

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 29, 2019

NEW ISSUE - BOOK ENTRY ONLY

RATING: Moody's: "Aa3"  
S&P: "AA-"

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

**\$82,480,000\***  
**LITTLE BLUE VALLEY SEWER DISTRICT**  
**(JACKSON AND CASS COUNTIES, MISSOURI)**  
**SEWER SYSTEM REFUNDING REVENUE BONDS**  
**SERIES 2019**

**Dated: Date of Delivery**

**Due: September 1, as shown below**

The above referenced bonds (the "**Bonds**") will be issued by Little Blue Valley Sewer District (Jackson and Cass Counties, Missouri) (the "**District**") to provide funds (i) to advance refund the Refunded Bonds (defined below) and (ii) to pay costs of issuance of the Bonds. The Bonds will be secured by a pledge of Net Revenues derived by the District from the operation of the System as further described under "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.**"

The Bonds are issuable only as fully registered bonds 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 Bonds. Purchases of beneficial ownership interests in the Bonds will be made in book-entry-only form, in denominations of \$5,000 and integral multiples thereof. So long as Cede & Co is the registered owner of the Bonds, as nominee of DTC, purchasers of beneficial interests ("**Beneficial Owners**") will not receive certificates representing their interests in the Bonds, payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., and references herein to the Bondholders or owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. See "**THE BONDS – Book-Entry Only System.**" Principal of the Bonds is payable to the registered owners of the Bonds on each September 1 in the years shown on the inside cover page. Interest on the Bonds is payable semiannually on March 1 and September 1 of each year, beginning on March 1, 2020.

**THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM AND SECURED AS TO THE PAYMENT OF PRINCIPAL AND INTEREST BY A PLEDGE OF, NET REVENUES, AFTER PAYMENT OF THE COSTS OF OPERATION AND MAINTENANCE. THE BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE DISTRICT AND DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, LIMITATION OR RESTRICTION. THE DISTRICT HAS NO AUTHORITY TO LEVY ANY TAXES TO PAY THE BONDS. NEITHER THE MEMBERS OF THE BOARD OF TRUSTEES OF THE DISTRICT NOR ANY PERSON EXECUTING THE BONDS SHALL BE PERSONALLY LIABLE ON THE BONDS BY REASON OF THE ISSUANCE THEREOF.**

**The Bonds are secured on parity with the Parity Bonds (as defined herein) with respect to the payment of principal and interest from the Net Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."**

The Bonds are subject to optional redemption as described herein. See the section herein captioned "**THE BONDS – Optional Redemption.**"

**This cover page contains information for quick reference only. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.**

The Bonds are offered when, as and if issued by the District, subject to the approval of legality by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel. Certain legal matters will be passed upon for the District by Humphrey, Farrington & McClain, P.C., Independence, Missouri. Certain legal matters relating to this Official Statement will be passed upon for the District by Gilmore & Bell, P.C., Kansas City, Missouri, as Disclosure Counsel. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about September \_\_, 2019.

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

\* Preliminary, subject to change.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES,  
YIELDS AND CUSIP NUMBERS**

**\$82,480,000\***  
**LITTLE BLUE VALLEY SEWER DISTRICT**  
**SEWER SYSTEM REVENUE BONDS**  
**SERIES 2019**

Dated Date: Date of Issuance

**SERIAL BONDS**

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>Number<sup>1</sup></u>
2029	\$3,700,000	%	%		
2030	6,250,000				
2031	6,320,000				
2032	6,565,000				
2033	6,820,000				
2034	7,080,000				
2035	7,285,000				
2036	7,215,000				
2037	7,435,000				
2038	7,595,000				
2039	7,865,000				
2040	8,350,000				

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\* Preliminary, subject to change.

1. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein have been assigned to this issue by CUSIP Global Services. The CUSIP numbers listed above are being provided solely for the convenience of the Bondowners of the Bonds only at the time of the issuance of the Bonds and neither the District nor the Original Purchaser make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future.

**LITTLE BLUE VALLEY SEWER DISTRICT  
(JACKSON AND CASS COUNTIES, MISSOURI)**

**BOARD OF TRUSTEES**

Frank White, Chair & Trustee - Jackson County Executive  
Carson Ross, Vice-Chair & Trustee  
Michael Larson, Secretary & Trustee  
Eileen Weir, Treasurer & Trustee  
Bill Baird, Trustee  
Bob Huston, Trustee  
Kristofer Turnbow, Trustee  
Leonard Jones, Trustee  
Tony Miller, Trustee  
Mike McDonough, Trustee  
Quinton Lucas, Trustee

**ADMINISTRATIVE STAFF**

Jeff Shook, Executive Director  
Lisa O'Dell, Assistant Director  
Theresa Ryan, Director of Finance  
Kim Best, Administrative/HR Manager

**MAYORS ADVISORY BOARD**

Jeff Davis  
Carson Ross  
Leonard Jones  
Eileen Weir  
Sean Hennessy  
Tom Goddard  
Bill Baird  
Jeff Thorn  
Kristofer Turnbow  
Mike McDonough  
Michael Larson

Mayor of Belton  
Mayor of Blue Springs  
Mayor of City of Grandview  
Mayor of Independence  
Chief Financial Officer, Water Services Dept. - Kansas City, Missouri  
Mayor of Lake Tapawingo  
Mayor of Lee's Summit  
Representative for Middle Big Creek Subdistrict  
Mayor of Raymore  
Mayor of Raytown  
Mayor of Sugar Creek

**DISTRICT COUNSEL**

Humphrey, Farrington & McClain, P.C.  
Independence, Missouri

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Troutt, Beeman & Co., P.C.  
Harrisonville, Missouri

**DISTRICT MUNICIPAL ADVISOR**

Piper Jaffray & Co.  
Leawood, Kansas

**DISTRICT BOND COUNSEL**

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

## REGARDING USE OF THIS OFFICIAL STATEMENT

THE BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING. THE BONDS 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 OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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

No dealer, broker, sales man or other person has been authorized by the District or by any person to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information 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 the information herein is correct as of any time subsequent to its date.

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

The statements included or incorporated by reference in this Official Statement that are not purely historical, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future, constitute "forward-looking statements" within the meaning of the United State Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "anticipate," "budget," or other similar words. Such forward looking statements include, among others, certain statements under the section in this Official Statement captioned "**RISK FACTORS**" in 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. THE FORWARD-LOOKING STATEMENTS HEREIN ARE NECESSARILY BASED ON VARIOUS ASSUMPTIONS AND ESTIMATES AND ARE INHERENTLY SUBJECT TO VARIOUS ASSUMPTIONS AND ESTIMATES AND TO VARIOUS RISKS AND UNCERTAINTIES. 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, 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 DISTRICT ON THE DATE HEREOF, AND THE DISTRICT ASSUMES NO OBLIGATION TO UPDATE ANY SUCH FORWARD-LOOKING STATEMENTS IF OR WHEN THE 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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APPENDIX A – Audited Financial Statements for the Fiscal Year Ended September 30, 2018

APPENDIX B - Definitions and Summaries of Certain Provisions of the Bond Resolution

APPENDIX C - Form of Opinion of Bond Counsel

## OFFICIAL STATEMENT

**\$82,480,000\***  
**LITTLE BLUE VALLEY SEWER DISTRICT**  
**(JACKSON AND CASS COUNTIES, MISSOURI)**  
**SEWER SYSTEM REFUNDING REVENUE BONDS**  
**SERIES 2019**

### INTRODUCTION

*The following introductory information is not a summary of this Official Statement. It is only a brief description of and is qualified by and subject in all respects to more complete and detailed information contained elsewhere in, this Official Statement, including the cover page and appendices hereto and the documents described herein. The order and placement of materials in this Official Statement, including the Appendices hereto, are not to be deemed a determination of relevance, materiality or relative importance. This Official Statement, including the cover page and Appendices, should be considered in its entirety. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Bond Resolution, as defined below.*

#### **Purpose of the Official Statement**

The purpose of this Official Statement is to set forth certain information concerning Little Blue Valley Sewer District (Jackson and Cass Counties, Missouri) the “**District**”), a body corporate and politic organized and existing under the laws of the State of Missouri (the “**State**”), and the District’s Sewer System Refunding Revenue Bonds, Series 2019 (the “**Bonds**”), to be issued in the principal amount of \$82,480,000\*. See “**THE DISTRICT**” and “**THE BONDS**.”

#### **The District**

The District is a common sewer district and body corporate and politic, organized and existing under the Constitution and laws of the State, under the provisions of Sections 204.430 and 204.250 to 204.470 inclusive, RSMo., as amended (the “**Act**”). The District was organized to construct and operate a system of wastewater treatment facilities, interceptor sewers, and branch interceptor or trunk sewer connections in parts of Jackson and Cass Counties, Missouri. The District’s service area including its subdistrict, now encompasses approximately 388 square miles and serves approximately 45% of Jackson County and 16% of Cass County. The sewerage system, owned and operated by the District, including all appurtenances and facilities connected therewith or relating thereto, together with all extensions, improvements, additions and enlargements thereto constitute, the “**System**.” The System serves the District, its inhabitants and others by conveying, treating and disposing of sewage. A map of the District’s service area is included on the back cover hereof. See “**THE DISTRICT**” and “**FINANCIAL OPERATIONS OF THE DISTRICT**.”

#### **The Middle Big Creek Subdistrict**

Created in October 1992 through petition to the circuit court and expanded in 2008, the District’s Middle Big Creek Sewer Subdistrict provides wholesale wastewater treatment service to 9 public and private entities in Jackson and Cass Counties, Missouri, each entity having entered into a standard service agreement with the District. The Middle Big Creek Subdistrict is an unincorporated geographic area within the District. The revenues of the Middle Big Creek Subdistrict are not available for payment of the Bonds or the Parity Bonds (defined below). In addition to the financial data shown in the Financial Reports attached as **Appendix A**, the District accounts for, budgets and tracks Middle Big Creek Subdistrict financial data separately from that of the District. The Subdistrict is a customer of the District under a standard Service Agreement and is direct-billed for supplemental services provided to the Subdistrict by the District, including technical support, equipment, personnel and solids disposal. These financial arrangements are in place to eliminate cross-subsidies and equitably allocate costs-of-service to customers. See the sections “Required Supplementary Information” in the Financial Reports attached as **Appendix A**.

#### **Purpose of and Authority for the Bonds**

The Bonds are being issued pursuant to and in full compliance with the Act, Article VI, Section 28 of the Constitution and Section 108.140(2) RSMo., as amended (the “**Refunding Bond Law**”) and a Resolution No. 3544 adopted by the Board of Trustees of the District on August 21, 2019 (the “**Bond Resolution**”).

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\* Preliminary, subject to change.

The Bonds are being issued for the purpose of providing the District with funds (i) to advance refund the Refunded Bonds and (ii) to pay costs of issuance of the Bonds. The proceeds of the Bonds will be used in part to advance refund the 2035 and 2040 maturities of the District's Taxable Sewer System Revenue Bonds (Build America Bonds – Direct Pay), Series 2010 Bonds (the “**Refunded Bonds**”). See “**THE REFUNDED BONDS.**”

A description of the Bonds is contained in this Official Statement under the caption “**THE BONDS.**” All references to the Bonds are qualified in their entirety by the definitive form thereof and the provisions with respect thereto in the Bond Resolution. See **Appendix B – “DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE BOND RESOLUTION”** for the definitions of all capitalized words used herein and not otherwise defined herein.

### **Security and Sources of Payment for the Bonds**

The Bonds are revenue bonds secured by and payable solely from a pledge of the net revenues of the District (not including net revenues generated by the Middle Big Creek Subdistrict) derived from the operation of the sewerage system after payment of costs of operation and maintenance (the “**Net Revenues**”) on a parity with three prior series of Bonds issued by the District: (i) \$88,915,000 original principal amount of its Sewer System Improvement and Refunding Revenue Bonds (State Revolving Fund Program), Series 2003A (the “**Series 2003A Bonds**”), outstanding in the aggregate principal amount of \$42,390,000, (ii) \$118,350,000 original principal amount of its Taxable Sewer System Revenue Bonds (Build America Bonds – Direct Pay), Series 2010 (the “**Series 2010 Bonds**”), which following the advance refunding of certain maturities by the Bonds, will be outstanding in the aggregate principal amount of \$35,020,000 and (iii) \$19,710,000 original principal amount of its Sewer System Revenue Bonds (Jackson and Cass Counties, Missouri), Series 2016 (the “**Series 2016 Bonds**”), outstanding at the time of issuance of the Bonds in the aggregate principal amount of \$17,535,000. The Series 2003A Bonds, Series 2010 Bonds and the Series 2016 Bonds together are herein referred to as the “**Parity Bonds**”.

In 2011, the District issued the Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program – Middle Big Creek Sewer Subdistrict Project), Series 2011A (the “**Series 2011A Bonds**”) on behalf of the Middle Big Creek Subdistrict, with a maximum available amount of \$37,850,000. In October of 2017 the final draw was made resulting in the total amount drawn on the Series 2011A Bonds equaling \$36,880,711. As of September 1, 2019, the Series 2011A Bonds are outstanding in an aggregate principal amount of \$29,535,600. The Series 2011A Bonds are only secured by the net revenues of the Middle Big Creek Subdistrict. The Parity Bonds and the Series 2019 Bonds are therefore secured by separate, distinct sources of net revenues from the Series 2011A Bonds. See “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.**”

The Bonds and the interest thereon are special, limited obligations of the District payable solely from the Net Revenues, on a parity with the Parity Bonds. The Bonds do not constitute a general obligation of the District and do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provision, limitation or restriction. The District has no authority to levy any taxes to pay the Bonds. Neither the members of the Board of Trustees of the District nor any person executing the Bonds shall be personally liable on the Bonds by reason of the issuance thereof.

### **Additional Bonds**

The Bond Resolution authorizes the District to issue additional parity bonds in the future payable from the same source and secured by the same revenues as the Bonds; provided, however, that such additional bonds may be so issued only in accordance with and subject to the covenants, conditions and restrictions relating thereto set forth in the Bond Resolution. In order to issue Additional Bonds that will be on parity with the Parity Bonds, in addition to other requirements and permitted adjustments, the District must show that either (a) the average annual Net Revenues Available for Debt Service plus Accumulated Revenues for the two most recent audited fiscal years immediately preceding the issuance of Additional Bonds was at least 110% of the average annual Debt Service Requirements in any succeeding fiscal year on account of both principal (at maturity or upon mandatory redemption) and interest becoming due on all System Revenue Bonds, including the Additional Bonds proposed to be issued; or (b) the average annual Net Revenues Available for Debt Service plus Accumulated Revenues, for the two fiscal years immediately following the fiscal year in which the Additional Bonds financed improvements to the System are to be in commercial operation, shall be equal to at least 110% of the average annual Debt Service Requirements in any succeeding fiscal year following such commercial operation on account of both principal (at maturity or upon mandatory redemption) and interest becoming due with respect to all System Revenue Bonds, including the Additional Bonds proposed to be issued. See “**DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE BOND RESOLUTION – Parity Lien Bonds**” in **Appendix B** for a discussion of the requirements that must be satisfied under the Bond Resolution prior to the issuance of Additional Bonds thereunder.



## Continuing Disclosure Information

At the time of issuance of the Bonds, the District will enter into a Continuing Disclosure Undertaking dated as of September 1, 2019 (the “**Continuing Disclosure Undertaking**”). Pursuant to the Continuing Disclosure Undertaking, the District will covenant to provide certain financial and operating information with respect to the District on an on-going basis and notice of certain events in accordance with Rule 15c2-12 promulgated by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (“**Rule 15c2-12**”). See “**DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE BOND RESOLUTION**” in **Appendix B** hereto.

## Additional Information

**Appendix A** to this Official Statement contains the Independent Auditor’s Report and Financial Statements of the District for the fiscal year ended September 30, 2018. The Financial Statements in **Appendix A** include “Supplementary Schedules” that shows the separation of District and Middle Big Creek Subdistrict financial information. **Appendix B** to this Official Statement includes definitions of certain capitalized terms used in this Official Statement and summaries of certain provisions of the Bond Resolution. **Appendix C** to this Official Statement contains the proposed form of the opinion which is anticipated to be rendered by Bond Counsel at the time of delivery of the Bonds.

Brief descriptions of the Bonds, the Bond Resolution, and the District are included in this Official Statement. Such descriptions, information and summaries provided herein do not purport to be comprehensive or definitive. All references herein to any documents are qualified by the terms of such documents in their entirety, copies of which may be obtained from the District’s financial advisor, Piper Jaffray & Co. (the “Financial Advisor”), 11635 Rosewood Street, Leawood, Kansas, 66211, Attention: Todd Goffoy.

## THE BONDS

### General

The Bonds shall be issued in fully registered form in the denomination of \$5,000 each or integral multiples thereof and shall be dated the date of delivery thereof. Each Bond shall be numbered in a convenient manner, established by the Paying Agent (initially, UMB Bank, N.A., Kansas City, Missouri) and shown on the Bond Register. The Bonds shall bear interest at the rate per annum set forth on the cover hereof, computed on the basis of a 360-day year consisting of twelve 30-day months, payable each March 1 and September 1 of each year, commencing March 1, 2020. Principal shall be paid on September 1 and in the principal amounts and on the maturity dates as set forth on the inside cover hereof, unless earlier called for redemption.

So long as any of the Bonds are in book-entry form, the principal, redemption premium, if any, and interest on such Bonds are payable by check or draft mailed, or wire transfer, to Cede & Co. as Registered Owner thereof and will be redistributed by DTC and the Participants as described below under “**Book-Entry Only System.**”

### Optional Redemption

**Optional Redemption of the Bonds.** At the option of the District, the Bonds may be called for redemption and payment prior to their Stated Maturity on and after September 1, 2027,\* in whole or in part at any time in such amounts for each Stated Maturity as shall be determined by the District at a Redemption Price equal to 100% of the principal amount of the Bonds, plus accrued interest thereon to the Redemption Date.

**Selection of Bonds to be Redeemed.** The Paying Agent shall call the Bonds for redemption and payment and shall give notice of such redemption as herein provided upon receipt by the Paying Agent at least 45 days prior to the Redemption Date of written instructions of the District specifying the principal amount, Stated Maturities, Redemption Date and Redemption Prices of the Bonds to be called for redemption. If the Bonds are refunded more than 90 days in advance of such Redemption Date, any escrow agreement entered into by the District in connection with such refunding shall provide that such written instructions to the Paying Agent shall be given by or on behalf of the District not less than 45 days prior to the Redemption Date. The Paying Agent may in its discretion waive such notice period so long as the notice requirements set forth in the Bond Resolution are met.

The Bonds shall be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. When less than all of the Outstanding Bonds are to be redeemed, such Bonds shall be redeemed from Stated Maturities selected by the District, and Bonds of

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\* Preliminary, subject to change.

less than a full Stated Maturity shall be selected by the Paying Agent in \$5,000 units of principal amount by lot or by such other equitable manner as the Paying Agent may determine.

In the case of a partial redemption of the Bonds when the Bonds of denominations greater than \$5,000 are then Outstanding, then for all purposes in connection with such redemption each \$5,000 of face value shall be treated as though it were a separate Bond of the denomination of \$5,000. If it is determined that one or more, but not all, of the \$5,000 units of face value represented by any Bond are selected for redemption, then upon notice of intention to redeem such \$5,000 unit or units, the Registered Owner of such Bond or the Registered Owner's duly authorized agent shall present and surrender such Bond to the Paying Agent (1) for payment of the Redemption Price and any accrued interest to the Redemption Date of such \$5,000 unit or units of face value called for redemption, and (2) for exchange, without charge to the Registered Owner thereof, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Bond. If the Registered Owner of any such Bond fails to present such Bond to the Paying Agent for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the redemption date to the extent of the \$5,000 unit or units of face value called for redemption (and to that extent only).

**Notice of Redemption.** Unless waived by any Registered Owner of Bonds to be redeemed, official notice of any redemption shall be given by the Paying Agent on behalf of the District by mailing a copy of an official redemption notice by first class mail not less than 30 days prior to the Redemption Date to the Original Purchaser of the Bonds and each Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register.

All official notices of redemption shall be dated and shall contain the following information: (a) the Redemption Date; (b) the Redemption Price; (c) if less than all Outstanding Bonds of a maturity are to be redeemed, the identification (such identification to include interest rates, maturities, CUSIP numbers and such additional information as the Paying Agent may reasonably determine) of the Bonds to be redeemed; (d) a statement that on the Redemption Date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after the Redemption Date; and (e) the place where such Bonds are to be surrendered for payment of the Redemption Price, which shall be the payment office of the Paying Agent.

The failure of any Registered Owner to receive notice given as provided in the Bond Resolution or any defect therein shall not invalidate any redemption.

For so long as the Securities Depository is effecting book-entry transfers of the Bonds, the Paying Agent shall provide the notices specified in this Section to the Securities Depository. It is expected that the Securities Depository shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the beneficial owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a beneficial owner of a Bond (having been mailed notice from the Paying Agent, the Securities Depository, a Participant or otherwise) to notify the beneficial owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

### **Effect of Notice of Redemption**

Official notice of redemption having been given in the manner and under the conditions provided in the Bond Resolution and moneys for payment of the redemption price being held by the Paying Agent as provided in the Bond Resolution, the Bonds or portions of the Bonds called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date, and from and after such date interest on the Bonds or portions of Bonds called for redemption shall cease to accrue, such Bonds or portions of Bonds shall cease to be entitled to any lien, benefit, or security under the Bond Resolution, and the owners of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof. Upon surrender for partial redemption of any Bond, there shall be prepared for and delivered to the registered owner a new Bond or Bonds of the same series, maturity, and interest rate in the amount of the unpaid Principal.

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

*The information provided immediately below concerning DTC and the Book-Entry System, as it currently exists, has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the District. The District makes no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners will act in accordance with the procedures described below or in a timely manner.*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered 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 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

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

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

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Bond Registrar, 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, the Bond Registrar, or the District, 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 District or the Bond Registrar, 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 Bonds at any time by giving reasonable notice to the District or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, the Bond certificates are required to be printed and delivered.

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

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### General

The Bonds are revenue bonds secured by and payable solely from Net Revenues on a parity with the Parity Bonds. The Net Revenues securing the Parity Bonds and the Series 2019 Bonds include only Net Revenues of the District and not net revenues of the Middle Big Creek Subdistrict.

The Bonds are special, limited obligations of the District, payable solely from Net Revenues. The Bonds do not constitute a general obligation of the District and do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provision, limitation or restriction.

The District has no authority to levy any taxes to pay the Bonds or the Parity Bonds. Neither the members of the Board of Trustees of the District nor any person executing the Bonds shall be personally liable on the Bonds by reason of the issuance thereof.

### Net Revenues

Pursuant to the Bond Resolution, the District has pledged the Net Revenues of the District to the payment of the principal of, premium, if any, and interest on the Bonds issued thereunder. Such pledge is for the equal and proportionate benefit and security of the Bonds, the Parity Bonds and any other Additional Bonds issued as parity bonds in the future. The Series 2011A Bonds are secured solely by the net revenues of the Middle Big Creek Subdistrict. The Parity Bonds and Bonds are secured solely by the Net Revenues of the District and not by any of the net revenues of the Middle Big Creek Subdistrict that are pledged to the Series 2011A Bonds. In the Bond Resolution, the District covenants that it will not issue obligations of any kind or nature payable from, or with a lien on, Net Revenues of the District or any part thereof having a prior lien over or, except as permitted in the Bond Resolution for the issuance of Additional Bonds as parity bonds. Notwithstanding the foregoing, the Bond Resolution permits the issuance of subordinate bonds secured by Net Revenues of the District on a subordinate basis to the Bonds, the Parity Bonds and any other Additional Bonds issued as parity bonds issued in the future.

