agrees under the Lease that it will use its best efforts to cause the acquisition, construction, improvement, furnishing and equipping of the Project to be completed as soon as practicable with all reasonable dispatch. The City shall ensure that the Project conforms to all applicable health, safety, environmental and building codes, regulations and standards.

If the Project Fund shall be insufficient to pay fully all Project Costs and to complete fully the Project free of liens or claims, the City shall pay, but only from legally available funds, the full amount of any such deficiency by making payments directly to the Construction Contractors and to the suppliers of materials and services as the same shall become due, and the City shall save the Trustee whole and harmless from any obligation to pay such deficiency.

The Completion Date shall be evidenced by delivery to the Trustee of the Completion Certificate signed by the Authorized City Representative stating (i) that the acquisition, construction, improvement, furnishing and equipping of the Project has been completed in accordance with the Plans and Specifications, (ii) that all Project Costs have been paid except costs and expenses the payment of which is not yet due or is being retained or contested in good faith by the City, and (iii) amounts to be retained by the Trustee with respect to item (ii) above.

Neither the Project Documents nor any change or amendment thereto shall (i) cause the Project to be used for any purpose prohibited thereby or by the Constitution and laws of the State; (ii) result in a material reduction in the value of the Project; or (iii) adversely affect the ability of the City to meet its obligations under the Lease.

Changes or Amendments to Project Documents

The City may make, authorize or permit such changes or amendments in the Project Documents as it may reasonably determine to be necessary or desirable; provided, however, that no such change or amendment shall be made to the Project Documents that would cause a material change in the cost, scope, nature, or function of the Project, unless the City files with the Trustee (1) a certificate of an Authorized City Representative to the effect that such change or amendment will not result in the Project being used for any purpose prohibited by the Lease or otherwise result in the City failing to comply with any provisions of the Lease, and (2) for those Certificates with Interest Components of the Rental Payments which are excludable from gross income for federal income tax purposes, an Opinion of Special Counsel to the effect that such change or amendment will not result in the Interest Component of the Rental Payments for such Certificates becoming includable in gross income for federal income tax purposes.

Title to Portions of the Project

Title to the personal property included in the Project and any and all additions and modifications to or replacements of any such portion of the Project shall be held in the name of the City.

Machinery and Equipment Purchased by City

The City may from time to time at its own expense install machinery, equipment and other tangible property at the Project Site. Any item of machinery, equipment or personal property located on the Project Site or otherwise shall be and remain the property of the City and shall not constitute part of the Project Site, and the Trustee shall have no interest, security interest or lien in or to such property; provided, however, that title to any such machinery, equipment and other tangible property which becomes permanently affixed to real property such that it is classified as a “fixture” under the Uniform Commercial Code as enacted by the laws of the State shall be, subject to the Lease, and shall be included under the terms of the Lease in the event that the Project Site would be damaged or impaired by the removal of such fixture.

Rental Payments

The City covenants and agrees to make Rental Payments, exclusively from legally available funds, in lawful money of the United States of America, to the Trustee at its corporate trust office or such other office as the Trustee shall designate during the Initial Term and each Renewal Term, in the amounts and on or before each Certificate Payment Date, in funds which will be immediately available to the Trustee in the applicable subaccount of the Certificate Fund on the due dates. Each Rental Payment shall be in consideration for the use of the Project Site by the City for the period from the effective date of the Lease or the immediately preceding Rental Payment Date. All Rental Payments shall be paid by the City directly to the Trustee and shall be deposited in accordance with the provisions of the Indenture into the applicable subaccount of the Certificate Fund. The amounts deposited in the Certificate Fund shall be used and applied by the Trustee in the manner and for the purposes set forth in the Indenture.

A portion of each Rental Payment is to be paid as, and represents the payment of, interest on an obligation of the City (the **“Interest Component”**). The Rental Payments and Option Purchase Price are to be recalculated by the Trustee and the City understands that the Rental Payment Schedule in the Lease shall be revised from time to time in the event of a partial prepayment of Certificates (other than any mandatory prepayments pursuant to the Indenture). The City agrees to pay the Rental Payments in accordance with the Rental Payment Schedule attached to the Lease as it may be revised from time to time by such amounts as are necessary to reflect the prepayment of the Principal Component represented by certain Certificates. Each Rental Payment shall be applied first as a payment of the Interest Component and then as a payment of the Principal Component and reduction of the Option Purchase Price.

If the City fails to make any portion of the Rental Payments which are due under the Lease, the City will immediately quit and vacate the Project Site, and the Rental Payments (except for Rental Payments which have been theretofore appropriated and then available for such purpose) shall thereupon cease, it being understood that neither the City nor any agency or political subdivision thereof is obligated to make any Rental

Payments which are due to the Trustee or the Option Purchase Price under the Lease except as provided in the Lease. Should the City fail to pay any portion of the required Rental Payments or Additional Payments and then fail to immediately quit and vacate the Project Site, the Trustee in accordance with the Indenture may immediately bring legal action to evict the City from the Project Site (and the City shall, to the extent permitted by law, pay as damages for its failure to quit and vacate the Project Site upon termination of the then current term of the Lease in violation of the terms of the Lease an amount equal to the Rental Payments and Additional Payments otherwise payable during such term prorated on a daily basis) and commence proceedings to exercise available rights and remedies under the Lease or the Base Lease. No judgment may be entered against the City for failure to make any Rental Payments, Additional Payments or the Option Purchase Price under the Lease, except to the extent that the City has theretofore incurred liability to make any such payments through its actual use and occupancy of the Project Site, or through its exercise of an option that renews the Lease for an additional Renewal Term for which moneys have been appropriated, or is otherwise obligated to make such payments pursuant to the Lease.

