

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 31, 2019

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

**New Issue / Bank Qualified
Book-Entry Only**

**S&P's Insured Rating: "AA"
See "RATING" herein**

In the opinion of Armstrong Teasdale LLP, Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (1) the interest on the Bonds 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, and (2) the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" in this Official Statement.

\$1,595,000*

**CITY OF BROOKFIELD, MISSOURI
JUNIOR LIEN COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING AND IMPROVEMENT REVENUE BONDS
SERIES 2019**

Dated: Date of Delivery

Due: as shown on the inside cover page

The Bonds will be issued as fully registered bonds and will be registered in the name of the Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. The Bonds will be available for purchase in the denomination of \$5,000 or any integral multiple thereof under the book-entry system maintained by DTC. DTC will receive all payments with respect to the Bonds from Security Bank of Kansas City, Kansas City, Kansas, as Paying Agent for the Bonds. DTC is required to remit such payments to DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. Semiannual interest will be payable on April 1 and October 1, beginning on April 1, 2020. Principal will be payable upon presentation and surrender of the Bonds by the registered owners thereof at Security Bank of Kansas City, Kansas City, Kansas (the "Paying Agent"). Interest will be payable by check or draft of the Paying Agent mailed (or by electronic transfer in certain circumstances as described herein) to the persons who are the registered owners of the Bonds as of the close of business on the fifteenth day of the month preceding the interest payment date.

The Bonds are subject to redemption prior to maturity as described herein.

The Bonds are special obligations of the City, payable solely from the net income and revenues derived by the City from the ownership and operation of its combined waterworks and sewerage system after payment of costs of operation and maintenance. The Bonds do not constitute a general obligation of the City and do not constitute an indebtedness of the City within meaning of any constitutional or statutory provisions, limitation or restriction, and the taxing power of the City is not pledged to the payment of the Bonds or the interest thereon.

THE BONDS ARE JUNIOR AND SUBORDINATE IN ALL RESPECTS TO THE SENIOR LIEN BONDS DESCRIBED HEREIN.

The Bonds are subject to certain risks. See "RISK FACTORS" herein.

The scheduled payment of principal of and interest on the Bonds will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company.



The Bonds are offered when, as and if executed and delivered by the City subject to the approval of their validity by Armstrong Teasdale LLP, Kansas City, Missouri, Bond Counsel, as described herein. It is expected that the Series 2019 Bonds will be available in definitive form for delivery at The Depository Trust Company in New York, New York, on or about November __, 2019.



The date of this Official Statement is October __, 2019.

* Preliminary; subject to change.

\$1,595,000*
CITY OF BROOKFIELD, MISSOURI
JUNIOR LIEN COMBINED WATERWORKS AND SEWERAGE SYSTEM
REFUNDING AND IMPROVEMENT REVENUE BONDS
SERIES 2019

MATURITY SCHEDULE*

TERM BONDS

<u>Maturity Date</u> <u>April 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u> <u>or Yield</u>	<u>CUSIP</u>
2024	\$170,000			

SERIAL BONDS

<u>Maturity Date</u> <u>April 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u> <u>or Yield</u>	<u>CUSIP</u>
2025	\$245,000			
2026	250,000			
2027	255,000			
2028	255,000			
2029	265,000			
2030	155,000			

* Preliminary; subject to change.

CITY OF BROOKFIELD, MISSOURI

116 West Brooks Street
Brookfield, Missouri 64628
(660) 258-3377

MAYOR

Lonnie Trentham

ELECTED OFFICIALS

Katherine Ballard
Paul Frey
Sarah Wessing

ADMINISTRATION

Dana Tarpening, City Manager
Donna Barger, City Clerk

BOND COUNSEL

Armstrong Teasdale LLP
Kansas City, Missouri

INDEPENDENT AUDITORS

John W. Gillum, CPA, LLC
Kirksville, Missouri

PAYING AGENT

Security Bank of Kansas City
Kansas City, Kansas

UNDERWRITER

McLiney And Company
a Division of SAMCO Capital Markets
Mission, Kansas

REGARDING USE OF THIS OFFICIAL STATEMENT

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER 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.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS. THE BONDS ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, 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," "projected," "budget" or other similar words.

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. NEITHER THE CITY NOR ANY OTHER PARTY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES UPON WHICH SUCH STATEMENTS ARE BASED OCCUR.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the section captioned "BOND INSURANCE" and "Appendix F - Specimen Municipal Bond Insurance Policy".

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APPENDIX B: Accountant's Report and Audited Financial Statements of the City for Fiscal Year Ended September 30, 2018

APPENDIX C: Summary of Ordinance

APPENDIX D: Continuing Disclosure Agreement

APPENDIX E: Form of Bond Counsel Opinion

APPENDIX F: Specimen Municipal Bond Insurance Policy

APPENDIX G: Specimen Municipal Bond Debt Service Reserve Insurance Policy

OFFICIAL STATEMENT

\$1,595,000*

JUNIOR LIEN COMBINED WATERWORKS AND SEWERAGE SYSTEM REFUNDING AND IMPROVEMENT REVENUE BONDS SERIES 2019

INTRODUCTION

This introduction is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to more complete and detailed information contained in the entire Official Statement, including the cover pages and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement.

Purpose of the Official Statement

The purpose of this Official Statement is to furnish information relating to (1) Brookfield, Missouri (the “**City**”), and (2) the City’s Junior Lien Combined Waterworks and Sewerage System Refunding and Improvement Revenue Bonds, Series 2019 (the “**Bonds**”), to be issued in the principal amount of \$1,595,000*.

The City

The City is a third-class city and a political subdivision of the State of Missouri. The City owns and operates its revenue producing combined waterworks and sewerage system. The population of the City is 4,265 according to the 2018 population estimate provided by the United States Census Bureau. See “**Appendix A – THE CITY**” and “**Appendix B – FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018, TOGETHER WITH AUDITOR’S REPORT THEREON.**”

The Bonds

The Bonds are being issued pursuant to an ordinance (the “**Ordinance**”) adopted by the governing body of the City for the purpose of (i) currently refunding all of the City’s \$1,300,000 outstanding Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2012 (the “**Refunded Bonds**”), (ii) funding certain costs of improvements to the combined waterworks and sewerage system of the City (as further described herein, the “**Project**”), and (iii) paying costs related to the issuance of the Bonds, including without limitation premiums for a bond insurance policy (the “**Policy**”) and Municipal Bond Debt Service Reserve Insurance Policy (the “**Reserve Policy**”), with both policies being purchased from Build America Mutual Assurance Company (the “**Insurer**” or “**BAM**”). See the sections captioned “**PLAN OF FINANCING,**” “**THE BONDS**” and “**BOND INSURANCE**” herein.

Security and Source of Payment

The Bonds will be special limited obligations of the City payable solely from the net income and revenues derived by the City from the ownership and operation of the System, after payment of costs of operation and maintenance (the “**Net Revenues**”).

The Bonds shall be junior and subordinate in all respects to the City’s (a) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2004B, dated May 28, 2004, outstanding in the principal amount of \$1,695,000, (b) Water Pollution Control Revenue Bonds (State Revolving Fund Program), Series 2002A, dated May 8, 2002, outstanding in the principal amount of \$360,000, (c) Combined Waterworks and Sewerage System Revenue Bond, Series 2017A, dated June 28, 2016, outstanding in the principal amount of \$4,974,050; (d) Combined Waterworks and Sewerage System Revenue Bond, Series 2017B, dated June 28, 2016, outstanding in the principal amount of \$765,120; and (e) Combined Waterworks and Sewerage System Revenue Bond, Series 2017C, dated June 28, 2016, outstanding in the principal amount of \$694,343,

* Preliminary; subject to change.

collectively the “Senior Lien Bonds,” all as more fully described herein. All outstanding amounts are as of September 30, 2018, and are per the City’s audited financial statements.

The City has the right under the Ordinance to issue additional bonds that are on a parity with the Bonds, payable from the same sources and secured by the same Net Revenues as the Bonds, but only in accordance with and subject to the terms and conditions set forth in the Ordinance. The taxing power of the City is not pledged to the payment of the Bonds or the interest thereon. See the section captioned “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**” herein.

Bond Insurance; Reserve Surety Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“**BAM**”) will issue its Municipal Bond Insurance Policy for the Bonds (the “**Policy**”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement. See “**BOND INSURANCE**” herein. A specimen of the policy is contained in *Appendix F* hereto.

Also concurrently with the issuance of the Bonds, BAM will issue its Municipal Bond Debt Service Reserve Insurance Policy (the “**Reserve Policy**”). The Reserve Policy will be used to satisfy the Debt Service Reserve Requirement for the Bonds as set forth in the form of the Policy included as an exhibit to this Official Statement. A specimen of the policy is contained in *Appendix G* hereto

Financial Statements

Audited financial statements of the City, including certain information related to the operation of the System, as of and for the year ended September 30, 2018, are included in *Appendix B* to this Official Statement. These financial statements have been audited by John W. Gillum, CPA, LLC, Kirksville, Missouri, certified public accountant, to the extent and for the periods indicated in their report which is also included in *Appendix B* hereto.

Bondowners’ Risks

Payment of the principal of and interest on the Bonds is dependent on Revenues of the System (as defined in *Appendix C* hereto). Certain risks inherent in the production of such Revenues are discussed herein. See the section captioned “**BONDOWNERS’ RISKS**” herein.

Summary of the Ordinance

A summary of the Ordinance, including definitions of certain words and terms used herein and, in the Ordinance, is included in *Appendix C* to this Official Statement. Such summary and definitions do not purport to be comprehensive or definitive. All references herein to the Ordinance are qualified in their entirety by reference to the Ordinance. Copies of the Ordinance and the Official Statement may be viewed at the office of McLiney And Company, Mission, Kansas, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.

Continuing Disclosure Information

The City has agreed to provide to the MSRB the audited financial statements and certain operating data of the City relating to the System. The City will also provide notices of certain material events to the Municipal Securities Rulemaking Board via the Electronic Municipal Market Access system website (“**EMMA**”), in compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission. See “**CONTINUING DISCLOSURE.**”

THE CITY

The City is a third-class city and a political subdivision of the State of Missouri. The City owns and operates its revenue producing combined waterworks and sewerage system. The population of the City is 4,265 according to the 2018 population estimate provided by the United States Census Bureau. See “*Appendix A – THE CITY*” and “*Appendix B – FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018, TOGETHER WITH AUDITOR’S REPORT THEREON.*”

PLAN OF FINANCING

Authorization and Purpose of the Bonds

The Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State of Missouri, including particularly Chapter 250 of the Revised Statutes of Missouri, as amended, and the Ordinance. The Bonds are being issued for the purpose of (i) currently refunding all of the Refunded Bonds, (ii) funding certain costs of the Project, and (iii) paying costs related to the issuance of the Bonds, including without limitation premiums for the Policy and the Reserve Policy.

The Project

A portion of the proceeds of the Bonds will be utilized to fund acquisition and installation of new water meters.

Refunding of Refunded Bonds

A portion of the proceeds of the Bonds, together with moneys from the funds and accounts for the Refunded Bonds, will be deposited with the paying agent for the Refunded Bonds under the terms of an Escrow Letter of Instructions (the “Escrow Agreement”) dated the date of issuance and delivery of the Bonds. All of the outstanding bonds of the series constituting Refunded Bonds will be redeemed and refunded on December 5, 2019.

Following is a description of the Refunded Bonds:

<u>CUSIP</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Stated Maturity</u>
112787DJ2	\$ 20,000	2.70%	4/1/2020
112787DK9	\$ 25,000	2.90%	4/1/2021
112787DL7	\$ 25,000	3.00%	4/1/2022
112787DM5	\$ 50,000	3.20%	4/1/2024
112787DN3	\$ 235,000	3.30%	4/1/2025
112787DP8	\$ 240,000	3.35%	4/1/2026
112787DQ6	\$ 250,000	3.40%	4/1/2027
112787DR4	\$ 255,000	3.45%	4/1/2028
112787DS2	\$ 200,000	3.50%	4/1/2029

Sources and Uses of Funds

Sources of Funds:

Principal Amount of the Bonds	\$1,595,000.00*
Refunded Bonds funds and accounts	_____
Plus/Less Original Issue Premium/Discount	_____
Total	\$ _____

Uses of Funds:

Deposit to Project Fund	\$ _____
Deposit for Refunding	_____
Costs of Issuance ⁽¹⁾ including underwriter's discount	_____
Total.....	\$ _____

(1) Includes underwriter's discount and financial guaranty insurance and surety bond premiums.

THE BONDS

The following is a summary of certain terms and provisions of the Bonds. Reference is hereby made to the Bonds and the provisions with respect thereto in the Ordinance for the detailed terms and provisions thereof.

General Description

The Bonds will be issued in the principal amount of \$1,595,000*, will be dated as of the date of delivery, and will consist of fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. The Bonds will mature, subject to redemption as described below, on April 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semiannually on April 1 and October 1 in each year, beginning on April 1, 2020. Principal will be payable upon presentation and surrender of the Bonds by the Registered Owners thereof at the principal payment office of Security Bank of Kansas City, Kansas City, Kansas, Paying Agent. Interest shall be paid to the Registered Owners of the Bonds as shown on the Bond Register at the close of business on the Record Date for such interest by check or draft mailed by the Paying Agent to the address of such Registered Owners shown on the Bond Register or at such other address as is furnished to the Paying Agent in writing by any Registered Owner or in the case of an interest payment to any registered owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer to such registered owner upon written notice signed by such Registered Owner and given to the Paying Agent not less than 15 days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank (which shall be in the continental United States), address, ABA routing number and account number to which such registered owner wishes to have such wire directed.

While the Bonds remain in book-entry only form, payments to Beneficial Owners (as defined herein) are governed by the rules of DTC as described in the section captioned "**THE BOOK-ENTRY ONLY SYSTEM.**" If DTC ceases to act as securities depository for the Bonds, payment may be made as described in the Ordinance.

Redemption Provisions*

Optional Redemption. The Bonds maturing on April 1, 20__, and thereafter are subject to optional redemption by the City on and after April 1, 20__, in whole or in part at any time at the redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date.

Mandatory Redemption of Term Bonds. The Bonds with a stated maturity of April 1, 2024 (the "Term Bonds") are subject to mandatory redemption and payment prior to Stated Maturity at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The City will redeem on April 1 in each year the following principal amounts of such Bonds:

* Preliminary; subject to change.

Term Bonds Maturing on April 1, 2024

<u>Year</u>	<u>Principal Amount</u>
2020	\$30,000
2021	35,000
2022	35,000
2023	35,000
2024*	35,000

*final maturity

At its option, to be exercised on or before the 45th day next preceding any mandatory Redemption Date, the City may: (1) deliver to the Paying Agent for cancellation Term Bonds, in any aggregate principal amount desired; or (2) furnish the Paying Agent funds, together with appropriate instructions, for the purpose of purchasing any Term Bonds from any Registered Owner thereof, whereupon the Paying Agent shall expend such funds for such purpose to such extent as may be practical; or (3) receive a credit with respect to the mandatory redemption obligation of the City for any Term Bonds which prior to such date have been redeemed (other than through the operation of the mandatory sinking fund requirements) and cancelled by the Paying Agent and not theretofore applied as a credit against any redemption obligation. Each Term Bond so delivered or previously purchased or redeemed shall be credited at 100% of the principal amount thereof on the obligation of the City to redeem Term Bonds of the same Stated Maturity on such Redemption Date, and any excess of such amount shall be credited on future mandatory redemption obligations for Term Bonds of the same Stated Maturity in chronological order, and the principal amount of Term Bonds of the same Stated Maturity to be redeemed by mandatory sinking fund requirements shall be accordingly reduced. If the City intends to exercise any option granted by the provisions of clauses (1), (2) or (3) above, the City will, on or before the 45th day next preceding each mandatory Redemption Date, furnish the Paying Agent a written certificate indicating to what extent the provisions of said clauses (1), (2) and (3) are to be complied with, with respect to such mandatory redemption payment.

Selection of Bonds to be redeemed. 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 the Stated Maturities selected by the City, and Bonds of less than a full Stated Maturity shall be selected by the Paying Agent in \$5,000 units of principal amount in such equitable manner as the Paying Agent may determine.

Notice and Effect of Call for Redemption. In the event any of the Bonds are to be redeemed and paid prior to the maturity thereof the Paying Agent acting on behalf of the City, shall give written notice of its intention to redeem and pay said Bonds on a specified date, the same being described by number and maturity, said notice to be given by first class mail addressed to the original purchaser of the Bonds and to the registered owner of each Bond, each of said notices to be mailed at least 30 days prior to the date fixed for redemption. Whenever any Bond is called for redemption and payment, all interest on such Bond shall cease from and after the date for which such call is made, provided funds are available for its payment at the price hereinbefore specified.

So long as DTC is effecting book-entry transfers of the Bonds, the Paying Agent shall provide the notices specified above to DTC. It is expected that DTC will, in turn, notify the DTC Participants and that the DTC Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of DTC or a DTC Participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Paying Agent, a DTC Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

Registration, Transfer and Exchange of Bonds

Each Bond when issued shall be registered by the Paying Agent in the name of the owner thereof on the Bond Register. Bonds are transferable only upon the Bond Register upon presentation and surrender of the

Bonds, together with instructions for transfer. Bonds may be exchanged for Bonds in the same aggregate principal amount and maturity upon presentation to the principal payment office of the Paying Agent, subject to the terms, conditions and limitations set forth in the Ordinance and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, transfer or exchange.

THE BOOK-ENTRY ONLY SYSTEM

The Bonds are available in book-entry only form. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Ownership interests in the Bonds will be available to purchasers only through a book-entry system (the “**Book-Entry System**”) maintained by The Depository Trust Company “**DTC**”), New York, New York.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

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 Bond certificate will be issued for each maturity of the Bonds, each 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 a Standard & Poor’s rating: 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.

Purchases of 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 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 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 Bonds may wish to take certain steps to augment the 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 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 registrar and request that copies of notices be provided directly to them.

Redemption notices will 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 issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions 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 City or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

Registration, Transfer and Exchange of Bonds upon Discontinuance of Book-Entry Only System

The Paying Agent will keep or cause to be kept at its principal payment office the Bond Register. Upon surrender of any Bond at the principal payment office of the Paying Agent, the Paying Agent shall transfer or exchange Bonds as provided in the Ordinance.

Any Bond may be transferred upon the Bond Register by the person in whose name it is registered and shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Paying Agent, duly executed by the Registered Owner thereof or by the Registered Owner's duly authorized agent. The Owner requesting such transfer or exchange

will be required to pay any additional costs or fees that might be incurred in the secondary market with respect to such exchange. In the event any Registered Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Registered Owner sufficient to pay any governmental charge required to be paid as a result of such failure.

CUSIP Numbers

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special Limited Obligations

The Bonds are special obligations of the City, payable solely from, and secured as to the payment of principal and interest by a pledge of, the net income and revenues derived by the City from the ownership and operation of the System, after payment of expenses of operation and maintenance of the System.