### Flow of Funds

***Bond Resolution Funds and Accounts.*** The Bond Resolution creates or ratifies and orders to be established and maintained in the treasury of the District the following separate funds and accounts to be known respectively as the:

- (1) Revenue Fund (the “**Revenue Fund**”).
- (2) Debt Service Account for Sewer System Revenue Bonds, Series 2019 (the “**Debt Service Account**”).
- (3) Rebate Account for Sewer System Revenue Bonds, Series 2019 (the “**Rebate Account**”).
- (4) Rehabilitation and Replacement Account (the “**Rehabilitation and Replacement Account**”).
- (5) Capital Improvements Account (the “**Capital Improvements Account**”).

In addition, there shall be created and maintained a Budget Stabilization Subaccount for Sewer System Revenue Bonds, Series 2019 (the “Series 2019 Budget Stabilization Subaccount”). The District shall deposit into the Series 2019 Budget Stabilization Subaccount amounts as described below in “**Deposits to and Uses of Moneys in the Revenue Fund.**”

The District reserves the right, in its sole discretion, to create additional subaccounts or to abolish any subaccounts within any account from time to time.

In addition to the funds and accounts described above, the Escrow Agreement (defined below) establishes the Escrow Fund to be held and administered by UMB Bank, N.A., as escrow agent. The proceeds of the Bonds to be applied to the advance refunding of the Refunded Bonds will be directly deposited to the Escrow Fund.

**Deposits to and Uses of Moneys in the Revenue Fund.** The Bond Resolution requires that the District deposit all Revenues into the Revenue Fund from time to time as and when received. The Bond Resolution also requires that the District apply moneys in the Revenue Fund, prior to the occurrence and continuation of an Event of Default under the Bond Resolution, in the following order of priority:

- (1) to pay Expenses of operating and maintaining the System,
- (2) to deposit into the Debt Service Account the amounts required by the Bond Resolution, as described below under the heading captioned “**Deposits to and Uses of Money in the Debt Service Account,**”
- (3) to the Series 2019 Budget Stabilization Subaccount, the annual Board designated amount of the Accumulated Revenues for the Bonds to be collected in the Series 2019 Budget Stabilization Account, if any,
- (4) to deposit into the Rehabilitation and Replacement Account the amounts required by the Bond Resolution, as described below under the heading captioned “**Deposits to and Uses of Money in the Rehabilitation and Replacement Account,**”
- (5) to the Capital Improvements Account or any other accounts authorized by the District, if any is created within the Revenue Fund, an amount sufficient to pay the estimated cost of capital projects (to the extent authorized from time to time) for the extension, enlargement, improvement or replacement of the System during the ensuing month upon receipt of a duly authorized certificate of an authorized officer of the District, based upon a finding by the District that such payment is made for a purpose and within the scope of the annual budget of the District or otherwise approved by the Board of Trustees of the District.
- (6) All moneys remaining in the Revenue Fund may be expended and used for the following purposes as determined by the District and as specified in a duly authorized certificate of an authorized officer of the District filed with the Paying Agent:
  - (a) Paying the cost of improving, extending and rehabilitating the System;
  - (b) Preventing default in, anticipating payments into or increasing the amounts in the Debt Service Fund or the Rehabilitation, the Series 2019 Budget Stabilization Subaccount, the Series 2016 Budget Stabilization Subaccount and Replacement Account referred to in paragraphs (2), (3) and (4) of this Section, or any one of them, or establishing or increasing the amount of any debt service fund created by the District for the payment of Parity Bonds;
  - (c) Calling, redeeming and paying prior to Stated Maturity, or, at the option of the District, purchasing in the open market at the best price obtainable not exceeding the redemption price (if any bonds are callable), the Bonds or any Parity Bonds, including principal, interest and redemption premium, if any; or
  - (d) Any other lawful purpose in connection with the operation of the System and benefiting the System.

**Deposits to and Uses of Moneys in the Debt Service Account.** There shall be paid and credited monthly to the Debt Service Account, to the extent necessary to meet on each Bond Payment Date the payment of all interest on and principal of the Bonds, the following sums:

- (1) Beginning on October 15, 2019 and continuing on or before the fifteenth day of each month thereafter to and including February 15, 2020, an equal pro rata portion of the amount of interest becoming due on the Bonds on March 1, 2020; and thereafter, beginning on March 15, 2020, and continuing on or before the fifteenth day of each month thereafter so long as any of the Bonds remain Outstanding and unpaid, an amount not less than 1/6 of the amount of interest that will become due on the Bonds on the next succeeding Interest Payment Date; and

- (2) Beginning on October 15, 2019 and continuing on or before the fifteenth day of each month thereafter to and including August, 15, 2020, an equal and pro rata portion of the principal becoming due on the Bonds on September 1, 2020; and thereafter, beginning on September 15, 2020, and continuing on or before the fifteenth day of each month thereafter so long as any of the Bonds remain Outstanding and unpaid, an amount not less than 1/12 of the amount of principal that will become due on the Bonds on the next succeeding Maturity date.

The amounts required to be paid and credited to the Debt Service Account shall be made on a parity with the amounts required to be paid and credited to the debt service accounts established for the payment of principal and interest on Parity Bonds under the provisions of the Parity Resolutions.

If at any time the moneys in the Revenue Fund are insufficient to make in full the payments and credits at the time required to be made to the Debt Service Account and to the debt service funds established to pay the principal of and interest on any Parity Bonds, the available moneys in the Revenue Fund shall be divided among such debt service funds in proportion to the respective principal amounts of said series of bonds at the time Outstanding which are payable from the moneys in said debt service funds.

***Budget Stabilization Subaccount.*** The Series 2019 Budget Stabilization Subaccount, together with the previously established Series 2016 Budget Stabilization Subaccount (collectively, the “Budget Stabilization Subaccount”), is designed to keep rates for the District’s users stable over time. For each fiscal year, the Board of Trustees designates an amount of Accumulated Revenues as part of its annual budget to be deposited in the Budget Stabilization Subaccount to be used to pay debt service on the Parity Bonds and/or the Expenses of operating and maintaining the System. However, if the Parity Bonds are accelerated following an Event of Default, funds then on deposit in the Budget Stabilization Subaccount may be applied to the Expenses of operating and maintaining the System or applied pro-rata to amounts owed on each series of Parity Bonds.

***Deposits to and Uses of Moneys in the Rehabilitation and Replacement Account.*** Deposits may be made to the Rehabilitation and Replacement Account in excess of the \$1 million funding requirement pursuant to the usual budgeting process of the District. If the District shall ever be required to expend and use a part of the moneys in the Rehabilitation and Replacement Account for its authorized purposes and the balance in such account drops below \$1,000,000, the District shall make monthly payments from the Revenue Fund into the Rehabilitation and Replacement Account in an amount equal to not less than one-twelfth (1/12) of the amount of such deficiency until said Account shall aggregate the sum of \$1,000,000. Except as otherwise provided in the Bond Resolution, monies to the extent of the first \$1,000,000 in the Rehabilitation and Replacement Account shall be used, if no other funds are available therefor, solely to pay the costs of unusual or extraordinary replacements and repairs of major items in and to the System as may be necessary to keep said System in good repair and working order and to assure the continued effective and efficient operation thereof as set forth in a certificate of the Executive Director of the District or his designee. All funds in such Account over \$1,000,000 may be used as determined by the District to make any necessary replacements and repairs to the System. Replacements shall not be limited to replacements in kind but shall include replacements of similar function, including without limitation those attributable to technological change. No funds in said Account shall be used for the purpose of extending or enlarging the System.

## **Rate Covenant**

The Bond Resolution provides that the District in accordance with and subject to applicable legal requirements will fix, establish, maintain and collect such Rates and charges for the use and services furnished by or through the System that will produce revenues sufficient to (a) pay the costs of the operation and maintenance of the System; (b) pay the principal of and interest on the Bonds as and when the same become due at the Maturity thereof or on any Interest Payment Date; (c) enable the District to have in each fiscal year Net Revenues Available for Debt Service plus Accumulated Revenues, if any, not less than 100% of the Debt Service Requirements for such fiscal year on all System Revenue Bonds at the time Outstanding; and (d) provide reasonable and adequate reserves for the payment of the Bonds and the interest thereon and for replacements and improvements necessary for the protection and benefit of the System as provided in this Resolution. The District will require the prompt payment of accounts for service rendered by or through the System and will promptly take whatever action is legally permissible to enforce and collect delinquent charges. If in any fiscal year Net Revenues Available for Debt Service plus Accumulated Revenues, if any, are an amount less than as provided in the Resolution, the District will immediately employ a Consultant to make recommendations with respect to such Rates and charges. A copy of the Consultant’s report and recommendations shall be filed with the Secretary and the Original Purchaser of the Bonds and shall be furnished to any Registered Owner of the Bonds requesting a copy of the same, at the cost of such Registered Owner. The District will, to the extent feasible, follow the recommendations of the Consultant.

## PLAN OF FINANCE

### Purpose of and Authority for the Bonds

The Bonds are being issued pursuant to and in full compliance with the Act, the Refunding Bond Law and Bond Resolution No. 3544 adopted by the Board of Trustees of the District on August 21, 2019. The District will use the proceeds of the Bonds for the purpose of providing the District with funds (i) to advance refund the Refunded Bonds, and (ii) to pay costs of issuance of the Bonds. See “**THE REFUNDED BONDS.**”

### Estimated Sources and Uses of Funds\*

The following table summarizes the anticipated sources and uses of funds in connection with the issuance of the Bonds:

#### Sources of Funds

Par amount of Bonds	\$82,480,000*.00
Net Original Issue Premium/Discount	
Total	\$

#### Uses of Funds

Deposit to Escrow Fund	\$
Costs of Issuance (including purchaser's discount)	
Total	\$

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\* Preliminary, subject to change.

**DEBT SERVICE REQUIREMENTS FOR THE BONDS**

The following table sets forth the annual amount required to pay scheduled principal, including mandatory sinking fund payments, and interest, on the District’s Parity Bonds, but excluding any amounts held in debt service reserve funds for those outstanding bonds with a debt service reserve fund. The amounts also include any fees paid by the District on the Parity Bonds. The amounts below reflect rounding.

<u>Fiscal Year Ended</u> <u>September 30,</u>	<u>Parity Bonds</u> <sup>1,2</sup>	<u>Series 2019 Bonds*</u>		
		<u>Principal*</u>	<u>Interest</u>	<u>Total</u>
2020	\$13,051,172			
2021	13,311,128			
2022	13,545,610			
2023	13,331,408			
2024	16,463,279			
2025	7,971,421			
2026	8,080,071			
2027	7,965,741			
2028	7,852,611			
2029	7,740,211	\$3,700,000		
2030	7,613,121	6,250,000		
2031	1,379,806	6,320,000		
2032	1,379,338	6,565,000		
2033	1,381,313	6,820,000		
2034	1,376,988	7,080,000		
2035	1,376,525	7,285,000		
2036	1,376,550	7,215,000		
2037		7,435,000		
2038		7,595,000		
2039		7,865,000		
2040		8,350,000		
<u>Totals:</u>	<u>\$125,196,294</u>	<u>\$82,480,000</u>	<u>\$</u>	<u>\$</u>

1. Includes State Revolving Fund Department of Natural Resources Administrative Fees.
2. Excludes Build America Bond interest subsidy on Series 2010 Bonds to remain outstanding following the issuance of the Bonds.

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\* Preliminary, subject to change.



## THE DISTRICT

### General

The District is a common sewer district and body corporate and politic, organized in 1968 and existing under the Act within portions of Jackson and Cass Counties, Missouri. The District is a regional, multi-jurisdictional entity, which owns and operates the System. A map of the District's service area is included on the back cover hereof. The District, directly or indirectly, collects and treats wastewater generated by users pursuant to the terms of service contracts, as more fully described below under "**SYSTEM USERS AND SERVICE CONTRACTS – Service Contracts.**"

Created in October 1992 through petition to the circuit court and expanded in 2008, the District's Middle Big Creek Sewer Subdistrict provides wholesale wastewater treatment service to 9 public and private entities in Jackson and Cass Counties, Missouri, each entity having entered into a standard service agreement with the District. The Middle Big Creek Subdistrict is an unincorporated geographic area within the District. The revenues of the Middle Big Creek Subdistrict are not available for payment of the Bonds or the Parity Bonds (defined below). In addition to the financial data shown in the Financial Reports attached as **Appendix A**, the District accounts for, budgets and tracks Middle Big Creek Subdistrict financial data separately from that of the District. The Subdistrict is a customer of the District under a standard Service Agreement and is direct-billed for supplemental services provided to the Subdistrict by the District, including technical support, equipment, personnel and solids disposal. These financial arrangements are in place to eliminate cross-subsidies and equitably allocate costs-of-service to customers. See the sections "Required Supplementary Information" in the Financial Reports attached as **Appendix A**.

### The System

The District treated approximately 12.1 billion gallons of sewage in the fiscal year ended September 30, 2018, with the Middle Big Creek Subdistrict accounting for approximately 4% of the District's annual flow volume. The System currently includes a main interceptor which generally parallels the Little Blue River from Belton, Missouri (near U.S. Highway 71) to the Atherton Treatment Plant near the confluence of the Little Blue River and the Missouri River. The Atherton Treatment Plant has a rated average day treatment capacity of 52 million gallons per day (mgd). Currently the Atherton facility treats on an average approximately 33 mgd. The Atherton Treatment Plant's pump station has a firm pumping capacity of 400 mgd with its eight raw water pumps.

The District receives wastewater from the users' collection systems through 39 metering structures or interceptor receiving manholes. The conveyance system transports the wastewater to the District's Atherton Treatment Plant. This conveyance system consists of 38 transition and screening structures, and over 83 miles of interceptor, trunk sewer and connection lines. The conveyance system also includes 25 miles of subaqueous interceptor and five subaqueous inspection and maintenance manholes under Blue Springs and Longview Lakes.

The concrete pipe dimension in the System varies in size from 8" connectors to 126" interceptors. The 126" pipe has capacity to convey approximately 400 million gallons of wastewater per day. One-third of the interception system pipe is 72" in diameter or larger.

In addition, the District maintains approximately 34 miles of road, 39 structure access gates, and owns or has permanent easements on approximately 1,000 acres of land.

### Master Plan

A Wastewater Master Plan was implemented in 2000 (the "Master Plan") and a Wastewater Treatment Plan Improvements Facility Plan was implemented in 2001 (the "Facility Plan"), which recommended improvements and expansion of the District through 2020. The Master Plan outlines facilities, organization, and financial plans to support system maintenance, operations, rehabilitation, and capital improvement. The Facility Plan recommended treatment plant and conveyance system improvements. The Phase I Improvements for the District under the Master Plan were financed by the Series 2003A Bonds and were completed in 2006. In 2010, the Facility Plan was updated to include the Phase II Improvements at the Atherton Treatment Plant and conveyance System. The Series 2010 Bonds financed the Phase II Improvements, which included biosolid facility improvements, interreceptor excess flow holding basins, disinfection and ammonia removal. The Phase II Improvements identified in the Master Plan and the Facility Plan were completed in 2018.

In 2016, an updated Facility Plan was developed to address the need for advanced air emissions controls on the incinerator and to provide a backup solids dewatering system. The Series 2016 Bonds financed a portion of these improvements. The advanced

air emissions controls are currently in the process of being commissioned and the backup solids improvements are in the design phase.

In 2017, the Phase I Improvements for the Subdistrict financed by the Series 2011A Bonds, which included interceptor improvements and expansion, were completed below predicted costs. The Phase II Improvements for the Subdistrict include a capacity analysis and interceptor alignment study, which the District anticipates will be authorized in 2019.

Since adoption of the Master Plan and Facility Plan, including updates thereto, the District has completed several other capital projects to address aging infrastructure and improve services including pump replacement, fine screen replacement, trash rack replacement and primary clarifier odor controls. District operations have been enhanced by the construction of a new employee services building at the Atherton Treatment Plant to consolidate District administrative and operational elements at the main campus.

A new master plan for the Atherton Treatment Plant is being conceptualized and should be commenced within two years. Such master plan is envisioned to cover such topics as: suitability of existing raw water pumping system, business-case analysis for aeration blower replacements, solids dewatering equipment replacement, fine screening equipment evaluations, and capacity/compliance evaluation. This process will be aligned with the District’s financial capabilities and will anticipate the Series 2003 Revenue Bonds being retired in Fiscal Year 2024, which will increase financial capacity for other needed capital improvements. This future master plan will predict and prioritize needs related to capacity, aging infrastructure, regulatory compliance, and improved service delivery.

**Historical Financing Plans**

There are two primary funding sources for financing capital improvements: (1) debt, including the Bonds issued under the Bond Resolution; and (2) available Revenues on a “pay-as-you-go” basis. The District will use the proceeds of the Bonds, the Parity Bonds and any bonds issued by the District in the future to finance the infrastructure projects identified by the District.

The following table sets forth the District’s historic capital improvement expenditures for improvements to its wastewater system facilities for Fiscal Years 2014 through 2018, including expenditures funded both by bond proceeds and on a “pay-as-you-go” basis:

<b>Fiscal Year Ended September 30,</b>	<b>Capital Improvement Expenditures</b>
2014	33,649,983
2015	9,229,424
2016	1,457,715
2017	7,500,243
2018	<u>7,068,132</u>
<b>Total</b>	<b>\$58,905,497</b>

*Source: The District.*

**Strategic Financial Planning**

The District’s financial management utilizes a multi-year strategic financial planning approach designed to anticipate the revenue requirements associated with future year operating and capital financing needs. This includes requirements associated with future operating needs, capital improvements, equipment replacement reserves, rehabilitation and repair needs, and operating reserves. Such long-term financial forecasts are presented to the Board, committees and customers to provide advance information on financial activities and communicate anticipated future customer charges. In recent years, the District has experienced positive cash flows from operations and reduced expenditures below budgeted amounts.

District customers are directly engaged in the policy making, strategic initiatives and financial management of the District through the Board of Trustees, the Mayor’s Advisory Board and Technical Advisory Committee, each of which is exclusively composed of entities with service contracts with the District. Such engagement enhances customer awareness and promotes an improved understanding of the challenges, needs and activities of the District. District reports, business agendas, budgets, financial information and project status are openly shared with all members of the Board and committees on a monthly basis, using electronic communications. Periodic face-to-face meetings are held to encourage a two-way dialogue between the parties.

## Administration

Pursuant to the Act, the District is governed by an eleven member Board of Trustees (the “**Board**”), consisting of the Jackson County Executive, the mayors of the five cities constituting the largest users by flow during the previous fiscal year, the mayors of three cities that are not among the five largest users and who are members of the advisory board of the District and one member of the county legislature to be appointed by the county executive, with the concurrence of the county legislature.

Because the area of the District extends into neighboring Cass County, the Presiding Commissioner of Cass County is the eleventh member of the Board, as provided in the Act. The Board is empowered to pass all necessary rules and regulations for the proper management and conduct of business of the District, and for carrying into effect the objectives for which the District was formed.

The Act provides that the Board shall have the power to employ an executive director for the District, who acts as the chief executive officer of the District subject to the supervision and direction of the Board.

The Board is advised by the Mayors Advisory Board (the “**Advisory Board**”). The Act provides that the mayor or chief executive officer or the authorized representative of every incorporated municipality and a representative of every sewer subdistrict that lies partially within the District and that operates a sewage collection system that will discharge sewage into the trunk sewers or the sewage treatment facilities of the District shall constitute the Advisory Board of the District.

Pursuant to the Act, the Board shall keep the Advisory Board informed as to all phases of the planning and operations of the District, and the Advisory Board shall make such recommendations to the Board as it deems advisable with regard to construction and operation of the sewers and facilities of the System and the issuance of revenue bonds.

A Technical Advisory Committee is comprised of System users’ technical representatives and one representative of the District’s staff serves exclusively at the pleasure of the Board and the Advisory Board to review technical matters and make recommendations to the Advisory Board. The Middle Big Creek Subdistrict Advisory Board advises the Board on subdistrict matters.

The Board may enter into agreements with each municipality, subdistrict, political subdivision or private user which will discharge sewage into the District’s facilities concerning location and the manner of discharge and permissible content of wastes and, if no agreement is obtained with regard to any such matter, the Board shall refer the dispute to the Missouri Department of Natural Resources. Any resultant determination of the Missouri Department of Natural Resources shall be binding upon the District and the discharging entity. The Board or any entity discharging sewage into the District’s System may petition the Circuit Court of the county in which the alleged violation occurs for an order enforcing compliance with any provision of such an agreement or determination. The Circuit Court shall have jurisdiction in all cases or questions arising out of the organization or operations of the District, or regarding the acts of its Board.

The current members of the Board are as follows:

<u>Name</u>	<u>Current Term Expires</u>
Frank White, Chair	December 2022
Carson Ross, Vice-Chair	April 2020
Eileen Weir, Treasurer	April 2022
Michael Larson, Secretary	April 2021
Bill Baird	April 2022
Bob Huston	December 2022
Kristofer Turnbow	April 2022
Leonard Jones	April 2021
Tony Miller	December 2022
Mike McDonough	April 2022
Quinton Lucas	April 2023

## Management

The day-to-day operation and financial management of the District is led by the Executive Director that serves at the pleasure of the Board of Trustees. The District’s General Counsel is similarly selected by and directly reports to the Board of Trustees. The management group reports to the Executive Director and includes the Assistant Director, Director of Finance, Administrative/HR Manager. Second tier management then oversees the various departments (Wastewater Treatment Operations, Maintenance, Wastewater Conveyance, and Technical and Environmental). The Board of Trustees typically has a public meeting

every month to receive reports (Executive Director update on District activities, financial report, operational statistics and capital project information) and to also consider resolutions relating to matters of significant monetary value or utilizing funds from restricted accounts. District activities, contract awards, financial actions, variances and other routine business activities are recorded in the official meeting minutes.

*Jeffrey J. Shook, Executive Director*, has served as Executive Director of the District since early August 2019 and previously served as the Assistant Director at the District since 2006. Prior to serving at the District, Mr. Shook was Assistant Director of Public Works for Blue Springs, Missouri for eight years and served as Project Engineer for George Butler Associates in Lenexa, Kansas. Mr. Shook served as an Engineer Officer with the Missouri Army National Guard for seven years. Mr. Shook holds a B.S. in Civil Engineering from the University of Missouri at Rolla. Mr. Shook is a Registered Professional Engineer with the State of Missouri and is a Member of both the Water Environment Federation and Missouri Water Environment Association, and the Missouri Water and Wastewater Conference.