Additional Payments

The City shall pay as Additional Payments the following amounts:

- (a) All fees, charges and expenses reasonably incurred, including agent and counsel fees and expenses, of the Trustee and the Paying Agent incurred under the Indenture and the Lease, and in connection with the performance of the Trustee's obligations under the Lease, the Base Lease or the Indenture, as and when the same become due.
- (b) All costs incident to the payment of the Principal Component, premium, if any, and Interest Component represented by the Certificates as the same become due and payable, including all costs and expenses in connection with the call, prepayment and payment of Certificates.
- (c) All expenses incurred in connection with the enforcement of any rights under the Lease, the Base Lease or the Indenture by the Trustee or the Registered Owners.
- (d) All arbitrage rebate required to be paid to the United States, if any, as provided in the Indenture and the Tax Compliance Agreement.
- (e) All other payments of whatever nature which the City has agreed to pay or assume under the provisions of the Lease, the Indenture or the Base Lease.

If the City fails to pay any Additional Payments required by the Lease, the Trustee may (but shall be under no obligation to) pay such Additional Payments, which Additional Payments, together with interest thereon at the Prime Rate plus 2%, are to be reimbursed to the Trustee, by the City upon demand therefor, subject to the availability of sufficient legally available funds for such purpose.

Obligations Absolute and Unconditional

The City agrees that its obligation to pay the Rental Payments from legally available funds appropriated for such purpose shall be absolute and unconditional without notice or demand, and without abatement, deduction, set-off, counterclaim, recoupment, diminution or defense whatsoever, and notwithstanding any damage to, loss, theft or destruction of the Project Site or any part thereof, any failure of consideration, the taking by eminent domain of title to or of the right of temporary use of all or any part of the Project Site, legal curtailment of the City's use thereof, the eviction or constructive eviction of the City, any change in the tax or other laws of the United States of America, the State of Missouri or any political subdivision thereof, any change in the City's legal organization or status, or any default of the Trustee under the Lease, and regardless of the invalidity of any action of the Trustee, and regardless of the invalidity of any portion of the Lease. Notwithstanding any dispute between the City and the Trustee under the Lease, the City shall pay all Rental Payments and Additional Payments when due and shall not withhold payment of any Rental Payments and Additional Payments pending the final resolution of such dispute. Monies appropriated to pay all Rental Payments and Additional Payments are pledged to the payment of the Certificates.

Nothing in the Lease shall be construed to release the Trustee from the performance of any agreement on its part therein contained or as a waiver by the City of any rights or claims which the City may have against the Trustee under the Lease or otherwise, but any recovery upon such rights and claims shall be had from the Trustee separately, it being the intent of the Lease that the City shall (except as provided in the Lease) be unconditionally and absolutely obligated to perform fully all of its obligations, agreements and covenants under the Lease (including the obligation to make Rental Payments and to make Additional Payments) for the benefit of the Registered Owners of the Certificates. The City may, however, at its own cost and expense and in its own name or in the name of the Trustee, prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect its right of possession, occupancy and use of the Project Site, and in such event the Trustee agrees, so long as the City is not in default under the Lease, to cooperate fully with the City and to take all action necessary to effect the substitution of the City for the Trustee in any such action or proceeding if the City shall so request.

The Rental Payments and Additional Payments under the Lease shall constitute currently budgeted expenditures of the City, and shall not in any way be construed to be a general obligation or debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor shall anything constitute a pledge of the general credit, tax revenues, funds or moneys of the City, except as expressly provided in the Lease. The City's obligations to pay Rental Payments and Additional Payments under the Lease shall be for each Fiscal Year only, and shall not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the then current Fiscal Year, except to the extent of funds pledged to or encumbered for the payment of such obligations. No provision of the Lease shall be construed or interpreted as creating a liability or general obligation or other indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction. No provision of the Lease shall be construed or interpreted as creating a delegation of governmental powers nor as a donation by or a lending of the credit of the City within the meaning of the Constitution of the State.

Event of Nonappropriation

In the event that the City Council of the City shall not budget and appropriate, specifically with respect to the Lease, on or before the end of each Fiscal Year, moneys sufficient to pay all Rental Payments and the reasonably estimated Additional Payments coming due for the then current Renewal Term, an Event of Nonappropriation shall be deemed to have occurred. In the event that during the Initial Term or any Renewal Term, any Additional Payments shall become due which were not included in the City's current budget, or which exceeded the amounts which were included therefor in the City's current budget, then, in the event that moneys are not specifically budgeted and appropriated to pay such Additional Payments within 30 days subsequent to the date upon which such Additional Payments are due, an Event of Nonappropriation shall be deemed to have occurred.