THE BONDS SHALL BE JUNIOR AND SUBORDINATE WITH RESPECT TO THE PAYMENT OF PRINCIPAL AND INTEREST FROM THE NET INCOME AND REVENUES DERIVED FROM THE OPERATION OF THE SYSTEM AND IN ALL OTHER RESPECTS TO THE SENIOR LIEN BONDS AND, IN THE EVENT OF ANY DEFAULT IN THE PAYMENT OF EITHER PRINCIPAL OF OR INTEREST ON ANY OF THE SENIOR LIEN BONDS, ALL OF THE NET INCOME AND REVENUES OF THE SYSTEM WILL BE APPLIED SOLELY TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SENIOR LIEN BONDS UNTIL SUCH DEFAULT IS CURED.

In addition to the Bonds, the City has the right under the Ordinance to issue additional bonds on a parity with the Bonds, payable from the same sources and secured by the same revenues as the Bonds, but only in accordance with and subject to the terms and conditions set forth in the Ordinance. See the section captioned “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Ordinance – Parity Obligations**” herein.

The Bonds will not be or constitute a general obligation of the City, nor will they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction, and the taxing power of the City is not pledged to the payment of the Bonds either as to principal or interest.

The Ordinance

Pledge of Revenues. The Bonds are special obligations of the City payable solely from and secured as to the payment of principal and interest by a pledge of, the net income and revenues derived from the operation of the System, after providing for the costs of operation and maintenance thereof. **The Bonds shall junior and subordinate to the Senior Lien Bonds with respect to the pledge of revenues of the System and in all other respects.**

The covenants and agreements of the City contained in the Ordinance and in the Bonds are for the equal benefit, protection and security of the legal owners of any or all of the Bonds, all of which Bonds will be of equal rank and without preference or priority of one Bond over any other Bond in the application of the funds herein pledged to the payment of the principal of and the interest on the Bonds, or otherwise, except as to rate of interest, date of maturity and right of prior redemption as provided in the Ordinance. The Bonds shall be junior and subordinate with respect to the payment of principal and interest from the Net Revenues and in all other respects to the Senior Lien Bonds and in all other respects with the Senior Lien Bonds, and on a parity with any Parity Bonds issued in the future.

Rate Covenant. The City, in accordance with and subject to all applicable legal requirements, will fix, establish, maintain and collect such rates and charges for the use and services furnished by or through the System as will produce Revenues sufficient to (a) pay the Expenses of the System; (b) pay the principal of and interest on the Bonds as and when the same become due; and (c) provide reasonable and adequate reserves for the payment of the Bonds and the interest thereon and for the protection and benefit of the System, all as required in the Ordinance. In the Ordinance, the City has further agreed that such rates and charges will be sufficient to enable the City to have in each fiscal year Net Revenues not less than 110% of the Debt Service Requirements for such fiscal year. The City 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. The City will, from time to time as often as necessary, in accordance with and subject to applicable legal requirements, revise the rates and charges aforesaid in such manner as may be necessary or proper so that the Net Revenues will be sufficient to cover the obligations of the City as described in this paragraph, and otherwise under the provisions of the Ordinance.

Parity Obligations. The City has the right under the Ordinance to issue additional bonds on a parity with the Bonds, payable from the same sources and secured by the same Net Revenues as the Bonds, but only in accordance with and subject to the terms and conditions set forth in the Ordinance. The City will not issue any additional bonds or other long-term obligations payable out of the Net Revenues or any part thereof which stand on a parity or equality with the Bonds ("**Parity Bonds**") unless the following conditions are met:

(a) The City is not be in default in the payment of principal of or interest on any Bonds or any Parity 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 Ordinance or any Parity Ordinance (unless such additional revenue bonds or obligations are being issued to provide funds to cure such default); and

(b) The City obtains a certificate showing either of the following:

(1) The Net Revenues for the fiscal year immediately preceding the issuance of additional bonds, as determined by an Accountant, are equal to at least 110% of the Average Annual Debt Service required to be paid out of Net Revenues in fiscal years succeeding the issuance of such additional bonds on account of both principal (at maturity or upon mandatory redemption) and interest becoming due with respect to all System Revenue Bonds of the City, including the additional bonds proposed to be issued. In determining the Net Revenues for the purpose of this subsection, the City may adjust said Net Revenues by adding thereto, in the event the City shall have made any increase in rates for the use and services of the System and such increase shall not have been in effect during all of the fiscal year immediately preceding the issuance of additional bonds, the amount of the additional Net Revenues which would have resulted from the operation of the System during said preceding fiscal year had such rate increase been in effect for the entire period, as certified by an Accountant or Consultant; or

(2) The projected Net Revenues for the fiscal year 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, as certified by a Consultant, is at least 110% of the average annual Debt Service Requirements required to be paid out of said Net Revenues in all succeeding fiscal years following the commencement of 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 City, including the additional bonds proposed to be issued. In determining the amount of estimated Net Revenues for the purpose of this subsection, a Consultant may adjust said estimated Net Revenues by adding thereto any estimated increase in Net Revenues resulting from any increase in rates for the use and services of the System which have been approved by the City and will be in effect during said fiscal year and which, in the opinion of the Consultant, are economically feasible and reasonably considered necessary.

Debt Service Reserve Account. The Ordinance creates a Debt Service Reserve Account to be funded in an amount that will not exceed the least of (1) 10% of the stated principal amount of the Bonds, (2) the maximum annual principal and interest requirements on the Bonds (determined as of the issue date), or (3) 125% of the average annual principal and interest requirements on the Bonds (determined as of the issue date)* (the “**Debt Service Reserve Requirement**”). The Debt Service Reserve Requirement will initially be satisfied by a Municipal Bond Debt Service Reserve Insurance Policy (the “**Reserve Policy**”) issued by Build America Mutual Assurance Company (“**BAM**”). Except as otherwise provided in the Ordinance, all amounts paid and credited to the Debt Service Reserve Account will be expended and used solely to prevent any default in the payment of interest on or principal of the Bonds on any Maturity date or Interest Payment Date if the moneys in the Debt Service Account are insufficient to pay the interest on or principal of said Bonds as they become due. So long as the Debt Service Reserve Account (including the amount of the Reserve Policy) aggregates the Debt Service Reserve Requirement, no payments into said Account will be required, but if there is a draw on the Reserve Policy such that that it is reduced below the Debt Service Reserve Requirement, the City will make twelve (12) equal monthly payments to BAM in the aggregate amount of the draw on the Reserve Policy and certain related costs.

Depreciation and Replacement Account. After all payments and credits required at the time to be made under the provisions for the Ordinance have been made for the Debt Service Reserve Account, there shall be paid and credited to the Depreciation and Replacement Account, the sum of \$2,000 each month so long as any of the Bonds remain outstanding. Except as otherwise provided in the Ordinance, moneys in the Depreciation and Replacement Account will be expended and used by the City, if no other funds are available therefor, solely for the purpose of making unusual or extraordinary replacements and repairs in and to the System as may be necessary to keep the System in good repair and working order and to assure the continued effective and efficient operation thereof, including replacing or repairing portions of the System or major items of any plant or equipment which either have been fully depreciated and are worn out or have become obsolete, inefficient or uneconomical, or for the purpose of extending, improving or enlarging the System

A summary of the Ordinance is contained in ***Appendix C*** to this Official Statement. Such summary of the Ordinance does not purport to be complete and is qualified in its entirety by reference thereto.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“**BAM**”) will issue its Municipal Bond Insurance Policy for the Bonds (the “**Policy**”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

* Preliminary; subject to change.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$525 million, \$114 million and \$411 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the section captioned "**BOND INSURANCE**".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM

will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BONDOWNERS' RISKS

The following is a discussion of certain risks that could affect payments to be made by the City with respect to the Bonds. Such discussion is not and is not intended to be exhaustive and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should analyze carefully all the information contained in this Official Statement including the Appendices hereto and additional information in the form of the complete documents summarized therein and, in the Appendices, hereto, copies of which are available as described herein.

General

The Bonds will not be or constitute a general obligation of the City, nor will they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction, and the taxing power of the City is not pledged to the payment of the Bonds either as to principal or interest. The Bondowners have no lien on or security interest in any physical assets of the City, including the System. The Bonds are limited obligations of the City and are payable solely from and secured by a pledge of the Net Revenues of the System. The City's actual collection of these revenues is dependent upon, among other things, future changes in economic and other conditions that are unpredictable and cannot be determined at this time.

Debt Service Reserve Account

At the time of issuance of the Bonds, the Debt Service Reserve Account will be funded from available funds of the City in the amount of the Debt Service Reserve Requirement set forth herein. See also the section captioned "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Ordinance**" herein.

There can be no assurance that the amounts on deposit in the Debt Service Reserve Account will be available if needed for payment of the Bonds in the full amount of the Debt Service Reserve Requirement during the full term of the Bonds because (1) of fluctuations in the market value of the securities deposited therein or (2) if funds are transferred out of the Debt Service Reserve Account into the Debt Service Account, sufficient revenues may not be or available in the Revenue Fund to replenish the Debt Service Reserve Account to full level of the Debt Service Reserve Requirement.

Additional Bonds

Under the Ordinance, the City may issue additional bonds in certain circumstances. The issuance of such additional System Revenue Bonds would have a dilutive effect on the debt service coverage ratio for the owners of the Bonds.

No Mortgage on the System

Payment of the principal of and interest on the Bonds is not secured by any deed of trust, mortgage, or other lien on any real or personal property. The Bonds are payable solely from Net Revenues derived from the System.

Secondary Market and Prices

There is no assurance that a secondary market will develop for the purchase and sale of the Bonds. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and changes in operating performance of the entities operating the facilities subject to the municipal securities. Municipal securities are generally viewed as long-term investments, subject to material unforeseen changes in the investor's circumstances, and may require commitment of the investor's funds for an indefinite period of time, perhaps until maturity.

Risk of IRS Audit

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine the legitimacy of the tax status of such obligations. No assurance can be given that the Internal Revenue Service will not commence an audit of the Bonds. Bondowners are advised that, if an audit of the Bonds were commenced, in accordance with its current published procedures, the Internal Revenue Service is likely to treat the City as the taxpayer, and the Bondowners may not have a right to participate in such audit. Public awareness of any audit could adversely affect the market value and liquidity of the Bonds during the pendency of the audit, regardless of the ultimate outcome of the audit.

Factors Affecting the Operations of the System

One or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the System's operations and financial performance to an extent that cannot be determined at this time:

1. *Changes in Management.* Changes in key management personnel could affect the capability of the management of the System.
2. *Future Economic Conditions.* Increased unemployment or other adverse economic conditions or changes in demographics in the service area of the City; cost and availability of energy; an inability to control expenses in periods of inflation and difficulties in increasing charges could affect the System's operation and financial performance.
3. *Insurance Claims.* Increases in the cost of general liability insurance coverage and the amounts paid in settlement of liability claims not covered by insurance.
4. *Environmental Regulation.* Water and sewer utilities are both subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of water and sewer 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 or the complete shutdown of facilities not in compliance. Legislative, regulatory, administrative or enforcement action involving environmental controls could adversely affect the operation of the facilities of the System. For example, if property of the System is determined to be contaminated by hazardous materials, the City could be liable for significant clean up costs even if it were not responsible for the contamination.

5. *Natural Disasters.* The occurrence of natural disasters, such as floods or droughts, could damage the facilities of the System, affect water supply, interrupt services or otherwise impair operations and the ability of the System to produce revenues.

6. *Miscellaneous Factors.* Water and sewer utilities in general have experienced, or may in the future experience, problems including (a) the effects of inflation upon the costs of operation of facilities, (b) uncertainties in predicting future demand requirements, (c) increased financing requirements coupled with the increased cost and uncertain availability of capital, and (d) compliance with rapidly changing environmental regulations and requirements.

Subordinate Status

The Bonds are junior and subordinate in all respects to the Senior Lien Bonds, as more fully described herein.

THE BONDS SHALL BE JUNIOR AND SUBORDINATE WITH RESPECT TO THE PAYMENT OF PRINCIPAL AND INTEREST FROM THE NET INCOME AND REVENUES DERIVED FROM THE OPERATION OF THE SYSTEM AND IN ALL OTHER RESPECTS TO THE SENIOR LIEN BONDS AND, IN THE EVENT OF ANY DEFAULT IN THE PAYMENT OF EITHER PRINCIPAL OF OR INTEREST ON ANY OF THE SENIOR LIEN BONDS, ALL OF THE NET INCOME AND REVENUES OF THE SYSTEM WILL BE APPLIED SOLELY TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SENIOR LIEN BONDS UNTIL SUCH DEFAULT IS CURED.

LEGAL MATTERS

Legal Proceedings

As of the date hereof, there is no controversy, suit or other proceeding of any kind pending or threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the City or its boundaries, or the right or title of any of its officers to their respective offices, or the legality of any official act in connection with the authorization, issuance and sale of the Bonds, or the constitutionality or validity of the Bonds or any of the proceedings had in relation to the authorization, issuance or sale thereof, or the levy and imposition of rates and charges to pay the principal and interest thereof, or which might materially affect the City's ability to meet its obligations to pay the Bonds.

Approval of Legality

All legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Armstrong Teasdale LLP, Kansas City, Missouri, Bond Counsel. The form of Bond Counsel's opinion is attached hereto as *Appendix E*. Bond Counsel expresses no opinion as to the accuracy or sufficiency of this Official Statement except for the matters appearing in the sections of this Official Statement captioned "**THE BONDS**" (except for the information appearing under the section captioned "**Book-Entry Only System**"), "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,**" "**LEGAL MATTERS--Approval of Legality,**" "**TAX MATTERS,**" and *Appendices C, D and E* to this Official Statement.

TAX MATTERS

The following is a summary of the material federal and State of Missouri income tax consequences of holding 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 (1) discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances; (2) describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws; (3) except for the income tax laws of the State of Missouri, discuss the

consequences to an owner under any state, local or foreign tax laws; or (4) 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.

Federal Income Tax Consequences of Owning Bonds

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements would cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. The City has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. Bond Counsel assumes compliance with these requirements. In addition, the City has made certain representations and certifications in regards to the Bonds. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Bond Counsel, under existing law and assuming compliance with the aforementioned covenants, and the accuracy of the aforementioned representations and certifications of the City, the interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

State Taxes

Bond Counsel is also of the opinion that, under existing law and assuming that interest on the Bonds is excluded from gross income for federal income tax purposes, interest on the Bonds is excluded from Missouri taxable income for purposes of the personal income tax and corporate income tax imposed by the State of Missouri under Chapter 142 of the Revised Statutes of Missouri. Bond Counsel expresses no opinion as to whether the interest on the Bonds is exempt from the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri.

Original Issue Premium

The Bonds to be sold in the initial offering at a price greater than the principal amount thereof (hereinafter referred to as the “OIP Bonds”) are offered at a price in excess of the principal amount thereof resulting in a yield less than the interest rate for each such maturity as shown on the cover page hereof. Under the Code, the difference between the principal amount of an OIP Bond and the cost basis of such OIP Bond to an owner thereof is “bond premium.” Under the Code, bond premium is amortized over the term of an OIP Bond for federal income tax purposes. An owner of an OIP Bond is required to decrease its basis in such OIP Bond by the amount of the amortizable bond premium attributable to each taxable year (or portion thereof) it owns the OIP Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate determined with respect to the yield on an OIP Bond compounded on each interest payment date. The amortizable bond premium attributable to a tax year is not deductible for federal income tax purposes. Owners of OIP Bonds (including purchasers of OIP Bonds in the secondary market) should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption, or other disposition of such OIP Bonds and with respect to the state and local consequences of owning and disposing of such OIP Bonds.

Other Federal Tax Matters

Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, including,

without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit and taxpayers (including banks, thrift institutions, and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds.

Interest paid on tax-exempt obligations such as the Bonds is subject to information reporting to the Internal Revenue Service (the “IRS”) in a manner similar to interest paid on taxable obligations. In addition, the interest on the Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described under the caption “Tax Matters.” Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Federal Tax Law and Post Issuance Events

From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for federal income tax purposes of interest on the Bonds, and thus on the economic value of the Bonds. This could result from reductions in federal income tax rates, changes in the structure of the federal income tax rates, changes in the structure of the federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of owners of the Bonds may be proposed or enacted.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on the Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

THE FOREGOING DISCUSSION IN “**TAX MATTERS**” WAS NOT INTENDED OR WRITTEN BY BOND COUNSEL TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON AN OWNER OF THE BONDS. THE FOREGOING DISCUSSION IN “**TAX MATTERS**” WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE BONDS. EACH PROSPECTIVE PURCHASER OF THE BONDS SHOULD SEEK ADVICE BASED ON THE PROSPECTIVE PURCHASER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement with Security Bank of Kansas City, Kansas City, Kansas, as Dissemination Agent, the City has agreed to provide to the Municipal Securities Rulemaking Board (the “**MSRB**”) via the EMMA system, not later than 270 days after the end of each fiscal year, (1) the audited financial statements of the City for that fiscal year and (2) certain operating data of the City (the “**Annual Report**”). The financial statements of the City are audited by the City’s independent certified public accountants. The City has also agreed to provide prompt notice to the MSRB of the occurrence of certain material events with respect to the Bonds. See the “**CONTINUING DISCLOSURE AGREEMENT**” attached hereto as *Appendix D*.

The City has entered into prior undertakings similar to the Continuing Disclosure Agreement. Dating back to the filing due in 2013, the City's financial statements were filed late every year but one, ranging from one day late to approximately five months late. The one time financial statements were filed on time, they were unaudited, with audited financial statements filed approximately five months later. The City did not file additional required operating data in any of those years. A failure to file notice was not filed for the filing due in 2019.

On August 27, 2019, the City posted certain operating data to EMMA. In addition, the City has retained an outside firm to assist with compliance with the terms of its various continuing disclosure agreements in the future, and has adopted a policy with respect to timely and complete filings.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (the "**Rating Agency**"), is expected to assign a rating of "AA" to the Bonds based upon the understanding that upon the delivery of the Bonds, a policy insuring the principal and interest payments of the Bonds will be issued by BAM. Such rating reflects only the view of such organization at the time such rating is given, and the City, BAM and the Underwriter make no representation as to the appropriateness of such rating. Any explanation of the significance of such rating may be obtained only from such rating agency. There is no assurance that the 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. Except as provided in the Continuing Disclosure Agreement, a form of which is contained herein in **Appendix D – FORM OF CONTINUING DISCLOSURE AGREEMENT**, neither the City nor the Underwriter has undertaken any responsibility to bring to the attention of the bondholders any proposed revision or withdrawal of the rating of the Bonds or to oppose any such proposed revision or withdrawal. Any revision or withdrawal of a rating could have an adverse effect on the market price and marketability of the Bonds.

MISCELLANEOUS

Underwriting

McLiney And Company a Division of SAMCO Capital Markets, (the "**Underwriter**"), has agreed to purchase the Bonds from the City at a price equal to \$_____ (the principal amount of the Bonds plus/less an original issue premium/discount of \$_____ and less an underwriter's discount of \$_____). The Underwriter is purchasing the Bonds from the City for resale in the normal course of the Underwriter's business activities. The Underwriter may sell a certain amount of the Bonds at a price greater than such purchase price, as shown on the cover hereof. The Underwriter reserves the right to offer any of the Bonds to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter, in its discretion, shall determine.