*Lisa O'Dell, Assistant Director*, has served as Assistant Director of the District since early August 2019 and previously served as the Technical and Environmental Manager at the District since 2014. Prior to serving at the District, Ms. O'Dell was a Project Engineer and Assistant Project Manager at HDR Engineering in Lee's Summit, Missouri, where she managed the design and construction of the District's improvements financed with the Series 2010 bond proceeds. Ms. O'Dell holds a B.S. in Civil Engineering and a Masters of Civil Engineering from the University of Kansas in Lawrence, Kansas. Ms. O'Dell is a Registered Professional Engineer with the State of Missouri, holds a Class C Wastewater Treatment license in the State of Missouri, and is a Member of both the Water Environment Federation and Missouri Water Environment Association.

*Theresa Ryan, Director of Finance*, has served as Director of Finance with the District since 2017. Prior to working at the District, Ms. Ryan was the Accounting Supervisor for the City of Greenwood for six years and the Assistant Finance Director in Belton for ten years. Ms. Ryan holds a B.S. in Accounting from Rockhurst College. Ms. Ryan is a member of the Government Finance Officers Association and the National Institute of Government Purchasing.

## **Employees and Employee Relations**

The District staffing plan provides for 62 positions, including professional, technical, skilled and specialized trades. The non-management personnel are represented by the Teamsters Union Local 41, with Memorandums of Understanding being negotiated on 3-year intervals. The District is a public agency hence union employees are not able to strike. The District utilizes outside firms and consultants to provide support for large projects, complex issues, highly specialized needs and independent audits. Management has a good working relationship with the union and all employees, as attested by a minimum number of grievances, a very low turnover rate and high tenure employees. To further improve performance, interactions and morale, the District relocated all administrative functions to a new Employee Services Building at its Atherton Treatment Plant Site in December 2017. The new building includes modern shower/locker rooms, training rooms, dedicated break area, electronic message boards, exercise room and a satellite facility control room with backup electric power. This co-locating and space sharing has increased interactions, improved information flows and raised performance of all work groups; as well as created a positive work environment with modern conveniences.

## **Financial Structure**

The District's financial structure provides a stable revenue stream. All District customers have entered standard service agreements which require utilization of services for so long as there is unpaid debt. Thirteen of the fourteen service agreements are with political subdivisions; greatly reducing financial risk and revenue uncertainty. The District's wholesale wastewater services are deemed an operating and maintenance expense for the customers, hence, the payment hierarchy requires payment of District charges ahead of any customer debt obligations. The District's rate methodology is designed such that each year's revenues exactly match that year's approved annual budget. Once the District's operating budget is approved, the rate methodology prorates the budget to its fourteen customers, with each customer being billed said fixed pro rata share of the budget on a quarterly basis. The District customers are aware and accepting of the fact that there are ongoing increases in operating costs and corresponding increases in the charges paid to the District. The annual budget includes a five-year forecast of operation and maintenance costs to provide customers with future financial information regarding the cost of wastewater service.

## **Insurance**

The District maintains third party commercial insurance coverage for various risks while self-insuring for other risks and liabilities. Present commercial insurance coverage is maintained for property, boiler, and machinery, flood, combined liability, excess liability, workers' compensation, public official/employment practices liability, \$15 million umbrella, cyber liability, and public entity fiduciary liability and crime. Such policies contain liability limits, deductions, and retentions that management of the District believes to be customary for similar enterprises. Total premiums for third party insurance coverage for Fiscal Year 2018

were \$207,655.49, an approximately 7% increase over Fiscal Year 2017. The increase stems from the addition of employment practices liability and cyber liability to the policy and inflation.

The District discontinued its self-insured health benefit plan in 2017 and offers commercial health insurance at a subsidized cost to employees. Declining balances in the self-insurance fund coupled with growing risks from the plan ownership prompted the District to outsource this benefit.

## SYSTEM USERS AND SERVICE CONTRACTS

Certain of the District's users are designated by the Act as "customers" for the purpose of approving the issuance of revenue bonds by the District. The Refunding Bond Law, however, authorizes the issuance of revenue bonds by the District for interest rate savings without the submission of such question to a vote of the customers. The 13 current District "customers" are the Cities of Belton, Blue Springs, Grandview, Independence, Kansas City, Lake Tapawingo, Lee's Summit, Raymore, Raytown, and Sugar Creek, Missouri, Jackson County, Missouri, the Fort Osage School District, and the Middle Big Creek Subdistrict (a subdistrict of the District that serves additional users of the System). The District also provides sewer collection and treatment services for the Lake City Army Ammunition Plant (a federal facility operated by an independent, private contractor for the United States Army).

With the exception of the Middle Big Creek Subdistrict, the District has entered into a service contract (each a "**Service Contract**" and collectively, the "**Service Contracts**") with each of its users. In the case of the Middle Big Creek Subdistrict, the District has a Service Contract with each of the six governmental entities and additional Service Contracts with each of its users served by the Middle Big Creek Subdistrict. Each of the total 19 Service Contracts (the 13 "customers" plus Lake City Army Ammunition Plant and Middle Big Creek Subdistrict participants, Cass County, Greenwood, Lake Winnebago, Dikeland Sewer District and Mullendike Sewer District) contains provisions for determining the amount each user must pay to the District for collecting and treating the user's wastewater (each a "**Contract Sum**" and collectively, the "**Contract Sums**"). Missouri statutes authorize Little Blue Valley Sewer District to issue revenue bonds, payable from the Contract Sums and other System revenues, upon approval by the Little Blue Valley Sewer District's Board and at least 75% of its "customers," as defined in RSMo. 204.370, as amended.

### Users

The following are brief descriptions of each of the District's users:

Belton. A suburb of Kansas City, Missouri, Belton is approximately 14 square miles with a population of approximately 23,480. The estimated 2018 population of Belton that is within the District boundaries is 15,243.

Blue Springs. A suburb of Kansas City, Missouri, Blue Springs is approximately 22 square miles with a population of approximately 54,945. The estimated 2018 population of Blue Springs that is within the District boundaries is 29,121.

Fort Osage School District. Fort Osage School District has an actual 2018 annual flow within the District boundaries of 5.67 million gallons that converts to an equivalent population of approximately 776.

Grandview. A suburb of Kansas City, Missouri, Grandview is approximately 15 square miles with a population of approximately 25,159. The estimated 2018 population of Grandview that is within the District boundaries is 24,153.

Independence. The fourth largest city in Missouri, Independence is approximately 78 square miles with a population of approximately 117,306. The estimated 2018 population of Independence that is within the District boundaries is 86,806.

Jackson County. Jackson County, Missouri, is located on the western edge of the State and contains Kansas City. Jackson County is approximately 616 square miles with a population of approximately 698,895. The estimated 2018 population of Jackson County that is within the District boundaries is 8,120.

Kansas City. The largest city in Missouri, Kansas City is approximately 319 square miles with a population of approximately 491,918. The estimated 2018 population of Kansas City that is within the District boundaries is 39,115.

Lake City Army Ammunition Plant. Lake City Army Ammunition Plant is an industrial user and has an actual 2018 annual flow within the District boundaries of 671.60 million gallons that converts to an equivalent population of approximately 1,800.

Lake Tapawingo. A suburb of Kansas City, Missouri, Lake Tapawingo is approximately 5 square miles with a population of approximately 726. The estimated 2018 population of Lake Tapawingo that is within the District boundaries is 682.

Lee's Summit. The sixth largest city in Missouri, Lee's Summit is approximately 65 square miles with a population of approximately 97,290. The estimated 2018 population of Lee's Summit that is within the District boundaries is 95,344.

Raymore. A suburb of Kansas City, Missouri, and one of the fastest growing cities in Missouri, Raymore is approximately 18 square miles with a population of approximately 21,167. The estimated 2018 population of Raymore that is within the District boundaries is 95,344.

Raytown. A suburb of Kansas City, Missouri, Raytown is approximately 10 square miles with a population of approximately 29,211. The estimated 2018 population of Raytown that is within the District boundaries is 28,919.

Sugar Creek. A suburb of Kansas City, Missouri, Sugar Creek is approximately 9 square miles with a population of approximately 3,308. The estimated 2018 population of Sugar Creek that is within the District boundaries is 3,076.

Middle Big Creek Sewer Subdistrict. Middle Big Creek Sewer Subdistrict provides wastewater treatment service to the following nine users in Jackson and Cass Counties, Missouri, some of which have also contracted directly with the District:

- Cass County. Cass County, Missouri is located just south of Jackson County and is approximately 703 square miles with a population of approximately 103,724. The estimated 2018 population of Cass County that is within the District boundaries is 916.
- Dikeland Sewer District. A Subdivision in Cass County, MO, bounded on the North by 58 Highway, South by 178th Street, West by Fredrick Street, and East by Lyne Street, consisting of 128 lots, currently billing 103 connections.
- Greenwood. A suburb of Kansas City, Missouri, Greenwood is approximately 4 square miles with a population of approximately 5,742. The estimated 2018 population of Greenwood that is within the District boundaries is 5,742.
- Jackson County. See description above.
- Lake Winnebago. A suburb of Kansas City, Missouri, Lake Winnebago is approximately 2 square miles with a population of approximately 1,155. The estimated 2018 population of Lake Winnebago that is within the District boundaries is 1,155.
- Lee's Summit. See description above.
- Mullendike Sewer District. A Subdivision in Cass County, MO, bounded on the North by 159th Street, South by 167th Street, West by Lyne Street, and East by Ward Road, consisting of 312 lots, currently billing 188 connections.
- Pleasant Hill. A suburb of Kansas City, Missouri, Pleasant Hill is approximately 8 square miles with a population of approximately 8,545. The estimated 2018 population of Pleasant Hill that is within the District boundaries is 8,545.
- Raymore. See description above.

*[Remainder of Page Intentionally Left Blank]*

## System Flow

The following table sets forth the users of the District's System and the flow for each during the Fiscal Year ended September 30, 2018:

<u>User</u>	<u>Flow (MG)</u>	<u>Annual Percent of Total</u>
Lee's Summit	3038.2200	25.10%
Independence	2503.9507	20.69
Raytown	1276.9436	10.55
Blue Springs	966.8415	7.99
Kansas City	1046.7693	8.65
Grandview	1134.2857	9.37
Middle Big Creek <sup>1</sup>	475.7211	3.93
Raymore	621.5252	5.14
Lake City Ammunition Plant	582.4767	4.81
Belton	425.7184	3.52
Lake Tapawingo	16.3310	.13
Sugar Creek	7.4377	.06
Fort Osage School District	6.2264	.05
Jackson County <sup>2</sup>	-	-
Total		<u>100.0000%</u>

<sup>1</sup> Consists of nine users that are not separately metered.

<sup>2</sup> Jackson County currently has a service contract with the District, but due to a separate arrangement between Jackson County and the City of Independence, Jackson County flow is attributed to and paid for by Independence.

Source: District records.

## Service Contracts

Service contracts with the users authorize the District to finance and construct certain sewer system components for the treatment and disposal of sewage delivered by these users to specific locations along the District's System. Service charges are derived from the approved annual budget and are invoiced quarterly to the customers. The service charges fully recover the amount provided in the annual budget, thereby providing sufficient revenues to the District to pay the costs of operation and maintenance of the System in each year, have "net revenues" from the System to pay principal and interest on all District bonds issued to finance the common sewer system and make payments to certain funds required by the bond resolutions. Unlike unit price rates, the District's rate methodology fully recovers the budgeted revenues each year with no volatility due to a customer's changes in flow volumes during the budget year.

The Act provides that the District shall fix and maintain rates and make and collect charges from users and sewer districts discharging sewage into the District's sewer system for the use of the system, and charge such rates as are sufficient to pay the cost of operation and maintenance of the District's sewer system and the payment of principal and interest on all revenue bonds of the District issued as provided in the Act and to maintain the various reserve funds as required by resolution of the District. The Act also provides, among other provisions, the power to enter into appropriate service contracts between the District and each such user, district or subdistrict.

Service Contracts have been entered into between the District and the cities of Belton, Blue Springs, Grandview, Greenwood, Independence, Kansas City, Lake Tapawingo, Lake Winnebago, Lee's Summit, Raymore, Raytown, Pleasant Hill and Sugar Creek, Missouri, Jackson County, Missouri, Cass County, Missouri, Lake City Army Ammunition Plant (a federal installation), the Fort Osage School District, Dikeland Sewer District and Mullendike Sewer District.

Under the terms of the Service Contracts, the District has agreed to finance, acquire and construct certain sewer system components and to accept, treat and dispose of certain sewage delivered, at fixed points, into its System by the users, which, in turn, have agreed to pay the District for the treatment and disposal of the users' sewage in amounts sufficient to pay costs of operation of the System and debt service on the outstanding bonds of the District (see "**The Contract Sum**" herein). Reference should be made to the Service Contracts for a complete description of the facilities and services to be provided by the District, the payments to be made to the District by the users, and the various conditions, terms and other provisions relating to the users and to the District and its System.

The Service Contracts require each of the users to connect to the District's System when it becomes available to them provide that the users shall not construct or permit sewage treatment works that will compete with the District and that the District

shall permit and encourage sewer districts and other users within the District to use the District's System for treatment of sewage. The Service Contracts also provide that no sewer district or user shall be permitted to connect to the System unless it has entered into a contractual agreement with the District substantially in the same form as all other Service Contracts in force, and that when such district or user will be connected to the System, it shall pay its pro rata share for services rendered.

**The Bonds are not the obligations of the Users.**

Term. The Service Contracts shall remain in full force and effect with respect to the System until the District shall have paid and retired (or shall have adequately provided for payment and retirement of) all of the bonds issued by the District in respect of the System, and thereafter until such time as (1) no bonds or other debt of the District exists and (2) the District and users agree to terminate the Service Contracts in writing. Payment under the Service Contracts becomes effective when the District's System is available to the users.

Construction. The District agreed to complete the System. The District retains full discretion in determining the size, capacity, route and location of all trunk, interceptor and outlet sewers, pumping and metering stations, treatment plants and outlet works or other structures.

Financing. The District agreed to finance the "Total Construction Contract Cost of the System" (meaning the total amount paid by the District for and referable to the completion of the System) from funds available from the issuance of bonds, from funds available from any federal, state or local source, from any other grants available from any source or from funds approved within the District's annual budget and that such funds will be sufficient to pay such cost.

Grants to Users. The users assign to the District any grant made or to be made by the United States of America, or any agency or instrumentality thereof, or by the State of Missouri, or any agency or instrumentality thereof, with respect to the System.

Operation and Maintenance. The District and the users shall act to permit the System to receive, treat and dispose of wastewater delivered into the System by the users and to operate and maintain the System so as to receive, treat and dispose of wastewater in accordance with the terms and provisions of the Service Contracts. The District shall operate the System properly and in a sound and economical manner and shall make, or cause to be made, all necessary and proper repairs, replacements and renewals of the System.

Inflow and Infiltration. The users acknowledge the District's right to implement and enforce federal and state regulations delegated to and implemented by the District, as may become enacted to govern infiltration/inflow and reasonably prevent sanitary sewer overflows of the System.

Connections. The users shall cause those portions of their respective sewer systems transporting sewage originating in such user's sewer system and also within the District, except sewage flowing to a sewage treatment and collection facility currently in operation as of the effective date of the Service Contract, to be connected with the System at the appropriate connection points designated therefor in the schedule attached to the Service Contracts, or at such other points upon which the users and the District may mutually agree. The scheduled connections will be made by the District and all other approved connections shall be made at the expense of the users. The District shall operate every such connection as a part of the System and shall include metering and other facilities to measure the sewage discharged into the System at such connection points.

Users Services. The users shall retain full power and authority over their existing sewer systems and the right to provide additional sewer service to inhabitants of the users including construction or acquisition of sewage collection facilities within and outside of their respective corporate limits; provided, however, that the users shall not provide sewer service outside their corporate limits, if the areas to be served are contributory to the System through existing connection points to the System, unless the District shall have consented thereto in writing.

No Competition. So long as any bonds of the District are outstanding, the users shall not construct, grant, franchise or license a competing sewage treatment works for sewage originating within the District's boundaries other than by the District; provided, however, that the District may consent to such grant or construction if (a) the affected user's anticipated sewage flow will exceed the District's capacity to receive and treat it within the time period needed to construct a treatment facility by the user, and (b) the construction of such works by the users or any other party shall not impair the security for payment of bonds of the District, and (c) construction of such work by the user or other party shall be approved by the Missouri Department of Natural Resources.

Wastewater Discharge. All flow rate measurements and wastewater test sampling shall be conducted by the District at connection points. If tests indicate that wastewater discharges to the System exceed the flow or quality criteria of the District, the District may require (a) pretreatment of wastewater, (b) a surcharge for added cost of treatment and (c) a penalty payment in occurrences where flows result in effluent standards being exceeded. Should the District have imposed upon it a monetary penalty



by any State or Federal agency or instrumentality because of some action or failure to take action by a user with regard to its sewer system or its use of the District's sewer system, the user shall reimburse the District for any monies paid because of said penalty.

Each year the District shall prepare a preliminary annual budget and adopt an annual budget of operating and maintenance expenses of the System. Prior to the beginning of the year, the District shall hold a public hearing at which any authorized representative of the users may appear individually or collectively and present any objection the users may have with respect to the preliminary annual budget.

The District will provide in the annual budget for items of expenditure which are normally provided by public bodies engaged in the operation of a similar project, including, but not limited to, all administrative, legal and fiscal expenses. The District shall not incur operating and maintenance expenses with respect to the System in any budget year in excess of the reasonable and necessary amount thereof.

Agreement to Pay. The users agree to pay the District, for the treatment and disposal of their sewage delivered into the System, the Contract Sum provided for in the Service Contracts.

The Contract Sum. The user's annual bill shall be comprised of Volume Related Costs, Administrative Costs, Meter Costs and Pretreatment Costs, as follows:

- (1) Volume Related Costs — Volume Related Costs are those costs directly attributable to the flow, and include Debt Service costs, certain Operation and Maintenance costs and other costs as may be approved by the Board from time to time. The user's portion of the Volume Related Costs will be allocated based on the user's contributed percentage of the District's flow.
- (2) Administrative Costs — Administrative Costs are those costs that do not increase or decrease in relation to the volume of flow. These costs include administrative costs related to the conveyance system, user related costs, and other costs as determined and approved by the Board from time to time. These costs shall be divided among the users of the District as shall be approved by the Board. For the purpose of billing and budget development, the District will determine these costs each year for the following year's budget.
- (3) Meter Costs — Meter Costs are those costs associated with repair and maintenance of the District's meters and meter structures as approved by the Board. These costs will be determined as part of the budget development process for the next fiscal year, and are to be allocated by dividing the number of each of the District's user's meters by the total number of meters in the System.
- (4) Pretreatment Costs — Pretreatment Costs are those costs associated with the District's pretreatment program as approved by the Board. These costs are allocated to those users who do not have a pretreatment program approved by the State of Missouri, as follows: a percent of the costs based on the percentages established in (1) above and a percent of the costs based on flow from Significant Industrial Users (SIU).

The total of all such charges imposed by the District on all users shall ensure sufficient revenues for (1) the operation, maintenance and reasonable reserves necessary for the System as set forth in the District's then current annual budget; (2) the payment of interest and principal of all bonds of the District, issued to finance the System owned by the District, when the same become due; (3) the payment into various funds by the District as provided for in its Bond covenants; and (4) any deficiencies in said funds; except that such charges shall not provide for revenues in any one year that exceed the amounts required to be collected or as budgeted by the Board.

Users' Sources of Funds. The users shall provide, by appropriate ordinance, for the imposition and collection and segregation of a charge on the users' sewer systems or any portion thereof, said charge to provide sufficient funds to pay the Contract Sums. The charge so collected shall be separately maintained by the users in their respective "Little Blue Valley Sewer District Account." Payment of the Contract Sums by the users is expected to be paid as an operating expense from gross revenues of the users' sewer systems.

Additional Users. No sewer district or user shall be connected to the System unless it has duly entered into a contractual agreement in substantially the same form as and providing for the payment of Contract Sums as defined in the existing Service Contracts.

Abandonment. A user may, in its sole discretion, at any time, abandon, or in the alternative, continue to operate, maintain and repair all or any part of those sewage treatment or disposal facilities constituting at the time of the effective date of the Service

Contracts a part of the users' sewer system; subject, however, to the provisions of the Service Contracts and any applicable laws or regulations.

Abandonment Notice. A user, prior to abandoning any such sewage treatment or disposal facilities referred to in the Service Contracts, which abandonment will substantially increase the sewage received from its sewer system by the District in its System, shall file at least one year prior to the abandonment a written notice of the user's intention to abandon such facilities and the estimated amount of increase.

Nonassignability. No parties to the Service Contracts may assign any interest therein to any person without the consent of all other parties thereto at that time, and, subject to the terms of the bond resolutions with respect to bonds of the District. The terms of the Service Contracts shall inure to the benefit of and be binding upon the respective successors of each party thereto. Nothing therein contained, however, shall be construed as preventing the reorganization of any party thereto nor as preventing any other body corporate and politic succeeding a party thereto, as may be authorized by law, subject to the terms and conditions of the bond resolutions and in the absence of any prejudicial impairment of any obligations of contract thereby imposed.

Parties of Interest. Nothing in the Service Contracts shall be construed to confer upon any person, firm or corporation other than the parties thereto, the Board of Trustees and the owners of the bonds any rights, remedy or claim, legal or equitable, under or by reason of the Service Contracts, said Contracts being for the sole and exclusive benefit of the parties thereto, the Board of Trustees and the owners from time to time of the bonds.

Contract Amendment. Subject to and in accordance with the bond resolutions (with respect to bonds of the District) the Service Contracts may be amended from time to time by written agreement, duly authorized and executed by the parties thereto.

## **THE REFUNDED BONDS**

### **The Refunded Bonds**

The Bonds are being issued for the purpose of providing the District with funds (i) to advance refund the Refunded Bonds and (ii) to pay costs of issuance of the Bonds. The Refunded Bonds consist of the 2035 and 2040 maturities of the Series 2010 Bonds. The 2035 maturity of the Series 2010 Bonds is currently outstanding in the principal amount of \$33,330,000. The 2040 maturity of the Series 2010 Bonds is currently outstanding in the principal amount of \$50,000,000. The 2030 maturity of the Series 2010 Bonds will remain outstanding following the issuance of the Bonds. The Series 2030 maturity is currently outstanding in the principal amount of \$35,020,000.

The advance refunding of the Refunded Bonds will be accomplished through the irrevocable deposit in trust pursuant to the Escrow Deposit Agreement between the District and UMB Bank, N.A., as escrow agent, dated as of September 1, 2019 (the "Escrow Agreement"), of Defeasance Obligations sufficient to provide funds for the payment of principal and interest on the Refunded Bonds through September 1, 2020, the redemption date, at a redemption price equal to 100% of the principal amount of the Refunded Bonds plus accrued interest thereon. Defeasance Obligations may include (i) cash, (ii) direct obligations of the United States Treasury which have been stripped by the Treasury itself, (iii) the interest component of Resolution Funding Corporation (REFCORP) strips which have been stripped by request of the Federal Reserve Bank of New York in book entry form, (iv) pre-refunded municipal bonds rated in the highest category by a nationally recognized rating service, pre-refunded with cash, direct obligations or obligations guaranteed by the United States as to full and timely payment or (v) United States Treasury Certificates, Notes and Bonds (including, if available, State and Local Government Series – SLGS). Upon such irrevocable deposits, the Refunded Bonds will be deemed paid and no longer outstanding under the Resolution of the Board authorizing the Series 2010 Bonds. The Escrow Fund will be held for the benefit of the holders of the Refunded Bonds and shall be applied solely for the payment of the principal of, and interest on the Refunded Bonds. The holders of the Bonds will have no rights to the Escrow Fund.