If an Event of Nonappropriation occurs, the City shall not be obligated to make payment of the Rental Payments or Additional Payments or any other payments provided for in the Lease (other as explicitly set forth in the Lease) which accrue after the last day of the Initial Term or Renewal Term during which such Event of Nonappropriation shall occur.

Pledge and Security Interest

To secure the payment of all of City's obligations under the Lease, the City pledges all amounts appropriated on an annual basis to pay Rental Payments and Additional Payments.

Prepayment of Certificates

If the City is not in default in making Rental Payments or Additional Payments under the Lease, the Trustee, at the written direction of the City, at any time when the aggregate moneys in the funds held under the Indenture are sufficient for such purposes, shall (i) if the Outstanding Certificates are then subject to prepayment

under the provisions of the Indenture, take all steps that may be necessary under the applicable prepayment provisions of the Indenture to prepay all or such part of the Principal Component of Rental Payments represented by the then Outstanding Certificates, (ii) cause such moneys in the Certificate Fund or such part thereof as the City shall direct, to be applied by the Trustee for the purchase of Certificates in the open market, or (iii) a combination of (i) and (ii) as provided in such direction. Any prepayment of the Principal Component of the Rental Payments in accordance with the Lease shall be applied to reduce the Option Purchase Price and shall be credited as a payment of Rental Payments from such maturities as are selected by the City.

Maintenance, Repairs and Utilities; Taxes

The City covenants and agrees that throughout the Lease Term and at its own expense it will maintain, preserve and keep the Project Site and all parts thereof in good repair, working order and condition, and will from time to time make all repairs, replacements and improvements necessary to keep the Project Site and all parts thereof in safe condition and free from filth, nuisance or conditions unreasonably increasing the danger of fire or other casualty. The Trustee shall have no responsibility for any of these repairs, replacements or improvements.

The City shall contract in its own name and pay for all utilities and utility services used by the City in, on or about the Project Site, and the City, shall, at its sole cost and expense, procure any and all permits, licenses or authorizations necessary in connection therewith.

The Project Site will be used for a governmental or proprietary purpose of the City and, therefore, the Project Site will be exempt from all taxes presently assessed and levied with respect to real or personal property. In the event that the use, possession or acquisition of the Project Site is found to be subject to taxation in any form, the City will pay during the Lease Term, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project Site and any facilities, equipment or other property acquired by the City in substitution for, as a renewal or replacement of, or a modification, improvement or addition to the Project Site as well as all gas, water, steam, electricity, heat, power, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Project Site; provided that, with respect to any governmental charge that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are accrued during such time as the Lease is in effect.

The City shall have the right, in its own name or, with regard to the Project Site, in the Trustee's name, to contest the validity or amount of any tax, assessment or other governmental charge which the City is required to bear, pay and discharge pursuant to the terms of the Lease by appropriate legal proceedings instituted at least 10 days before the contested tax, assessment or other governmental charge becomes delinquent if and provided that the City (1) before instituting any such contest, gives the Trustee written notice of the City's intention to do so, (2) diligently prosecutes any such contest, (3) at all times effectively stays or prevents any official or judicial sale therefor, under execution or otherwise, (4) promptly pays any final judgment enforcing the tax, assessment or other governmental charge so contested, and (5) thereafter promptly procures record release or satisfaction thereof. The Trustee agrees to cooperate with the City in connection with any and all administrative or judicial proceedings related to any tax, assessment or other governmental charge. The City shall hold the Trustee whole and harmless from any costs and expenses the Trustee may incur in relation to any of the above.

Property and Casualty Insurance

The City shall, at its sole cost and expense, maintain or cause to be maintained at all times throughout the Lease Term, property and casualty insurance, or shall demonstrate pursuant to the Lease, that adequate self-insurance is provided, to keep the Project Site insofar as the same may be of an insurable nature constantly insured against loss or damage by fire, lightning and all other risks covered by the all risk extended coverage insurance endorsement then in use in the State in an amount equal to the Full Insurable Value of the Project Site (subject to reasonable loss deductible clauses not to exceed \$25,000); provided, however, that during the Construction Period, if the Contractor under the Construction Contracts maintains in full force and effect a policy or policies of Builder's Risk-Completed Value Form Insurance insuring the Project Site against fire, lightning and all other risks covered by the extended coverage endorsement then in use in the State to the Full Insurable

Value of the Project Site (subject to reasonable loss deductible clauses not to exceed \$25,000) then the City shall not be required to maintain insurance required by the Lease for such Construction Period with respect to the Project Site while the Project Site is so covered by such other insurance. The Full Insurable Value of the Project Site shall be determined once in every three Fiscal Years, commencing with the year ending March 31, 2023, by an architect, contractor, appraiser, appraisal company or one of the insurers, to be selected and paid by the City and a report of such determination shall be filed with the City and the Trustee within 180 days after the end of such third Fiscal Year. The insurance shall be maintained at the City's sole cost and expense. Such insurance may be maintained with the Missouri Intergovernmental Risk Management Association or other generally recognized responsible insurance entity or entities authorized to do business in the State as may be selected by the City. All such policies of insurance or certificates evidencing such coverage, and all renewals thereof, shall name the City and the Trustee as insureds and loss payees as their respective interests may appear, and shall contain a provision that such insurance may not be canceled by the issuer thereof without at least 30 days advance written notice to the City and the Trustee.