The Underwriter has read and participated in the preparation of certain portions of this Official Statement and has supervised in the compilation and editing thereof. The Underwriter, has not, however, independently verified the factual and financial information contained in this Official Statement and, accordingly, expresses no view as to the sufficiency or accuracy thereof.

Certification and Other Matters Regarding Official Statement

Information set forth in this Official Statement has been furnished or reviewed by certain officials of the City, certified public accountants, and other sources, as referred to herein, which are believed to be reliable. Any statements made in this Official Statement involving matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized. The descriptions contained in this Official Statement of the Bonds and the Ordinance do not purport to be complete and are qualified in their entirety by reference thereto. The form of this Official Statement, and its distribution and use by the Underwriter, has been

approved by the City. Neither the City nor any of its officers, directors or employees, in either their official or personal capacities, has made any warranties, representations or guarantees regarding the financial condition of the City or the City's ability to make payments required of it; and further, neither the City nor its officers, directors or employees assumes any duties, responsibilities or obligations in relation to the issuance of the Bonds other than those either expressly or by fair implication imposed on the City by the Ordinance.

Additional Information

Additional information regarding the City or the Bonds may be obtained from McLiney And Company a Division of SAMCO Capital Markets, 5201 Johnson Drive, Suite 415, Mission, Kansas 66205 (816-221-4042), or the City.

CITY OF BROOKFIELD, MISSOURI

By: _____
Mayor

APPENDIX A
THE CITY AND THE SYSTEM

GENERAL AND ECONOMIC INFORMATION CONCERNING THE CITY

Location and Size

The City of Brookfield, Missouri (the “City”), is located along U.S. Highway 36 in Linn County, Missouri, approximately 120 miles northeast of Kansas City, Missouri, and is geographically located in the north central portion of the State of Missouri. The City’s population was estimated at 4,542 as of the 2010 U.S. Census Bureau.

Government and Organization

The City was incorporated in 1859 and operates as a third class city under Missouri law. The City is governed by a Mayor/City Council form of government. The Mayor is elected by the City Council.

The present Mayor and Councilman and terms of office are as follows:

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Lonnie Trentham	Mayor	April 2019	April 2022
Katherine Ballard	Councilman	April 2019	April 2022
Paul Frey	Councilman	April 2017	April 2020
Sarah Wessing	Councilman	April 2017	April 2010

One City Council seat is currently vacant.

The appointed officials of the City include Dana Tarpening as City Manager, Donna Barger as City Clerk and Adam Warren as City Prosecutor.

Educational Institutions and Facilities

Brookfield RIII School District (the “**School District**”) covers 167.02 square miles, access to the district is provided by U.S. Highway 36 and State Highway 11. The district consists of 1 elementary, 1 middle school and 1 high school, serving approximately 1,040 students with 93 teachers. The District is classified as “accredited,” the highest rating given by the Missouri Department of Elementary and Secondary Education.

Alternative Education is provided by Linn County Area Career and Technical Center, which offers courses in Agriculture, Auto Mechanics, Building Trades, Business, Computer Networking, Early Childhood, Graphic Arts, Health Sciences and Welding.

Area colleges and universities consist of Truman State University, Kirksville, Missouri, 45 miles from the City; North Central Missouri College, Trenton, Missouri, 45 miles from the City; University of Missouri, Columbia, Missouri, 90 miles from the City; Missouri Western State College, St. Joseph, Missouri, 100 Miles from the City and Northwest Missouri State University, Maryville, Missouri, 138 miles from the City.

City Services and Utilities

City services include water, sewer, law enforcement, fire department, parks and recreation. Brookfield Fire Department provides fire protection with 20 volunteer firefighters and 1 dispatcher. The Brookfield Police Department consists of 11 law enforcement officers, one police clerk, one animal control officer and five communications officers. Linn County Ambulance District provides Brookfield and the surrounding area with 24/7 emergency response with trained staff and three fully equipped vehicles. Life-flight Eagle, Staff for Life and Air Evac Life Team provide emergency air services and evacuations.

Recreational Facilities

The City provides several public parks with shelter houses, picnic facilities, sports fields and playgrounds. Residents also have nearby access to several Missouri and Kansas State Parks and recreation areas offering swimming, fishing, camping, hiking, and biking.

Transportation and Communication Facilities

Brookfield is served by the North Missouri Regional Airport which features a 4,000 foot runway and is located within 2 miles of the city limits.

Additionally, the Kirksville International Airport is located 35 miles from the City and offers daily shuttle flights to St. Louis International Airport, which provides flights to all major U.S. hubs and some international destinations. Mid-Continent International Airport in Kansas City is located 94 miles from the City.

Residents have easy access to U.S. Highway 36 as an east-west artery to nearby cities such as Chillicothe, Cameron, and St. Joseph, Missouri.

The City of Brookfield is served by the Burlington Northern Santa Fe Railroad.

Medical and Health Facilities

Health care services include Pershing Memorial Hospital, D/B/A Pershing Health System, a critical access care facility and related outpatient facility, emergency room, laboratory and radiology department located in Brookfield, Missouri. Additional services include radiology, rehabilitative services (physical and occupational therapy), inpatient, observation and swing bed care, cardiac rehabilitation and outpatient services. Long-term health facilities in Brookfield include Life Care Center of Brookfield, McLarney Manor and Bristol Manor of Brookfield.

Employment

Employment opportunities are available to area residents within the City. Listed below are several major employers located in the City and the number employed by each:

<u>Major Employers</u>	<u>Type of Business</u>	<u>Number of Employees</u>
1. Walsworth Publishing	School Yearbook Publisher	700
2. Wal Mart Super Center	Retail Sales	200
3. Brookfield School District RIII	Elementary/Secondary Education	200
4. Stanbury Uniforms	Uniform Manufacturer	168
5. Brookfield Fabricating	Steel/Aluminum Fabrication	150
6. Pershing Health Systems	Health Care	147
7. Life Care	Assisted Living/Nursing Homes	120
8. Apex Plastics	Plastic Extrusion Blow Molding	50
9. City of Brookfield	City Government	50
10. Excelsior Manufacturing	Steel Fabrication	50

Source: Brookfield Industrial Development Authority.

The following table sets forth unemployment figures for the last five years available for Linn County and the State of Missouri.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Linn County					
Total Labor Force	5,383	5,283	5,368	5,547	5,696
Unemployed	346	299	243	208	180
Unemployment Rate	6.4%	5.7%	2.5%	3.7%	3.2%
State of Missouri					
Total Labor Force	3,038,261	3,034,525	3,034,524	3,035,326	3,043,312
Unemployed	267,644	254,534	226,528	200,143	175,919
Unemployment Rate	8.8%	8.4%	7.5%	6.6%	5.8%

Source: United States Census Bureau, 2013-2017 American Community Survey.

Housing Structures

The following table sets forth statistics regarding housing structures by type in the City, Linn County and the State of Missouri:

	<u>Brookfield</u>		<u>Linn County</u>		<u>State of Missouri</u>	
<u>Housing Type</u>	<u>Number of Units</u>	<u>Percentage of Units</u>	<u>Number of Units</u>	<u>Percentage of Units</u>	<u>Number of Units</u>	<u>Percentage of Units</u>
Single-Family	1,428	78.1%	4,074	81.5%	1,804,104	75.6%
Multi-Family	292	15.9%	471	10.7%	448,828	18.9%
Mobile Homes	109	6.0%	394	7.8%	133,271	5.5%

Source: United States Census Bureau, 2017 American Community Survey.

The median value of owner-occupied housing units in the City and related areas was as follows:

Brookfield	\$ 65,900
Linn County	80,400
State of Missouri	145,400

Source: United States Census Bureau, 2017 American Community Survey.

Population and Income

The following table sets forth the population history of the City, Linn County and the State of Missouri:

	<u>2000</u>	<u>2010</u>	<u>2018⁽¹⁾</u>
Brookfield	4,769	4,542	4,265
Linn County	13,754	12,761	12,037
State of Missouri	5,595,211	5,987,580	6,126,452

Source: United States Census Bureau, 2010 and 2000 Census.

⁽¹⁾ United States Census Bureau, 2018 Population Estimates.

The following table shows the population by age categories for the City, Linn County and the State of Missouri:

<u>Age</u>	<u>Brookfield</u>	<u>Linn County</u>	<u>State of Missouri</u>
under 5 years	249	682	373,141
5-19 years	1,004	2,502	1,176,263
20-24 years	230	661	425,687
25-44 years	1,051	2,562	1,536,109
45-64 years	1,094	3,369	1,608,068
65 and over	845	2,472	956,032
Median Age	39.8	42.5	38.4

Source: United States Census Bureau, 2017 American Community Survey.

The following table shows per capita personal income for Linn County and the State of Missouri:

<u>Year</u>	<u>Linn County</u>	<u>State of Missouri</u>
2017	\$22,361	\$28,282
2016	20,860	27,044
2015	19,889	26,259

Source: United States Census, 2015-2017 American Community Survey.

DEBT STRUCTURE OF THE CITY

Outstanding Debt of the City

General Obligation Debt. The City has no outstanding general obligation bond debt.

The City has never in its history defaulted on the payment of any of its debt obligations.

Authority to Issue Additional Revenue Obligations

The City may issue revenue bonds to finance additional capital improvements to the System upon a simple majority vote of the qualified voters. Subsequent to the issuance of the Bonds, the City will have approximately \$823,000 (subject to change based on final issue size of the Series 2019 Bonds) in authorized but unissued revenue bonds which are anticipated to be issued in future years as needed to improve the System.

Lease/Purchase Obligations

The City has certain outstanding lease/purchase obligations outstanding, including (as of September 30, 2018, per the City's annual audit) Certificates of Participation outstanding in the principal amount of \$2,585,000 and other capital leases with aggregate future payments of \$29,554.

FINANCIAL INFORMATION CONCERNING THE CITY

Accounting, Budgeting and Auditing Procedures

Each year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing on October 1 of that year. The operating budget, which includes proposed expenditures and the means of financing these expenditures, is presented to the City Council for approval. The City Manager is authorized to

transfer budgeted amounts between departments within any fund. Any revision that alters the total expenditures of any fund must be approved by the City Council.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenue and expenditures, or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The System is accounted for in the proprietary fund group as a Special Revenue Fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes.

City policies require an annual audit to be made of the financial statements of the various funds and account groups. This audit is currently performed by John W. Gillum, C.P.A., LLC, an independent certified public accountant selected by the City Council.

Sources of Revenues

The City finances its operations through the local property tax levy, sales tax, franchise tax, charges for services, fines and forfeitures and miscellaneous services. The City's budgeted sources of revenue in the General Fund are as follows:

	<u>2018</u>	
<u>Source</u>	<u>Amount</u>	<u>%</u>
Taxes	\$1,824,500	75.36%
Licenses and Permits	\$36,000	1.49%
Grants and Funds	\$135,700	5.61%
User Fees – Gas Tax	\$122,000	5.04%
Solid Waste Fees	\$194,700	8.04%
Investment Earnings	\$15,500	0.64%
Fines	\$13,000	0.54%
Motor Vehicle – Sales Tax	\$58,000	2.40%
Miscellaneous	\$21,500	0.89%
TOTAL REVENUE	<u>\$2,420,900</u>	<u>100.0%</u>

Source: City's 2018 Audited Financial Statement

Property Valuations

Current Assessed Valuation: The following table shows the total assessed valuation, by category, of all taxable tangible property situated in the City.

<u>Assessed Valuation</u>	<u>2018</u>	<u>2019</u>
Real Estate	\$29,653,896	\$30,892,929
Personal Property	<u>10,056,499</u>	<u>10,515,447</u>
TOTAL	<u>\$39,710,395</u>	<u>\$41,408,376</u>

Source: City's 2018 Audited Financial Statement

History of Property Valuations. The total assessed valuation of all taxable tangible property situated in the City has been as follows:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Percent Change</u>
2018	\$39,515,420	(0.49)%
2017	39,710,395	0.87%
2016	39,368,758	(0.18)%
2015	39,441,667	2.27%
2014	38,567,527	5.41%

Source: Missouri State Auditor, <http://www.auditor.mo.gov/>

Property Tax Levies

Property Tax Levies: The following table shows the City's property tax levies (per \$100 of assessed valuation) for each of the last three years available:

<u>Fiscal Year Ended September 30</u>	<u>General Fund</u>	<u>Library Fund</u>	<u>Parks Fund</u>	<u>Cemetery Fund</u>	<u>Tax Levy</u>
2017	\$.8769	\$.3707	\$.1998	\$.0998	\$1.5472
2016	\$.8720	\$.3686	\$.1987	\$.0992	\$1.5385
2015	\$.8656	\$.3659	\$.1972	\$.0985	\$1.5272

Source: City's 2016, 2017 & 2018 Audited Financial Statements

OPERATION OF THE SYSTEM

Description of Existing Facilities of the City

Water System. The City of Brookfield water supply includes a surface water supply with a "clarification" water treatment plant. The sources of water are one upland reservoir and earthen ground storage reservoirs which store water pumped from Yellow Creek.

The treatment process includes a two-stage clarification plant with a gravity sand filter system. Chemicals added to the water for clarification and stabilization include lime, aluminum sulphate, activated carbon, fluoride, soda ash and gas chlorine. Average consumption for the last three years has been 469,199 gallons per day.

Finished water storage facilities include one concrete clearwell located at the water plant with a capacity of 500,000 gallons. Elevated storage facilities include one 500,000 gallon elevated steel tank and one new 750,000 gallon steel elevated storage tank. The 750,000 gallon elevated tank located in the Industrial Park was erected in 1992.

Sewer System. The City of Brookfield provides sewer service to City residents through the operation of an aerated lagoon (stabilization pond) system. The two aerated lagoon sites (each serving approximately one-half of the City) have a combined capacity of 1,481,000 gallons per day. The present effluent load amounts to 600,000 to 800,000 gallons per day. The system, as currently configured, would serve an estimated population of 9,600 residents.

Customers and Operations

Number of Connections:

Water Connections:	1,928
Sewer Connections:	1,903

The following is a list of the largest water customers and the percent of total system use for the most recent 12-month period:

<u>User</u>	<u>Usage in Gallons</u>	<u>Percent of Total</u>
Life Care Center of Brookfield	4,236,141	7.3%
McLarney Manor Nursing Home	1,579,300	2.7%
Brookfield Housing Authority	1,695,440	2.9%
Walsworth	215,206	0.4%
North Central Missouri Properties	1,724,500	3.0%
Wal Mart	757,600	1.3%
Pershing Hospital	1,463,348	2.5%
Brookfield Elementary	904,440	1.6%
Whistle Clean Car Wash	924,500	1.6%

System Rates

<u>Current Water Rates</u>	<u>City</u>	<u>Outside City</u>
First 2,000 gallons (minimum)	\$25.10	\$31.38
5,000 gallons	\$64.91	\$81.14
10,000 gallons	\$109.01	\$136.30
100,000 gallons	\$1,003.61	\$1,254.10

<u>Current Sewer Rates</u>	<u>Outside City</u>
Minimum Charge	\$0.00
Each 1,000 gallons	\$13.00

DEBT STRUCTURE OF THE SYSTEM

Current Outstanding Revenue Obligations of the System

Currently the City has the following outstanding revenue obligations of the System (not including the Bonds or the Refunded Bonds):

<u>Category of Indebtedness</u>	<u>Date of Indebtedness</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>
Water Pollution Control Revenue Bonds (State Revolving Fund Program), Series 2002A	May 8, 2002	\$1,540,000	\$360,000
Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program), Series 2004B	May 28, 2004	3,055,000	1,695,000
Combined Waterworks and Sewerage System Revenue Bond, Series 2017A	June 28, 2017	\$5,000,000	\$4,974,050
Combined Waterworks and Sewerage System Revenue Bond, Series 2017B	June 28, 2017	\$800,000	\$765,120
Combined Waterworks and Sewerage System Revenue Bond, Series 2017C	June 28, 2017	\$726,000	<u>\$694,343</u>
TOTAL			<u>\$8,488,513</u>

FINANCIAL INFORMATION CONCERNING THE SYSTEM

Accounting, Budgeting and Auditing Procedures

The budgeting, accounting and auditing procedures of the City relating to the System are the same as for the remainder of the City's operations and as described in "FINANCIAL INFORMATION CONCERNING THE CITY-Accounting, Budgeting and Auditing Procedures" herein.

System Debt Service Requirements

The following table shows the annual principal and interest requirements for all outstanding revenue obligations of the system, including the Series 2019 Bonds:

<u>Fiscal Year Ending September 30</u>	<u>Outstanding Bonds Total Debt Service</u>	<u>Bonds Being Offered</u>		<u>Total</u>
		<u>Principal*</u>	<u>Interest*</u>	
2020	\$ 781,489.69	\$ 30,000.00	\$ 11,244.75	\$ 822,734.44
2021	\$ 770,917.00	\$ 35,000.00	\$ 28,260.00	\$ 834,177.00
2022	\$ 761,467.00	\$ 35,000.00	\$ 27,735.00	\$ 824,202.00
2023	\$ 658,892.00	\$ 35,000.00	\$ 27,210.00	\$ 721,102.00
2024	\$ 648,317.00	\$ 35,000.00	\$ 26,685.00	\$ 710,002.00
2025	\$ 550,117.00	\$ 245,000.00	\$ 26,160.00	\$ 821,277.00
2026	\$ 551,117.00	\$ 250,000.00	\$ 22,240.00	\$ 823,357.00
2027	\$ 551,782.00	\$ 255,000.00	\$ 17,990.00	\$ 824,772.00
2028	\$ 547,102.00	\$ 255,000.00	\$ 13,400.00	\$ 815,502.00
2029	\$ 427,162.00	\$ 265,000.00	\$ 8,455.00	\$ 700,617.00
2030	\$ 279,262.00	\$ 155,000.00	\$ 3,255.00	\$ 437,517.00
2031	\$ 279,262.00	-	-	\$ 279,262.00
2032	\$ 279,262.00	-	-	\$ 279,262.00
2033	\$ 279,262.00	-	-	\$ 279,262.00
2034	\$ 279,262.00	-	-	\$ 279,262.00
2035	\$ 279,262.00	-	-	\$ 279,262.00
2036	\$ 279,262.00	-	-	\$ 279,262.00
2037	\$ 279,262.00	-	-	\$ 279,262.00
2038	\$ 279,262.00	-	-	\$ 279,262.00
2039	\$ 279,262.00	-	-	\$ 279,262.00
2040	\$ 279,262.00	-	-	\$ 279,262.00
2041	\$ 279,262.00	-	-	\$ 279,262.00
2042	\$ 279,262.00	-	-	\$ 279,262.00
2043	\$ 279,262.00	-	-	\$ 279,262.00
2044	\$ 279,262.00	-	-	\$ 279,262.00
2045	\$ 279,262.00	-	-	\$ 279,262.00
2046	\$ 279,262.00	-	-	\$ 279,262.00
2047	\$ 279,262.00	-	-	\$ 279,262.00
2048	\$ 279,262.00	-	-	\$ 279,262.00
2049	\$ 279,262.00	-	-	\$ 279,262.00
2050	\$ 279,262.00	-	-	\$ 279,262.00
2051	\$ 278,847.09	-	-	\$ 278,847.09

*Preliminary, subject to change.