## **FINANCIAL OPERATIONS OF THE DISTRICT**

### **Accounting, Budgeting and Auditing Procedures**

The District accounts for its operations as a governmental enterprise fund and, accordingly, the District utilizes the accrual basis of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

According to the District's bond covenants, the District operates under an annual budget for reasonable and necessary operating expenses. The budget is approved by the Board. The District must prepare a preliminary budget and, not less than sixty

days before the beginning of the year, hold a public hearing at which any authorized representative of the users may appear and present any objection the users have with respect to the preliminary annual budget. Although the annual budget serves as a management plan, it must be approved by the Board with any revisions to the budget also approved by the Board.

The District annually updates its operational plans, five-year Capital Improvement/Rehabilitation project plans and five-year financial forecast. A multi-year initiative is underway within the maintenance group to strengthen preventative, predictive and corrective work efforts using a computerized maintenance management software platform. Annual budgets incorporate funding for the next year's priorities to enable focused efforts on same.

### **General**

In the Master Plan, the District has identified proposed expenditures by the District for capital improvements to the District's sewer facilities through 2020. The general objectives of the District are to meet federal and state requirements and District policy regarding water pollution control, to provide a satisfactory level of service to users of the District's System and to continue the District's program to rehabilitate its infrastructure system. The Master Plan addresses the District's infrastructure capital improvement projects involving the repair, replacement and upgrade of sanitary sewers. See "**THE DISTRICT – Master Plan.**"

### **Financing Plans**

There are two primary funding sources for financing capital improvements: (1) debt, including the Bonds, the Parity Bonds and any bonds issued by the District in the future; and (2) available Revenues on a "pay-as-you-go" basis. The District will use the proceeds of the Bonds and the Parity Bonds and any bonds issued by the District in the future to finance the infrastructure projects identified by the District. See "**THE DISTRICT – Historical Financing Plans.**"

After the budget has been approved, it can be amended by the Board. There is no specific amount by which the District can exceed the budget except that the District must maintain reasonable and necessary operating expenses.

The financial statements of the District are audited annually by independent certified public accountants. The annual audit for fiscal year 2018 was performed by Troutt, Beeman & Co., P.C. Copies of the audited financial statements for the past five years are on file in the Executive Director's office and are available for review. Copies of the Audited Financial Statements for the fiscal year ended September 30, 2018 are attached hereto as **Appendix A**. The Financial Statements in **Appendix A** include "Supplementary Schedules" that shows the separation of District and Middle Big Creek Subdistrict financial information.

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**Revenue Fund Statement of Revenues, Expenses and Changes in Net Assets**

The following table sets forth selected financial data of the District only and excludes financial data related to Middle Big Creek Subdistrict. The data for the three years ended September 30, 2018, 2017 and 2016, are derived from the audited financial statements of the District. The financial data shown below and in **Appendix A**, except as otherwise noted in the “Supplementary Schedules,” reflects only the District. The summary financial data should be read in conjunction with the audited financial statements, including the notes thereto, included as **Appendix A** to this Official Statement.

	<b>September 30,</b>		
	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Operating Revenue:			
Wastewater treatment user fees	\$22,816,184	\$24,147,896	\$25,375,405
Other	<u>60,498</u>	<u>123,611</u>	<u>169,219</u>
	<u>22,876,682</u>	<u>24,271,507</u>	<u>25,544,624</u>
Operating Expense:			
Operation and maintenance	8,946,967	9,723,688	10,163,696
Administrative and general	1,789,822	1,939,293	951,083
Depreciation and amortization	12,684,535	12,564,566	12,515,002
Unbilled charges	<u>966,913</u>	<u>110,904</u>	<u>194,670</u>
	<u>24,388,237</u>	24,338,550	23,824,451
Operating Income	<u>(1,511,555)</u>	<u>(67,043)</u>	<u>1,720,173</u>
Nonoperating Revenue (Expense):			
Interest expense	(11,119,453)	(10,668,825)	(8,298,679)
Bond Issuance Costs	-	(553,672)	-
Interest subsidy on revenue bonds	2,537,397	2,535,581	- <sup>1</sup>
Investment income	2,252,334	2,326,941	2,781,409
Miscellaneous revenue	-	-	28,697
Loss on disposal of capital assets	<u>-</u>	<u>(136,713)</u>	<u>(2,249,231)</u>
	<u>(6,329,722)</u>	(6,496,688)	(7,737,804)
Change in net assets	(7,841,277)	(6,563,731)	(6,017,631)
Net Assets – beginning of year	<u>56,494,965</u>	<u>48,653,688</u>	<u>42,089,957</u>
Net Assets – end of year	\$48,653,688	\$42,089,957	\$36,072,326

Source: *The District's Audited Financial Statements*.

1. The subsidy received by the District for the Series 2010 Bonds was previously shown as a separate line item on the District's audited financial statements. Beginning with fiscal year ended September 30, 2018, the District has engaged a new auditing firm and the subsidy on the Series 2010 Bonds is now shown as a reduction of interest expense. The total subsidy received for fiscal year ended September 30, 2018 was \$2,543,070.

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## Debt Service Coverage

	<b>September 30,</b>		
	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Operating Revenues	22,876,682	24,271,507	25,544,624
Operating Expenses Less Depreciation	<u>24,388,237</u>	<u>24,338,550</u>	<u>23,824,451</u>
Operating Income	(1,511,555)	(67,043)	1,720,173
Add Back Depreciation and Amortization	12,684,535	12,564,566	12,515,002
Add Back Non-Cash Increase in Pension Liability			373,488
Plus Interest Subsidy on Build America Bonds <sup>1</sup>	2,537,397	2,535,581	-
Plus Investment Income	2,252,334	2,326,941	2,781,409
Plus Miscellaneous Revenue	-	-	28,697
Plus Budget Stabilization Subaccount	<u>2,350,000</u>	<u>2,300,000</u>	<u>2,000,000</u> <sup>2</sup>
Net Revenue <sup>2</sup> Available for Debt Service <sup>3</sup>	<u>18,312,711</u>	<u>19,660,045</u>	<u>19,418,769</u>
Debt Service Requirements <sup>4</sup>	16,640,618	17,830,389	15,225,628
Debt Service Coverage Ratio	1.10x	1.10x	1.28x

1. The subsidy received by the District for the Series 2010 Bonds was previously shown as a separate line item on the District's audited financial statements. Beginning with fiscal year ended September 30, 2018, the District has engaged a new auditing firm and the subsidy on the Series 2010 Bonds is now shown as a reduction of interest expense. The total subsidy received for fiscal year ended September 30, 2018 was \$2,543,070.

2. For fiscal year ending September 30, 2019, the District expects to have drawn \$1,850,000 from the Series 2016 Budget Stabilization Subaccount to apply toward debt service on the Series 2016 Bonds. In fiscal year ending September 30, 2020, the District anticipates drawing approximately \$1,190,000 from the Series 2016 Budget Stabilization Subaccount to apply toward debt service on the Series 2016 Bonds. The balance in the Series 2016 Budget Stabilization Subaccount at the close of fiscal year ending September 30, 2020, not accounting for additional deposits expected to be made thereto during fiscal year 2020, is expected to be approximately \$116,767. The District previously funded larger deposits to the Series 2016 Budget Stabilization Subaccount to build up Accumulated Revenues in anticipation of debt service payments. However, going forward, the District expects that rates are stabilized and sufficient to pay debt service without such large accumulations in either the Series 2016 Budget Stabilization Subaccount or the Series 2019 Budget Stabilization Subaccount. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019 BONDS – Flow of Funds - Deposits to and Uses of Moneys in the Revenue Fund for additional information on deposits to the Budget Stabilization Subaccount.

3. The Net Revenues are those of the District, excluding net revenues from Middle Big Creek Subdistrict.

4. Debt Service is net of capitalized interest from the Series 2010 Bonds in the amounts of \$41,021 for 2016, \$116,243 for 2017, and \$420,990 for 2018 and includes State Revolving Fund Department of Natural Resources administrative fees.

Source: The District.

## Sewer Rates and Revenues

The District charges municipalities and other entities discharging sewage into the District's interceptor lines, for the use of the System. Each year, these user charges are set to cover the cost of operation and maintenance of the District's sewer system as well as payment of principal and interest on all revenue bonds of the District. The Parity Bonds are secured by the Net Revenues of the District only. Middle Big Creek Subdistrict pays a fee that is calculated to represent a proportionate share of the debt service requirements on the Parity Bonds due to the fact that the Middle Big Creek Subdistrict uses the System that includes projects funded by Parity Bond proceeds. The rate structure is established for each user in individual service contracts. It is made up of cost

components that include volume related costs, administrative costs, meter costs, and pretreatment costs. Each user’s annual flow is normalized by a projection based on linear regression from the preceding twenty quarters of the actual measured flow. The District and its users annually assess the methodology used for determining annual flow. These user charges are billed and collected on a quarterly basis. For 2018-2019, the District budgeted \$26,956,509 in user charges. This is an increase of \$1,408,995 or 5.52% from Fiscal Year ended September 30, 2018.

The following table shows revenues received for user charges for the last five Fiscal Years:

<u>Year ended September 30,</u>	<u>Charges for Services</u>
2014	\$20,367,904
2015	21,580,320
2016	22,816,184
2017	24,147,896
2018	25,375,405

*\*Source: The District.*

### **Employee Benefits**

The District participates in the Jackson County, Missouri Revised Pension Plan (the “**Plan**”), an agent cost-sharing, multiple-employer defined benefit plan administered by the County’s Pension Plan Administrative Committee. The Plan provides retirement, disability and death benefits to all eligible employees. The plan is qualified under Section 401(a) of the Code and is tax-exempt. The benefit provisions are provided under the authority of Section 50.337, RSMo., as amended. The Jackson County Legislature is responsible for the operations and administration of the Plan. The contribution requirements of the District are determined by the Plan’s Board of Trustees based on an actuarial valuation. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: Jackson County Courthouse, Finance Department, 415 E. 12<sup>th</sup> St., Kansas City, Missouri 64106, or by calling (816) 881-3851.

The District’s employees are not required or allowed to contribute to the Plan. The District is required to contribute at an actuarially determined rate set by the Plan’s Board of Trustees. The current rate for fiscal year ending September 30, 2019 is 13.96% of covered payroll. The contribution requirements of the District are established and may be amended by the County. The District’s contributions to the Plan for the fiscal years ended September 30, 2018, 2017 and 2016, were \$572,216, \$599,485, \$540,438 respectively, equal to the required contributions for each year. The District expects that its contribution to the Plan for the fiscal year ending September 30, 2019 will be \$528,876.14, equal to the required contribution for that fiscal year. The District’s proportionate share of the net pension liability was \$2,592,576 at September 30, 2018. For additional information regarding the Pension Plan, see Note 5 to the financial statements included in **Appendix A** hereto.

### **RISK FACTORS**

Purchasers of the Bonds are advised of certain risk factors with respect to the payment of debt service on the Bonds, and possible revisions to the federal tax laws that could affect the tax treatment of the interest on the Bonds. This discussion of risk factors is not intended to be exhaustive.

#### **General**

In the future, certain factors, including but not limited to the following, may affect the operations and financial performance of the District, to an extent that cannot be determined at this time.

Changes in Management or Policies. Changes in key management personnel of the District or the District’s policies could adversely affect the capability of management and financial performance of the District to an extent that cannot be determined at this time.

Administrative Expenses. Increases in administrative expenses such as regulatory compliance costs, increased staffing needs, or legal expenses paid in settlement of claims not covered by insurance could adversely impact the District.

Pension Expenses. Future required contribution increases to the Plan determined by the Plan’s Board of Trustees may require the District to increase charges, reduce expenditures or some combination thereof, which may impact the District’s operations

or limit the District's ability to generate additional revenue in the future. See "**FINANCIAL OPERATIONS OF THE DISTRICT – Employee Benefits.**"

Future Economic Conditions. Increased unemployment or other adverse economic conditions or changes in the demographics of the City; an inability to control expenses in periods of inflation and difficulties in increasing charges could adversely affect the financial performance of the District to an extent that cannot be determined at this time.

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 affect the financial performance of District to an extent that cannot be determined at this time.

Organized Labor Disputes. The collective bargaining unit at the District is prohibited from striking. However, labor disputes with collective bargaining units could result in other adverse labor actions or increased labor costs.

Natural Disasters or Terrorist Attacks. The occurrence of natural disasters, such as tornados, earthquakes, floods or droughts, or terrorist attacks could damage the District's facilities, affect water supply, interrupt services or otherwise impair operations and the ability of the District to produce revenues. The District has security measures to take precautions against terrorist attacks to minimize the risk.

Regulation and Support. The future level of federal and state participation in the funding of the wastewater industry needs cannot be determined. Legislative, regulatory, administrative or enforcement action could adversely affect the operation of the facilities of the District.

Environmental Regulation. Sewer utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures that regulate the environmental impact of water utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that facilities in operation will remain subject to the regulations currently in effect, will always be in compliance with further regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in reduced operating levels and fines. Legislative, regulatory, administrative or enforcement actions involving environmental controls could also adversely affect the operation of the facilities of the District. For example, if property of the District is determined to be contaminated by hazardous materials, the District could be liable for significant clean-up costs even if it were not responsible for the contamination. See "**REGULATORY REQUIREMENTS.**"

Need for Increased Capacity. The need for increased capacity of the facilities of the District may be greater or more rapid than planned for. This may be due to increased development in the District's watershed, population growth, the age of the wastewater treatment facilities and interceptor lines and other factors.

### **Special Obligations of the Users**

It is expected that the obligation of the users to make payments to the District under the Service Contracts will be made from revenues of their respective sewer systems and available sewer system reserves, if any. The Bonds do not constitute a general obligation of the users, and the users have no obligation to levy any taxes, either general or special, for the purpose of paying any sum due under the Service Contracts. If any user defaults under its Service Contract and such default is not cured on a timely basis, the District's revenues may not be sufficient to pay debt service on the Bonds. There can be no assurance that the users will raise rates to cover any future revenue deficiencies. See "**SYSTEM USERS AND SERVICE CONTRACTS – Service Contracts.**"

### **Certain Bankruptcy Risks**

The remedies available to the Owners of the Bonds upon an event of default under the Bond Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the United States Bankruptcy Code, 11 U.S.C. 10 et seq. the remedies provided in the Bond Resolution may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws, affecting the rights of creditors generally.

### **Compliance with Securities Laws**

The Bonds may be sold by Owners only in compliance with the registration provisions, or certain exemptions from, the Securities Act of 1933 and applicable state securities laws (which may be prohibitively expensive if registration is required and may

not be possible in any event). In some states, specific conditions must be met or approval of a state securities commissioner is required in order to qualify for an exemption from registration.

### **Secondary Markets and Prices**

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

### **Risk of Taxability**

For information with respect to events occurring subsequent to issuance of the Bonds that may require that interest on such Bonds be included in gross income for purposes of federal income taxation, see the caption “**TAX MATTERS**” in this Official Statement.

### **Future Legislation**

Congress may from time to time consider legislative proposals which, if enacted, would limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. Future legislative proposals could prevent investors from realizing the full current benefit of the tax-exemption on interest and may affect the market value of the Bonds. The District cannot predict whether such future legislative proposals will be enacted and how they will impact the excludability of the interest on the Bonds for federal income tax purposes. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

### **Risk of Audit**

The Internal Revenue Service (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. Bond Counsel cannot predict whether the Service will commence an audit of the Bonds. Owners of the Bonds are advised that, if the Service does audit such Bonds, under current Service procedures, at least during the early stages of an audit, the Service will treat the District as the taxpayer, and the owners of such Bonds may have limited rights to participate in the audit. Public awareness of any audit could adversely affect the market value and liquidity of Bonds during the pendency of the audit, regardless of the ultimate outcome thereof.

### **Enforcement of Remedies**

The enforcement of the remedies under the Bond Resolution may be limited or restricted by federal or state laws or by the application of judicial discretion and may be delayed in the event of litigation. State laws concerning the use of assets of political subdivisions and federal and state laws relating to bankruptcy, fraudulent conveyances, and rights of creditors may affect the enforcement of remedies. Similarly, the application of general principles of equity and the exercise of judicial discretion may preclude or delay the enforcement of certain remedies. The legal opinions to be delivered with the delivery of the Bonds 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, (2) general principles of equity, and (3) the exercise of judicial discretion in appropriate cases.

### **Cybersecurity Risks**

The District relies on its information systems to provide security for processing, transmission and storage of confidential personal, health-related, credit and other information. The District also uses electronic systems to operate and control parts of the System. It is possible that the District’s security measures will not prevent improper or unauthorized access of personally identifiable information or to the District’s operational systems and mechanisms, including water treatment and flow measuring operations, 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 District and the services it provides, or the unauthorized disclosure of confidential personal, health-related, credit and other information. If personal or otherwise protected information is improperly accessed, tampered with or distributed or the District’s operational components are compromised, the District may incur significant costs to remediate possible injury to the affected persons or equipment or property and the District 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 District’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.

## REGULATORY REQUIREMENTS

### General

The District is subject to the provisions of the Federal Water Pollution Control Act, as amended, 33 U.S.C.A. 1251 et seq., commonly referred to as the “**Clean Water Act**,” the stated objective of which is to restore and maintain the chemical, physical, and biological integrity of the nation’s waters. The District is also subject to the Missouri Clean Water Law, Sections 644.006 through 644.141, RSMo., as amended, and other laws and regulations. The regulatory requirements are administered by the United States Environmental Protection Agency (“**EPA**”) through DNR. The District is also subject to the Air Pollution Control Act, as amended, 42 U.S.C.A. 7401, et seq., commonly referred to as the “**Clean Air Act**.” The revised, stricter emissions limits under the Clean Air Act for air emissions from sewage sludge incinerators necessitated the earlier-than-planned construction of the advanced air emissions controls project, which were the Phase III Improvements funded by Series 2016 Bonds. The District proactively addressed its obligations under the Clean Air Act by negotiating an Administrative Order on Consent with the Missouri Air Pollution Control Program securing a compliance deadline of February 2020. The advanced air emissions controls project is currently being commissioned and is expected to achieve compliance before the February 2020 deadline. The District is currently not subject to the Safe Drinking Water Act, as amended, 42 U.S.C. 300f et seq., which is also administered by the EPA.

The Clean Water Act imposes several permit and regulatory requirements on wastewater treatment systems. Public sewage treatment plant owners and operators such as the District are required to provide secondary treatment as established by federal regulation for all wastewater discharge from treatment plants into waters of the United States. Under the Clean Water Act, states also establish water quality standards, classifying waterbody uses, and pollutant control criteria to protect those uses. All sewage system discharges require National Pollutant Discharge Elimination System (“**NPDES**”) permits specifying the permissible pollutant levels in wastewater effluent discharged from the plants. In addition to secondary treatment requirements for publicly-owned treatment plants, all discharges from plants and combined sewer overflows (“**CSO**”) may be subject to additional stringent controls (which are then incorporated into NPDES permits) if such discharges are required to achieve the water quality standards established by the state pursuant to federal regulations. Under state law, the State also requires treatment plants to obtain state surface water discharge permits, which, in the discretion of EPA and DNR, may be issued jointly with the NPDES permit. Major wastewater treatment systems also must adopt and enforce pretreatment regulations for industries and other non-domestic sources discharging into sewers. Treatment plants are also subject to Clean Water Act and state regulations governing sludge use and disposal.

The Clean Water Act is enforced by EPA through administrative orders and procedures. Violations may be the basis for federal lawsuits brought on EPA’s behalf by the U.S. Department of Justice or by private citizens.

## TAX MATTERS

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

### Opinion of Bond Counsel

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

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

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

**Bank Qualification.** The Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

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

### **Other Tax Consequences**

**Original Issue Discount.** For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Bond over its issue price. The issue price of a Bond is generally the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.

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

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

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

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

## LITIGATION

Except as described in this Section, to the knowledge of the District there is no legal action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body for which the District has been served with process or official notice or threatened against or affecting the District or any reasonable basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the transaction contemplated by this Official Statement or the validity of the Bonds, the Bond Resolution, or any agreement or instrument to which the District is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement, and no member, employee or agent of the District has been served with any legal process regarding such litigation or other proceeding. The District experiences litigation in the ordinary course of operations, including employment-related claims. The District does not believe that the ultimate outcome of any pending suits or claims against the District will have a material adverse effect on the financial condition or results of operations of the District.

## LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel to the District, whose approving legal opinion will be delivered with the Bonds in substantially the form of **Appendix C** hereto. Certain legal matters will be passed on for the District by Humphrey, Farrington & McClain, P.C., Independence, Missouri. Certain legal matters will be passed upon for the District by Gilmore & Bell, P.C., Kansas City, Missouri, as Disclosure Counsel to the District.

The various legal opinions to be delivered concurrently with the delivery of the Bonds 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 transaction 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.

## RATINGS

Moody's Investors Service, Inc. and S&P Global Ratings, Inc. (the "**Rating Agencies**") have assigned the Bonds their respective ratings as shown on the cover page based on each Rating Agency's respective evaluation of the creditworthiness of the District. Such ratings reflect only the views of the Rating Agencies at the time such ratings are given, and the District makes no representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained only from the Rating Agencies.

The District has furnished the Rating Agencies with certain information and materials relating to the Bonds and the District that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing such rating, circumstances so warrant. Any revision or withdrawal of a rating could have an adverse effect on the market price and marketability of the Bonds.

## CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Undertaking dated as of September 1, 2019 (the "**Continuing Disclosure Undertaking**"), the District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide, or cause to be provided, certain financial information and operating data relating to the District to certain parties by not later than the last day of the sixth month following the end of the District's fiscal year (the "**Annual Report**"), commencing with the report for the fiscal year ending September 30, 2019, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board ("**MSRB**"), through EMMA (described below) pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("**Rule 15c2-12**"). The notices of material events will be filed by the District with the MSRB, through EMMA. The District is the only "obligated person" with responsibility for continuing disclosures. A failure by the District to comply with such undertakings will not constitute a default on the Bonds.

## Annual Reports

Pursuant to the Continuing Disclosure Undertaking, the District will file the Annual Report, which will contain the following financial information and operating data:

- (1) Audited Financial Statements
- (2) Operating Data:
  - (a) **“FINANCIAL OPERATIONS OF THE DISTRICT - Revenue Fund Statement of Revenues, Expenses and Changes in Net Assets.”**
  - (b) **“FINANCIAL OPERATIONS OF THE DISTRICT - Debt Service Coverage.”**
  - (c) **“FINANCIAL OPERATIONS OF THE DISTRICT - Sewer Rates and Revenues.”**
  - (d) **“SYSTEM USERS AND SERVICE CONTRACTS - Users.”**

## Notices of Material Events

Pursuant to the Continuing Disclosure Undertaking, the District is also required to give notice to the MSRB no later than 10 business days after the occurrence of any of the following events with respect to the Bonds (“Material Events”):

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

The District is also required to file a notice with the MSRB of any failure of the District to file an Annual Report by the deadline prescribed above.