(b) The Net Proceeds of property and casualty insurance or self-insurance program of the City shall be applied as provided in the Lease.

Public Liability Insurance

The City shall, at its sole cost and expense, maintain or cause to be maintained at all times during the Lease Term general accident and public liability insurance (including but not limited to coverage for all losses whatsoever arising from the ownership, maintenance, operation or use of any automobile, truck or other motor vehicle), or shall demonstrate, pursuant to the Lease, that adequate self-insurance is provided, under which the City and the Trustee shall be named as insureds, properly protecting and indemnifying the City and the Trustee, in amounts equal to City's customary insurance practice for bodily injury (including death) but in no event less than the limitation on awards for liability in effect from time to time under Section 537.610, RSMo, and for property damage arising out of or in any way relating to the condition or the operation of the Project Site (subject to reasonable loss deductible clauses not to exceed \$25,000). Each insurance policy or certificates evidencing such coverage shall contain a provision to the effect that the insurance company may not cancel or materially modify the policy without first giving at least 30 days advance written notice to the City and the Trustee.

In the event of a public liability occurrence, the Net Proceeds of liability insurance carried pursuant to the Lease or self-insurance program of the City shall be applied toward the extinguishment or satisfaction of the liability with respect to which such proceeds have been paid.

Workers' Compensation Insurance

The City shall maintain or cause to be maintained workers' compensation insurance required by the laws of the State covering all of its employees, or shall demonstrate, pursuant to the Lease, that adequate self-insurance is provided, and shall require any other person or entity working for or on behalf of the City to carry such coverage.

Blanket Insurance, Self-Insurance and Modifications

The City may satisfy any of the insurance requirements set forth in the Lease by using blanket policies of insurance which cover not only the Project Site but other properties, provided that the City complies with each and all of the requirements and specifications of the Lease respecting insurance.

The City represents that it currently maintains insurance that meets the requirements set forth in the Lease. Without the consent of the Registered Owners, the City may, upon the recommendation of an insurance consultant that the City will be adequately insured, make modifications to the insurance coverage, including for the City to be self-insured, in whole or in part, for any such coverage, taking into account the cost and availability of insurance and the effect of the terms and rates of such insurance upon the City's costs and charges for its services.

In accordance with Section 427.120 of the Revised Statutes of Missouri, as amended, unless the City provides evidence of the insurance coverage required by the Lease, the Trustee may purchase insurance at the City's expense to protect the Trustee's interests under the Lease. The insurance may, but need not, protect the City's interests. The coverage that the Trustee may purchase may not pay any claim that the City may make or any claim that may be made against the City in connection with the Project Site. The City may later cancel any insurance purchased by the Trustee, but only after providing evidence that the City has obtained insurance as required by the Lease. If the Trustee purchases insurance for the Project Site, the City will be responsible for the costs of that insurance, including the insurance premium, interest and any other charges the Trustee may impose in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The City shall pay the costs of the insurance as an Additional Payment under the Lease. The costs of the insurance may be more than the cost of insurance the City may be able to obtain on its own.

Advances

In the event the City shall fail to maintain the full insurance coverage required by the Lease or shall fail to keep the Project Site in good repair and operating condition, the Trustee may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by Trustee shall become additional rent for the then current Initial Term or Renewal Term, which amounts, together with interest thereon at the rate of 10% per annum, the City agrees to pay as Additional Payments under the Lease.

Hazardous Materials

The City shall not cause or permit the Project Site or any other property of the City to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials (hereinafter defined), except in compliance with all applicable federal, state and local laws or regulations, nor shall the City cause or permit, as a result of any intentional or unintentional act or omission of the City or any tenant or subtenant, a release of Hazardous Materials onto the Project Site or any other property of the City, except in compliance with all applicable federal, state and local laws or regulations. The City shall comply with and ensure compliance by all tenants and subtenants with all applicable federal, state and local laws, ordinances, rules and regulations, wherever and by whomever triggered, and shall obtain and comply with, and ensure that all tenants and subtenants obtain and comply with, any and all approvals, registrations or permits required thereunder. The City shall (a) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal, and other actions necessary to clean up and remove all Hazardous Materials, on, from, or affecting the Project Site or any other property of the City (i) in accordance with all applicable federal, state and local laws, ordinances, rules, regulations, and policies and (ii) in accordance with the orders and directives of all federal, state and local governmental authorities, and (b) to the extent permitted by law and without waiving any rights of sovereign immunity, defend, indemnify, and hold harmless the Trustee from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of or in any way related to, (i) the presence, disposal, release, or threatened release of any Hazardous Materials which are on, from, or affecting the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise; (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, and/or (iii) any violation of laws, orders, regulations, requirements or demands of government authorities, which are based upon or in any way related to any such Hazardous Materials including, without limitation, attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses. In the event that the Trustee elects to control, operate, sell or otherwise claim property rights in the Project Site as a remedy under the Lease or in the event the Lease is terminated, the City shall deliver the Project Site free of any and all Hazardous Materials so that the conditions of the Project Site shall conform with all applicable federal, state and local laws, ordinances, rules or regulations affecting the Project Site. "Hazardous Materials" includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, and amended (42 U.S.C. Sections 9601, et. seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C Sections 1801 et. seq.), and in the regulations adopted and publications promulgated pursuant thereto, or any other federal, state or local environmental law, ordinance, rule, or regulation.