Historical Debt Service Coverage

The following table sets forth for the fiscal years ended September 30, 2016, 2017 and 2018, the System revenues available to pay its debt service and the extent to which such revenues covered debt service requirements on the actual System Revenue Bonds of the City. There can be no assurance that the City will generate the revenues set forth below in subsequent fiscal years.

	2018	2017	2016
<u>Operating Income</u>			
Water	\$1,291,379.00	\$1,298,618.00	\$1,194,065.00
Sewer	1,022,217.00	1,023,306.00	906,690.00
Investment Earnings	326,802.00	315,009.00	316,725.00
Miscellaneous	<u>10,765.00</u>	<u>11,915.00</u>	<u>14,420.00</u>
Total	\$2,651,163.00	\$2,648,848.00	\$2,431,900.00
<u>Expenses</u>			
Cost of Sales	\$1,438,441.00	\$1,386,258.00	\$1,311,847.00
Administration	234,165.00	225,670.00	213,557.00
Pension Adjustment (LAGERS)	<u>950.00</u>	<u>20,519.00</u>	<u>--</u>
Total	\$1,673,556.00	\$1,632,447.00	\$1,525,404.00
<u>Net Available</u>	\$977,607.00	\$1,016,401.00	\$906,496.00
<u>Debt Service</u>			
USDA Loans (A,B,C, 2.25%)	\$175,967.00	\$175,967.00	\$175,967.00
2002 SRF	105,940.63	105,375.00	109,675.00
2004 SRF	350,535.00	347,872.50	323,005.00
2012 Rev	<u>64,432.50</u>	<u>64,857.50</u>	<u>65,232.50</u>
Total	\$696,875.13	\$694,072.00	\$673,879.50
Coverage	1.4028x	1.4644x	1.3452x

APPENDIX B
FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR
ENDED SEPTEMBER 30, 2018, TOGETHER WITH AUDITORS' REPORT THEREON

CITY OF BROOKFIELD, MISSOURI

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

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JOHN W. GILLUM, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANT

Member:
Missouri Society of
Certified Public Accountants
American Institute of
Certified Public Accountants
AICPA Private Companies Practice
Section (PCPS)

310 S. Elson Street
P.O. Box 1068
Kirkville, Missouri 63501
Telephone (660) 627-1259
Toll Free 800-397-3630
Fax (660) 627-1250
email johngillumcpa@yahoo.com

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Brookfield
Brookfield, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brookfield, Missouri as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Brookfield, Missouri's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Brookfield, Missouri, 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 management's discussion and analysis, budgetary comparison information, schedules of changes in net pension liability and related ratios and schedules of contributions on pages 3-10, 43-44, 45-48 and 49-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019, on our consideration of the City of Brookfield, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Brookfield, Missouri's internal control over financial reporting and compliance.



John W. Gillum, CPA, LLC
Certified Public Accountant
Kirkville, Missouri
June 25, 2019

Management's Discussion and Analysis--Unaudited

Our discussion and analysis of City of Brookfield, Missouri's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the City's financial statements, which begin on page 11.

Financial Highlights

- The assets of the City of Brookfield exceeded its liabilities at the close of the most recent fiscal year by \$21,040,734 (*net position*). Of this amount, \$4,437,285 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$504,186.
- As of the close of the current fiscal year, the City of Brookfield's governmental funds reported combined ending fund balances of \$3,785,706.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 11 and 12) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position—the difference between assets and liabilities—as one way to measure the City's financial health. Over time, *increases or decreases* in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental activities**—Most of the City's basic services are reported here, including the public safety, streets, solid waste, cemetery and general administration. Property taxes, franchise fees, other taxes and state and federal grants finance most of these activities.
- **Business-type activities**—The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer operations are reported here.

Reporting the City's Most Significant Funds

The fund financial statements begin on page 13 and provide detailed information about the most significant funds—not the City as a whole. The City's three kinds of funds—*governmental, proprietary and fiduciary*—use different accounting approaches.

- **Governmental funds**—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the City's fund balances by law, creditors, City council, and the City's annually adopted budget. Unassigned fund balance is available for spending for any purpose. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

Reporting the City's Most Significant Funds (Continued)

- *Proprietary funds*—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.
- *Fiduciary funds*—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Brookfield, assets exceeded liabilities by \$21,040,734 at the close of the most recent fiscal year.

The largest portion of the City of Brookfield's net position, \$13,474,522 (64 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Brookfield uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Brookfield's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Brookfield's Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>						
Current and						
other assets	\$ 3,812,035	\$ 3,735,221	\$ 4,569,782	\$ 4,721,706	\$ 8,381,817	\$ 8,456,927
Capital assets, net	<u>8,528,865</u>	<u>8,260,084</u>	<u>18,966,498</u>	<u>19,572,956</u>	<u>27,495,363</u>	<u>27,833,040</u>
Total Assets	12,340,900	11,995,305	23,536,280	24,294,662	35,877,180	36,289,967
<u>DEFERRED OUTFLOWS</u>						
Deferred Outflows—						
LAGERS	138,040	276,745	61,774	92,731	199,814	369,476
<u>LIABILITIES</u>						
Long-term liabilities	2,612,843	2,740,952	11,407,998	12,213,417	14,050,841	14,954,369
Other liabilities	<u>125,619</u>	<u>436,004</u>	<u>612,485</u>	<u>609,474</u>	<u>738,104</u>	<u>1,045,478</u>
Total Liabilities	<u>2,738,462</u>	<u>3,176,956</u>	<u>12,020,483</u>	<u>12,822,891</u>	<u>14,758,945</u>	<u>15,999,847</u>
<u>DEFERRED INFLOWS</u>						
Deferred Inflows—						
LAGERS	221,499	115,455	55,816	7,593	277,315	123,048
<u>NET POSITION</u>						
Net investment in						
capital assets	5,916,022	5,519,134	7,558,500	7,438,093	13,474,522	12,957,227
Restricted	315,777	312,771	2,813,150	3,032,871	3,128,927	3,345,642
Unrestricted	<u>3,287,180</u>	<u>3,147,734</u>	<u>1,150,105</u>	<u>1,085,945</u>	<u>4,437,285</u>	<u>4,233,679</u>
Total Net Position	<u>\$ 9,518,979</u>	<u>\$ 8,979,639</u>	<u>\$ 11,521,755</u>	<u>\$ 11,556,909</u>	<u>\$ 21,040,734</u>	<u>\$ 20,536,548</u>

Business-type activities. Business-type activities decreased the City of Brookfield's net position by \$35,154.

Governmental activities. Governmental activities increased the City of Brookfield's net position by \$539,340.

Key elements of these changes are as follows:

City of Brookfield's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 370,055	\$ 372,217	\$ 2,324,361	\$ 2,333,839	\$ 2,694,416	\$ 2,706,056
Operating grants	229,522	301,313	-	-	229,522	301,313
Capital grants	1,072,532	1,322,007	-	818,864	1,072,532	3,865,481
General revenues:						
Property & other taxes	3,074,032	2,847,982	-	-	3,074,032	2,847,982
Other	<u>90,248</u>	<u>145,178</u>	<u>326,802</u>	<u>315,009</u>	<u>417,050</u>	<u>460,187</u>
Total Revenue	4,836,389	4,988,697	2,651,163	3,467,712	7,487,552	8,456,409
Expenses:						
General government	985,329	1,138,646	-	-	985,329	1,138,646
Public safety	1,450,070	1,350,450	-	-	1,450,070	1,350,450
Streets	522,367	429,441	-	-	522,367	429,441
Parks & recreation	475,247	431,860	-	-	475,247	431,860
Airport	627,255	738,316	-	-	627,255	738,316
Cemetery	113,855	137,550	-	-	113,855	137,550
Solid waste	187,983	182,297	-	-	187,983	182,297
Pension Adj—LAGERS	(65,057)	19,512	950	20,519	(64,107)	40,031
Sewer & water	-	-	2,370,506	2,172,837	2,370,506	2,172,837
Interest on debt	-	-	<u>314,861</u>	<u>334,565</u>	<u>314,861</u>	<u>334,565</u>
Total Expenses	<u>4,297,049</u>	<u>4,428,072</u>	<u>2,686,317</u>	<u>2,527,921</u>	<u>6,983,366</u>	<u>6,955,993</u>
Change in Net Position	539,340	560,625	(35,154)	939,791	504,186	1,500,416
Net Position—Beginning	<u>8,979,639</u>	<u>8,419,014</u>	<u>11,556,909</u>	<u>10,617,118</u>	<u>20,536,548</u>	<u>19,036,132</u>
Net Position—Ending	<u>\$ 9,518,979</u>	<u>\$ 8,979,639</u>	<u>\$ 11,521,755</u>	<u>\$ 11,556,909</u>	<u>\$ 21,040,734</u>	<u>\$ 20,536,548</u>

Financial Analysis of the Government's Funds

As noted earlier, the City of Brookfield uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City of Brookfield's governmental funds reported combined ending fund balances of \$3,785,706, an increase of \$77,395. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

The fund balance of the City of Brookfield's general fund increased by \$161,844 during the current fiscal year.

Proprietary funds. The City of Brookfield's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As of the end of the current fiscal year, the City of Brookfield's proprietary funds reported combined ending fund balances of \$11,521,755 a decrease of \$35,154.

General Fund Budgetary Highlights

A schedule showing the General Fund's original and final budget compared with actual operating results is provided in this report on page 43.

Actual revenues for the General Fund were \$2,834,053, which was \$413,153 more than budgeted. Actual expenditures were \$2,608,819, which was \$186,033 more than budgeted. Transfers to other funds were \$6,390 more than budgeted.

The General Fund ended the year \$220,730 under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets.

The City of Brookfield's investment in capital assets as of September 30, 2018, amounts to \$27,495,363 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment and infrastructure. This amount represents a net decrease of \$337,679 from the prior year.

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Land and improvements	\$ 30,364	\$ 532,800	\$ 563,164
Buildings and systems	1,871,754	26,451,103	28,322,857
Machinery and equipment	3,388,763	821,486	4,210,249
Infrastructure	14,398,426	-	14,398,426
Swimming pool	3,024,340	-	3,024,340
Less accumulated depreciation	<u>(14,184,782)</u>	<u>(8,838,891)</u>	<u>(23,023,673)</u>
Total	<u>\$ 8,528,865</u>	<u>\$ 18,966,498</u>	<u>\$ 27,495,363</u>

Debt

Following is a summary of long-term debt transactions for the year ended September 30, 2018:

Business-Type Activities

Bonds Payable

Beginning Balance 10/1/17	\$ 10,229,422
Reductions	<u>(420,909)</u>
Ending Balance 09/30/18	<u>\$ 9,808,513</u>

Certificates of Participation

Beginning Balance 10/1/17	\$ 2,700,000
Reductions	<u>(115,000)</u>
Ending Balance 09/30/18	<u>\$ 2,585,000</u>

Leases Payable

Beginning Balance 10/1/17	\$ 40,952
Reductions	<u>(13,109)</u>
Ending Balance 09/30/18	<u>\$ 27,843</u>

Contracted Maintenance Agreement

Beginning Balance 10/1/17	\$ 170,832
Reductions	<u>(61,216)</u>
Ending Balance 09/30/18	<u>\$ 109,616</u>

Existing debt matures annually through 2052.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Assessed valuations, tax rates and other factors affecting governmental fund revenues are expected to remain consistent with past years.

Requests for Information

This financial report is designed to provide a general overview of the City of Brookfield's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City Hall, Brookfield, Missouri, 116 West Brooks, Brookfield, Missouri or by telephone at (660) 258-3377 during regular business hours.

Mayor and Members
of the City Council
City of Brookfield, Missouri

BASIC FINANCIAL STATEMENTS

City of Brookfield, Missouri
Statement of Net Position
September 30, 2018

	Primary Government			Component Units	
	Governmental	Business-Type		IDA	Airport
	Activities	Activities	Total		
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,329,508	\$ 292,350	\$ 1,621,858	\$ 16,800	\$ 206,903
Investments	1,653,313	909,651	2,562,964	-	-
Accounts receivable, net	169,330	348,936	518,266	-	-
Prepaid expenses	48,166	11,759	59,925	-	-
Accrued interest receivable	2,924	2,120	5,044	-	-
Restricted cash & cash equivalents	214,028	1,899,368	2,113,396	-	-
Restricted investments	101,749	913,782	1,015,531	-	-
Due from other funds	293,017	-	293,017	-	-
Unamortized bond discount	-	191,816	191,816	-	-
Capital assets not being depreciated:					
Land & improvements	30,364	532,800	563,164	40,400	522,864
Capital assets, net of depreciation					
Buildings & systems	1,871,754	26,451,103	28,322,857	373,400	1,616,352
Machinery & equipment	3,388,763	821,486	4,210,249	4,255	361,694
Infrastructure	14,398,426	-	14,398,426	-	7,973,745
Swimming pool	3,024,340	-	3,024,340	-	-
Less: Accumulated depreciation	(14,184,782)	(8,838,891)	(23,023,673)	(116,275)	(2,150,753)
Total Capital Assets, Net of					
Accumulated Depreciation	8,528,865	18,966,498	27,495,363	301,780	8,323,902
TOTAL ASSETS	12,340,900	23,536,280	35,877,180	318,580	8,530,805
<u>DEFERRED OUTFLOWS</u>					
Deferred Outflows—LAGERS	138,040	61,774	199,814	-	-
<u>LIABILITIES</u>					
Negative cash balance	400	-	400	-	-
Accounts payable	3,244	2,749	5,993	-	-
Accrued liabilities	310	4,326	4,636	4,375	-
Customer deposits	22,375	312,069	334,444	-	-
Due to other funds	-	293,017	293,017	-	-
Net pension liability	99,290	324	99,614	-	-
Noncurrent liabilities:					
Due within one year	128,643	532,462	661,105	-	38,352
Due in more than one year	2,484,200	10,875,536	13,359,736	-	591,725
TOTAL LIABILITIES	2,738,462	12,020,483	14,758,945	4,375	630,077
<u>DEFERRED INFLOWS</u>					
Deferred Inflows—LAGERS	221,499	55,816	277,315	-	-
<u>NET POSITION</u>					
Net investment in capital assets	5,916,022	7,558,500	13,474,522	301,780	7,693,825
Restricted	315,777	2,813,150	3,128,927	-	-
Unrestricted	3,287,180	1,150,105	4,437,285	12,425	206,903
TOTAL NET POSITION	\$ 9,518,979	\$ 11,521,755	\$ 21,040,734	\$ 314,205	\$ 7,900,728

See Accompanying Notes to Financial Statements

City of Brookfield, Missouri
Statement of Activities
For the Fiscal Year Ended September 30, 2018

		Program Revenues			Net (Expenses) Revenue & Changes in Net Position			Component Units
		Charges for Services	Operating Grants/ Contrib.	Capital Grants/ Contrib.	Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT	Expenses							
Governmental activities								
General government	\$ 985,329	\$ 37,256	\$ -	\$ -	\$ (948,073)	\$ -	\$ (948,073)	\$ -
Public safety	1,450,070	16,086	-	347,634	(1,086,350)	-	(1,086,350)	-
Streets	522,367	-	183,577	-	(338,790)	-	(338,790)	-
Parks & recreation	475,247	93,676	45,945	-	(335,626)	-	(335,626)	-
Airport	627,255	-	-	724,898	97,643	-	97,643	-
Cemetery	113,855	22,637	-	-	(91,218)	-	(91,218)	-
Pension adjustment—LAGERS	(65,057)	-	-	-	65,057	-	65,057	-
Solid waste	187,983	200,400	-	-	12,417	-	12,417	-
Total governmental activities	4,297,049	370,055	229,522	1,072,532	(2,624,940)	-	(2,624,940)	-
Business-type activities								
Water & sewer	2,370,506	2,324,361	-	-	-	(46,145)	(46,145)	-
Pension adjustment—LAGERS	950	-	-	-	-	(950)	(950)	-
Interest on long-term debt	314,861	-	-	-	-	(314,861)	(314,861)	-
Total business-type activities	2,686,317	2,324,361	-	-	-	(361,956)	(361,956)	-
Total primary government	\$ 6,983,366	\$ 2,694,416	\$ 229,522	\$ 1,072,532	(2,624,940)	(361,956)	(2,986,896)	-
Component Units								
Industrial development	\$ 31,911	\$ -	\$ 25,366	\$ -	-	-	-	(6,545)
Airport	468,175	107,981	100,444	23,551	-	-	-	(236,199)
Total Component Units	\$ 500,086	\$ 107,981	\$ 125,810	\$ 23,551	-	-	-	(242,744)
GENERAL REVENUES								
Sales tax					1,861,255	-	1,861,255	-
Property taxes					465,057	-	465,057	-
Franchise taxes					460,974	-	460,974	-
Other taxes					286,746	-	286,746	-
Investment earnings					63,503	326,802	390,305	2
Other					26,745	-	26,745	2,244
Total general revenues					3,164,280	326,802	3,491,082	2,246
Change in net position					539,340	(35,154)	504,186	(240,498)
Net position—Beginning					8,979,639	11,556,909	20,536,548	8,455,431
Net position—Ending					\$ 9,518,979	\$ 11,521,755	\$ 21,040,734	\$ 8,214,933

See Accompanying Notes to Basic Financial Statements

City of Brookfield, Missouri
Balance Sheet—Governmental Funds
September 30, 2018

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 352,693	\$ 976,815	\$ 1,329,508
Investments	1,002,741	650,572	1,653,313
Accounts receivable (net of allowance for uncollectibles)	99,838	69,492	169,330
Prepaid expenses	40,840	7,326	48,166
Accrued interest receivable	2,257	667	2,924
Restricted cash and equivalents	-	214,028	214,028
Restricted investments	-	101,749	101,749
Due from other funds	463,145	3,873	467,018
Total Assets	<u>\$ 1,961,514</u>	<u>\$ 2,024,522</u>	<u>\$ 3,986,036</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Negative cash balance	\$ -	\$ 400	\$ 400
Accounts payable	519	2,725	3,244
Accrued liabilities	310	-	310
Deposits	22,375	-	22,375
Due to other funds	2,792	171,209	174,001
Total Liabilities	25,996	174,334	200,330
<u>FUND BALANCES</u>			
Nonspendable	-	119,194	119,194
Restricted	-	195,584	195,584
Committed	-	1,673,528	1,673,528
Unassigned	1,935,518	(138,118)	1,797,400
Total Fund Balances	1,935,518	1,850,188	3,785,706
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,961,514</u>	<u>\$ 2,024,522</u>	

Reconciliation to statement of net position:

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds. 8,528,865

Long-term liabilities are not due and payable in the current period
and therefore are not reported in the funds (2,612,843)

Amounts required by GASB 68 relating to the City's
participation in LAGERS are not reported in the funds.