## Dissemination Agent

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

## Amendments to Continuing Disclosure Undertaking

Notwithstanding any other provision of the Continuing Disclosure Undertaking, the District may amend the Continuing Disclosure Undertaking and any provision of the Continuing Disclosure Undertaking may be waived, provided that bond counsel or other counsel experienced in federal securities law matters provides the District with its written opinion that the undertaking of the

District contained therein, as so amended or after giving effect to such waiver, is in compliance with Rule 15c2-12 and all current amendments thereto and interpretations thereof that are applicable to the Continuing Disclosure Undertaking.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Undertaking, the District shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event under the Continuing Disclosure Undertaking, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**Remedies**

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

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

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

**Prior Compliance**

The District made similar agreements that required the District to file its Annual Report, within 180 days of the end of its fiscal year end with respect to the Series 2010 Bonds, and not later than the last day of the sixth month following the end of the District’s fiscal year with respect to the Series 2016 Bonds.

Within the last five years, the District did not timely file its audited financial statements and operating data with respect to the Series 2010 Bonds for the fiscal year ended September 30, 2015. The audited financial statements and the operating data relating to the Series 2010 Bonds were filed 3 days late in fiscal year ended 2015.

The District filed a notice of failure to timely file regarding the Series 2010 Bonds continuing disclosure obligations on EMMA on September 8, 2016. The District has also taken steps to ensure that it will meet its continuing disclosure obligations in the future, including hiring Gilmore & Bell, P.C., to assist the District with compiling and filing the Annual Report and any other required event notices.

**UNDERWRITING**

On September \_\_, 2019, the District received \_\_\_\_ bids for the Bonds. The Bonds have been sold at public sale by the District to \_\_\_\_\_ (the “Original Purchaser”) on the basis of the lowest true interest cost. The Original Purchaser has agreed, subject to certain conditions, to purchase the Bonds at a purchase price equal \$\_\_\_\_\_ (consisting of the par amount of the Bonds, plus original issue premium of \$\_\_\_\_\_, less original issue discount of \$\_\_\_\_\_, less the purchaser’s discount of \$\_\_\_\_\_).

**INDEPENDENT AUDITORS**

The Independent Auditor’s Reports and Financial Statements of the District for the fiscal year ended September 30, 2018 included in the Audited Financial Statements for the fiscal year ended September 30, 2018 attached as **Appendix A** of this Official Statement, have been audited by Troutt, Beeman & Co., P.C., independent auditors, as stated in their report also appearing in **Appendix A**.

**MISCELLANEOUS**

The references herein to the Act and the Bond Resolution, among others, are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of the provisions thereof, reference is made to these documents. Copies of such documents are on file at the offices of the Paying Agent and following delivery of the Bonds will be on file at the office of the Paying Agent.

The agreement of the District with the owners of Bonds is fully set forth in the Bond Resolution, and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Bonds. Statements made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact. The presentation of information in this Official Statement, including tables or charts, is intended to show recent historic information, but is not intended to indicate future or continuing trends in the financial position of the District.

The Cover Page hereof and the Appendices hereto are integral parts of this Official Statement and must be read together with all of the foregoing statements.

Except for information expressly attributed to other sources, the District has provided all information contained herein. The District has supplied and reviewed the information contained herein which relates to its property and operations and has approved all such information for use within this Official Statement. The execution and delivery of this Official Statement has been duly authorized by the District.

**LITTLE BLUE VALLEY SEWER DISTRICT**

By: /s/\_\_\_\_\_  
Title: Chair, Board of Trustees

**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**



**LITTLE BLUE VALLEY SEWER DISTRICT**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2018**

**TOGETHER WITH**

**INDEPENDENT AUDITOR'S REPORT**



**LITTLE BLUE VALLEY SEWER DISTRICT**

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TROUTT, BEEMAN & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Little Blue Valley Sewer District

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Little Blue Valley Sewer District (the "District"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

The District's 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Little Blue Valley Sewer District, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof 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 pension information on pages 25 and 26 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented so supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by the missing information.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental information on pages 27 through 29 are presented for the purpose of additional analysis and are not a required part of the financial statements.

This supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Troutt, Beeman & Co., P.C.*

Harrisonville, Missouri  
January 30, 2019

LITTLE BLUE VALLEY SEWER DISTRICT

STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 620,524
Investments	20,553,327
Accounts receivable	3,588,367
Interest receivable	34,539
Prepaid expenses	430,665
Inventory	274,651
Restricted assets:	
Investments	41,217,907
Interest receivable	41,956
Due from other governments	<u>211,922</u>
Total current assets	<u>66,973,858</u>
NON-CURRENT ASSETS:	
Restricted assets:	
Investments	40,366,077
Interest receivable	<u>487,240</u>
Total restricted assets	<u>40,853,317</u>
Capital assets, net of depreciation	<u>204,141,156</u>
Total non-current assets	<u>244,994,473</u>
Total assets	<u>311,968,331</u>
DEFERRED OUTFLOW OF RESOURCES:	
Deferred amount on refunding	10,954
Pension related amounts	<u>356,775</u>
Total assets and deferred outflow of resources	<u>\$ 312,336,060</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:	
Accounts payable	\$ 916,495
Construction contract, retainage and other payables	272,596
Compensated absences	103,000
Due to other governments	4,637,500
Accrued interest	1,491,203
Current portion of long-term debt	<u>9,385,189</u>
Total current liabilities	<u>16,805,983</u>
NON-CURRENT LIABILITIES:	
Long term debt	209,076,967
Due to other governments	30,516,577
Compensated absences	929,165
Net pension liability	<u>2,592,576</u>
Total non-current liabilities	<u>243,115,285</u>
Total liabilities	259,921,268
DEFERRED INFLOW OF RESOURCES,	
Pension related amounts	<u>861,622</u>
Total liabilities and deferred inflow of resources	<u>260,782,890</u>
NET POSITION:	
Net investment in capital assets	13,628,959
Restricted for capital projects	270,061
Restricted for debt service	6,323,794
Restricted for renewal and replacement	11,829,646
Unrestricted	<u>19,500,710</u>
Total net position	<u>51,553,170</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 312,336,060</u>

See accompanying notes.

LITTLE BLUE VALLEY SEWER DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

OPERATING REVENUES:	
Wastewater treatment user fees	\$ 30,257,685
Other operating revenue	<u>214,732</u>
Total operating revenues	<u>30,472,417</u>
OPERATING EXPENSES:	
Operation and maintenance	12,116,675
Administration and general	1,188,635
Depreciation and amortization	14,563,807
Unbilled charges	<u>194,670</u>
Total operating expenses	<u>28,063,787</u>
Operating income	<u>2,408,630</u>
NON-OPERATING REVENUE (EXPENSE):	
Investment income	2,870,083
Grant income	6,475
Interest expense	(8,833,853)
Miscellaneous revenue	35,461
Loss on disposal of assets	<u>(2,249,231)</u>
Total non-operating revenue (expense)	<u>(8,171,065)</u>
Decrease in net position	(5,762,435)
NET POSITION:	
Beginning of year	<u>57,315,605</u>
End of year	<u>\$ 51,553,170</u>

See accompanying notes.

LITTLE BLUE VALLEY SEWER DISTRICT

STATEMENT OF CASH FLOWS -- PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Received from customers	\$ 30,130,105
Payments to employees and fringe benefits	(5,979,163)
Payments for operations	<u>(7,143,075)</u>
Net cash provided by operating activities	<u>17,007,867</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Payments on intergovernmental advance	(4,431,005)
Other receipts (payments)	41,937
Payments from other governments	<u>274,835</u>
Net cash used by noncapital financing activities	<u>(4,114,233)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from sale of capital assets	18,252
Proceeds from capital debt	637,329
Acquisition and construction of capital assets	(8,009,979)
Principal paid on capital debt and leases	(8,703,700)
Interest paid on capital debt and leases	<u>(8,918,651)</u>
Net cash used by capital and related financing activities	<u>(24,976,749)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	303,753,526
Investment income	3,001,467
Purchase of investments and related fees	<u>(306,040,687)</u>
Net cash provided by investing activities	<u>714,306</u>
Net decrease in cash and cash equivalents	(11,368,809)
Cash and cash equivalents, Beginning of the year	<u>11,989,333</u>
Cash and cash equivalents, End of the year	<u>\$ 620,524</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 2,408,630</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	14,563,807
Changes in assets and liabilities:	
Receivables, net	(344,399)
Pension	(186,798)
Inventories	176,321
Prepaid items	(60,176)
Accounts payable and accrued liabilities	448,395
Deferred revenue	<u>2,087</u>
Total adjustments	<u>14,599,237</u>
Net cash provided by operating activities	<u>\$ 17,007,867</u>
Noncash investing, capital, and financing activities:	
Assets acquired through assumption of a liability	637,329
Capital asset write-offs	22,056,194

See accompanying notes.

# LITTLE BLUE VALLEY SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization: The Little Blue Valley Sewer District - Jackson and Cass Counties, Missouri (the "District"), is a political corporation of the State of Missouri formed for the purpose of providing wholesale wastewater conveyance and treatment to the District's customers located within the Little Blue Watershed and part of the Mill Creek Watershed. The District services portions of Jackson and Cass Counties, including the cities of Belton, Blue Springs, Grandview, Independence, Kansas City, Lake Tapawingo, Lee's Summit, Raymore, Raytown and Sugar Creek, as well as the Fort Osage School District, and the Lake City Army Ammunition Plant. In 1992, the District took control of the Middle Big Creek Sewer Subdistrict, (the "Subdistrict") which includes the cities of Greenwood, Raymore, Lee's Summit and Lake Winnebago, along with the Mullendike and Dikeland Sewer Districts and parts of unincorporated Jackson and Cass Counties. The Subdistrict was expanded in 2008 to include the City of Pleasant Hill and additional areas in Jackson and Cass Counties.

The District is governed by a Board of Trustees consisting of eleven members which, by statute, include the Jackson County Executive, the Cass County Presiding Commissioner, one Jackson County Legislator, Mayors from the five cities contributing the largest volume of wastewater flow to the District, and three Mayors-at-Large from the Mayor's Advisory Board. The Mayor's Advisory Board is composed of the mayor of the municipalities and a representative of the counties, sewer districts, school district and plant served by the District.

The District is considered a governmental unit for financial reporting purposes. The District applies all relevant Government Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) pronouncements, unless the FASB pronouncements conflict with or contradict the GASB pronouncements, in which case, GASB prevails. The District does not have any component units as defined by the criteria set forth in generally accepted accounting principles.

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. These accounts are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The District records all of its activity in one fund, the Proprietary Fund. Proprietary funds are used to account for operations that are financed and conducted in a manner similar to private business enterprises, where the intent is that costs be recovered through user charges.

The District and Subdistrict have service contracts with each user which guarantee use of the service, payment of allocated charges and ongoing customer financial responsibility linked to the District's debt. Customer rates cover the operation and maintenance of facilities, principal and interest of all indebtedness, and allocation of reserves for operations, debt and rehabilitation and repair. The Subdistrict's user fees are based on the number of connections. The District's customer rates are computed based upon a methodology set forth in the service agreements using projected flow, customer, metering and industrial pretreatment components.



**LITTLE BLUE VALLEY SEWER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accrual Accounting: The financial statements of the District are prepared using the accrual method of accounting. Accordingly, income is recorded as earned and expenses charged as incurred, regardless of the timing of payments.

Cash and Cash Equivalents: For purposes of reporting cash flows, the District considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. These include cash on hand and bank demand deposits.

Investments: The District reports money market investments, with a maturity of one year or less at the time of purchase, and nonparticipating investment contracts at cost or amortized cost, which approximates fair value. At September 30, 2018, there are no investments that are required to be reported at fair value.

Inventories: Inventories of materials and supplies are valued at historical cost, which approximates the lower of cost or market using the first-in/first-out (FIFO) method.

Capital Assets: Capital assets, which include land, buildings and improvements and equipment, are recorded at cost for items purchased or constructed over \$10,000. Contributed assets are recorded at fair value on the date received. Significant additions, betterments, and interest costs incurred during construction are capitalized. Engineering costs are allocated on a specific-identification basis. Expenditures for maintenance, repairs, and minor renewals are charged to operations as incurred.

Depreciation is provided using the straight-line method over estimated useful lives as follows:

Sewer plant	10 – 75 years
Buildings	40 years
Office furniture and fixtures	10 – 20 years
Transportation equipment	5 years

Capitalization of Interest: Interest costs are capitalized as part of the cost of capital assets during the period of construction.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources, or expense, until then. The District has deferred changes in proportion dealing with pensions and contributions made after the measurement date, as well as a deferred amount on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price.

# LITTLE BLUE VALLEY SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

#### Deferred Outflows/Inflows of Resources (Continued):

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources, or revenue, until that time. A deferred inflow of resources dealing with the pension is reported for the differences between the expected and actual experience, the net difference between projected and actual earning on pension investments, and changes of assumptions.

Compensated Absences: Accumulated vacation and sick leave is recorded as an expense and liability as the benefits accrue to employees.

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 Jackson County, Missouri Revised Pension Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Equity: 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 improvements of those assets.
- b. Restricted: Consists of restricted assets, reduced by liabilities and deferred inflows of resources related to those assets, with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- c. Unrestricted: Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of "net investment in capital assets" or the "restricted" component of net position.

Net Position: It is the District's policy to first use restricted resources prior to the use of unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

# LITTLE BLUE VALLEY SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Statement of Cash Flows: A statement of cash flows has been presented in accordance with Governmental Accounting Standards Board Statement 9 for the District as it operates predominantly as a proprietary fund. For purposes of the statement of cash flows, demand deposits, and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, are considered to be cash equivalents.

Budgets: According to the District's bond covenants, the District operates under an annual budget which provides for reasonable and necessary operating expenses. The budget is approved by the Board of Trustees. The District must prepare a preliminary budget and, not less than sixty days before the beginning of the year, hold a public hearing at which any authorized representative of the municipalities may appear and present any objection the municipalities may have with respect to the preliminary annual budget. The budget is prepared on the accrual basis of accounting, modified to include capital asset purchases and inventory purchases as expenses. In addition, certain trustee fees have been excluded from budgeted expenses. Although the annual budget serves as a management plan and is not legally adopted, it must be approved by the Board of Trustees with any subsequent revisions to the budget also approved by the Board.

If the budget for the ensuing year exceeds the prior year's budget by more than 8%, and if, prior to October 1 of the ensuing year, the municipalities individually or collectively present a statement of reasons as to why the proposed budget is, in the municipalities' opinion, unreasonable and unnecessary, the statement shall be forwarded to all users, each of which may submit its own such statement. The original statement of reasons shall be promptly referred to an arbitrator mutually agreed by the District and the user that filed the original statement of reasons. The arbitrator may determine the controversy based upon the evidence produced. In every event, the decision will be rendered by October 1 of that year or the proposed budget shall automatically become the annual budget upon approval of the Board of Trustees. After the budget has been approved, it can be amended by the Board of Trustees. There is no specific amount by which the District can exceed the budget except that the District must maintain reasonable and necessary operating expenses.

Operating Revenues and Expenses: Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing/delivering goods in connection with proprietary funds principal ongoing operations. The principal operating revenue of the District's proprietary fund is charges to customers for services.

Restricted Cash, Cash Equivalents, and Investments: Cash, cash equivalents, and investments that are externally restricted are classified as restricted assets. These assets are used to make debt service payments, maintain sinking or reserve funds, purchase or construct capital or other non-current assets or for other restricted purposes.

# LITTLE BLUE VALLEY SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Bond Premiums, Discounts and Issue Costs: Bonds payable are reported net of any premiums and discounts, which are amortized over the life of the applicable bond using the straight-line method which approximates the effective interest method. Issuance costs are recognized as an expense in the year incurred.

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

Income Tax Status: The District is a political corporation of the state of Missouri and, as such, is exempt from paying income tax.

Accounts Receivable: Accounts receivable are composed primarily of charges to customers for wastewater charges. Receivables are reported at their gross values net of an allowance for uncollectible amounts. Management has determined all accounts are collectable and no allowance for uncollectible accounts is necessary.

### 2. DEPOSITS:

At September 30, 2018, cash balances were comprised of demand deposits. As required by law, the depository banks are to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance or obtain surety bonds to equal the amount on deposit at all times.

State statutes allow the District to invest in direct obligations of the United States of America and obligations which are unconditionally guaranteed by or secured by obligations of the United States of America. All of the District's investments are currently subject to the provisions of the various bond indentures as described below:

The 2010 and 2016 Series, and the 2001A Direct Loan bond indentures generally restrict investing to cash, certificates of deposit, U.S. Treasury securities, U.S. government agency securities, money market funds (rated in one of the three highest investment grade ratings by Standard and Poor's or Moody's), commercial paper (rated A-1 or better by Standard and Poor's or Moody's), state and local government bonds (rated in one of the two highest categories by Standard and Poor's or Moody's), repurchase agreements, and nonparticipating guaranteed investment contracts acceptable to the bond issuer.

The 2003 Revenue Bond indenture currently requires that the monies in the restricted accounts must be invested in the guaranteed investment contracts specified by the bondholder, the State Environmental Improvement and Energy Resources Authority. Other permitted investments under the indentures include cash, certificates of deposit, U.S. Treasury securities, fully guaranteed U.S. government agency securities, money

**LITTLE BLUE VALLEY SEWER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

2. DEPOSITS (Continued):

market mutual funds (rated in the highest category by Moody’s), direct and general obligations of the State of Missouri (rated in one of the two highest categories by Moody’s), and guaranteed investment agreements with a provider whose obligations are rated at least Aa by Moody’s.

At September 30, 2018, the District’s investments consisted of the following:

MOSIP	\$ 46,287,000	A-1 to AA+
Money markets	731,218	AAA
Commercial paper	14,753,016	A-1
Guaranteed investment contracts	40,366,077	AA+
	\$ 102,137,311	

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District’s policy limits maturities to five years as a means of managing its exposure to fair value losses arising from increasing interest rates. To minimize the risk of loss, the District matches investments to anticipated cash flows and diversifies the investment types to the extent practicable. The District has elected to use the segmented time distribution method of disclosure for its interest rate risk.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk of investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District’s policy is to require pledged collateral for deposits, less amounts insured by FDIC, with securities held by the financial institution’s agent and in the District’s name.

At September 30, 2018, The District had the following investments and maturities:

	Investment maturities (in years)			
	Value	Less than one	1-5	>5
Investment type:				
MOSIP	\$ 46,287,000	\$ 46,287,000	\$ -	\$ -
Money markets	731,218	731,218	-	-
Commercial paper	14,753,016	14,753,016	-	-
Guaranteed investment contracts	40,366,077	-	-	40,366,077
	\$ 102,137,311	\$ 61,771,234	\$ -	\$ 40,366,077

**LITTLE BLUE VALLEY SEWER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

2. DEPOSITS (Continued):

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investment in debt securities as described by nationally recognized statistical rating agencies, such as Standard & Poor's and Moody's. The guaranteed investment contracts are not rated. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The District's policies and bond indentures do not limit the amounts that can be invested with any one issuer. Investments that represent more than 5% of the District's investments are as follows:

Mass Mutual Reserve	34%
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Missouri State Statutes authorize the District, with certain restrictions, to deposit funds in open accounts, time deposits, and certificates of deposit. Statutes also require that collateral pledged have a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the District or a disinterested third party and must be of the kind prescribed by statutes and approved by the State. The District may purchase any investments allowed by the State Treasurer. These include (a) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (b) repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law.

The District's general credit risk policy is to apply to prudent person rule: Investments shall be made with the exercise of judgment and care, that under circumstances then prevailing, individuals of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived. It is the District's policy to minimize credit risk by prequalifying the financial institutions and others with whom the District will do business, and by diversifying the portfolio so that potential losses on individual fixed income securities will be minimized.