Additions, Modifications and Improvements to the Project Site and the Project

The City shall have and is given the right, at its sole cost and expense, to make such additions, modifications and improvements in and to any part of the Project Site or the Project as the City from time to time may deem necessary or desirable for its purposes; provided, however, the City shall not make any additions, modifications or improvements which will in any way damage the Project Site or substantially reduce the value of the Project Site. All additions, modifications and improvements made by the City shall (i) be made in a workmanlike manner and in strict compliance with all laws and ordinances applicable thereto, and (ii) when commenced, be prosecuted to completion with due diligence. Such additions, modifications and improvements that, when completed, are classified as “fixtures” under the Uniform Commercial Code as enacted under the laws of the State shall be deemed a part of the Project Site .

No addition, modification or improvement to the Project Site shall entitle the City to any reimbursement of any Rental Payments or Additional Payments from the Trustee or the Registered Owners, nor shall the City be entitled to any abatement or diminution in Rental Payments or Additional Payments under the Lease, except such diminution as results from prepayment of the Principal Component of Rental Payments represented by the Certificates pursuant to the Indenture.

Additional Improvements on the Project Site

The City shall have and is given the right, at its sole cost and expense, to construct on portions of the Project Site not theretofore occupied by buildings or improvements such additional buildings and improvements as the City from time to time may deem necessary or desirable for its business purposes. The City covenants and agrees (a) to make any repairs and restorations required to be made to the Project Site because of the construction of, addition to, alteration or removal of said additional buildings or improvements, (b) to keep and maintain said additional buildings and improvements in good condition and repair, ordinary wear and tear excepted, and (c) to promptly and with due diligence either raze and remove from the Project Site in a good workmanlike manner, or repair, replace or restore any of said additional buildings and improvements as may from time to time be damaged by fire or other casualty.

Liens

The City shall not do or suffer anything to be done whereby the Project Site, or any part thereof, may be encumbered by any mechanics’ or materialmen’s or other similar lien, other than Permitted Encumbrances. Whenever and as often as any mechanics’ or materialmen’s or other similar lien is filed against the Project Site, or any part thereof, purporting to be for or on account of any labor done or materials or services furnished in connection with any work in or about the Project Site, the City shall discharge the same of record within 60 days after the date of filing. The Trustee shall not be liable for any labor or materials furnished to the City or to anyone claiming by, through or under the City upon credit, and that no mechanics’ or materialmen’s or other similar lien for any such labor, services or materials shall attach to or affect the reversionary or other estate of the Trustee in and to the Project Site or any part thereof.

The City shall have the right to contest any such mechanics’ or materialmen’s or other similar lien if and provided that the City (i) within said 60-day period stated above notifies the Trustee in writing of the City’s intention to do so, (ii) diligently prosecutes such contest, (iii) at all times effectively stays or prevents any official or judicial sale of the Project Site, or any part thereof or interest therein, under execution or otherwise, (iv) promptly pays or otherwise satisfies any final judgment adjudging or enforcing such contested lien claim, and (v) thereafter promptly procures record release or satisfaction thereof. If the Trustee shall notify the City that, in the opinion of Counsel, by nonpayment of such items, the Trustee’s title or interest in the Project Site will be endangered, or the Project Site or any part thereof will be subject to loss or forfeiture, then the City shall promptly pay or cause to be satisfied and discharged all such unpaid items (provided, however, that such payment shall not constitute a waiver of the right to continue to contest such items). The City shall hold the Trustee whole and harmless from any loss, costs or expenses the Trustee may incur in relation to any such contest. The Trustee will cooperate fully with the City in any such contest.

Damage, Destruction and Condemnation

If during the Lease Term, the Project Site is damaged or destroyed, in whole or in part, by fire or other casualty, or in the event the Project Site is condemned or taken for any public or quasi-public use or title thereto is found to be deficient, to such extent that the claim for loss (including any deductible amount pertaining thereto) resulting from such damage, destruction, condemnation or deficient title is greater than \$100,000, the City shall promptly notify the Trustee in writing as to the nature and extent of such damage or loss and whether it is practicable and desirable to rebuild, repair, restore or replace such damage or loss.

If the City shall determine that such rebuilding, repairing, restoring or replacing is practicable and desirable, the City shall proceed promptly with and complete with reasonable dispatch such rebuilding, repairing, restoring or replacing of the Project Site so as to place said Project Site in substantially the same condition as existed prior to the event affecting the Project Site, with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the City and as will not impair the utility and condition of the Project Site. The City and the Trustee will cause the Net Proceeds to be applied to the prompt repair, restoration, modification or improvement of the Project Site. Any balance of the Net Proceeds remaining after such work has been completed shall be deposited into the applicable subaccount of the Certificate Fund. If the Net Proceeds exceeds \$100,000, such Net Proceeds shall be paid to the Trustee and shall be deposited into a separate account to be established in the applicable subaccount of the Project Fund and shall be used and applied in accordance with the disbursement requirements of the Indenture for the purpose of paying the cost of such rebuilding, repairing, restoring or replacing of the Project Site. Any amount remaining in the applicable subaccount of the Project Fund after completion of such rebuilding, repairing, restoring or replacing shall be deposited into the applicable subaccount of the Certificate Fund which completion shall be evidenced by a certificate signed by an Authorized City Representative and filed with the Trustee. If said Net Proceeds are not sufficient to pay in full the costs of such replacement, repair, rebuilding or restoration, the City shall nonetheless complete the work thereof and shall, any other terms of the Lease, pay that portion of the costs thereof in excess of the amount of said Net Proceeds.