Deferred Outflows 138,040
Deferred Inflows (221,499)
Net Pension Liability (99,290)
Net position of governmental activities \$ 9,518,979

See Accompanying Notes to Basic Financial Statements

City of Brookfield, Missouri
Statement of Revenues, Expenditures, And
Changes in Fund Balances—Governmental Funds
For The Year Ended September 30, 2018

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes			
Property tax	\$ 348,064	\$ 116,993	\$ 465,057
Sales tax	905,978	955,277	1,861,255
Franchise tax	460,974	-	460,974
Retail merchant tax	87,463	-	87,463
Intangible tax	4,162	-	4,162
Surtax	30,243	-	30,243
Use tax	134,009	-	134,009
Cigarette tax	30,869	-	30,869
Donations	-	45,945	45,945
User fees—gas tax	121,419	-	121,419
Motor vehicle sales tax	62,158	-	62,158
Licenses & permits	37,256	3,982	41,238
User fees—solid waste	200,400	-	200,400
Grants	347,634	724,898	1,072,532
Investment earnings	26,898	36,605	63,503
Fines	16,086	-	16,086
User fees—rent	-	11,535	11,535
Other revenue	20,440	6,305	26,745
User fees—pool	-	82,141	82,141
User fees—lot sales	-	18,655	18,655
Total Revenues	<u>2,834,053</u>	<u>2,002,336</u>	<u>4,836,389</u>
EXPENDITURES			
General government	536,714	24,623	561,337
Public safety	1,379,543	-	1,379,543
Streets	443,508	-	443,508
Parks & recreation	-	459,414	459,414
Airport	50,004	577,251	627,255
Cemetery	-	102,499	102,499
Community center	-	14,213	14,213
Solid waste	187,983	-	187,983
Capital outlay	<u>11,067</u>	<u>972,175</u>	<u>983,242</u>
Total Expenditures	<u>2,608,819</u>	<u>2,150,175</u>	<u>4,758,994</u>
Excess (deficiency) of revenues over (under) expenditures	225,234	(147,839)	77,395
Other Financing Sources (Uses)			
Transfers in (out)	<u>(63,390)</u>	<u>63,390</u>	<u>-</u>
Total other financing sources and (uses)	<u>(63,390)</u>	<u>63,390</u>	<u>-</u>
Net change in fund balances	161,844	(84,449)	77,395
Fund balances—beginning	<u>1,773,674</u>	<u>1,934,637</u>	<u>3,708,311</u>
Fund balances—ending	<u>\$ 1,935,518</u>	<u>\$ 1,850,188</u>	<u>\$ 3,785,706</u>

See Accompanying Notes to Financial Statements

City of Brookfield, Missouri
Statement of Revenues, Expenditures and
Changes in Fund Balance (Continued))
Governmental Funds
For the Fiscal Year Ended September 30, 2018

Reconciliation to the Statement of Activities:

Net change in fund balances—total governmental funds \$ 77,395

Amounts reported in governmental activities
in the statement of activities are different
because:

Governmental funds report capital outlays
as expenditures. However, in the statement
of activities the cost of those assets is allocated
over their estimated useful lives and reported as
depreciation expense. This is the amount by
which capital outlays exceeded depreciation
expense in the current period. 268,779

The issuance of long-term debt (e.g., capital leases)
provides current financial resources to governmental
funds, while the repayment of the principal of long-,
term debt consumes the current financial resources
of governmental funds.

Principal payments on capital leases 128,109

The change in amounts required by GASB 68 relating to the City's
participation in LAGERS are not reported in the funds.

Deferred Outflows	(138,705)
Deferred Inflows	(106,044)
Net Pension Liability	<u>309,806</u>

Change in net position of governmental activities \$ 539,340

See Accompanying Notes to Basic Financial Statements

City of Brookfield, Missouri
Statement of Net Position—Proprietary Funds
September 30, 2018

	Water & Sewer Fund	Total Proprietary Fund
<u>ASSETS</u>		
Current Assets		
Cash & cash equivalents	\$ 292,350	\$ 292,350
Investments	909,651	909,651
Accounts receivable (net of allowance for uncollectibles)	348,936	348,936
Prepaid expenses	11,759	11,759
Accrued interest receivable	<u>2,120</u>	<u>2,120</u>
Total current assets	1,564,816	1,564,816
Non-current Assets		
Restricted cash and equivalents	1,899,368	1,899,368
Restricted investments	913,782	913,782
Unamortized bond discount	<u>191,816</u>	<u>191,816</u>
Total non-current assets	3,004,966	3,004,966
Capital Assets		
Land & improvements	532,800	532,800
Buildings & system	26,451,103	26,451,103
Machinery & equipment	821,486	821,486
Less: accumulated depreciation	<u>(8,838,891)</u>	<u>(8,838,891)</u>
Total capital assets, net	<u>18,966,498</u>	<u>18,966,498</u>
TOTAL ASSETS	<u>23,536,280</u>	<u>23,536,280</u>
<u>DEFERRED OUTFLOWS</u>	<u>61,774</u>	<u>61,774</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	2,749	2,749
Accrued liabilities	4,326	4,326
Deposits	312,069	312,069
Due to other funds	293,017	293,017
Contracted maintenance agreement—current	33,204	33,204
Bonds payable—current	<u>499,258</u>	<u>499,258</u>
Total current liabilities	1,144,623	1,144,623
Non-current Liabilities		
Net pension liability	324	324
Contracted maintenance agreement—Less Current	76,412	76,412
Bonds Payable—Less Current	9,309,255	9,309,255
SRF Reserve	1,471,508	1,471,508
Unamortized Bond Premiums	<u>18,361</u>	<u>18,361</u>
Total non-current liabilities	<u>10,875,860</u>	<u>10,875,860</u>
Total Liabilities	<u>12,020,483</u>	<u>12,020,483</u>
<u>DEFERRED INFLOWS</u>	<u>55,816</u>	<u>55,816</u>
<u>NET POSITION</u>		
Net investment in capital assets	7,558,500	7,558,500
Restricted	2,813,150	2,813,150
Unrestricted	<u>1,150,105</u>	<u>1,150,105</u>
Total Net Position	<u>\$ 11,521,755</u>	<u>\$ 11,521,755</u>

See Accompanying Notes to Basic Financial Statements

City of Brookfield, Missouri
Statement of Revenues, Expenses &
Changes in Fund Net Position—Proprietary Funds
September 30, 2018

	<u>Water & Sewer Fund</u>	<u>Total Proprietary Fund</u>
<u>REVENUES</u>		
Operating Revenue		
Water Sales	\$ 1,291,379	\$ 1,291,379
Sewer Sales	1,022,217	1,022,217
Miscellaneous income	<u>10,765</u>	<u>10,765</u>
Total Operating Revenue	2,324,361	2,324,361
Operating Expenses		
Cost of sales and services	1,438,441	1,438,441
Administration	234,165	234,165
Depreciation and amortization	697,900	697,900
Pension adjustment—LAGERS	<u>950</u>	<u>950</u>
Total Operating Expenses	<u>2,371,456</u>	<u>2,371,456</u>
Operating income (loss)	(47,095)	(47,095)
Non-Operating Revenue (Expenses)		
Investment earnings	326,802	326,802
Interest expense	(301,929)	(301,929)
Bond fees	(12,932)	(12,932)
Grant income	<u>-</u>	<u>-</u>
Total Non-Operating Revenue (Expenses)	<u>11,941</u>	<u>11,941</u>
Change in Net Position	(35,154)	(35,154)
Net Position—Beginning	<u>11,556,909</u>	<u>11,556,909</u>
Net Position—Ending	<u>\$ 11,521,755</u>	<u>\$ 11,521,755</u>

See Accompanying Notes to Basic Financial Statements

City of Brookfield, Missouri
Statement of Cash Flows—Proprietary Funds
September 30, 2018

	Water & Sewer Fund	Total Proprietary Fund
<u>Cash Flows From Operating Activities</u>		
Receipts from customers	\$ 2,333,755	\$ 2,333,755
Payments to suppliers & employees	<u>(1,671,169)</u>	<u>(1,671,169)</u>
Net Cash Provided By Operating Activities	662,586	662,586
 <u>Cash Flows From Capital and Related Financing Activities</u>		
Increase/(decrease) in SRF Reserve	(241,500)	(241,500)
Bonds retired	(420,909)	(420,909)
Payments on contracted maintenance agreement	(61,216)	(61,216)
Interest paid on debt	(301,929)	(301,929)
Bond fees	(12,932)	(12,932)
Acquisition of capital assets	<u>(68,683)</u>	<u>(68,683)</u>
Net Cash (Used) By Capital and Related Financing Activities	(1,107,169)	(1,107,169)
 <u>Cash Flows From Investing Activities</u>		
Interest received	326,802	326,802
(Increase)/decrease in restricted cash & equivalents	219,721	219,721
(Increase)/decrease in investments	<u>(84,588)</u>	<u>(84,588)</u>
Net Cash Provided By Investing Activities	<u>461,935</u>	<u>461,935</u>
 Net (Decrease) in Cash and Cash Equivalents	17,352	17,352
 Cash and Cash Equivalents—Beginning	<u>274,998</u>	<u>274,998</u>
 Cash and Cash Equivalents—Ending	\$ <u>292,350</u>	\$ <u>292,350</u>

See Accompanying Notes to Basic Financial Statements

City of Brookfield, Missouri
Statement of Cash Flows—Proprietary Funds (Continued)
September 30, 2018

	<u>Water & Sewer Fund</u>	<u>Total Proprietary Fund</u>
<u>Reconciliation of Operating Income To</u> <u>Cash Provided By Operating Activities</u>		
Operating (loss)	\$ (47,095)	\$ (47,095)
Adjustments to reconcile operating income to cash provided by operating activities		
Depreciation and amortization	697,900	697,900
(Increase)/decrease in:		
Accounts receivable	9,394	9,394
Prepaid expenses	(702)	(702)
Accrued interest	(548)	(548)
Deferred outflows	30,957	30,957
Increase/(decrease) in:		
Accounts payable	1,905	1,905
Deferred inflows	48,223	48,223
Net pension liability	(78,230)	(78,230)
Deposits	1,230	1,230
Accrued liabilities	<u>(448)</u>	<u>(448)</u>
Total Adjustments	<u>709,681</u>	<u>709,681</u>
Net Cash Provided By Operating Activities	<u>\$ 662,586</u>	<u>\$ 662,586</u>

See Accompanying Notes to Basic Financial Statements

City of Brookfield, Missouri
Statement of Fiduciary Net Position—Fiduciary Funds
September 30, 2018

	<u>Tormey Trust</u>	<u>Total Fiduciary Fund</u>
<u>ASSETS</u>		
Cash & cash equivalents	\$ 786	\$ 786
Investments	14,400	14,400
Interest receivable	<u>181</u>	<u>181</u>
TOTAL ASSETS	15,367	15,367
 <u>LIABILITIES</u>		
Accounts payable	<u>757</u>	<u>757</u>
Total Liabilities	<u>757</u>	<u>757</u>
 <u>NET POSITION</u>		
Net position held in trust for specific purposes	<u>14,610</u>	<u>14,610</u>
Total Net Position	\$ <u>14,610</u>	\$ <u>14,610</u>

See Accompanying Notes to Basic Financial Statements

City of Brookfield, Missouri
Statement of Changes in Fiduciary Net Position—Fiduciary Funds
September 30, 2018

	<u>Tormey Trust</u>	<u>Total Fiduciary Fund</u>
<u>ADDITIONS</u>		
Investment Earnings	\$ <u>77</u>	\$ <u>77</u>
Total Additions	77	77
<u>DEDUCTIONS</u>		
Other Contractual Services	<u>66</u>	<u>66</u>
Total Deductions	<u>66</u>	<u>66</u>
Change in Fiduciary Net Position	11	11
Net Position—Beginning	<u>14,599</u>	<u>14,599</u>
Net Position—Ending	\$ <u><u>14,610</u></u>	\$ <u><u>14,610</u></u>

See Accompanying Notes to Basic Financial Statements

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Brookfield, Missouri (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are discussed below.

A. REPORTING ENTITY

The City operates under the council/manager form of government and provides the following services to its citizens: public safety, public works, parks and recreations, public improvements and general and administrative services. Other services include utilities and airport operations. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The Brookfield Industrial Development Authority (IDA) has been included as a discretely presented component unit in the accompanying financial statements. The City appoints all members of its board. The City cannot impose its authority on the IDA but there is a financial benefit/burden relationship. The purpose of the component unit is to assist in bringing new industry to the Brookfield area. Separate financial statements for the Brookfield Industrial Development Authority are not prepared.

The North Central Missouri Regional Airport Authority Board, Inc. has been included as a discretely presented component unit in the accompanying financial statements. The City, in conjunction with the City of Marceline, Missouri, appoints all members of its board. Neither the City of Brookfield nor the City of Marceline can impose its authority on the component unit, but there is a financial benefit/burden relationship. The purpose of the component unit is to aid and assist the cities of Brookfield and Marceline in the operation and management of their jointly owned airport. Separate financial statements for the North Central Missouri Regional Airport Authority Board, Inc. are not prepared.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental and business-type activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from discretely presented component units. The statement of net position will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any interfund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus; however, they use the accrual basis of accounting to recognize assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year or which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

In accordance with GASB Statement No. 34, major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

The **Combined Water and Sewer Fund** accounts for the collection of fees for providing water and sewer services to the citizens of the City.

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BUDGETS

Annual appropriated budgets are adopted for all funds. The budgets for proprietary funds are for management control purposes and are not required to be reported. Budgets are adopted on a modified accrual basis, which is consistent with generally accepted accounting principles for governmental funds. All appropriations lapse at fiscal year-end. Encumbrance accounting is not employed by the City.

D. FINANCIAL STATEMENT AMOUNTS

1. Cash, Cash Equivalents and Investments:

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent. The City has defined investments to include certificates of deposit with an original maturity of three months or more. All investments or deposits in excess of the federal depository insured amounts are collateralized by an equivalent amount of state or U.S. obligations.

2. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds is reported as "due to/from other funds."

All other receivables are reported net of estimated uncollectible amounts.

3. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2018, are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets:

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings & Systems	10-50 years
Infrastructure	10-40 years
Machinery & Equipment	3-15 years

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

5. Property Tax Calendar and Revenues:

The City is responsible for levying property taxes. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. All unpaid taxes levied November 1 become delinquent January 1 of the following year. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end.

6. Compensated Absences:

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive vacation and sick pay benefits since the City does not have a policy to pay any amounts when employees separate from service with the City. Any accrual of vacation and sick pay benefits not utilized within the year after accumulation shall be forfeited by the employee.

7. Defining Operating Revenues and Expenses:

The City's proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of the City's water and sewer fund consist of charges for services and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as non-operating.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statement, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities fund type statement of net position. Bond premiums and discounts are deferred and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are reported as expenses in the periods in which they are incurred.

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

9. Government-wide and Proprietary Fund Net Position:

Government-wide and proprietary fund net position are divided into three components:

- a. **Net investment in capital assets**—consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- b. **Restricted net position**—consists of net position that is restricted by the City's creditors (for example, through debt covenants), by grantors (both federal and state) or by other enabling legislation.
- c. **Unrestricted**—all other net position is reported in this category.

10. Governmental Fund Balances:

In the governmental fund financial statements, fund balances are classified as follows:

- a. **Nonspendable**—Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. **Restricted**—Externally enforceable limitations on use; amounts that can be spent only for specific purposes; limitations are imposed by creditors, grantors, or laws and regulations of other governments.
- c. **Committed**—Self-imposed limitations that must be set in place prior to the end of the period; amounts that can be used only for specific purposes determined by a formal action of the City Council; removal of the commitment must also be approved by a formal action of the City Council.
- d. **Assigned**—Limitation resulting from intended use; amounts that are designated by the City Council for a particular purpose but are not spendable until there is a majority vote approval by the City Council.
- e. **Unassigned**—All amounts not included in other spendable classifications.

The City does not have assigned governmental fund balances to report. In addition, the City has not formally adopted a stabilization policy.

11. Use of Restricted Resources:

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. USE OF ESTIMATES

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with State Statutes, prior to September 30, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the legislative (council) level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.
5. The City Council may authorize supplemental appropriations during the year.
6. The City does not utilize encumbrance accounting with regard to budget or accounting functions.
7. Appropriations and the authority to expend funds lapse on September 30.

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. PROPERTY TAXES

The City is responsible for collecting and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of the levy year. Taxes are due December 1 and become delinquent at January 1 of the year following tax levy.

The City's property tax is levied each year on the assessed value listed as of the prior January 1, for all real and personal property located in the City. The assessed value upon which the 2017 levy was based for real, personal, and public utility property was \$39,710,395. Property tax levies per \$100 assessed valuation for the calendar year ended 2017 are as follows:

<u>Fund</u>	<u>Levy</u>
General	.8769
Library	.3707
Cemetery	.0998
Library	<u>.1998</u>
	<u>1.5472</u>

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. CASH

State statutes require that the City's deposits be collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2018, all bank balances on deposit are entirely insured or collateralized with securities.