At September 30, 2018, the carrying value of deposits and investments are as follows:

Investments:	
MOSIP	\$ 46,287,000
Money markets	731,218
Commercial paper	14,753,016
Guaranteed investment contracts	<u>40,366,077</u>
Total investments	102,137,311
Deposits	<u>620,524</u>
	<u>\$ 102,757,835</u>

**LITTLE BLUE VALLEY SEWER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

2. DEPOSITS (Continued):

Deposits, investments and petty cash of the District are reflected on the Statement of Net Position as follows:

Cash and cash equivalents	\$	620,524
Investments		20,553,327
Restricted investments		<u>81,583,984</u>
		<u>\$ 102,757,835</u>

Fair Value Measurement and Application: The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles pursuant to GASB Statement No. 72, Fair Value Measurement and Application. 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 following is the fair value hierarchy of investments as of September 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market	\$ 731,218	\$ -	\$ -
Commercial paper	<u>14,753,016</u>	<u>-</u>	<u>-</u>
	<u>15,484,234</u>	<u>-</u>	<u>-</u>
Investments measured at net asset value:			
MOSIP	46,287,000		
Fixed income funds	<u>40,366,077</u>		
	<u>86,653,077</u>		
Total investments	<u>\$ 102,137,311</u>		

**LITTLE BLUE VALLEY SEWER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**3. CAPITAL ASSETS:**

Activity for capital assets is summarized as follows:

	<u>Balance 10/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/2018</u>
Capital assets not being depreciated:				
Land	\$ 5,725,870	\$ -	\$ -	\$ 5,725,870
Construction in progress	<u>7,834,321</u>	<u>7,159,637</u>	<u>923,747</u>	<u>14,070,211</u>
Total capital assets not being depreciated	<u>13,560,191</u>	<u>7,159,637</u>	<u>923,747</u>	<u>19,796,081</u>
Capital assets being depreciated:				
Sewer plant	17,136,487	113,010	-	17,249,497
Buildings	648,057	-	-	648,057
Machinery and equipment	3,079,770	494,566	-	3,574,336
Horizontal infracture	-	74,200	-	74,200
Furniture and fixtures	-	165,149	-	165,149
Legacy assets	421,075,292	-	22,056,194	399,019,098
Vehicles	<u>84,084</u>	<u>69,197</u>	<u>-</u>	<u>153,281</u>
Total capital assets being depreciated	<u>442,023,690</u>	<u>916,122</u>	<u>22,056,194</u>	<u>420,883,618</u>
Less accumulated depreciation:				
Sewer plant	320,431	969,456	-	1,289,887
Buildings	30,003	60,006	-	90,009
Machinery and equipment	234,705	185,555	-	420,260
Horizontal infracture	-	1,484	-	1,484
Furniture and fixtures	-	11,796	-	11,796
Legacy assets	241,169,899	13,311,773	19,788,710	234,692,962
Vehicles	<u>8,408</u>	<u>23,737</u>	<u>-</u>	<u>32,145</u>
Total accumulated depreciation	<u>241,763,446</u>	<u>14,563,807</u>	<u>19,788,710</u>	<u>236,538,543</u>
Total capital assets being depreciated, net	<u>200,260,244</u>	<u>(13,647,685)</u>	<u>2,267,484</u>	<u>184,345,075</u>
Total capital assets, net	<u>\$ 213,820,435</u>	<u>\$ (6,488,048)</u>	<u>\$ 3,191,231</u>	<u>\$ 204,141,156</u>



**LITTLE BLUE VALLEY SEWER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

4. LONG TERM DEBT:

Changes in long-term debt of the District for the years ended September 30, 2018, consisted of the following:

	Balance October 1, 2017	Additions	Retirements	Balance September 30, 2018	Amounts Due Within One Year
Revenue bonds	\$ 192,295,000	\$ -	\$ 6,680,000	\$ 185,615,000	\$ 7,340,000
Direct loan	32,630,382	637,329	1,855,311	31,412,400	1,876,800
Bond (discount) / premium	1,603,145	-	168,389	1,434,756	168,389
 Total bonds and loans	 226,528,527	 637,329	 8,703,700	 218,462,156	 9,385,189
Other liabilities:					
Compensated absences	987,942	134,954	90,731	1,032,165	103,000
Net pension liability	3,847,623	-	1,255,047	2,592,576	-
Due to other governments	39,585,082	-	4,431,005	35,154,077	4,637,500
	<u>\$ 270,949,174</u>	<u>\$ 772,283</u>	<u>\$ 14,480,483</u>	<u>\$ 257,240,974</u>	<u>\$ 14,125,689</u>

Compensated absences: Employees of the District accrue vacation based upon length of continuous service (minimum of 10 days increasing to 30 days per year) up to a maximum of 720 hours. Permanent, full-time employees accumulate sick leave at a rate of eight hours for each full month of service, with no limit on the maximum accumulated amount. Accumulated vacation is paid at 100% and accumulated sick time is paid at 5-50% based on years and age upon separation of employment. Accrued compensated absences at September 30, 2018 is as follows:

Vacation	\$ 602,504
Sick leave	<u>429,661</u>
	<u>\$ 1,032,165</u>

**LITTLE BLUE VALLEY SEWER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

4. LONG TERM DEBT (Continued):

Total District debt at September 30, 2018, consisted of the following:

Revenue bonds,

\$88,915,000, Series 2003 Sewerage System Revenue Bonds,  
refunding the 2002A Sewer Revenue Bonds and for extension and improvements  
due in semi annual installments of \$75,000 to \$505,000, through January 1, 2024;  
interest at 2.5% to 5.25% \$ 49,015,000

\$118,350,000, Series 2010 Build America Bonds, issued for system handling, treatment  
and retention basin improvements, due in semi annual installments of \$55,000 to \$81,900,  
through September 1, 2040; interest at 6.22% to 6.75% 118,350,000

\$19,710,000, Series 2016 Sewer System Revenue Bonds, issued for  
construction of air emission controls, backup solids disposal system and solid  
dewatering system, due in semi annual installments of \$715,000 to \$2,240,000,  
through September 1, 2036; interest at 2% to 5% 18,250,000

Total revenue bonds 185,615,000

Note payable,

\$37,850,000, Series 2011A Missouri DNR Direct Loan Program, issued for Pleasant Hill  
treatment facility improvements, due in semi annual installments of \$55,000 to \$81,900,  
through July 1, 2032; interest at 1.66% 31,412,400

Bond (discount) / premium 1,434,756

Total District long term debt \$ 218,462,156

**LITTLE BLUE VALLEY SEWER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

4. LONG TERM DEBT (Continued):

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

<u>Years ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Revenue Bonds</u>
2019	\$ 7,340,000	\$ 10,748,059	\$ 18,088,059
2020	8,055,000	10,376,319	18,431,319
2021	8,785,000	9,946,657	18,731,657
2022	9,525,000	9,485,057	19,010,057
2023	9,840,000	9,002,861	18,842,861
2024 - 2028	37,680,000	38,645,314	76,325,314
2029 - 2033	36,340,000	29,088,473	65,428,473
2034 - 2038	40,855,000	17,083,382	57,938,382
2039 - 2040	27,195,000	3,111,075	30,306,075
	<u>\$ 185,615,000</u>	<u>\$ 137,487,197</u>	<u>\$ 323,102,197</u>

<u>Years ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Direct Loan</u>
2019	\$ 1,876,800	\$ 513,709	\$ 2,390,509
2020	1,928,200	482,345	2,410,545
2021	1,980,600	450,119	2,430,719
2022	2,035,000	417,016	2,452,016
2023	2,089,400	383,009	2,472,409
2024 - 2028	11,314,900	1,372,405	12,687,305
2029 - 2032	10,187,500	385,949	10,573,449
	<u>\$ 31,412,400</u>	<u>\$ 4,004,552</u>	<u>\$ 35,416,952</u>

Bond Reserve Accounts:

Under the Series 2003, the reserve fund is funded by an advance from the State of Missouri DNR in an amount up to 70% of the outstanding bonds. The balance as of September 30, 2018 is \$35,154,077. This amount is reflected as restricted investments and as an offsetting liability, due to other governments. When the District makes a principal payment on this debt, 70% of the payment amount is remitted from this reserve fund to the DNR.

## LITTLE BLUE VALLEY SEWER DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### 4. LONG TERM DEBT (Continued):

Under the 2010 Series, the reserve fund requirement of \$9,982,763 was funded with bond proceeds.

##### Debt Service Reserve:

Under the Series 2003, 2010 and 2016 Sewer System Revenue Bonds and the Series 2011A DNR loan, the District is required to deposit monies into a Principal and Interest or Debt Service account sufficient to meet maturity dates of principal and interest.

At September 30, 2018, the District was in compliance with these requirements.

##### Rehabilitation and Replacement:

The Series 2003 Sewer System Revenue Bond requires the District to accumulate monies to be used to pay the costs of unusual or extraordinary replacements or repairs of major items and maintain a \$1,000,000 balance for this purpose.

At September 30, 2018, the District was in compliance with this requirement.

##### Rate Covenants:

Rates and fees established and charged were sufficient to satisfy minimum revenue bond coverage requirements for the year ended September 30, 2018.

##### Pledged Revenues:

The District has pledged future sewer customer revenues, net of operating expenses, to repay four debt issues totaling \$264,825,000. The Series 2003 bonds were issued in the amount of \$88,915,000. The Series 2011A bonds were issued in the amount of \$37,850,000. The Series 2010 bonds were issued in the amount of \$118,350,000. The Series 2016 bonds were issued in the amount of 19,710,000. The outstanding principal on these bonds as of September 30, 2018, was \$217,027,400. Proceeds from these bonds were used to extend and improve the District's sewerage system. The bonds are payable from sewer net revenues and are payable through 2040. The total interest and principal remaining to be paid on the bonds is \$358,519,149. For the current year, principal and interest paid were \$8,535,311 and \$11,628,023, respectively.

# LITTLE BLUE VALLEY SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### 5. PENSION PLAN:

#### **General Information about the Pension Plan**

Plan description: The District's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The District participates in the Jackson County, Missouri Revised Pension Plan (the "Plan") which is an agent cost-sharing, multiple-employer defined benefit pension plan established by the Jackson County Legislature and administered in accordance with RSMo. 50.337. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of the Plan is vested in the Jackson County Legislature. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the Plan website at [www.jacksongov.org](http://www.jacksongov.org). Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan Comprehensive Annual Financial Report.

Benefits provided: The Plan provides retirement, death, and disability benefits. Eligibility begins after twelve months of credited service and benefits vest after five years of credited service. Retirement benefits are 1.5% of the average monthly earnings for each year of credited service beginning at age sixty-five, or at age fifty-five for those whose age and years of service total eighty years. The Plan permits early retirement with reduced benefits for vested employees at the age of 55. The plan also provides death and disability benefits. Benefits are recognized when due and payable in accordance with the terms of the Plan.

Contributions: The contribution requirements of the District are determined by the Plan's Board of Trustees based on an actuarial valuation. The District's contractually required contribution rates were 14.23% of covered payroll from October 2017 to September 2018. The rates are expected 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 District do not contribute to the Plan. Contributions to the Plan were \$572,216 for the year ended September 30, 2018.

Net Pension Liability: The net pension liability was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net pension liability was based on its percentage of covered payroll to the total covered payroll of all participating employers for the period July 1, 2017 to June 30, 2018. At June 30, 2018, the District's proportion was 5.5002%, which was a decrease of 1.1262% from its proportion measured as of June 30, 2017. The District reported a liability of \$2,592,576 for its proportionate share of the net pension liability at September 30, 2018.

# LITTLE BLUE VALLEY SEWER DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### 5. PENSION PLAN (Continued):

Actuarial assumptions: The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age
Amortization method	20 - year layered amortization, level dollar
Remaining amortization period	20 years
Asset valuation method	5 year smoothed market
Inflation	2.50%
Salary increases	2.75% to 4.75%
Investment rate of return	6.75%; including inflation
Mortality	
Active and Terminated Vested Participants	RP-2014 Healthy Non-Annuitant Table adjusted back to 2006 using MP-2014, projected forward with MP-2016 on a generational basis.
Beneficiaries and Retirees	RP-2014 Healthy Annuitant Table adjusted back to 2006 using MP-2014, multiplied by 1.2 for males and 1.0 for females, and projected forward with MP-2016 on a generational basis.
Disabled Members	RP-2014 Disabled Mortality Table adjusted back to 2006 using MP-2014, projected forward with MP-2016 on a generational basis.

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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
Core Bonds	16.25%	2.74%
Core Plus	16.25%	3.01%
U.S. Large Cap Equity	17.50%	7.53%
U.S. Small Cap Equity	10.00%	8.79%
International Developed Equity	15.00%	8.51%
Emerging Market Equity	5.00%	9.80%
Long-Short Equity	10.00%	6.27%
Core Real Estate	10.00%	5.91%

**LITTLE BLUE VALLEY SEWER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

5. PENSION PLAN (Continued):

Discount rate: The discount rate used to measure the total pension liability is 6.75% for 2018. The projection of cash flows used to determine the discount rate assumes the District contributions will be made at the contractually required rate, actuarially determined rates for the District. 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.

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 6.75%, as well as what the District’s Net Pension Liability would be using a discount rate that is 1 percentage point lower (5.75%), or one percentage point higher (7.75%), than the current rate.

	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
District net pension liability	\$ 2,333,318	\$ 2,592,576	\$ 2,851,834

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

For the year ended September 30, 2018, the employer recognized pension expense of \$332,229. Annual pension expenses consists of service cost, interest and administrative expenses on the pension liability less employee contributions and projected earnings on pension plan investments. The District 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	\$ 93,964	\$ 157,930
Changes in assumptions	-	132,634
Net difference between projected and actual earnings on pension plan investments	-	168,990
Changes in proportion and differences between District contributions and proportionate share of contributions	129,563	402,068
Contributions subsequent to the measurement date *	133,248	-
Total	\$ 356,775	\$ 861,622

\*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 September 30, 2019.

**LITTLE BLUE VALLEY SEWER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

5. PENSION PLAN (Continued):

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

<u>Fiscal Year Ending</u>	<u>Net Deferred Outflows of Resources</u>
2019	\$ (63,927)
2020	(143,624)
2021	(342,960)
2022	(87,584)
	<u>\$ (638,095)</u>

**Payable to the Pension Plan**

At September 30, 2018, the District had no payable for outstanding amounts of contributions to the pension plan required for the year ended September 30, 2018.

6. DUE FROM OTHER GOVERNMENTS:

At September 30, 2018 the District had \$211,922 due from the federal government for the interest subsidy on the Series 2010 Build America Bonds.

7. COMMITMENTS AND CONTINGENCIES:

At September 30, 2018, the District has construction and engineering commitments outstanding which total approximately \$10,447,000, primarily for engineering and construction services related to the system improvement and Subdistrict expansion plans. The District expects to receive the majority of the services in 2019.

In April 2013, the District entered into an operating lease agreement with the City of Kansas City, Missouri for the use of approximately 60 acres of land as an excess flow basin. The initial lease term is for a period of thirty years, with an option to renew for an additional 30 years. The future minimum payments will be based on the first year rental amount of \$36,000 and may increase annually by the consumer price index. The rental expense for 2018 was \$36,000. The future payments related to this lease are as follows:

<u>Years ending September 30,</u>	<u>Lease payment</u>
2019	\$ 36,000
2020	36,000
2021	36,000
2022	36,000
2023	36,000
2024 - 2028	180,000
2029 - 2033	180,000
2034 - 2038	180,000
2039 - 2043	162,000
	<u>\$ 882,000</u>



**LITTLE BLUE VALLEY SEWER DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

8. RESTRICTED CASH:

Restricted cash and investments at September 30, 2018 consisted of the following:

<u>Account</u>	
Reserve for debt service	\$ 19,482,760
Reserve for due to other governments	35,154,077
Reserve renewal and replacement	11,829,646
Reserve for capital outlay	<u>15,117,501</u>
	<u>\$ 81,583,984</u>

9. RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; natural disasters; errors and omissions; workers' compensation, and other claims arising from the ordinary course of its activities, for which the District carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year and no significant losses in the past three fiscal years.

10. LEGAL MATTERS:

There are various claims and/or lawsuits to which the District is a party arising in the ordinary course of District activities. The District's management and legal counsel believe that the potential claims against the District not covered by insurance, if any, resulting from such matters, would not materially affect the financial position of the District.

11. UNBILLED CHARGES:

Certain costs of \$194,670 in 2018 were deemed by management to be costs not billable to the municipalities. These costs have been classified as unbilled charges in the Statement of Revenue, Expenses and Changes in Net Position.

12. MAJOR CUSTOMERS AND VENDORS:

The District had certain customers and vendors whose revenue/expenses individually represented 10% or more of the District's total revenue/expense. For the year ended September 30, 2018 three customers accounted for 50% of revenues and 2 vendors represented 38% of expenses.

13. EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through January 30, 2019, the date which the financial statements were available to be issued.

**LITTLE BLUE VALLEY SEWER DISTRICT  
JACKSON AND CASS COUNTIES, MISSOURI**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Proportionate Share of the Net Pension Liability and Related Ratios  
Last 4 fiscal years**

<i>Fiscal year ending September 30,</i>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Proportion of the Net Pension Liability</b>	5.50%	6.63%	5.75%	5.89%
<b>Proportionate share of the Net Pension Liability</b>	2,592,576	3,847,623	4,215,653	3,325,316
<b>Covered Employee Payroll</b>	3,647,494	4,009,704	3,481,145	3,609,832
<b>Proportionate share of the Net Pension liability as a percentage of covered employee payroll</b>	71.08%	95.96%	121.10%	92.12%
<b>Plan Fiduciary Net Pension as a percentage of Total Pension Liability</b>	85.95%	82.26%	76.74%	81.25%

**Notes to schedule:**

Only four years are being shown. As other years become available, they will be included until 10 years of data is shown. Amounts presented were determined as of June 30th.

**LITTLE BLUE VALLEY SEWER DISTRICT  
JACKSON AND CASS COUNTIES, MISSOURI**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS  
Last 4 Fiscal Years**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Actuarially determined contribution	\$ 572,216	\$ 599,485	\$ 540,438	\$ 488,752
Contributions in relation to the actuarially determined contribution	572,216	599,485	540,438	488,752
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,840,966	\$ 3,685,984	\$ 3,758,509	\$ 3,747,086
Contributions as a percentage of covered-employee payroll	14.9%	16.26%	14.38%	13.04%
Valuation date	7/1/2018			

**Notes to Required Supplementary Information for Contributions**

Methods and assumption used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	20 - year layered amortization, level dollar
Remaining amortization period	20 years
Asset valuation method	5 year smoothed market
Inflation	2.50%
Salary increases	2.75% to 4.75%
Investment rate of return	6.75%; including inflation
Mortality	
Active and Terminated Vested Participants	RP-2014 Healthy Non-Annuitant Table adjusted back to 2006 using MP-2014, projected forward with MP-2016 on a generational basis.
Beneficiaries and Retirees	RP-2014 Healthy Annuitant Table adjusted back to 2006 using MP-2014, multiplied by 1.2 for males and 1.0 for females, and projected forward with MP-2016 on a generational basis.
Disabled Members	RP-2014 Disabled Mortality Table adjusted back to 2006 using <P-2014, projected forward with MP-2016 on a generational basis.
Other information	None

**LITTLE BLUE VALLEY SEWER DISTRICT  
MIDDLE BIG CREEK SEWER SUBDISTRICT**

**SCHEDULE OF NET POSITION  
SEPTEMBER 30, 2018**

	<u>Little Blue Valley Sewer District</u>	<u>Middle Big Creek Sewer Subdistrict</u>	<u>Total 2018</u>
<u>ASSETS</u>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 472,462	\$ 148,062	\$ 620,524
Investments	14,966,327	5,587,000	20,553,327
Accounts receivable	3,170,773	417,594	3,588,367
Interest receivable	25,341	9,198	34,539
Prepaid expenses	399,172	31,493	430,665
Inventory	257,788	16,863	274,651
Restricted assets:			
Investments	40,620,243	597,664	41,217,907
Interest receivable	41,956	-	41,956
Due from other governments	211,922	-	211,922
	<u>60,165,984</u>	<u>6,807,874</u>	<u>66,973,858</u>
Total current assets			
<b>NON-CURRENT ASSETS:</b>			
Restricted assets:			
Investments	40,366,077	-	40,366,077
Interest receivable	487,240	-	487,240
Total restricted assets	<u>40,853,317</u>	<u>-</u>	<u>40,853,317</u>
Capital assets, net of depreciation	<u>163,810,151</u>	<u>40,331,005</u>	<u>204,141,156</u>
Total non-current assets	<u>204,663,468</u>	<u>40,331,005</u>	<u>244,994,473</u>
Total assets	<u>264,829,452</u>	<u>47,138,879</u>	<u>311,968,331</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
Deferred amount on refunding	10,954	-	10,954
Pension related amounts	356,775	-	356,775
	<u>\$ 265,197,181</u>	<u>\$ 47,138,879</u>	<u>\$ 312,336,060</u>
Total assets and deferred outflow of resources			
<u>LIABILITIES AND NET POSITION</u>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 872,628	\$ 43,867	\$ 916,495
Construction contract, retainage and other payables	272,596	-	272,596
Compensated absences	100,470	2,530	103,000
Due to other governments	4,637,500	-	4,637,500
Accrued interest	1,321,576	169,627	1,491,203
Current portion of long-term debt	<u>7,508,389</u>	<u>1,876,800</u>	<u>9,385,189</u>
Total current liabilities	<u>14,713,159</u>	<u>2,092,824</u>	<u>16,805,983</u>
<b>NON-CURRENT LIABILITIES:</b>			
Long term debt	179,541,367	29,535,600	209,076,967
Due to other governments	30,516,577	-	30,516,577
Compensated absences	899,554	29,611	929,165
Net pension liability	<u>2,592,576</u>	<u>-</u>	<u>2,592,576</u>
Total non-current liabilities	<u>213,550,074</u>	<u>29,565,211</u>	<u>243,115,285</u>
Total liabilities	<u>228,263,233</u>	<u>31,658,035</u>	<u>259,921,268</u>
<b>DEFERRED INFLOW OF RESOURCES,</b>			
Pension related amounts	<u>861,622</u>	<u>-</u>	<u>861,622</u>
Total liabilities and deferred inflow of resources	<u>229,124,855</u>	<u>31,658,035</u>	<u>260,782,890</u>
<b>NET POSITION:</b>			
Net investment in capital assets	4,710,354	8,918,605	13,628,959
Restricted for capital projects	270,061	-	270,061
Restricted for debt service	6,075,827	247,967	6,323,794
Restricted for renewal and replacement	11,829,646	-	11,829,646
Unrestricted	<u>13,186,438</u>	<u>6,314,272</u>	<u>19,500,710</u>
Total net position	<u>36,072,326</u>	<u>15,480,844</u>	<u>51,553,170</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 265,197,181</u>	<u>\$ 47,138,879</u>	<u>\$ 312,336,060</u>

**LITTLE BLUE VALLEY SEWER DISTRICT  
MIDDLE BIG CREEK SEWER SUBDISTRICT**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Little Blue Valley Sewer District</u>	<u>Middle Big Creek Sewer Subdistrict</u>	<u>Total 2018</u>
<b>OPERATING REVENUES:</b>			
Wastewater treatment user fees	\$ 25,375,405	\$ 4,882,280	\$ 30,257,685
Other operating revenue	<u>169,219</u>	<u>45,513</u>	<u>214,732</u>
Total operating revenues	<u>25,544,624</u>	<u>4,927,793</u>	<u>30,472,417</u>
<b>OPERATING EXPENSES:</b>			
Operations and maintenance	10,163,696	1,952,979	12,116,675
Administration and general	951,083	237,552	1,188,635
Depreciation and amortization	12,515,002	2,048,805	14,563,807
Unbilled charges	<u>194,670</u>	<u>-</u>	<u>194,670</u>
Total operating expenses	<u>23,824,451</u>	<u>4,239,336</u>	<u>28,063,787</u>
Operating income	<u>1,720,173</u>	<u>688,457</u>	<u>2,408,630</u>
<b>NON-OPERATING REVENUE (EXPENSE):</b>			
Investment income	2,781,409	88,674	2,870,083
Grant income	-	6,475	6,475
Interest expense	(8,298,679)	(535,174)	(8,833,853)
Miscellaneous revenue	28,697	6,764	35,461
Gain (loss) on disposal of assets	<u>(2,249,231)</u>	<u>-</u>	<u>(2,249,231)</u>
Total non-operating revenue (expense)	<u>(7,737,804)</u>	<u>(433,261)</u>	<u>(8,171,065)</u>
Increase (decrease) in net position	(6,017,631)	255,196	(5,762,435)
<b>NET POSITION:</b>			
Beginning of year	<u>42,089,957</u>	<u>15,225,648</u>	<u>57,315,605</u>
End of year	<u>\$ 36,072,326</u>	<u>\$ 15,480,844</u>	<u>\$ 51,553,170</u>

**LITTLE BLUE VALLEY SEWER DISTRICT  
MIDDLE BIG CREEK SEWER SUBDISTRICT**

**SCHEDULE OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Little Blue Valley Sewer District	Middle Big Creek Sewer Subdistrict	Total 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receivied from customers	\$ 25,216,734	\$ 4,913,371	\$ 30,130,105
Payments to employees and fringe benefits	(5,679,327)	(299,836)	(5,979,163)
Payments for operations	(5,246,221)	(1,896,854)	(7,143,075)
Net cash provided by operating activities	14,291,186	2,716,681	17,007,867
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES,</b>			
Payments on intergovernmental advance	(4,431,005)	-	(4,431,005)
Other receipts (payments)	28,698	13,239	41,937
Payments from other governments	274,835	-	274,835
Net cash used by noncapital financing activities	(4,127,472)	13,239	(4,114,233)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from sale of capital assets	18,252	-	18,252
Proceeds from capital debt	-	637,329	637,329
Acquisition and construction of capital assets	(7,950,014)	(59,965)	(8,009,979)
Principal paid on capital debt	(6,848,389)	(1,855,311)	(8,703,700)
Interest paid on capital debt	(8,377,239)	(541,412)	(8,918,651)
Net cash used by capital and related financing activities	(23,157,390)	(1,819,359)	(24,976,749)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from the sale of investments	284,242,572	19,510,954	303,753,526
Interest income	2,912,683	88,784	3,001,467
Purchases of investments	(284,530,137)	(21,510,550)	(306,040,687)
Net cash provided by investing activities	2,625,118	(1,910,812)	714,306
Net increase (decrease) in cash and cash equivelents	(10,368,558)	(1,000,251)	(11,368,809)
Cash and cash equivalents, beginning of year	10,841,020	1,148,313	11,989,333
Cash and cash equivelants, end of year	\$ 472,462	\$ 148,062	\$ 620,524
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 1,720,173	\$ 688,457	\$ 2,408,630
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
Depreciation and amortization expense	12,515,002	2,048,805	14,563,807
<b>Changes in assets and liabilities:</b>			
Receivable, net	(331,090)	(13,309)	(344,399)
Pension	(186,798)	-	(186,798)
Inventories	185,978	(9,657)	176,321
Prepaid items	(59,539)	(637)	(60,176)
Accounts payable and accrued liabilities	445,373	3,022	448,395
Deferred revenue	2,087	-	2,087
Total adjustments	12,571,013	2,028,224	14,599,237
Net cash provided by operating activities	\$ 14,291,186	\$ 2,716,681	\$ 17,007,867

**APPENDIX B**

**DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE BOND RESOLUTION**

## APPENDIX B

### DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

*In addition to words and terms defined in the Official Statement, the following are definitions of certain words and terms as used in the Resolution and shall have the following meanings, unless some other meaning is plainly intended. The definitions and summaries are qualified in their entirety by reference to the Resolution.*

**Definitions of Words and Terms.** The following capitalized words and terms shall have the following meanings:

**“Accumulated Revenues”** means, for any fiscal year, amount of funds on deposit in the Series 2019 Budget Stabilization Subaccount and the Series 2016 Budget Stabilization Subaccount, as applicable, and designated by resolution of the Board of Trustees of the District to be used to pay debt service on the Series 2016 Bonds and the Series 2019 Bonds, respectively, and/or the Expenses of operating and maintaining the System for such fiscal year.