If the City shall determine that rebuilding, repairing, restoring or replacing the Project Site is not practicable and desirable, then, in lieu of rebuilding, repairing, restoring or replacing the Project Site, the City shall promptly prepay the Certificates or purchase the Project Site by paying the Option Purchase Price to the Trustee and any Net Proceeds shall be applied to such payment. Any balance of the Net Proceeds remaining after paying the Option Purchase Price to the Trustee shall belong to the City. The City agrees that any acquisition of the Project Site or rights to their use by the City shall be pursuant to and in accordance with the Lease, including payment of Rental Payments and the applicable Option Purchase Price.

The City shall not, by reason of its inability to use all or any part of the Project Site during any period in which the Project Site is condemned, damaged or destroyed, or is being repaired, rebuilt, restored or replaced, or by reason of the payment of the costs of such rebuilding, repairing, restoring or replacing, be entitled to any reimbursement from the Trustee or the Registered Owners of the Certificates, or any abatement or diminution of the rentals payable by the City under the Lease or of any other obligations of the City under the Lease except as expressly provided in the Lease.

The City covenants and agrees, to the extent it may lawfully do so, that so long as any of the Certificates remain Outstanding and unpaid, the City will not exercise the power of condemnation with respect to the Project Site. The City further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fail or refuse to abide by such covenant and condemns the Project Site, the appraised value of the Project Site shall not be less than the greater of (i) if such Certificates are then subject to prepayment, the Principal and Interest Components of the Certificates Outstanding through the date of their prepayment, or (ii) if such Certificates are not then subject to prepayment, the amount necessary to defease such Certificates to the first available prepayment date in accordance with the Indenture.

Granting of Easements

If no Event of Default or Event of Nonappropriation under the Lease shall have happened and be continuing, the City may at any time or times (a) grant easements, licenses, rights-of-way (including the dedication of public streets and highways) and other rights or privileges in the nature of easements with respect to any property included in the Project Site, or (b) release existing easements, licenses, rights-of-way and other rights or privileges, all with or without consideration and upon such terms and conditions as provided in the Lease. The Trustee agrees that it will execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right-of-way or other right or privilege or any such agreement or other arrangement, upon receipt by the Trustee of: (1) a copy of the instrument of grant or release or of the agreement or other arrangement, (2) a written application signed by the Authorized City Representative requesting such instrument; and (3) a certificate executed by the Authorized City Representative stating that such grant or release is not detrimental to the proper conduct of the business of the City, will be a Permitted Encumbrance, will not impair the effective use or interfere with the efficient and economical operation of the Project Site, and will not materially adversely affect the security intended to be given by or under the Indenture, the Base Lease or the Lease. If the instrument of grant shall so provide, any such easement or right and the rights of such other parties thereunder shall be superior to the right of the Trustee under the Lease and the Indenture and shall not be affected by any termination of the Lease or by default on the part of the City under the Lease. If no Event of Default or Event of Nonappropriation shall have happened and be continuing, any payments or other consideration received by the City for any such grant or with respect to or under any such agreement or other arrangement shall be and remain the property of the City, but, in the event of the termination of the Lease subsequent to an Event of Default or an Event of Nonappropriation, all rights of the City then existing with respect to or under such grant shall inure to the benefit of and be exercisable by the Trustee.

Limitations on Assignment and Subleasing by City

The City may not assign its interest in the Lease for any reason. The City may, however, sublease the Project Site as a whole or in part, without the necessity of obtaining the consent of the Trustee, subject, however, to each of the following conditions:

(a) The Lease and the obligations of the City under the Lease, shall, at all times during the Initial Term and any Renewal Term, remain obligations of the City, and the City shall maintain its direct relationship with the Trustee, notwithstanding any sublease.

(b) Before entering into any sublease of the Project Site or any portion thereof, the City shall obtain and file with the Trustee an Opinion of Special Counsel to the effect that such sublease will not cause the Interest Component of the Rental Payments payable pursuant to the Certificates to be included in gross income for federal or Missouri income tax purposes.

(c) The City shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Trustee a true and complete copy of each such sublease.

The City may grant licenses or other agreements for not to exceed 200 days to use all or any of the Project Site in the normal course of business without the consent of the Trustee, subject to compliance with the terms of the Tax Compliance Agreement to maintain the exclusion from gross income of the Interest Component of the Rental Payments payable pursuant to the Certificates.