B. INVESTMENTS

The City's investments at September 30, 2018, consist of:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Certificates of Deposit	Various	\$ <u>3,578,495</u>

As reported in the Statement of Net Position:

Investments	\$ 2,562,964
Restricted investments	<u>1,015,531</u>
Total	\$ <u>3,578,495</u>

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. RECEIVABLES

Accounts receivable in the governmental funds at September 30, 2018, consist of property taxes receivable as follows:

	<u>General Fund</u>	<u>Parks & Recreation</u>	<u>¼ Cent Capital</u>	<u>Other Transport</u>	<u>Total</u>
Property Taxes	\$ 80,817	\$ 27,353	\$ 14,684	\$ 27,455	\$150,309
A/R—Solid Waste	54,464	-	-	-	54,464
A/R—Other	757	-	-	-	757
Less: Allowance for Uncollectible	<u>(36,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,200)</u>
Net taxes receivable	<u>\$ 99,838</u>	<u>\$ 27,353</u>	<u>\$ 14,684</u>	<u>\$ 27,455</u>	<u>\$169,330</u>

Proprietary funds accounts receivable and the related allowance for doubtful accounts are as follows:

	<u>Sewer & Water</u>	<u>Total Proprietary</u>
Accounts Receivable	\$ 694,736	\$ 694,736
Less: Allowance for Doubtful Acct.	<u>(345,800)</u>	<u>(345,800)</u>
Net Accounts Receivable	<u>\$ 348,936</u>	<u>\$ 348,936</u>

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS

PRIMARY GOVERNMENT

Capital asset activity for the year ended September 30, 2018, was as follows:

Governmental Activities:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>End of Year</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 30,364	\$ -	\$ -	\$ 30,364
Total capital assets not being depreciated	30,364	-	-	30,364
<u>Capital assets being depreciated:</u>				
Buildings & systems	1,805,460	66,294	-	1,871,754
Swimming pool	2,922,134	102,206	-	3,024,340
Machinery & equipment	3,009,124	379,639	-	3,388,763
Infrastructure	<u>13,963,321</u>	<u>435,103</u>	<u>-</u>	<u>14,398,426</u>
Total capital assets being depreciated	21,700,039	983,242	-	22,683,283
Less accumulated depreciation:	<u>(13,470,319)</u>	<u>(714,463)</u>	<u>-</u>	<u>(14,184,782)</u>
Total capital assets being depreciated—net	<u>8,229,720</u>	<u>268,779</u>	<u>-</u>	<u>8,498,501</u>
Governmental activities, capital assets-net	<u>\$ 8,260,086</u>	<u>\$ 268,779</u>	<u>\$ (655,692)</u>	<u>\$ 8,528,865</u>

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS (CONTINUED)

PRIMARY GOVERNMENT

Business-Type Activities:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>End of Year</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 532,800	\$ -	\$ -	\$ 532,800
Total capital assets not being depreciated	532,800	-	-	532,800
<u>Capital assets being depreciated:</u>				
Buildings & system	26,382,420	68,683	-	26,451,103
Machinery & equipment	821,486	-	-	821,486
Total capital assets being depreciated	27,203,906	68,683	-	27,272,589
Less: accumulated depreciation	(8,163,750)	(675,141)	-	(8,838,891)
Total capital assets being depreciated—net	19,040,156	(606,458)	-	18,433,698
Business-type activities, capital assets-net	\$ 19,572,956	\$ (606,458)	\$ -	\$ 18,966,498

COMPONENT UNIT—BROOKFIELD INDUSTRIAL DEVELOPMENT AUTHORITY

Capital asset activity for the year ended September 30, 2018, was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>End of Year</u>
Land	\$ 40,400	\$ -	\$ -	\$ 40,400
Machinery & equipment	4,255	-	-	4,255
Buildings	373,400	-	-	373,400
Total capital assets	418,055	-	-	418,055
Less accumulated depreciation:	(106,940)	(9,335)	-	(116,275)
Component Unit IDA, Capital Assets, Net	\$ 311,115	\$ (9,335)	\$ -	\$ 301,780

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. CAPITAL ASSETS

COMPONENT UNIT—NORTH CENTRAL MISSOURI REGIONAL AIRPORT AUTHORITY

Capital asset activity for the year ended September 30, 2018, was as follows:

	Beginning of <u>Year</u>	<u>Additions</u>	<u>Deductions</u>	End of <u>Year</u>
Land	\$ 522,864	\$ -	\$ -	\$ 522,864
Construction in Progress	553,073	-	(553,073)	-
Buildings	358,125	1,258,227	-	358,125
Machinery & equipment	361,694	-	-	361,694
Infrastructure	<u>7,973,745</u>	<u>-</u>	<u>-</u>	<u>7,973,745</u>
Total capital assets	9,769,501	1,258,227	(553,073)	10,474,655
Less accumulated depreciation:	<u>(1,899,833)</u>	<u>(250,920)</u>	<u>-</u>	<u>(2,150,753)</u>
Component Unit NCMO Regional Airport Capital Assets, Net	\$ <u>7,869,668</u>	\$ <u>1,007,307</u>	\$ <u>(553,073)</u>	\$ <u>8,323,902</u>

Depreciation Expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 437,101
Cemetery	11,356
Public Safety	70,527
Streets	78,859
Parks & Recreation	<u>116,620</u>
Total depreciation—governmental activities	\$ <u>714,463</u>

Business-Type Activities:

Sewer & Water	\$ <u>675,141</u>
Total depreciation expense—business-type activities	\$ <u>675,141</u>

Component Units:

Brookfield Industrial Development Authority	\$ 9,335
North Central Missouri Regional Airport Authority	<u>250,920</u>
	\$ <u>260,255</u>

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM DEBT

State Revolving Fund Program Required Reserves

State revolving fund program, reserve fund, 2002A	\$ 265,669
State revolving fund program, reserve fund, 2004B	<u>1,205,839</u>
	<u>\$ 1,471,508</u>

Summary of current year activity is as follows:

Bonds Payable – October 1, 2017	\$ 10,229,422
Bonds Retired	<u>(420,909)</u>
Bonds Payable - September 30, 2018	<u>\$ 9,808,513</u>

Revenue bonds outstanding at September 30, 2018, are as follows:

\$1,435,000 Series 2004 Combined Waterworks and Sewerage due in annual principal installments of \$25,000 to \$425,000 through April 2029; variable interest from 2.20 to 5.10%.

\$ 1,320,000

\$1,540,000 Series 2002A Water Pollution Control Revenue Bonds (State Revolving Loan Program) due in annual principal installments of \$65,000 to \$95,000 through January 2022; variable interest from 3.25 to 5.375%.

360,000

\$3,055,000 Series 2004B Combined Waterworks and Sewerage System Refunding Revenue Bonds (State Revolving Loan Program) due in annual principal installments of \$40,000 to \$300,000 through January 2024; variable interest from 2.00 to 5.25%

1,695,000

\$5,000,000 Series 2017 A Combined Waterworks and Sewerage System Revenue Bonds due in annual principal and interest installments of \$216,300 through November 2051; interest at 2.250%

4,974,050

\$800,000 Series 2017 B Combined Waterworks and Sewerage System Revenue Bonds due in annual principal and interest installments of \$33,272 through November 2051; interest at 2.250%

765,120

\$726,000 Series 2017 C Combined Waterworks and Sewerage System Revenue Bonds due in annual principal and interest installments of \$30,195 through November 2051; interest at 2.250%

694,343

\$ 9,808,513

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. LONG-TERM DEBT (CONTINUED)

Summary of future maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 499,258	\$ 283,819	\$ 783,077
2020	522,279	262,740	785,019
2021	535,368	240,567	775,935
2022	548,525	217,935	766,460
2023	466,755	197,080	663,835
2024-28	2,089,815	774,938	2,864,753
2029-33	1,077,171	528,664	1,605,835
2034-38	980,394	418,441	1,398,835
2039-43	1,095,764	303,071	1,398,835
2044-48	1,224,711	174,124	1,398,835
2049-52	768,473	69,908	838,381
	<u>\$ 9,808,513</u>	<u>\$ 3,471,287</u>	<u>\$ 13,279,800</u>

Waterworks and Sewerage System Revenue Bonds constitute special obligations of the City of Brookfield solely secured by a lien on and pledge of the net revenues of the water system. The revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond resolutions. The resolutions provide that the revenue of the system is to be used first to pay operating and maintenance expenses of systems and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The City of Brookfield is in compliance with all significant resolutions.

NOTES PAYABLE—North Central Missouri Regional Airport Authority

In 2017, the City, along with the City of Marceline, executed a loan agreement with the Missouri Department of Transportation to provide additional capital funds for the completion of the hanger project at the North Central Missouri Regional Airport. Total funds authorized under the loan agreement totaled \$690,000. At year end, only \$12,982 of the loan remained to be advanced and expended. Repayment terms of \$55,827 annual principal and interest payments with interest at 2.80% per annum through 2033. Summary of future maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 38,352	\$ 17,475	\$ 55,827
2020	39,119	16,708	55,827
2021	40,267	15,560	55,827
2022	41,403	14,424	55,827
2023	42,570	13,257	55,827
2024-28	231,491	47,644	279,135
2029-33	209,857	13,450	223,307
	<u>643,059</u>	<u>\$ 138,518</u>	<u>\$ 781,577</u>
Remaining to be advanced	<u>(12,982)</u>		
	<u>\$ 630,077</u>		

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. CERTIFICATES OF PARTICIPATION

Summary of current year activity is as follows:

Certificates of Participation – October 1, 2017	\$ 2,700,000
Bonds Issued	<u>(115,000)</u>
Bonds Payable - September 30, 2018	<u>\$ 2,585,000</u>

Certificates of participation outstanding at September 30, 2018, are as follows:

\$2,815,000 Series 2018 Certificates of Participation due in annual principal installments of \$115,000 to \$180,000 through July 2036; variable interest from 1.00 to 3.00 %.	<u>\$ 2,585,000</u>
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Summary of future maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 115,000	\$ 65,125	\$ 180,125
2020	120,000	63,515	183,515
2021	120,000	61,655	181,655
2022	125,000	59,615	184,615
2023	125,000	57,302	182,302
2024-28	680,000	243,273	923,273
2029-33	775,000	147,725	922,725
2034-36	<u>525,000</u>	<u>31,800</u>	<u>556,800</u>
	<u>\$ 2,585,000</u>	<u>\$ 730,010</u>	<u>\$ 3,315,010</u>

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. CAPITAL LEASES

Summary of current year activity is as follows:

Leases Payable—October 1, 2017	\$ 40,952
Lease Payments	<u>(13,109)</u>
Maintenance Agreement—September 30, 2018	<u>\$ 27,843</u>

Capital leases at September 30, 2018, were as follows:

\$65,650 capital lease; due in annual principal and interest payments of \$14,777 commencing November 2017 through October 2019; interest at 4.00% per annum.	<u>\$ 27,843</u>
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Minimum future lease payments as of September 30, 2018, for each of the remaining years are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 13,643	\$ 1,134	\$ 14,777
2020	<u>14,200</u>	<u>577</u>	<u>14,777</u>
	<u>\$ 27,843</u>	<u>\$ 1,711</u>	<u>\$ 29,554</u>

H. CONTRACTED MAINTENANCE AGREEMENT

The City executed a contracted maintenance agreement for the repairs and maintenance of its water tower.

Summary of current year activity is as follows:

Maintenance Agreement—October 1, 2017	\$ 170,832
Payments	<u>(61,216)</u>
Maintenance Agreement—September 30, 2018	<u>\$ 109,616</u>

Minimum payments on the contracted maintenance agreement as of September 30, 2018, for each of the remaining years are:

2019	\$ 33,204
2020	33,204
2021	33,204
2022	<u>10,004</u>
	<u>\$ 109,616</u>

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. INTERFUND TRANSFERS

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Cemetery Operations Fund	General Fund	\$ <u>65,470</u>
General Fund	Cemetery Trust Fund	\$ <u>2,080</u>

Transfers were made for purposes of maintaining operations. All transfers are approved and are part of the budget process.

J. INTERFUND RECEIVABLES

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	Water & Sewer Fund	\$ 291,936
General Fund	Community Center	45,112
General Fund	Cemetery Trust	8,837
General Fund	Airport Fund	43,111
General Fund	CDBG Fund	999
General Fund	¼ Cent Fire Fund	64,759
General Fund	Parks & Recreation Fund	8,391
Cemetery Operations Fund	General Fund	2,792
Cemetery Trust Fund	Water & Sewer Fund	1,081

NOTE 4. RISK MANAGEMENT

Significant risk of loss is covered by commercial insurance for the City. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 5. FUND DEFICITS

For the year ended September 30, 2018, the following funds of the City had a deficit fund balance:

Community Center Fund—The Community Center Fund had a deficit fund balance of \$22,220.

Regional Airport Fund—The Regional Airport Fund had a deficit fund balance of \$43,511.

¼ Cent Fire Station Fund—The ¼ Center Fire Station Fund had a deficit fund balance of \$64,759.

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 6. EMPLOYEE RETIREMENT PLAN

Plan Description

The City participates in the Missouri Local Area Government Employees Retirement System (LAGERS), an agent multi-employer, statewide public employee retirement plan that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability and death benefits to plan members and beneficiaries.

LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, Section RSMo 70.600 – 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The Missouri Local Area Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at www.molagers.org or from Missouri Local Area Government Employee Retirement System LAGERS, P.O. Box 1665, Jefferson City, MO 65102

Benefits Provided

LAGERS provides retirement, death and disability benefits to employees of participating political subdivisions. All benefits vests after 5 years of credited service. Employees who retire on or after age 60 with 5 or more years of service are entitled to an allowance for life based upon the benefit program then in effect for their political subdivision. Employees may retire with an early retirement benefit with a minimum of 5 years of credit service and after attaining age 55 and receive a reduced allowance. The LAGERS Board of Trustees establishes the benefit plans and provisions that are available for adoption. The political subdivision's governing body adopts all benefits of the plan. Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year. If an employee leaves covered employment or dies before attaining 5 years of credited service, accumulated employee contributions are refunded to the employee or designated beneficiary. Each participating employer is required by statute to contribute the remaining amounts necessary to finance the coverage of its own employees. Benefit and contribution provisions are fixed by state statute and may be amended only by action of the state legislature.

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Funding

The City is required to contribute at an actuarially determined rate; the current rate is 9.9% (general) and 3.3% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by state statute.

The annual required contribution was determined as part of the June 30, 2016 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.25 percent investment rate of return and (b) projected salary increase ranging from 3.5 to 6.8 percent per year (c) pre-retirement mortality based on 75% of the RP 2000 Combined Health Table set back 0 years for men and 0 years for women and (3) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women.. Both (a) and (b) include an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2017 was 11 to 15 years.

Pooled Funds Allocation

As previously mentioned, LAGERS is an agent multi-employer plan. However, for purposes of certain benefit payments, LAGERS functions similar to a cost-sharing plan with pooled funds. These pooled funds are the Casualty Reserve Fund (CRF) and the Benefit Reserve Fund (BRF). The CRF is the fund in which the employer contributions and interest credits are accumulated and from which transfers are made to pay for members retired as a result of disability or duty-related death. The BRF is the fund from which all retirement, disability and survivor benefits are paid. For GASB 68 purposes, these pooled funds are allocated to participating employers using factors and formulas of actuarially computed amounts which include the present value of future benefits and the accrued liabilities for both current members and retirees. The annual change in each participating employer's proportionate share of these funds is represented as either an addition or (deduction) on the Schedule of Changes in Fiduciary Net Position by Employer. This amount will net to zero as the changes in proportionate share are fully allocated among all participating employers.

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

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

At September 30, 2018, the City recorded a combined liability of \$99,614 (General \$1,012; Police \$98,602) for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of September 30, 2018 and determined by an actuarial valuation as of that date. For the year ended September 30, 2018, the City recognized a combined pension expense of \$128,343 (General \$120,132, Police \$8,211), its proportionate share of the total pension expense.

	<u>General</u>	<u>Police</u>
Total Pension		
Service Cost	\$ 82,999	\$ 31,417
Interest on Total Pension Liability	275,335	143,848
Difference between expected and actual experience of the Total Pension Liability	(22,769)	22,011
Benefit payments, including refunds of employee contributions	(164,080)	99,659
Net change in total pension liability	171,485	53,595
Total pension liability—beginning	<u>3,837,556</u>	<u>2,017,633</u>
Total pension liability—ending	<u>\$ 4,009,041</u>	<u>\$ 2,071,228</u>
Plan Fiduciary Net Position		
Contributions—employer	\$ 117,162	\$ 63,848
Net investment income	443,188	193,048
Benefit payments, including refunds of employee contributions	(164,080)	99,659
Pension Plan Administrative Expense	(5,037)	2,023
Other (Net Transfer)	<u>24,722</u>	<u>13,647</u>
Net change in fiduciary net position	415,955	168,861
Plan fiduciary net position—beginning	<u>3,592,074</u>	<u>1,660,199</u>
Plan fiduciary net position—ending	<u>\$ 4,008,029</u>	<u>\$ 1,829,060</u>
Net pension liability/(asset)	<u>\$ 1,012</u>	<u>\$ 242,168</u>
Membership		
Number of		
• Retirees and Beneficiaries	21	10
• Inactive Non-retired Members	8	5
• Active Members	33	11
• Total	62	26
Covered Payroll	\$ 1,246,753	\$ 458,975
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	99.97%	95.36%
Plan Pension Liability as a Percentage of Covered Payroll	0.08%	21.48%
Total Pension Expense	\$ 120,132	\$ 8,211

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources from the following sources related to LAGERS pension benefits:

Balance of Deferred Outflows and Inflows Due to:	<u>General</u>		<u>Police</u>	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 104,968	\$ (36,569)	\$ -	\$ (59,735)
Changes in assumptions	88,074	-	6,772	-
Net Difference between projected and actual earnings on pension plan investments	-	(137,856)	-	(43,155)
Employer contribution subsequent to the measurement date	-	-	-	-
Total	<u>\$ 193,042</u>	<u>\$ (174,425)</u>	<u>\$ 6,772</u>	<u>\$ (102,890)</u>

Amounts reported as collective deferred (inflows)/outflows of resources to be recognized in pension expense:

	<u>General</u>	<u>Police</u>
2018	\$ 40,938	\$ (20,434)
2019	9,095	(17,291)
2020	(35,087)	(40,479)
2021	2,327	(17,914)
2022	2,885	-
Thereafter	(1,541)	-
	<u>\$ 18,617</u>	<u>\$ (96,118)</u>

Actuarial Assumptions

Actuarial valuations of LAGERS involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Significant actuarial assumptions and other inputs used to measure the total pension liability:

- Valuation Date February 28, 2018
- Notes: The roll-forward of total pension liability from February 28, 2018 to June 30, 2018 reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.
- Actuarial Cost Method Entry Age Normal and Modified Terminal Funding
- Amortization Method Level Percentage of Payroll, Closed
- Remaining Amortization From 11 to 15 years
- Asset Valuation method 5-Year smoothed market; 20% corridor
- Inflation 3.25% wage inflation; 2.50% price inflation
- Investment Rate of Return 7.25%, net of investment expenses

City of Brookfield, Missouri
Notes to Financial Statements
For the Year Ended September 30, 2018

NOTE 6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions (Continued)

- Retirement Age Experience-based table of rates that are specific to the type of eligibility condition. Mortality 105% of the 1994 Group Annuity Mortality Table set back 0 years for men and 0 years for women. Based upon experience observed during the most recent 5-year period study, it appears that the current table provides for an approximate 13% margin for future mortality improvement.

Single Discount Rate

GASB State No. 68 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position in future years can then be determine and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a “risk-free” rate is required.

The single discount rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). For the purpose of this valuation, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 3.8%; and the resulting discount rate is 7.25% for General.