**“Additional Bonds”** means any Parity Bonds issued by the District pursuant to the Resolution.

**“Bond Counsel”** means Gilmore & Bell, P.C., or other attorney or firm of attorneys with a nationally recognized standing in the field of municipal bond financing selected by the District.

**“Bond Payment Date”** means any date on which principal of or interest on any Bond is payable at the Maturity thereof or on any Interest Payment Date.

**“Bond Register”** means the books for the registration, transfer and exchange of Bonds kept at the office of the Paying Agent.

**“Bondowner”, “Owner”, “Bondholder” or “Registered Owner”** when used with respect to any Bond means the Person in whose name such Bond is registered on the Bond Register.

**“Bonds”** means the District’s Sewer System Refunding Revenue Bonds, Series 2019, in the aggregate maximum principal amount of \$90,000,000, authorized and issued pursuant to the Resolution.

**“Business Day”** means a day other than a Saturday, Sunday or holiday on which the Paying Agent is scheduled in the normal course of its operations to be open to the public for conduct of its banking operations.

**“Cede & Co.”** means Cede & Co., as nominee name of the Securities Depository and any successor nominee of the Securities Depository with respect to the Bonds.

**“Certificate of Final Terms”** means the form attached to the Resolution, executed and delivered by the Chair of the Board of Trustees pursuant to the terms of the Resolution.

**“Code”** means the Internal Revenue Code of 1986, as amended, and the applicable regulations of the Treasury Department proposed or promulgated thereunder.

**“Consultant”** means the Consulting Engineer, a registered municipal advisor, an independent certified public accountant or a firm of independent certified public accountants selected by the District.

**“Consulting Engineer”** means any independent engineer or engineering firm with experience in designing and constructing wastewater treatment, sanitary sewerage or water pollution control facilities and retained by the District.



**“Debt Service Requirements”** means the aggregate principal payments (whether at maturity or pursuant to scheduled mandatory sinking fund redemption requirements) and net interest or interest-like payments on all System Revenue Bonds for the period of time for which calculated; provided, however, that for purposes of calculating such amount, principal and interest shall be excluded from the determination of Debt Service Requirements to the extent that such principal or interest is payable from amounts deposited in trust, escrowed or otherwise set aside for the payment thereof with the Paying Agent or other commercial bank or trust company qualified to do business in the State of Missouri and having full trust powers.

**“Defaulted Interest”** means interest on any Bond which is payable but not paid on any Interest Payment Date.

**“Defeasance Obligations”** means:

- (a) Cash.
- (b) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series - “SLGS”).
- (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 rated in the highest rating category by a nationally recognized rating service, pre-refunded with cash, direct U.S. obligations or obligations guaranteed by the U.S. as to full and timely payment.

**“Escrow Agent”** means UMB Bank, N.A., Kansas City, Missouri, and any successors or assigns.

**“Escrow Agreement”** means an Escrow Deposit Agreement dated as of date stated therein between the District and the Escrow Agent with respect to the Refunded Bonds, as the same may from time to time be amended or supplemented in accordance with its terms.

**“Escrow Fund”** means the fund by that name established pursuant to the Escrow Agreement and referred to in the Resolution.

**“Escrowed Securities”** means the direct, noncallable obligations of the United States of America, as described in the Escrow Agreement.

**“Expenses”** means all reasonable and necessary expenses of operation, maintenance and repair of the System and keeping the System in good repair and working order (other than interest, net interest or interest-like payments on System Revenue Bonds and depreciation and amortization charges during the period of determination, including payments into the Capital Improvements Account and the Rehabilitation and Replacement Account), determined in accordance with accounting principles generally accepted in the United States of America, including without limiting the generality of the foregoing, current maintenance charges, expenses of reasonable upkeep and repairs, salaries, wages, costs of materials and supplies, Paying Agent fees and expenses, annual audits, periodic Consultant’s reports, properly allocated share of charges for insurance, the cost of purchased water, gas and power, if any, obligations (other than for borrowed money or for rents payable under capital leases) incurred in the ordinary course of business, liabilities incurred by endorsement for collection or deposit of checks or drafts received in the ordinary course of business, short term obligations incurred and payable within a particular fiscal year, other obligations or indebtedness incurred for the purpose of leasing (pursuant to a true or operating lease) equipment, fixtures, inventory or other personal property, and all other expenses incident to the operation of the System, but shall exclude all general administrative expenses of the District not related to the operation of the System.

**“Federal Tax Certificate”** means the Federal Tax Certificate for the Bonds, as from time to time amended in accordance with the provisions thereof.

**“Insurance Consultant”** means an independent individual or firm selected by the District qualified to survey risks and to recommend insurance coverage for entities engaged in operations similar to those of the System and having a favorable reputation for skill and experience in making such surveys and recommendations.

**“Interest Payment Date”** means the Stated Maturity of an installment of interest on any Bond.

**“Interest Subsidy Payments”** means the payments received by or on behalf of the District from the U.S. Treasury in amount up to 35% of each interest payment on System Revenue Bonds in accordance with Code §§ 54AA, 1400U-2(a)(2) and 6431.

**“Maturity”** when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein provided, whether at the Stated Maturity thereof or call for optional or mandatory redemption or otherwise.

**“Net Revenues”** means all Revenues less all Expenses.

**“Net Revenues Available for Debt Service”** means, for the period of determination, all Revenues less all Expenses.

**“Outstanding”** means, when used with reference to Bonds, as of any particular date, all Bonds theretofore issued and delivered thereunder, except the following Bonds:

- (a) Bonds theretofore cancelled by the Paying Agent or delivered to the Paying Agent for cancellation;
- (b) Bonds deemed to be paid in accordance with the provisions of the Resolution; and
- (c) Bonds in exchange for or in lieu of which other Bonds have been registered and delivered thereunder.

**“Parity Bonds”** means the Bonds, the Series 2003 Bonds, the Series 2010 Bonds and the Series 2016 Bonds and any additional parity bonds or other long-term obligations payable out of the Net Revenues thereafter issued or incurred in accordance with the provisions of the Resolution and standing on parity and equality with the Bonds with respect to the payment of principal and interest out of the Net Revenues, so long as any such bonds remain Outstanding and unpaid or until provision is made for the payment and defeasance of such bonds.

**“Parity Resolutions”** means the resolutions under which any Parity Bonds are issued.

**“Participants”** means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

**“Paying Agent”** means UMB Bank, N.A., Kansas City, Missouri, and any successors and assigns serving as paying agent thereunder.

**“Permitted Investments”** means any of the following securities and obligations, if and to the extent the same are at the time legal for investment of the District’s moneys held in the funds referred to in the Resolution:

- (a) United States Government Obligations;

- (b) bonds, notes or other obligations of the State of Missouri, or any political subdivision of the State of Missouri, that at the time of their purchase are rated in either of the two highest rating categories by a nationally recognized rating service;
- (c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):
  - (1) U.S. Export-Import Bank (Eximbank)  
Direct obligations or fully guaranteed certificates of beneficial ownership
  - (2) Farmers Home Administration (FmHA)  
Certificates of beneficial ownership
  - (3) Federal Financing Bank
  - (4) Federal Housing Administration Debentures (FHA)
  - (5) General Services Administration  
Participation certificates
  - (6) Government National Mortgage Association (GNMA or “Ginnie Mae”)  
GNMA - guaranteed mortgage-backed bonds  
GNMA - guaranteed pass-through obligations
  - (7) U.S. Maritime Administration  
Guaranteed Title XI financing
  - (8) U.S. Department of Housing and Urban Development (HUD)  
Project Notes  
Local Authority Bonds  
New Communities Debentures - U.S. government guaranteed debentures  
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds
- (d) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):
  - (1) Federal Home Loan Bank System  
Senior debt obligations
  - (2) Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)  
Participation Certificates  
Senior debt obligations
  - (3) Federal National Mortgage Association (FNMA or “Fannie Mae”)  
Mortgage-backed securities and senior debt obligations
  - (4) Resolution Funding Corp. (REFCORP) obligations
  - (5) Farm Credit System  
Consolidated system wide bonds and notes

- (e) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAM-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.
- (f) Certificates of deposit secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.
- (g) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.
- (h) Investment Agreements, including GIC 's, Forward Purchase Agreements and Reserve Fund Put Agreements.
- (i) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.
- (j) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.
- (k) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.
- (l) Repurchase Agreements that meet the following criteria:

Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

- (1) Repos must be between the municipal entity and a dealer bank or securities firm.
  - (A) Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or
  - (B) Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.
- (2) The written repo contract must include the following:
  - (A) Securities which are acceptable for transfer are:
    - (i) Direct U.S. governments; or
    - (ii) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC).
  - (B) The term of the repo may be up to 30 days.

(C) The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral), before/simultaneous with payment (perfection by possession of certificated securities).

(D) Valuation of Collateral.

(i) The securities must be valued weekly, marked-to-market at current market price plus accrued interest.

(a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

(3) Legal opinion which must be delivered to the municipal entity:

(A) Repo meets guidelines under state law for legal investment of public funds.

(m) any other securities or investments that are lawful for the investment of moneys held in such funds or accounts under the laws of the State of Missouri.

**“Person”** means any natural person, corporation, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof or other public body.

**“Purchaser”** means the original purchaser of the Bonds.

**“Rate”** or **“Rates”** means the portions of the approved annual budget allocated to customers in accordance with the rate methodology uniformly set forth in all service contracts or any other such user charge system as may be utilized by the District to fully recover costs of service from its customers.

**“Rating Agency”** means, (a) initially, **Moody’s Investors Service, Inc.**, so long as such agency’s ratings are in effect with respect to the Bonds, and **S&P Global Ratings**, a division of S&P Global Inc., so long as such agency’s ratings are in effect with respect to the Bonds, and their respective successor and assigns, and (b) subsequently, any other nationally recognized securities rating service selected by the Institution, and acceptable to the Authority and the Bond Trustee, so long as such agency’s ratings are in effect with respect to the Bonds and their respective successors and assigns.

**“Record Date”** for the interest payable on any Interest Payment Date means the fifteenth day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

**“Redemption Date”** when used with respect to any Bond to be redeemed means the date fixed for such redemption pursuant to the terms of the Resolution.

**“Redemption Price”** when used with respect to any Bond to be redeemed means the price at which such Bond is to be redeemed pursuant to the terms of the Resolution, including the applicable redemption premium, if any, but excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

**“Resolution”** means Resolution No. 3544 approved by the Board of Trustees of the District on August 21, 2019, as from time to time amended in accordance with the terms thereof.

**“Revenues”** means all income and revenues derived from the operation of the System, determined in accordance with accounting principles generally accepted in the United States of America, including all connection fees received by the District after a permit process by the District for connections to the District’s interceptor lines, investment and rental income, any Interest Subsidy Payments, net proceeds from business interruption insurance and any amounts deposited in escrow in connection with the acquisition, construction, remodeling, renovation and equipping of facilities to be applied during the period of determination to pay interest on System Revenue Bonds, but excluding any profits or losses on the early extinguishment of debt or on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets.

**“Securities Depository”** means, initially, The Depository Trust Company, New York, New York, and its successors and assigns.

**“Series 2003 Bonds”** means the \$88,915,000 Sewer System Improvement and Refunding Revenue Bonds (State Revolving Fund Program), Series 2003, issued on January 30, 2003.

**“Series 2010 Bonds”** means the \$118,350,000 Taxable Sewer System Revenue Bonds (Build America Bonds - Direct Pay), Series 2010, issued on December 15, 2010.

**“Series 2016 Bonds”** means the \$19,710,000 Sewer System Revenue Bonds, Series 2016, issued on November 22, 2016.

**“Series 2016 Budget Stabilization Subaccount”** means the subaccount of the Debt Service Account by that name created by Amended and Restated Resolution No. 3446 passed on November 9, 2016, and authorizing the issuance of the Series 2016 Bonds.

**“Series 2019 Budget Stabilization Subaccount”** means the subaccount of the Debt Service Account by that name created by the Resolution.

**“Special Record Date”** means the date fixed by the Paying Agent pursuant to the Resolution for the payment of Defaulted Interest.

**“SRF Program Bonds”** means the Series 2003 Bonds and any additional bonds issued under the State Leveraged Revolving Fund Program administered jointly by the Missouri Department of Natural Resources and the State Environmental Improvement and Energy Resources Authority of the State.

**“SRF Subsidy”** means the amount of investment earnings which will accrue on the reserve account for any SRF Program Bonds during each Fiscal Year.

**“Stated Maturity”** when used with respect to any Bond or any installment of interest thereon means the date specified in such Bond and the Resolution as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

**“System”** means the entire sewerage plant and system owned and operated by the District for the conveyance, treatment and disposal of sewage, to serve the needs of the District and its inhabitants and others, including all appurtenances and facilities connected therewith or relating thereto, together with all extensions, improvements, additions and enlargements thereto thereafter made or acquired by the District.

**“System Revenue Bonds”** means collectively the Bonds, the Parity Bonds and all other revenue bonds or other obligations which are payable out of, or secured by an interest in Net Revenues.

**“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, which obligations are rated in the highest rating category by a nationally recognized rating service, and such obligations are held in a custodial or trust account for the benefit of the District.

**“Value”**, as of any particular time of determination, means, (a) with respect to cash the face value thereof, and (b) with respect to any investments, the lower of the cost of the investment or the market price of the investment on the date of valuation.

### **SUMMARY OF THE RESOLUTION**

**Establishment of Funds.** There are thereby created or ratified and ordered to be established and maintained in the treasury of the District the following separate fund and accounts to be known respectively as the:

- (a) Revenue Fund (the “Revenue Fund”).
- (b) Debt Service Account for Sewer System Refunding Revenue Bonds, Series 2019 (the “Debt Service Account”).
- (c) Rebate Account for Sewer System Refunding Revenue Bonds, Series 2019 (the “Rebate Account”).
- (d) Rehabilitation and Replacement Account (the “Rehabilitation and Replacement Account”).
- (e) Capital Improvements Account (the “Capital Improvements Account”).

The funds referred to in paragraphs (a) through (e) of this Section shall be maintained and administered by the District solely for the purposes and in the manner as provided in the Resolution so long as any of the Bonds remain Outstanding within the meaning of the Resolution. The District reserves the right, in its sole discretion, to create additional subaccounts or to abolish any subaccounts within any account from time to time.

There shall be created and maintained a Budget Stabilization Subaccount for Sewer System Revenue Bonds, Series 2019 (the “Series 2019 Budget Stabilization Subaccount”). The District shall deposit into the Series 2019 Budget Stabilization Subaccount the amounts required by the Resolution.

In addition to the funds and accounts described above, the Escrow Agreement establishes the Escrow Fund to be held and administered by the Escrow Agent in accordance with the Escrow Agreement. The investment and use of moneys in the Escrow Fund shall be governed by the Escrow Agreement.

**Deposit of Bond Proceeds and Other Moneys.** The net proceeds received from the sale of the Bonds shall be deposited simultaneously with the delivery of the Bonds, as follows:

- (a) The accrued interest on the Bonds, if any, in an amount specified in the Certificate of Final Terms, shall be deposited in the Debt Service Account and applied in accordance with the Resolution.
- (b) The remaining net proceeds of the Bonds in amounts specified in the Certificate of Final Terms, shall be transferred to the Escrow Agent and applied in accordance with the Escrow Agreement for the Refunded Bonds. The amounts, which together with the earnings to accrue thereon, if any, will

be sufficient for the payment of the principal of, the redemption premium, if any, and the interest on the Refunded Bonds, as set forth in the Certificate of Final Terms and the Escrow Agreement.

**Application of Moneys in the Revenue Fund.** The District covenants and agrees that from and after the delivery of the Bonds and continuing so long as any of the Bonds shall remain Outstanding, it will on a monthly basis administer and allocate all of the moneys then held in the Revenue Fund as set forth in the Resolution. See “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Flow of Funds – Deposits to and Uses of Moneys in the Revenue Fund.**”

**Transfer of Funds to Paying Agent.** The Executive Director or his designee of the District is thereby authorized and directed to withdraw from the Debt Service Account, including the Series 2019 Budget Stabilization Subaccount therein, and, to the extent necessary to prevent a default in the payment of either principal of or interest on the Bonds, from the Rehabilitation and Replacement Account as provided in the Resolution, sums sufficient to pay the principal of and interest on the Bonds as and when the same become due on any Bond Payment Date, and to forward such sums to the Paying Agent in a manner which ensures the Paying Agent will have available funds in such amounts on or before the Business Day immediately preceding each Bond Payment Date. If, through lapse of time, or otherwise, the Registered Owners of Bonds are no longer entitled to enforce payment of their obligations, it shall be the duty of the Paying Agent forthwith to return said funds to the District. All moneys deposited with the Paying Agent shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Resolution.

**Nonpresentment of Bonds.** If any Bond is not presented for payment when the principal thereof becomes due at Maturity, if funds sufficient to pay such Bond have been made available to the Paying Agent all liability of the District to the Registered Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the Registered Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Resolution or on, or with respect to, said Bond. If any Bond is not presented for payment within one year following the date when such Bond becomes due at Maturity, the Paying Agent shall repay to the District the funds theretofore held by it for payment of such Bond without liability for interest thereon, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the District, and the Registered Owner thereof shall be entitled to look only to the District for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the District shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

**Application of Moneys in the Rebate Account.**

- (a) There shall be deposited in the Rebate Account such amounts as are required to be deposited therein pursuant to the Federal Tax Certificate. All money in the Rebate Account shall be held in trust, to the extent required to satisfy any rebate amount, for payment to the United States of America, and neither the District nor the Registered Owner of any Bond shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Account shall be governed by this Section and the Federal Tax Certificate.
- (b) The District shall periodically determine the rebatable arbitrage under Section 148(f) of the Code in accordance with the Federal Tax Certificate, and the District shall make payments to the United States Government at the times and in the amounts determined thereunder. Any funds remaining in the Rebate Account after redemption and payment of all of the Bonds and the interest thereon, and payment and satisfaction of any rebate amount, or provision made therefor, shall be released to the District.
- (c) Notwithstanding any other provision of the Resolution, the obligation to pay rebatable arbitrage to the United States and to comply with all other requirements of this Section and the Federal Tax Certificate shall survive the defeasance or payment in full of the Bonds.



### **Deposit and Investment of Moneys.**

- (a) Money in each of the funds and accounts created by and referred to in the Resolution shall be deposited in a bank or banks qualified to do business in the State of Missouri that are members of the Federal Deposit Insurance Corporation. All such deposits shall be continuously and adequately secured by the banks holding such deposits as provided by the laws of the State of Missouri.
- (b) Money held in any fund or account referred to in the Resolution may be invested in Permitted Investments; provided, however, that no such investment shall be made for a period extending longer than the date when the money invested may be needed for the purpose for which such fund or account was created. All earnings on any investments held in Rehabilitation and Replacement Account shall accrue to and become a part of such account. All other interest on investments held in any other funds or account shall accrue to and become part of the Revenue Fund as of the end of each fiscal year. In determining the amount held in any fund or account under any of the provisions of the Resolution, obligations shall be valued at the lower of the cost or the market value thereof. If and when the amount held in any fund or account shall be in excess of the amount required by the provisions of the Resolution, the District shall direct that such excess be paid and credited to the Revenue Fund.

**Efficient and Economical Operation.** The District will continuously own and will operate the System as a revenue producing facility in an efficient and economical manner and will keep and maintain the same in good repair and working order.

**Rate Covenant.** The District in accordance with and subject to applicable legal requirements will fix, establish, maintain and collect such Rates and charges for the use and services furnished by or through the System that will produce revenues sufficient to (a) pay the costs of the operation and maintenance of the System; (b) pay the principal of and interest on the Bonds as and when the same become due at the Maturity thereof or on any Interest Payment Date; (c) enable the District to have in each fiscal year Net Revenues Available for Debt Service plus Accumulated Revenues, if any, not less than 100% of the Debt Service Requirements for such fiscal year on all System Revenue Bonds at the time Outstanding; and (d) provide reasonable and adequate reserves for the payment of the Bonds and the interest thereon and for replacements and improvements necessary for the protection and benefit of the System as provided in the Resolution. The District will require the prompt payment of accounts for service rendered by or through the System and will promptly take whatever action is legally permissible to enforce and collect delinquent charges. If in any fiscal year Net Revenues Available for Debt Service plus Accumulated Revenues, if any, are an amount less than as provided in the Resolution, the District will immediately employ a Consultant to make recommendations with respect to such Rates and charges. A copy of the Consultant's report and recommendations shall be filed with the Secretary and the Purchaser of the Bonds and shall be furnished to any Registered Owner of the Bonds requesting a copy of the same, at the cost of such Registered Owner. The District shall, to the extent feasible, follow the recommendations of the Consultant.

**Reasonable Charges for all Services.** None of the facilities or services provided by the System will be furnished to any user (excepting the District itself) without a reasonable charge being made therefor.