The City agrees that, except as set forth in the Lease or in other provisions of the Lease or the Indenture, it will not sell, convey, mortgage, encumber or otherwise dispose of any part of the Project Site during the Lease Term, nor otherwise create any encumbrance thereon other than Permitted Encumbrances. The City shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time. The City shall reimburse the Trustee for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Events of Default Defined

Any of the following shall be an “Event of Default” under the Lease:

- (a) Failure by the City to pay any Rental Payment required to be paid under the Lease at the time specified therein; or
- (b) Failure by the City to pay any Additional Payment or to observe or perform any other covenant, agreement, obligation or provision of the Lease on its part to be observed or performed, and such failure shall continue for 30 days after the Trustee has given the City written notice specifying such failure or such longer period (but not to exceed 60 days unless the Trustee shall otherwise consent) as shall be reasonably required to cure such default; provided that (1) the City has commenced such cure within said 30-day period, and (2) the City diligently prosecutes such cure to completion; or
- (c) Failure by the City to vacate the Project Site within 30 days after the occurrence of an Event of Nonappropriation; or
- (d) An Event of Default under the Indenture shall have occurred and be continuing.

Remedies on Event of Default or Event of Nonappropriation

If an Event of Default or an Event of Nonappropriation shall have occurred and be continuing, then the Trustee may at the Trustee’s election (subject, however, to any restrictions contained in the Indenture against acceleration of the maturity of the Certificates or termination of the Lease), then or at any time thereafter, and while such Event of Default or Event of Nonappropriation shall continue, take any one or more of the following actions:

- (a) With or without terminating the Lease take possession of the Project Site, in which event the City shall take all actions necessary to vest in the Trustee for the remainder of the Lease Term, all of the City’s interest in and to the Project Site, and sell the Trustee’s (or its assignee’s) interest in the Lease, or lease or sublease the Project Site and collect the rentals therefor, for all or any portion of the remainder of its leasehold term upon such terms and conditions as it may deem satisfactory in its sole discretion, with the City remaining liable, as set forth in the Lease, for the difference between (i) the Rental Payments and Additional Payments payable by the City under the Lease to the end of the current Lease Term and (ii) the net proceeds or any purchase price, rents or other amounts paid by the new purchaser, lessee or sublessee of such Project Site, and, provided further, that, in such event, if the Trustee shall receive a payment for sale of its interest or total subrentals for sublease that are, after payment of the Trustee’s expenses in connection therewith, in excess of the principal amount of Certificates then Outstanding and the interest due and to become due thereon and all other Additional Payments, then such excess shall be paid to the City either by the Trustee, its assigns, or its sublessee; or
- (b) By written notice to the City, declare all Rental Payments and Additional Payments payable under the Lease for the remainder of the Initial Term or then current Renewal Term to be immediately due and payable and the same shall thereupon become immediately due and payable; or
- (c) Give the City written notice of intention to terminate the Lease on a date specified in such notice, which date may be the earlier of 30 days after such notice is given or the end of the Initial Term or then current Renewal Term, and if all defaults have not then been cured, on the date so specified, the City’s rights to possession of the Project Site shall cease and the Lease shall thereupon be terminated, and the Trustee may re-enter and take possession of the Project Site; or

- (d) Exercise any of the rights of a secured party under the Uniform Commercial Code of Missouri, as then in effect, with respect to property which is covered by such Code, including without limitation, the right to take possession of any fixtures subject to the lien granted pursuant to the Lease and to take such other measures as the Trustee may deem as necessary for the care, protection, preservation and marketing of said fixtures. The Trustee may require the City to assemble any such fixtures and make the same available to the Trustee at a place to be designated by the Trustee which is reasonably convenient to the Trustee and the City; or
- (e) Take whatever action at law or in equity may appear necessary or desirable to collect the Rental Payments and Additional Payments then due and thereafter to become due during the Initial Term or then current Renewal Term and to enforce its rights under the Lease and the performance and observance of any obligation, agreement or covenant of the City under the Lease.

If in accordance with any of the foregoing provisions, the Trustee shall have the right to elect to re-enter and take possession of the Project Site, the Trustee may enter and expel the City and those claiming through or under the City and remove the property and effects of both or either without being guilty of any manner of trespass and without prejudice to any remedies for arrears of rent or for breach of covenant. The Trustee may take whatever action at law or in equity which may appear necessary or desirable to collect rent then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the City under the Lease.

Net Lease

The parties thereto agree (a) that the Lease shall be deemed and construed to be a “triple net lease,” (b) the City shall pay absolutely net during the Lease Term, the Rental Payments, Additional Payments and all other payments required under the Lease, free of any deductions, and without abatement, deduction or setoff (other than credits against Rental Payments expressly provided for in the Lease), (c) that the payments of Rental Payments are designed to provide the Trustee funds adequate in amount to pay all Principal Components, premium, if any, and Interest Components of the Rental Payments represented by the Certificates as the same become due and payable, and (d) that if after the Principal Components, premium, if any, and Interest Components of the Rental Payments represented by the Certificates and all costs incident to the payment of the Certificates have been paid in full the Trustee holds unexpended funds received in accordance with the terms of the Lease, such unexpended funds shall, after payment therefrom of all sums then due and owing by the City under the terms of the Lease, and except as otherwise provided therein and in the Indenture, become the absolute property of and be paid over forthwith to the City.

SUMMARY OF THE BASE LEASE

The following is a summary of certain provisions of the Base Lease. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Base Lease for a full recital of the provisions thereof.