Discount Rate Sensitivity

The sensitivity of the City’s net pension liability to changes in the discount rate is presented below. The City’s net pension liability is calculated using the discount rate of 7.25% is presented as well as the net pension liability using a discount rate that is 1.0% lower (6.25%) or 1.0% higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
<u>General</u>			
Total Pension Liability	\$4,618,500	\$4,009,041	\$3,509,763
Plan Fiduciary Position	<u>4,008,029</u>	<u>4,008,029</u>	<u>4,008,029</u>
Net Position Liability/Asset (NPL)	\$ <u>610,471</u>	\$ <u>1,012</u>	\$ <u>(498,266)</u>
<u>Police</u>			
Total Pension Liability	\$2,418,476	\$2,126,249	\$1,886,783
Plan Fiduciary Position	<u>2,027,647</u>	<u>2,027,647</u>	<u>2,027,647</u>
Net Position Liability/Asset (NPL)	\$ <u>390,829</u>	\$ <u>98,602</u>	\$ <u>(140,864)</u>

REQUIRED SUPPLEMENTAL INFORMATION

City of Brookfield, Missouri
Statement of Revenues, Expenditures and
Changes in Fund Balances—Budget and Actual—General Fund
For the Year Ended September 30, 2018

	----Budgeted Amounts----			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Revenues:				
Taxes				
Property tax	\$ 353,500	\$ 353,500	\$ 348,064	\$ (5,436)
Sales tax	856,000	856,000	905,978	49,978
Franchise tax	370,000	370,000	460,974	90,974
Retail Merchant tax	84,000	84,000	87,463	3,463
Intangible tax	3,000	3,000	4,162	1,162
Surtax	30,000	30,000	30,243	243
Use tax	96,000	96,000	134,009	38,009
Cigarette tax	32,000	32,000	30,869	(1,131)
Licenses and permits	36,000	36,000	37,256	1,256
Investment earnings	15,500	15,500	26,898	11,398
User fees – gas tax	122,000	122,000	121,419	(581)
Motor vehicle – sales tax	58,000	58,000	62,158	4,158
Fines	13,000	13,000	16,086	3,086
User fees—solid waste	194,700	194,700	200,400	5,700
Grants	135,700	135,700	347,634	211,934
Other revenue	<u>21,500</u>	<u>21,500</u>	<u>20,440</u>	<u>(1,060)</u>
Total Revenues	2,420,900	2,420,900	2,834,053	413,153
Expenditures:				
General government	508,013	508,013	536,714	(28,701)
Public safety	1,233,703	1,233,703	1,379,543	(145,840)
Streets	454,070	454,070	443,508	10,562
Solid waste	177,000	177,000	187,983	(10,983)
Airport	50,000	50,000	50,004	(4)
Capital outlay	<u>-</u>	<u>-</u>	<u>11,067</u>	<u>(11,067)</u>
Total Expenditures	<u>2,422,786</u>	<u>2,422,786</u>	<u>2,608,819</u>	<u>(186,033)</u>
Excess/deficiency of revenues over (under) expenditures	(1,886)	(1,886)	225,234	227,120
Other Financing Sources (Uses)				
Transfers in (out)	<u>(57,000)</u>	<u>(57,000)</u>	<u>(63,390)</u>	<u>(6,390)</u>
Total other financing sources (uses)	<u>(57,000)</u>	<u>(57,000)</u>	<u>(63,390)</u>	<u>(6,390)</u>
Net change in fund balance	(58,886)	(58,886)	161,844	220,730
Fund balances—beginning	<u>1,773,674</u>	<u>1,773,674</u>	<u>1,773,674</u>	<u>-</u>
Fund balances—ending	<u>\$ 1,714,788</u>	<u>\$ 1,714,788</u>	<u>\$ 1,935,518</u>	<u>\$ 220,730</u>

See Accompanying Notes to Financial Statements

City of Brookfield, Missouri
Notes to Budgetary Comparison Schedule
September 30, 2018

Budget Law

The City prepares its annual operating budget under the provisions of RSMO Chapter 67. In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to October 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following October 31.
- b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to October 1.
- c. Subsequent to the public hearings but no later than seven days prior to November, the budget is adopted by resolution of the City Council.

The legal level of control at which expenditures may not legally exceed appropriations is the object category level by department within a fund.

All transfers of appropriations between departments and supplemental appropriations require City Council approval.

Basis of Accounting

The City budget is presented in accordance with generally accepted accounting principles (GAAP), including accounts receivable and other accrual items. This presentation, as compared to the cash basis presentation, is not materially different in actual results. Accordingly, the actual amounts agree with other segments of this report.

City of Brookfield, Missouri
Schedule of Changes in Net Pension Liability and Related Ratios—GENERAL
September 30, 2018

Fiscal Year Ending October 31,	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Pension Liability			
Service Cost	\$ 77,325	\$ 77,827	\$ 79,229
Interest on Total Pension Liability	216,910	225,467	256,995
Difference between expected and actual of the Total Pension Liability	42,898	96,498	72,849
Changes of Assumptions	-	156,633	-
Benefit payments, including refunds	<u>172,258</u>	<u>93,478</u>	<u>(152,037)</u>
Net change in total pension liability	79,079	462,947	257,036
Total pension liability—beginning	<u>3,038,494</u>	<u>3,117,573</u>	<u>3,580,520</u>
Total pension liability—ending (a)	<u>\$ 3,117,573</u>	<u>\$ 3,580,520</u>	<u>\$ 3,837,556</u>
Plan Fiduciary Net Position			
Contributions—employer	\$ 129,171	\$ 119,984	\$ 109,672
Net investment income	60,301	1,280	422,348
Benefit payments, including refunds	172,258	93,478	(152,037)
Pension Plan Administrative Expense	4,940	4,627	(5,226)
Other (Net Transfer)	<u>85,300</u>	<u>77,670</u>	<u>12,121</u>
Net change in fiduciary net position	97,574	98,269	386,878
Plan fiduciary net position—beginning	<u>3,009,353</u>	<u>3,106,927</u>	<u>3,205,196</u>
Plan fiduciary net position—ending (b)	<u>\$ 3,106,927</u>	<u>\$ 3,205,196</u>	<u>\$ 3,592,074</u>
Net pension liability/(asset)—ending (a)-(b)	<u>\$ 10,646</u>	<u>\$ 375,324</u>	<u>\$ 245,482</u>
Plan fiduciary net position as a percentage of the total pension liability	99.66%	89.52%	93.60%
Covered employee payroll	\$ 1,169,743	\$ 1,188,336	\$ 1,242,334
Net pension liability as a percentage of covered employee payroll	.91%	31.58%	19.76%

NOTE: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

City of Brookfield, Missouri
Schedule of Changes in Net Pension Liability and Related Ratios—GENERAL
September 30, 2018

Fiscal Year Ending October 31,	<u>2018</u>
Total Pension Liability	
Service Cost	\$ 82,999
Interest on Total Pension Liability	275,335
Difference between expected and actual of the Total Pension Liability	(22,769)
Changes of Assumptions	-
Benefit payments, including refunds	<u>(164,080)</u>
Net change in total pension liability	171,485
Total pension liability—beginning	<u>3,837,556</u>
Total pension liability—ending (a)	<u><u>\$ 4,009,041</u></u>
Plan Fiduciary Net Position	
Contributions—employer	\$ 117,162
Net investment income	443,188
Benefit payments, including refunds	(164,080)
Pension Plan Administrative Expense	(5,037)
Other (Net Transfer)	<u>24,722</u>
Net change in fiduciary net position	415,955
Plan fiduciary net position—beginning	<u>3,592,074</u>
Plan fiduciary net position—ending (b)	<u><u>\$ 4,008,029</u></u>
Net pension liability/(asset)—ending (a)-(b)	<u><u>\$ 1,012</u></u>
Plan fiduciary net position as a percentage of the total pension liability	99.97%
Covered employee payroll	\$ 1,246,753
Net pension liability as a percentage of covered employee payroll	.08%

NOTE: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

City of Brookfield, Missouri
Schedule of Changes in Net Pension Liability and Related Ratios—POLICE
September 30, 2018

Fiscal Year Ending October 31,	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Pension Liability			
Service Cost	\$ 30,377	\$ 28,260	\$ 31,417
Interest on Total Pension Liability	142,919	141,888	143,848
Difference between expected and actual of the Total Pension Liability	91,742	118,077	(22,011)
Changes of Assumptions	-	70,030	-
Benefit payments, including refunds	<u>95,751</u>	<u>93,685</u>	<u>(99,659)</u>
Net change in total pension liability	14,197	28,416	53,595
Total pension liability—beginning	<u>2,003,414</u>	<u>1,989,217</u>	<u>2,017,633</u>
Total pension liability—ending (a)	\$ <u>1,989,217</u>	\$ <u>2,017,633</u>	\$ <u>2,071,228</u>
Plan Fiduciary Net Position			
Contributions—employer	\$ 55,925	\$ 59,365	\$ 63,848
Net investment income	37,873	2,899	193,048
Benefit payments, including refunds	95,751	93,685	(99,659)
Pension Plan Administrative Expense	2,050	2,019	(2,023)
Other (Net Transfer)	<u>96,768</u>	<u>13,676</u>	<u>13,647</u>
Net change in fiduciary net position	100,771	52,914	168,861
Plan fiduciary net position—beginning	<u>1,813,884</u>	<u>1,713,113</u>	<u>1,660,199</u>
Plan fiduciary net position—ending (b)	\$ <u>1,713,113</u>	\$ <u>1,660,199</u>	\$ <u>1,829,060</u>
Net pension liability/(asset)—ending (a)-(b)	\$ <u>276,104</u>	\$ <u>357,434</u>	\$ <u>242,168</u>
Plan fiduciary net position as a percentage of the total pension liability	86.12%	82.28%	88.31%
Covered employee payroll	\$ 368,888	\$ 459,859	\$ 415,247
Net pension liability as a percentage of covered employee payroll	74.85%	77.73%	58.32%

NOTE: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

City of Brookfield, Missouri
Schedule of Changes in Net Pension Liability and Related Ratios—POLICE
September 30, 2018

Fiscal Year Ending October 31,	<u>2018</u>
Total Pension Liability	
Service Cost	\$ 30,455
Interest on Total Pension Liability	147,778
Difference between expected and actual of the Total Pension Liability	(25,765)
Changes of Assumptions	-
Benefit payments, including refunds	<u>(97,447)</u>
Net change in total pension liability	55,021
Total pension liability—beginning	<u>2,071,228</u>
Total pension liability—ending (a)	<u>\$ 2,126,249</u>
Plan Fiduciary Net Position	
Contributions—employer	\$ 75,288
Net investment income	215,617
Benefit payments, including refunds	(97,447)
Pension Plan Administrative Expense	(2,134)
Other (Net Transfer)	<u>7,263</u>
Net change in fiduciary net position	198,587
Plan fiduciary net position—beginning	<u>1,829,060</u>
Plan fiduciary net position—ending (b)	<u>\$ 2,027,647</u>
Net pension liability/(asset)—ending (a)-(b)	<u>\$ 98,602</u>
Plan fiduciary net position as a percentage of the total pension liability	95.36%
Covered employee payroll	\$ 458,975
Net pension liability as a percentage of covered employee payroll	21.48%

NOTE: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

City of Brookfield, Missouri
Schedule of Contributions Multiyear—GENERAL
September 30, 2018

Year Ended	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess/(Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$129,171	\$129,171	\$ -	\$1,169,743	11%
06/30/2016	\$119,984	\$119,984	\$ -	\$1,188,336	11%
06/30/2017	\$109,672	\$109,672	\$ -	\$1,242,334	11%
06/30/2018	\$117,162	\$117,162	\$ -	\$1,246,753	11%

NOTE: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

City of Brookfield, Missouri
Schedule of Contributions Multiyear—POLICE
September 30, 2018

Year Ended	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess/(Defici ency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 55,925	\$ 55,925	\$ -	\$ 368,888	15%
06/30/2016	\$ 59,365	\$ 59,365	\$ -	\$ 459,859	15%
06/30/2017	\$ 63,848	\$ 63,848	\$ -	\$ 415,247	15%
06/30/2018	\$ 75,288	\$ 75,288	\$ -	\$ 458,975	15%

NOTE: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTAL INFORMATION

City of Brookfield, Missouri
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2018

	<u>Parks & Recreation</u>	<u>Cemetery Operations</u>	<u>Cemetery Trust</u>	<u>Community Center</u>	<u>Regional Airport</u>
ASSETS					
Cash & cash equivalents	\$ 413,985	\$ 32,761	\$ -	\$ 20,429	\$ -
Investments	29,941	449,343	-	-	-
Accounts Receivable, net	27,353	-	-	-	-
Prepaid expenses	3,738	1,012	-	2,576	-
Due From Other Funds	-	2,792	1,081	-	-
Interest Receivable	-	539	128	-	-
Restricted cash & cash equivalents	185,894	-	17,445	-	-
Restricted investments	-	-	101,749	-	-
TOTAL ASSETS	<u>\$ 660,911</u>	<u>\$ 486,447</u>	<u>\$ 120,403</u>	<u>\$ 23,005</u>	<u>\$ -</u>
LIABILITIES					
Negative cash balance	\$ -	\$ -	\$ -	\$ -	\$ 400
Accounts payable	908	12	-	113	-
Accrued liabilities	-	-	-	-	-
Deposits	-	-	-	-	-
Due to Other Funds	<u>8,391</u>	<u>-</u>	<u>8,837</u>	<u>45,112</u>	<u>43,111</u>
TOTAL LIABILITIES	<u>9,299</u>	<u>12</u>	<u>8,837</u>	<u>45,225</u>	<u>43,511</u>
FUND BALANCES					
Nonspendable	-	-	119,194	-	-
Restricted	185,894	-	-	-	-
Committed	465,718	486,435	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(7,628)</u>	<u>(22,220)</u>	<u>(43,511)</u>
TOTAL FUND BALANCES	<u>651,612</u>	<u>486,435</u>	<u>111,566</u>	<u>(22,220)</u>	<u>(43,511)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 660,911</u>	<u>\$ 486,447</u>	<u>\$ 120,403</u>	<u>\$ 23,005</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

City of Brookfield, Missouri
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
September 30, 2018

	<u>CDBG</u>	<u>Transportation Trust</u>	<u>¼ Cent Capital Improv</u>	<u>½ Cent Fire Station</u>	<u>Total Non-Major Governmental</u>
ASSETS					
Cash & cash equivalents	\$ -	\$ 42,320	\$ 467,320	\$ -	\$ 976,815
Investments	-	171,288	-	-	650,572
Accounts Receivable, net	-	27,455	14,684	-	69,492
Prepaid expenses	-	-	-	-	7,326
Due From Other Funds	-	-	-	-	3,873
Interest Receivable	-	-	-	-	667
Restricted cash & cash equivalents	10,689	-	-	-	214,028
Restricted investments	-	-	-	-	101,749
TOTAL ASSETS	<u>\$ 10,689</u>	<u>\$ 241,063</u>	<u>\$ 482,004</u>	<u>\$ -</u>	<u>\$ 2,024,522</u>
LIABILITIES					
Negative cash balance	\$ -	\$ -	\$ -	\$ -	\$ 400
Accounts payable	-	1,692	-	-	2,725
Due to Other Funds	<u>999</u>	<u>-</u>	<u>-</u>	<u>64,759</u>	<u>171,209</u>
TOTAL LIABILITIES	<u>999</u>	<u>1,692</u>	<u>-</u>	<u>64,759</u>	<u>174,334</u>
FUND BALANCES					
Nonspendable	-	-	-	-	119,194
Restricted	9,690	-	-	-	195,584
Committed	-	239,371	482,004	-	1,673,528
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,759)</u>	<u>(138,118)</u>
TOTAL FUND BALANCES	<u>9,690</u>	<u>239,371</u>	<u>482,004</u>	<u>(64,759)</u>	<u>1,850,188</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,689</u>	<u>\$ 241,063</u>	<u>\$ 482,004</u>	<u>\$ -</u>	<u>\$ 2,024,522</u>

See Accompanying Notes to Financial Statements

City of Brookfield, Missouri
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds
For the Year Ended September 30, 2018

	<u>Parks & Recreation</u>	<u>Cemetery Operations</u>	<u>Cemetery Trust</u>	<u>Community Center</u>	<u>Regional Airport</u>
REVENUES					
Property Tax	\$ 75,508	\$ 41,485	\$ -	\$ -	\$ -
Sales Tax	376,706	-	-	-	-
Sale of Fixed Assets	-	-	-	-	-
Investment Earnings	11,131	4,833	3,880	-	-
User Fees—Park	82,141	-	-	-	-
Other Revenue	6,305	-	-	-	-
Donations	45,945	-	-	-	-
Licenses & permits	-	3,982	-	-	-
User Fees—Lot Sales	-	18,655	-	-	-
User Fees—Rent	-	-	-	11,535	-
Grants	<u>143,585</u>	<u>-</u>	<u>-</u>	<u>4,062</u>	<u>577,251</u>
Total Revenues	741,321	68,955	3,880	15,597	577,251
EXPENSES					
General	-	-	-	-	-
Parks & Recreation	459,414	-	-	14,213	-
Cemetery	-	102,499	-	-	-
Airport	-	-	-	-	577,251
Capital Outlay	<u>380,487</u>	<u>12,401</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	839,901	114,900	-	14,213	577,251
Excess (deficiency) of revenues over (under) expenses	(98,580)	(45,945)	3,880	1,384	-
Transfers in (out)	<u>-</u>	<u>65,470</u>	<u>(2,080)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(98,580)	19,525	1,800	1,384	-
Fund Balance—Beginning	<u>750,192</u>	<u>466,910</u>	<u>109,766</u>	<u>(23,604)</u>	<u>(43,511)</u>
Fund Balance—Ending	\$ <u>651,612</u>	\$ <u>486,435</u>	\$ <u>111,566</u>	\$ <u>(22,220)</u>	\$ <u>(43,511)</u>

See Accompanying Notes to Financial Statements

City of Brookfield, Missouri
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Non-Major Governmental Funds (Continued)
For the Year Ended September 30, 2018

	<u>CDBG</u>	<u>Transportation Trust</u>	<u>¼ Cent Capital Improv</u>	<u>½ Cent Fire Station</u>	<u>Total Non-Major Governmental</u>
REVENUES					
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ 116,993
Sales Tax	-	376,499	202,072	-	955,277
Investment Earnings	-	8,427	8,334	-	36,605
User Fees—Pool	-	-	-	-	82,141
Other Revenue	-	-	-	-	6,305
Donations	-	-	-	-	45,945
Licenses & permits	-	-	-	-	3,982
User Fees—Lot Sales	-	-	-	-	18,655
User Fees—Rent	-	-	-	-	11,535
Grants	-	-	-	-	724,898
Total Revenues	-	384,926	210,406	-	2,002,336
EXPENSES					
General	-	-	24,623	-	24,623
Parks & Recreation	-	-	-	-	473,627
Cemetery	-	-	-	-	102,499
Airport	-	-	-	-	577,251
Capital Outlay	-	435,102	144,185	-	972,175
Total Expenses	-	435,102	168,808	-	2,150,175
Excess (deficiency) of revenues over (under) expenses	-	(50,176)	41,598	-	(147,839)
Transfers in (out)	-	-	-	-	63,390
Net change in fund balance	-	(50,176)	41,598	-	(84,449)
Fund Balance—Beginning	9,690	289,547	440,406	(64,759)	1,934,637
Fund Balance—Ending	<u>\$ 9,690</u>	<u>\$ 239,371</u>	<u>\$ 482,004</u>	<u>\$ (64,759)</u>	<u>\$ 1,850,188</u>

See Accompanying Notes to Financial Statements

City of Brookfield, Missouri
Balance Sheet
Component Unit—Brookfield Industrial Development Authority
September 30, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$ <u>16,800</u>
Total Current Assets	16,800

Capital Assets

Land	40,400
Machinery and Equipment	4,255
Buildings	373,400
Less: Accumulated Depreciation	<u>(116,275)</u>
Total Capital Assets, Net	<u>301,780</u>

TOTAL ASSETS	\$ <u>318,580</u>
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LIABILITIES

Current Liabilities

Accounts Payable	\$ <u>4,375</u>
TOTAL LIABILITIES	4,375

NET POSITION

Net investment in capital assets	301,780
Unrestricted	<u>12,425</u>
TOTAL NET POSITION	<u>314,205</u>

TOTAL LIABILITIES AND NET POSITION	\$ <u>318,580</u>
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See Accompanying Notes to Financial Statements

City of Brookfield, Missouri
Statement of Revenues, Expenditures, And
Changes in Net Position—Component Unit
Brookfield Industrial Development Authority
For the Year Ended September 30, 2018

REVENUES

Contributions	\$ 25,366
Miscellaneous income	2,244
Investment income	<u>2</u>
Total Revenues	27,612

EXPENDITURES

Industrial Development	<u>31,911</u>
Total Expenditures	<u>31,911</u>

Change in Net Position	(4,299)
Net Position—Beginning	<u>318,504</u>
Net Position—Ending	<u>\$ 314,205</u>

See Accompanying Notes to Financial Statements

City of Brookfield, Missouri
Balance Sheet—Component Unit
North Central Missouri Regional Airport Authority Board, Inc.
September 30, 2018

ASSETS

Current Assets

Cash and cash equivalents \$ 206,903

Total Current Assets 206,903

Capital Assets

Land 522,864

Machinery and Equipment 361,694

Buildings 1,616,352

Infrastructure 7,973,745

Less: Accumulated Depreciation (2,150,753)

Total Capital Assets, Net 8,323,902

TOTAL ASSETS \$ 8,530,805

LIABILITIES

Current Assets

Note Payable—Current \$ 38,352

Total Current Liabilities 38,352

Note Payable—Less Current 591,725

TOTAL LIABILITIES 630,077

NET POSITION

Net investment in capital assets 7,693,825

Unrestricted 206,903

TOTAL NET POSITION 7,900,728

TOTAL LIABILITIES AND NET POSITION \$ 8,530,805

See Accompanying Notes to Financial Statements

City of Brookfield, Missouri
Statement of Revenues, Expenditures, And
Changes in Net Position—Component Unit
North Central Missouri Regional Airport Authority Board, Inc.
For the Year Ended September 30, 2018

REVENUES

Contributions	\$ 100,444
Grants	23,551
User Fees—Rent	23,876
Other income	<u>84,105</u>

Total Revenues	231,976
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EXPENDITURES

Airport	<u>468,175</u>
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Total Expenditures	<u>468,175</u>
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Change in Net Position	(236,199)
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Net Position—Beginning	<u>8,136,927</u>
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Net Position—Ending	<u>\$ 7,900,728</u>
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See Accompanying Notes to Financial Statements

FEDERAL COMPLIANCE SECTION

JOHN W. GILLUM, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANT

Member:
Missouri Society of
Certified Public Accountants
American Institute of
Certified Public Accountants
AICPA Private Companies Practice
Section (PCPS)

310 S. Elson Street
P.O. Box 1068
Kirksville, Missouri 63501
Telephone (660) 627-1259
Toll Free 800-397-3630
Fax (660) 627-1250
email johngillumcpa@yahoo.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
City of Brookfield
Brookfield, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Brookfield, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise City of Brookfield's basic financial statements, and have issued our report thereon dated June 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Brookfield's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Brookfield's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Brookfield's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Brookfield, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Brookfield, Missouri's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



John W. Gillum, CPA, LLC
Certified Public Accountant
Kirkville, Missouri
June 25, 2019

City of Brookfield, Missouri
Summary Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

Financial Statement Findings

MATERIAL WEAKNESS

2018-001 Segregation of Duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. There are some mitigating controls in place but it is not possible to have segregation in all areas.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The limited number of available personnel prohibits segregation of incompatible duties and the City does not have the resources to hire additional accounting personnel.