**Restrictions on Mortgage or Sale of System.** The District will not mortgage, pledge or otherwise encumber the System or any part thereof, nor will it sell, lease or otherwise dispose of the System or any material part thereof; provided, however, the District may:

- (a) sell at fair market value any portion of the System which has been replaced by other similar property of at least equal value, or which ceases to be necessary for the efficient operation of the System, and in the event of sale, the District will apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing repayment of Bonds in advance of Stated Maturity, or (2) replacement of the property so disposed of by other property the revenues of which shall be incorporated into the System, as provided in the Resolution;

- (b) cease to operate, abandon or otherwise dispose of any property which has become obsolete, nonproductive or otherwise unusable to the advantage of the District;
- (c) lease, (1) as lessor, any real or personal property which is unused or unimproved, or which has become obsolete, nonproductive or otherwise unusable to the advantage of the District, or which is being used as a part of a lease purchase financing for the acquisition or improvement of such property; or (2) as lessee, with an option of the District to purchase, any real or personal property for the extension and improvement of the System. Property being leased as lessor or lessee pursuant to this subparagraph (c) shall not be treated as part of the System for purposes of the Resolution and may be mortgaged, pledged or otherwise encumbered;
- (d) sell, lease or convey all or substantially all of the System to another entity or enter into a management contract with another entity if:
  - (1) The transferee entity is a political subdivision organized and existing under the laws of the State of Missouri, or an instrumentality thereof, or an organization described in Section 501(c)(3) of the Code, and expressly assumes in writing the due and punctual payment of the principal of and premium, if any, and interest on all outstanding System Revenue Bonds according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Resolution;
  - (2) If there remains unpaid any System Revenue Bond which bears interest that is not includable in gross income under the Code, the District receives an opinion of Bond Counsel, in form and substance satisfactory to the District, to the effect that under then existing law the consummation of such sale, lease or conveyance, whether or not contemplated on any date of the delivery of such System Revenue Bond, would not cause the interest payable on such System Revenue Bond to become includable in gross income under the Code;
  - (3) The District receives a certificate of the Consultant which demonstrates and certifies that immediately upon such sale or conveyance the transferee entity will not, as a result thereof, be in default in the performance or observance of any covenant or agreement to be performed or observed by it under the Resolution;
  - (4) Such transferee entity possesses such licenses to operate the System as may be required if it is to operate the System; and
  - (5) The District receives an opinion of Bond Counsel, in form and substance satisfactory to the District, as conclusive evidence that any such sale, lease or conveyance, and any such assumption, is permitted by law and complies with the provisions of the Resolution.

**Insurance.** The District will carry and maintain insurance with respect to the System and its operations against such casualties, contingencies and risks (including but not limited to property and casualty, fire and extended coverage insurance upon all of the properties forming a part of the System insofar as the same are of an insurable nature, public liability, worker's compensation and employee dishonesty insurance), such insurance to be of the character and coverage and in such amounts as would normally be carried by other enterprises engaged in similar activities of comparable size and similarly situated. In the event of loss or damage, the District, with reasonable dispatch, will use the proceeds of such insurance in reconstructing and replacing the property damaged or destroyed, or in paying the claims on account of which such proceeds were received, or if such reconstruction or replacement is unnecessary or impracticable, then the District will pay and deposit the proceeds of such insurance into the Revenue Fund and applied to redeem Bonds. The District will annually review the insurance it maintains with respect to the System to determine that it is customary and adequate to protect its property and operations. The District may elect to be self-insured for all or any part of the foregoing requirements if (i) the District annually obtains a written evaluation with respect to such self-insurance program from an Insurance Consultant, (ii) the evaluation is to the

effect that the self-insurance program is actuarially sound, and (iii) unless the evaluation states that such reserves are not necessary, the District deposits and maintains adequate reserves for the self-insurance program with a corporate trustee, who may be the Paying Agent. The District shall pay any fees and expenses of such Insurance Consultant in connection therewith. The cost of all insurance obtained pursuant to the requirements of the Resolution shall be paid as an Expense out of the Revenues of the System.

All insurers must be rated at least "A" by A.M. Best or S&P. All insurance policies shall be subject to bi-annual review (or in the case of self insurance each year) by an Insurance Consultant. Reasonable deductibles approved by the Insurance Consultant shall be permitted.

**Books, Records and Accounts.** The District will install and maintain proper books, records and accounts (entirely separate from all other records and accounts of the District) in which complete and correct entries will be made of all dealings and transactions of or in relation to the System. Such accounts shall show the amount of Revenues received from the System, the application of such Revenues, and all financial transactions in connection therewith. Said books shall be kept by the District according to standard accounting practices as applicable to the operation of facilities comparable to the System.

**Annual Budget.** Prior to the commencement of each fiscal year, the District will cause to be prepared and filed with the Secretary a budget setting forth the estimated receipts and expenditures of the System for the next succeeding fiscal year. The Secretary, promptly upon the filing of said budget in the Secretary's office, will mail a copy of said budget to the Purchaser of the Bonds. Said annual budget shall be prepared in accordance with the requirements of the laws of Missouri and the service contracts and shall contain all information that is required by such laws.

**Annual Audit.** Annually, within six (6) months after the end of the fiscal year, the District will cause an audit to be made of the System for the preceding fiscal year by a certified public accountant or firm of certified public accountants to be employed for that purpose and paid from the Revenues of the System. Said annual audit shall cover in reasonable detail the operation of the System during such fiscal year.

Within **30** days after the completion of each such audit, a copy thereof shall be filed in the office of the Secretary, and a duplicate copy of the audit shall be mailed to the Purchaser of the Bonds. Such audits shall at all times during the usual business hours be open to the examination and inspection by any Registered Owner of any of the Bonds, or by anyone acting for or on behalf of such Registered Owner.

As soon as possible after the completion of the annual audit, the Governing Body of the District shall review such audit, and if the audit discloses that proper provision has not been made for all of the requirements of the Resolution, the District will promptly cure such deficiency and will promptly proceed to increase the rates and charges to be charged for the use and services furnished by the System as may be necessary to adequately provide for such requirements.

**Right of Inspection.** The Purchaser of the Bonds and any Registered Owner or Owners of 10% of the principal amount of the Bonds then Outstanding shall have the right at all reasonable times to inspect the System and all records, accounts and data relating thereto, and shall be furnished all such information concerning the System and the operation thereof which the Purchaser or such Registered Owner or Owners may reasonably request.

#### **Tax Covenants.**

- (a) The District covenants and agrees that it will (1) comply with all applicable provisions of the Code necessary to maintain the exclusion from federal gross income of the interest on the Bonds, and (2) comply with all provisions and requirements of the Federal Tax Certificate. The District will also adopt such other resolutions and take such other actions as may be necessary to comply with the Code and with all other applicable future laws, regulations, published rulings and judicial decisions, in order to ensure that the interest on the Bonds will remain excluded from federal gross income, to the extent any such actions can be taken by the District.

- (b) The District covenants and agrees that (1) it will use the proceeds of the Bonds as soon as practicable and with all reasonable dispatch for the purposes for which the Bonds are issued, and (2) it will not invest or directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the District in any manner, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code.
- (c) The District covenants and agrees that it will pay or provide for the payment from time to time of all rebatable arbitrage to the United States pursuant to Section 148(f) of the Code and the Federal Tax Certificate. This covenant shall survive payment in full or defeasance of the Bonds. The Federal Tax Certificate may be amended or replaced if, in the opinion of Bond Counsel nationally recognized on the subject of municipal bonds, such amendment or replacement will not adversely affect the federal income tax status of the Bonds.
- (d) The District covenants and agrees that it will not use any portion of the proceeds of the Bonds, including any investment income earned on such proceeds, directly or indirectly, (1) in a manner that would cause any Bond to be a “private activity bond” within the meaning of Section 141(a) of the Code, or (2) to make or finance a loan to any Person.
- (e) The foregoing covenants shall remain in full force and effect notwithstanding the defeasance of the Bonds pursuant to the Resolution until the final maturity date of all Bonds Outstanding.

**Senior Lien Bonds.** The District covenants and agrees that so long as any of the Bonds remain Outstanding, the District will not issue any additional bonds or incur or assume any other debt obligations appearing as liabilities on the balance sheet of the District for the payment of moneys determined in accordance with accounting principles generally accepted in the United States of America including capital leases as defined by accounting principles generally accepted in the United States of America, payable out of the Net Revenues which are superior to the Bonds.

**Parity Lien Bonds.** The District covenants and agrees that so long as any of the Bonds remain Outstanding, it will not issue any Additional Bonds unless the following conditions are met:

- (a) The District shall not be in default in the payment of principal of or interest on any Bonds or any System Revenue Bonds at the time outstanding or in making any payment at the time required to be made into the respective funds and accounts created by and referred to in the Resolution or any Parity Resolution; and
- (b) The District shall obtain either of the following:
  - (1) A certificate of an authorized official of the District to the effect that the average annual Net Revenues Available for Debt Service plus Accumulated Revenues, if any, derived by the District from the operation of the System, for the two most recent audited fiscal years immediately preceding the issuance of Additional Bonds shall have been equal to at least 110% of the average annual Debt Service Requirements required to be paid out of said revenues in any succeeding fiscal year on account of both principal (at maturity or upon mandatory redemption) and interest becoming due with respect to all System Revenue Bonds of the District, including the Additional Bonds proposed to be issued; provided that interest to be paid on any SRF Program Bonds may be reduced by the SRF Subsidy, if any. In determining the Net Revenues Available for Debt Service for the purpose of this subsection, the District may obtain a report of a Consultant who may adjust said Net Revenues Available for Debt Service by adding thereto, in the event the District has made any increase in Rates for the use and services of the System and such increase has not been in effect during all of the two fiscal years for which annual audits are available, the amount, as estimated by the Consultant, of the additional Net Revenues Available for

Debt Service which would have resulted from the operation of the System had such Rate increase been in effect for the entire period.

- (2) A report of a Consultant to the effect that the average annual Net Revenues Available for Debt Service plus Accumulated Revenues, if any, projected to be derived by the District from the operation of the System for the two fiscal years immediately following the fiscal year in which the improvements to the System, the cost of which is being financed by such Additional Bonds, are to be in commercial operation, shall be equal to at least 110% of the average annual Debt Service Requirements required to be paid out of said revenues in any succeeding fiscal year following such commercial operation on account of both principal (at maturity or upon mandatory redemption) and interest becoming due with respect to all System Revenue Bonds of the District, including the Additional Bonds proposed to be issued; provided that interest to be paid on any SRF Program Bonds may be reduced by the SRF Subsidy, if any. In determining the projected Net Revenues Available for Debt Service for the purpose of this subsection, the Consultant may adjust said revenues by adding thereto any estimated increase in Net Revenues Available for Debt Service resulting from any increase in Rates for the use and services of the System which have been approved by the District and any projected Interest Subsidy Payments.

Additional Bonds of the District issued under the conditions set forth in this Section shall stand on a parity with the Bonds and shall enjoy complete equality of lien on and claim against the Net Revenues with the Bonds, and the District may make equal provision for paying said bonds and the interest thereon out of the Revenue Fund and may likewise provide for the creation of reasonable debt service funds and debt service reserve funds for the payment of such Additional Bonds and the interest thereon out of moneys in the Revenue Fund.

Notwithstanding satisfaction of other conditions to the issuance of Additional Bonds contained in the Resolution, no such issuance may occur should any Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) have occurred and be continuing unless such default shall be cured upon such issuance.

**Junior Lien Bonds and Other Obligations.** Nothing in this Section contained shall prohibit or restrict the right of the District to issue additional revenue bonds or other revenue obligations for any lawful purpose in connection with the operation of and benefiting the System and to provide that the principal of and interest on said revenue bonds or obligations shall be payable out of the Net Revenues of the System, provided at the time of the issuance of such additional revenue bonds or obligations the District is not in default in the performance of any covenant or agreement contained in the Resolution and provided further that such additional revenue bonds or obligations shall be junior and subordinate to the Bonds so that if at any time the District shall be in default in paying either interest on or principal of the Bonds, or if the District is in default in making any payments required to be made by it under the provisions of the Resolution, the District shall make no payments of either principal of or interest on said junior and subordinate revenue bonds or obligations until said default or defaults be cured. In the event of the issuance of any such junior and subordinate revenue bonds or obligations, the District, subject to the provisions aforesaid, may make provision for paying the principal of and interest on said revenue bonds or obligations out of moneys in the Revenue Fund.

**Refunding Bonds.** The District shall have the right, without complying with the provisions of the Resolution, to refund any of the Bonds or any Parity Bonds under the provisions of any law then available in a manner which provides present value debt service savings to the District, and the refunding bonds so issued shall enjoy complete equality of pledge with any of the Bonds or any Parity Bonds which are not refunded, if any, upon the Net Revenues of the System.

**Acceleration of Maturity Upon Default.** The District covenants and agrees that if (a) it defaults in the payment of the principal of or interest on any of the Bonds as the same become due on any Bond Payment Date, (b) if the District or its governing body or any of the officers, agents or employees thereof fail or refuse to comply with any of the provisions of the Resolution or of the constitution or statutes of the State of Missouri, and such default

continues for a period of 30 days after written notice specifying such default has been given to the District by the Registered Owner of any Bond then Outstanding, or (c) any bankruptcy, reorganization, debt arrangement, moratorium or any proceeding under bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is instituted by or against the District, and if instituted against the District, is consented to by the District or is not dismissed within 60 days, then, at any time thereafter and while such default continues the Registered Owners of 25% in principal amount of the Bonds then Outstanding may by written notice to the District filed in the office of the Executive Director and the Chair of the Board of Trustees or delivered in person to said Executive Director and Chair of the Board of Trustees, declare the principal of all Bonds then Outstanding to be due and payable immediately, and upon any such declaration given as aforesaid, all of said Bonds shall become and be immediately due and payable, anything in the Resolution or in the Bonds contained to the contrary notwithstanding. This provision, however, is subject to the condition that if at any time after the principal of said Outstanding Bonds has been so declared to be due and payable, all arrears of interest upon all of said Bonds, except interest accrued but not yet due on such Bonds, and all arrears of principal upon all of said Bonds has been paid in full and all other defaults, if any, by the District under the provisions of the Resolution and under the provisions of the statutes of the State of Missouri have been cured, then and in every such case the Registered Owners of a majority in principal amount of the Bonds then Outstanding, by written notice to the District given as specified in the Resolution may rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any rights consequent thereon.

**Other Remedies.** The provisions of the Resolution, including the covenants and agreements therein contained, shall constitute a contract between the District and the Registered Owners of the Bonds, and the Registered Owner or Owners of not less than 10% in principal amount of the Bonds at the time Outstanding shall have the right for the equal benefit and protection of all Registered Owners of Bonds similarly situated:

- (a) by mandamus or other suit, action or proceedings at law or in equity to enforce the rights of such Registered Owner or Owners against the District and its officers, agents and employees, and to require and compel duties and obligations required by the provisions of the Resolution or by the Constitution and laws of the State of Missouri;
- (b) by suit, action or other proceedings in equity or at law to require the District, its officers, agents and employees to account as if they were the trustees of an express trust; and
- (c) by suit, action or other proceedings in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners of the Bonds.

**Limitation on Rights of Bondowners.** No one or more Bondowners secured by the Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security granted and provided for in the Resolution, or to enforce any right thereunder, except in the manner provided in the Resolution, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Registered Owners of such Outstanding Bonds.

**Remedies Cumulative.** No remedy conferred in the Resolution upon the Bondowners is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred in the Resolution. No waiver of any default or breach of duty or contract by the Registered Owner of any Bond shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies consequent thereon. No delay or omission of any Bondowner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Registered Owners of the Bonds by the Resolution may be enforced and exercised from time to time and as often as may be deemed expedient. If any suit, action or proceedings taken by any Bondowner on account of any default or to enforce any right or exercise any remedy has been discontinued or abandoned for any reason, or has been determined adversely to such Bondowner, then, and in every such case, the District and the Registered Owners of the Bonds shall be restored to their former positions and rights thereunder,

respectively, and all rights, remedies, powers and duties of the Bondowners shall continue as if no such suit, action or other proceedings had been brought or taken.

**No Obligation to Levy Taxes.** Nothing contained in the Resolution shall be construed as imposing on the District any duty or obligation to levy any taxes either to meet any obligation incurred in the Resolution or to pay the principal of or interest on the Bonds.

**Defeasance.** When any or all of the Bonds or the interest payments thereon have been paid and discharged, then the requirements contained in the Resolution and the pledge of Net Revenues made thereunder and all other rights granted thereby shall terminate with respect to the Bonds so paid and discharged. Bonds or the interest payments thereon shall be deemed to have been paid and discharged within the meaning of the Resolution if there has been deposited with the Paying Agent, or other commercial bank or trust company authorized to do business in the State of Missouri and having full trust powers, at or prior to the Stated Maturity or Redemption Date of said Bonds, in trust for and irrevocably appropriated thereto, money and Defeasance Obligations which, together with the interest to be earned thereon, will be sufficient for the payment of the principal or Redemption Price of said Bonds, and interest to accrue on such Bonds to the Stated Maturity or Redemption Date, as the case may be, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments; provided, however, that if any such Bonds shall be redeemed prior to the Stated Maturity thereof, (1) the District shall have elected to redeem such Bonds, and (2) either notice of such redemption shall have been given, or the District shall have given irrevocable instructions, or shall have provided for an escrow agent to give irrevocable instructions, to the Paying Agent to redeem such Bonds in compliance with the Resolution. Any money and Defeasance Obligations that at any time shall be deposited with the Paying Agent or other commercial bank or trust company by or on behalf of the District, for the purpose of paying and discharging any of the Bonds or the interest payments thereon, shall be and are thereby assigned, transferred and set over to the Paying Agent or other bank or trust company in trust for the respective Registered Owners of the Bonds, and such money shall be and are thereby irrevocably appropriated to the payment and discharge thereof. All moneys and Defeasance Obligations deposited with the Paying Agent or other bank or trust company shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Resolution.

**Amendments.** The rights and duties of the District and the Bondowners, and the terms and provisions of the Bonds or of the Resolution, may be amended or modified at any time in any respect by resolution of the District with the written consent of the Registered Owners of not less than 66-2/3 in principal amount of the Bonds then Outstanding, such consent to be evidenced by an instrument or instruments executed by such Registered Owners and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the Secretary, but no such modification or alteration shall:

- (a) extend the maturity of any payment of principal or interest due upon any Bond;
- (b) effect a reduction in the amount which the District is required to pay by way of principal of or interest on any Bond;
- (c) permit the creation of a lien on the Net Revenues of the System prior or equal to the lien of the Bonds or Parity Bonds;
- (d) permit preference or priority of any Bonds over any other Bonds; or
- (e) reduce the percentage in principal amount of Bonds required for the written consent to any modification or alteration of the provisions of the Resolution.

Any provision of the Bonds or of the Resolution may, however, be amended or modified by resolutions duly adopted by the Governing Body of the District at any time in any respect with the written consent of the Registered Owners of all of the Bonds at the time Outstanding.

Without notice to or the consent of any Bondowners the District may amend or supplement the Resolution for the purpose of:

- (a) curing any formal defect, omission, inconsistency or ambiguity therein or in connection with any other change therein which is not materially adverse to the security of the Bondowners;
- (b) to grant to or confer for the benefit of Bondowners, any additional rights, remedies, powers or authority that may be lawfully granted to or conferred upon the Bondowners;
- (c) to more precisely identify the project financed by any series of bonds or to substitute or add additional property;
- (d) to subject to the Resolution additional funds, securities or properties;
- (e) to issue Additional Bonds as provided in the Resolution; or
- (f) to provide for the refunding or advance refunding of the Bonds.

Every amendment or modification of the provisions of the Bonds or of the Resolution, to which the written consent of the Bondowners is given, as above provided, shall be expressed in a resolution adopted by the Governing Body of the District amending or supplementing the provisions of the Resolution and shall be deemed to be a part of the Resolution. A certified copy of every such amendatory or supplemental resolution, if any, and a certified copy of the Resolution shall always be kept on file in the office of the Secretary and shall be made available for inspection by the Registered Owner of any Bond or a prospective purchaser or owner of any Bond authorized by the Resolution, and upon payment of the reasonable cost of preparing the same, a certified copy of any such amendatory or supplemental resolution or of the Resolution will be sent by the Secretary to any such Bondowner or prospective Bondowner.

Any and all modifications made in the manner provided for in the Resolution shall not become effective until there has been filed with the Secretary a copy of the resolution of the District provided for in the Resolution, duly certified, as well as proof of any required consent to such modification by the Registered Owners of the Bonds then Outstanding. It shall not be necessary to note on any of the Outstanding Bonds any reference to such amendment or modification.

The District shall furnish to the Paying Agent a copy of any amendment to the Bonds or the Resolution made thereunder.

**Notices, Consents and Other Instruments by Bondowners.** Any notice, consent, request, direction, approval, objection or other instrument required by the Resolution to be signed and executed by the Bondowners may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondowners in person or by agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent and of the ownership of Bonds (except for the assignment of ownership of a Bond as provided for in the form of Bond set forth in the Resolution, if made in the following manner, shall be sufficient for any of the purposes of the Resolution, and shall be conclusive in favor of the District and the Paying Agent with regard to any action taken, suffered or omitted under any such instrument, namely:

- (a) The fact and date of the execution by any person of any such instrument may be proved by a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such instrument acknowledged before such officer the execution thereof, or by affidavit of any witness to such execution.
- (b) The fact of ownership of Bonds, the amount or amounts, numbers and other identification of Bonds, and the date of holding the same shall be proved by the Bond Register.



In determining whether the Registered Owners of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Resolution, Bonds owned by the District shall be disregarded and deemed not to be Outstanding under the Resolution, except that, in determining whether the Bondowners shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Bondowners know to be so owned shall be so disregarded. Notwithstanding the foregoing, Bonds so owned which have been pledged in good faith shall not be disregarded as aforesaid if the pledgee establishes to the satisfaction of the Bondowners the pledgee's right so to act with respect to such Bonds and that the pledgee is not the District.

\* \* \*

**APPENDIX C**

**FORM OF OPINION OF BOND COUNSEL**

\_\_\_\_\_, 2019

Little Blue Valley Sewer District  
Independence, Missouri

[Purchaser]

Re: \$\_\_\_\_\_ Little Blue Valley Sewer District (Jackson and Cass Counties, Missouri),  
Sewer System Refunding Revenue Bonds, Series 2019

Ladies and Gentlemen:

We have acted as bond counsel to Little Blue Valley Sewer District (the “District”) in connection with the issuance of the above-captioned bonds (the “Bonds”), pursuant to Resolution No. 3544 adopted by the Board of Trustees of the District on August 21, 2019 (the “Resolution”). In this capacity, we have examined the Decrees creating the District and Middle Big Creek Sewer District, the law and the certified proceedings, certifications and other documents that we deem necessary to render this opinion. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Resolution.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify them by independent investigation.

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

1. The Bonds have been duly authorized, executed and delivered by the District and are valid and legally binding special, limited obligations of the District.

2. The Bonds are payable solely from Net Revenues (as defined in the Resolution) of the District and from other funds held by the District and pledged under the Resolution as security for the Bonds. The Bonds do not constitute general obligations of the District nor do they constitute an indebtedness of the District within the meaning of any constitutional or statutory provision, limitation or restriction.

3. The Resolution has been duly adopted by the Board of Trustees of the District and constitutes a valid and legally binding obligation of the District, enforceable against the District. The Resolution creates a valid lien on the Net Revenues and other funds pledged by the District under the

Resolution for the security of the Bonds on a parity with any Parity Bonds issued or to be issued as Parity Bonds under the Resolution.

4. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal and Missouri income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal and Missouri income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. The Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

We express no opinion regarding (a) the perfection or priority of the lien on the Net Revenues or other funds pledged under the Resolution, or (b) federal or state tax consequences arising with respect to the Bonds, other than as expressly set forth in this opinion.

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

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

Very truly yours,