Lease of Project Site

The City leases the Project Site to the Trustee, and the Trustee leases the Project Site from the City, subject to Permitted Encumbrances, on the terms and conditions set forth in the Base Lease. The lease of the Project Site only includes a leasehold interest in the underlying real property, buildings and fixtures located on Project Site and does not include any personal property or equipment located on the Project Site or elsewhere, whether or not financed with the Certificates.

Base Lease Term

The term of the Base Lease shall commence as of the date of the delivery and shall end on March 31, 2070, unless such term is sooner terminated as provided in the Base Lease.

Assignments, Subleases and Mortgage

The Trustee may not mortgage or otherwise assign its rights under the Base Lease or sublet the Project Site without the written consent of the City except (a) the sublease and lease of the Project Site pursuant to the Lease, (b) the assignment pursuant to the Indenture of its rights under the Base Lease and the Lease, (c) if the Lease is terminated for any reason and the Base Lease is not otherwise terminated as provided in the Base Lease, or (d) if an Event of Default or an Event of Nonappropriation under the Lease has occurred.

Except with respect to Permitted Encumbrances and as otherwise provided in the Base Lease, in the Lease or in the Indenture, neither the Trustee nor the City shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Project Site.

Rent and Other Considerations

As and for rental under the Base Lease and in consideration for the leasing of the Project Site to the Trustee under the Base Lease, the Trustee shall:

(a) Cause the Series 2019 Certificates and any Additional Certificates to be delivered to the purchasers thereof having such terms as set forth in the Indenture; and

(b) Cause the proceeds of the sale of the Series 2019 Certificates and any Additional Certificates to be deposited as provided in the Indenture.

Additional Certificates

The Trustee may deliver Additional Certificates for the purposes and upon the terms and conditions provided in the Indenture. If the City is not in default under the Base Lease, the Trustee agrees, on request of the City, from time to time, to use its best efforts to deliver the amount of Additional Certificates specified by the City (within the limits and under the conditions specified in the Base Lease and in the Indenture), provided that (a) the terms, purchase price and disposition of proceeds of the sale of such Additional Certificates have been approved in writing by the City; (b) the Trustee and the City shall have entered into an amendment to the Lease, if necessary, and the Base Lease, if necessary, to provide for the lease of any additional improvements and extensions to the property of the City and the payment by the City of Rental Payments necessary to pay the Principal Component, premium, if any, and Interest Component of the Rental Payments represented by the Additional Certificates; and (c) the City shall have otherwise complied with the provisions of the Indenture with respect to the issuance of such Additional Certificates.

Termination

The Base Lease shall terminate upon the completion of the Base Lease Term specified therein; provided, however, in the event (i) the City pays all Rental Payments and Additional Payments required by the Lease during the Maximum Lease Term, or exercises the option to purchase the remaining Base Lease term of the Trustee under the Base Lease and pays the then applicable Purchase Price as provided in the Lease, and (ii) the Indenture has been discharged in accordance with its terms, then the Base Lease shall be considered assigned to the City and terminated through merger of the leasehold interest with the fee interest if the City is the owner of the fee interest and elects to terminate the leasehold interest so acquired from the Trustee.

Default by the City

If an Event of Default or an Event of Nonappropriation under the Lease occurs for any reason, or if the City terminates the Lease and fails to purchase the Trustee's interest in the Project Site as provided in the Lease, the Trustee, or its assignee, shall have the right to possession of the Project Site for the remainder of the Base Lease term and shall have the right to sublease the same or sell its interest in the Base Lease upon whatever terms and conditions it deems prudent.

Default by the Trustee

Notwithstanding any default by the Trustee under the Base Lease, the City shall not have the right to exclude the Trustee from the Project Site or to take possession thereof (except pursuant to the Lease) or to terminate the Base Lease prior to the termination of the Base Lease term; except that if, upon exercise of the option to purchase the Trustee's interest in the Project Site under the Lease granted to the City in the Lease and after the payment of the purchase price specified therein and the other sums payable under the Lease, the Trustee fails to convey its interest therein to the City pursuant to said option, then the City shall have the right to terminate the Base Lease.

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BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2019 Certificates. The Series 2019 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Series 2019 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with, or in safekeeping for, DTC.

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

Purchases of Series 2019 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Certificates on DTC’s records. The ownership interest of each actual purchaser of each Series 2019 Certificate (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2019 Certificates, except in the event that use of the book-entry system for the Series 2019 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2019 Certificates deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2019 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Certificates; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2019 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2019 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019 Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Series 2019 Certificate

documents. For example, Beneficial Owners of the Series 2019 Certificates may wish to ascertain that the nominee holding the Series 2019 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2019 Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2019 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2019 Certificates will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2019 Certificates at any time by giving reasonable notice to City or its agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Underwriter believe to be reliable, but the City and the Underwriter take no responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participant, as the case may be.

REGISTRATION, AND TRANSFER OF SERIES 2019 CERTIFICATES

If the Book-Entry Only System is discontinued the following provisions would apply. The Series 2019 Certificates are transferable only upon the Register upon presentation and surrender of the Series 2019 Certificates, together with instructions for transfer. The Series 2019 Certificates may be exchanged for other Series 2019 Certificates of any denomination authorized by the Indenture in the same aggregate principal amount, series, payment date and interest rate, upon presentation to the Trustee, subject to the terms, conditions and limitations and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, exchange or transfer.