Repeat finding of 2017-001

City of Brookfield, Missouri
Schedule of Prior Audit Findings
For the Year Ended September 30, 2018

Financial Statement Finding

2017-001 Segregation of Duties

Auditor's Recommendation: We realize because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Status: Uncorrected. The limited number of available personnel prohibits segregation of incompatible duties and the City does not have the resources to hire additional accounting personnel.

APPENDIX C
SUMMARY OF ORDINANCE

APPENDIX C

SUMMARY OF THE ORDINANCE

The following is a summary of certain provisions and covenants contained in the Ordinance. Such summary does not purport to be complete and is qualified in its entirety by reference to the Ordinance.

DEFINITIONS

“Accountant” means an independent certified public accountant or firm of certified public accountants.

“Bonds” or **“Series 2019 Bonds”** means the City’s Junior Lien Combined Waterworks and Sewerage System Refunding and Improvement Revenue Bonds, Series 2019, in the original aggregate principal amount of not to exceed **\$1,650,000**, authorized and issued pursuant to the Ordinance.

“City” means the City of Brookfield, Missouri, and any successors or assigns.

“Consultant” means an independent engineer or engineering firm having a favorable reputation for skill and experience in the construction, financing and operation of public utilities and the preparation of management studies and financial feasibility studies in connection therewith, selected by the City for the purpose of carrying out the duties imposed on the Consultant by the Ordinance.

“Debt Service Reserve Requirement” means with respect to the Series 2019 Bonds the amount set forth in the Bond Purchase Agreement.

“Debt Service Requirements” means the aggregate principal payments (whether at maturity or pursuant to scheduled mandatory sinking fund redemption requirements) and interest payments on all System Revenue Bonds for the period of time for which calculated together with Policy Costs; 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.

“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 paid on System Revenue Bonds and depreciation and amortization charges during the period of determination), 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 City not related to the operation of the System.

“Insured Obligations” shall mean the Series 2019 Bonds.

“Insurance Consultant” means an individual or firm selected by the City 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.

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

“Net Revenues” means all Revenues less all Expenses.

“Ordinance” or **“Series 2019 Ordinance”** means the Ordinance of the City authorizing the issuance of the Bonds.

“Parity Bonds” means any additional bonds or other obligations issued or incurred pursuant to the Ordinance and standing on a parity and equality with the Bonds with respect to the payment of principal and interest out of the Net Revenues of the System.

“Parity Ordinances” means the ordinances under which any additional Parity Bonds are issued pursuant to the Ordinance.

“Paying Agent” means Security Bank of Kansas City, Kansas City, Kansas, and any successors and assigns.

“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 Ordinance.

“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 Ordinance, including the applicable redemption premium, if any, but excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

“Refunded Bonds” means all \$1,300,000 outstanding principal amount of the Series 2012 Bonds described in the Ordinance.

“Refunding Bond Law” means Section 108.140(2) and Chapter 250 of the Revised Statutes of Missouri, as amended.

“Revenues” means all income and revenues derived from the ownership and operation of the System, including investment and rental income, net proceeds from business interruption insurance, and any amounts deposited in escrow in connection with the acquisition, construction, remodeling, renovation and equipping of System 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.

“Senior Lien Bonds” means the Series 2002A Bonds, the Series 2004B Bonds, the Series 2017A Bonds, the Series 2017B Bonds and the Series 2017C Bonds referred to in the Ordinance.

“Senior Lien Ordinance” means, collectively, the ordinances of the City under which the Senior Lien Bonds were issued.

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

“System” means the entire combined waterworks plant and system and sewerage plant and system owned and operated by the City for the production, storage, treatment and distribution of water, and for the collection, treatment and disposal of sewage, to serve the needs of the City 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 City.

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

FUNDS AND ACCOUNTS

The Ordinance creates the following funds and accounts:

- (a) Combined Waterworks and Sewerage System Project Fund (the “Project Fund”).
- (b) Combined Waterworks and Sewerage System Revenue Fund (the “Revenue Fund”).
- (c) Combined Waterworks and Sewerage System Operation and Maintenance Account (the “Operation and Maintenance Account”).
- (d) Debt Service Account for Junior Lien Combined Waterworks and Sewerage System Refunding and Improvement Revenue Bonds, Series 2019 (the “Debt Service Account”).
- (e) Combined Waterworks and Sewerage System Depreciation and Replacement Account (the “Depreciation and Replacement Account”).
- (f) Combined Waterworks and Sewerage System Surplus Account (the “Surplus Account”).
- (g) The funds and accounts for the Senior Lien Bonds established by the Senior Lien Ordinance are hereby ratified and confirmed.

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 provisions of the Escrow Agreement.

APPLICATION OF REVENUES

All of the Revenues of the System (except as otherwise specifically provided in the Ordinance) will be deposited in the Revenue Fund. On the first day of each month, the City will allocate the moneys in the Revenue Fund as follows:

(a) First, to the Operation and Maintenance Account, an amount sufficient to pay the estimated Expenses during the ensuing month. All amounts paid and credited to the Operation and Maintenance Account shall be expended and used by the City solely for the purpose of paying the Expenses of the System.

(b) Second, to the Debt Service Account, at the same time and on a parity with the amounts at the time 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 Ordinances, the following sums:

(1) Beginning on December 1, 2019, and continuing on the first day of each month thereafter to and including March 1, 2020, an amount equal to $\frac{1}{4}$ of the amount of interest coming due on the Bonds on April 1, 2020, and thereafter beginning on April 1, 2020 and continuing on the first day of each month thereafter so long as any of the Bonds remain Outstanding and unpaid, an amount not less than $\frac{1}{6}$ of the amount of interest that will become due on the Bonds on the next succeeding Interest Payment Date; and

(2) Beginning with December 1, 2019 and continuing on the first day of each month thereafter to and including March 1, 2020, an equal pro rata portion of the amount of principal becoming due on the Bonds on April 1, 2020; and thereafter, beginning on April 1, 2020, and continuing on the first day of each month thereafter so long as any of the Bonds remain Outstanding and unpaid, an amount not less than $\frac{1}{12}$ of the amount of principal that will become due on the Bonds on the next succeeding Maturity date.

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 accounts established to pay the principal of and interest on the Senior Lien Bonds and any Parity Bonds, the available moneys in the Revenue Fund shall be divided first in accordance with the provisions of the Senior Lien Ordinance and then among such debt service accounts 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 accounts.

(c) Third, to the Debt Service Reserve Account, at the same time and on a parity with the amounts at the time required to be paid and credited to the debt service reserve Accounts established for the Parity Bonds under the provisions of any Parity Ordinances. After all payments and credits required at the time to be made under the provisions of paragraphs (a) and (b) of this Section have been made, and upon the determination that the amount on deposit in the Debt Service Reserve Account (including the amount of the Reserve Policy described below) is less than the Debt Service Reserve Requirement, there shall next be paid and credited to the Debt Service Reserve Account each month an amount equal to $\frac{1}{12}^{\text{th}}$ of said shortfall until the amount on deposit in said Account shall aggregate the Debt Service Reserve Requirement.

Moneys in the Debt Service Reserve Account may be used to call the Bonds for redemption and payment prior to their Stated Maturity, provided all of the Bonds at the time Outstanding are called for payment and Accounts are available to pay the same according to their terms. Moneys in the Debt Service Reserve Account shall be used to pay and retire the last Outstanding Bonds unless such Bonds and all interest

thereon are otherwise paid. Any amounts in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement on any valuation date shall be transferred to the Debt Service Account.

(d) Fourth, to the Depreciation and Replacement Account, the amount of \$2,000 each month. Except as otherwise provided in the Ordinance, moneys in the Depreciation and Replacement Account will be used by the City, if no other funds are available therefor, solely for the purpose of making improvements, replacements and repairs in and to the System as may be necessary to keep the System in good repair and working order and to assure the continued effective and efficient operation thereof.

(e) Fifth, to the Surplus Account, all moneys remaining in the Revenue Fund. Moneys in the Surplus Account may be used for paying the Expenses of the System; paying the cost of extending, enlarging or improving the System; preventing default in, anticipating payments into or increasing the amounts in the debt service accounts or the debt service reserve accounts for System Revenue Bonds or in the Depreciation and Replacement Account, or any one of them, or establishing or increasing the amount of any debt service account or debt service reserve account created by the City for the payment of any additional System Revenue Bonds; calling, redeeming and paying prior to Stated Maturity, or, at the option of the City, purchasing in the open market at the best price obtainable not exceeding the redemption price (if any bonds are callable), the Bonds or any other System Revenue Bonds, including principal, interest and redemption premium, if any.

DEPOSITS AND INVESTMENTS

Moneys in the funds and accounts referred to in the Ordinance must be deposited in a bank or banks located in the State of Missouri that are members of the Federal Deposit Insurance Corporation, and 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. Moneys held in said funds and accounts may be invested in Permitted Investments (as defined in the Ordinance). All earnings on any investments held in any fund or account will be paid and credited to the Revenue Fund.

MAINTENANCE OF SYSTEM

The City will continuously own and operate the System in an efficient and economical manner and will keep and maintain the same in good repair and working order. The City will establish and maintain such rules and regulations for the use of the System as may be necessary to assure maximum utilization and most efficient operation of the System.

RATE COVENANT

The City will fix, establish, maintain and collect such rates, fees and charges for the use of and services furnished by or through the System as will produce Revenues sufficient to (a) pay the Expenses of the System, (b) pay the principal of and net interest on the Bonds and Policy Costs as and when the same become due; (c) enable the City to have in each fiscal year Net Revenues Available for Debt Service not less than 110% 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 the protection and benefit of the System as provided in the Ordinance. The City 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.

INSURANCE

The City will carry and maintain insurance with respect to the System and its operations against casualties, contingencies and risks, such insurance to be of the character and coverage and in such amounts as would normally be carried by other public entities engaged in similar activities of comparable size and similarly situated.

BOOKS AND AUDITS

The City will install and maintain proper books, records and accounts according to standard accounting practices as applicable to the operation of facilities comparable to the System. Annual audits will be made by a certified public accountant.

SENIOR LIEN BONDS

The City will not issue any additional bonds or incur any other debt obligations payable out of the Net Revenues which are superior to the Bonds.

PARITY BONDS

The City will not issue any additional Parity Bonds unless the following conditions are met:

(a) The City is not 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 this Ordinance or any Parity Ordinance (unless such additional revenue bonds or obligations are being issued to provide funds to cure such default); and

(b) Either of the following:

(1) A report of an Accountant that the annual Net Revenues Available for Debt Service derived by the City from the operation of the System for the fiscal year immediately preceding the issuance of additional bonds shall have been equal to at least 110% of the average annual debt service required to be paid out of the Net Revenues Available for Debt Service 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 City, including the additional bonds proposed to be issued. In determining the Net Revenues Available for Debt Service for the purpose of this subsection, the Accountant may adjust said Net Revenues Available for Debt Service by adding thereto, in the event the City 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 fiscal year immediately preceding the issuance of additional bonds, the amount, as estimated by such Accountant, of the additional Net Revenues Available for Debt Service which would have resulted from the operation of the System during said preceding fiscal year had such rate increase been in effect for the entire period.

(2) A report of a Consultant to the effect that the annual Net Revenues Available for Debt Service projected to be derived by the City from the operation of the System for the fiscal year 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 required to be paid out of said Net Revenues Available for Debt Service 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 City, including the additional bonds proposed to be issued. In

determining the projected Net Revenues Available for Debt Service for the purpose of this subsection, the Consultant may adjust said projections 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 duly made by the City and which shall be in effect for the period of such projections which, in the opinion of the Consultant, are economically feasible and reasonably considered necessary based on projected operations of the System.

JUNIOR LIEN BONDS

The City may issue additional junior lien System Revenue Bonds provided at the time of the issuance of such junior lien System Revenue Bonds the City is not in default in the performance of any covenant or agreement contained in the Ordinance (unless such additional bonds are being issued to cure such default) 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 City shall be in default in paying either interest on or principal of the Bonds, or if the City is in default in making any payments required to be made by it under the Ordinance, the City shall make no payments of either principal of or interest on said junior and subordinate revenue bonds or obligations until such default is cured.

DEFAULT AND REMEDIES

The owners of not less than 10% 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, by mandamus or other suit, action or legal proceeding, to enforce their rights against the City and its officers, agents and employees and to compel any of such parties to perform all duties and obligations required by the Ordinance or by the Constitution or laws of the State of Missouri. If the City defaults in the payment of the principal of or interest on the Bonds, or if the City or its governing body or any of its officers, agents or employees fails or refuses to comply with any of the provisions of the Ordinance or of the Constitution and statutes of the State of Missouri and such default continues for a period of 60 days after written notice of such default is given to the City by a bondowner, 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 City, declare the principal of all Bonds then outstanding to be due and payable immediately.

DEFEASANCE

When any or all of the Bonds or the interest payments thereon have been paid and discharged, then the requirements contained in the Ordinance and the pledge of Net Revenues made thereunder will terminate. Bonds or the interest payments thereon shall be deemed to have been paid and discharged if there has been deposited with the Paying Agent, or other bank or trust company located in the State of Missouri and having full trust powers, at or prior to the maturity of said Bonds or the interest payments thereon, in trust for and irrevocably appropriated thereto, moneys and/or Defeasance Obligations (as defined in the Ordinance) which, together with the interest to be earned on any such obligations, will be sufficient for the payment of the principal of said Bonds, the redemption premium thereon, if any, and/or interest to accrue to their Stated Maturities or Redemption Dates, as the case may be, or if default in such payment has occurred on such date, then to the date of the tender of such payments.

AMENDMENTS

The rights and duties of the City and the bondowners, and the terms and provisions of the Bonds or of the Ordinance, may be amended or modified at any time in any respect by ordinance of the City with the written consent of the registered owners of no less than a majority in principal amount of the Bonds then outstanding, but no such modification or alteration may: (a) extend the maturity of any payment of principal or interest due upon any Bond; (b) effect a reduction in the amount which the City 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 Ordinance. Without bondowner consent, the City may amend or supplement the Ordinance to cure any formal defect, omission, inconsistency or ambiguity therein or in connection with any other change therein which is not materially adverse to the interest of the bondowners.

* * * *

APPENDIX D
FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** dated as of _____, 2019 (this "**Continuing Disclosure Agreement**"), is made and entered into by and between the **CITY OF BROOKFIELD, MISSOURI** (as further defined herein, the "**City**"), and **SECURITY BANK OF KANSAS CITY**, as Dissemination Agent (as further defined herein, the "**Dissemination Agent**").

RECITALS

1. This Continuing Disclosure Agreement is executed and delivered in connection with the issuance by the City of \$_____ of Junior Lien Combined Waterworks and Sewerage System Refunding and Improvement Revenue Bonds, Series 2019 (the "**Bonds**"), pursuant to an ordinance of the City passed October ____, 2019 (the "**Ordinance**").

2. The City and the Dissemination Agent are entering into this Continuing Disclosure Agreement for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission. The City is the only "obligated person" (as defined by the Rule) with responsibility for continuing disclosure.

In consideration of the mutual covenants and agreements herein, the City and the Dissemination Agent covenant and agree as follows:

Section 1. Definitions. In addition to the definitions set forth in the Ordinance (defined below), which apply to any capitalized term used in this Continuing Disclosure Agreement unless otherwise defined in this Continuing Disclosure Agreement, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report submitted by the City pursuant to, and as described in, **Section 2** hereof.

"Beneficial Owner" means any registered owner of any Bonds and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Bonds" has the meaning set forth in the recitals hereto.

"Business Day" means any day other than a Saturday, Sunday or any other day on which banking institutions in the city in which the principal corporate trust office of the Dissemination Agent is located are required or authorized by law to close.

"City" means the City of Brookfield, Missouri, a political subdivision of the State of Missouri, and its successors and assigns.

"EMMA" means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by MSRB, which can be accessed at www.emma.msrb.org or such other location as may be designated in the future by MSRB pursuant to the Rule.

"Financial Obligation" shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; provided however, the term Financial Obligation shall not

include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the 12-month period beginning on July 1 and ending on June 30 or any other 12-month period selected by the City as the Fiscal Year of the City for financial reporting purposes.

“Material Events” means any of the events listed in **Section 3(a)** hereof.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

“Participating Underwriter” means the original purchaser, underwriter or placement agent of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Dissemination Agent” means Security Bank of Kansas City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

“Ordinance” has the meaning set forth in the recitals hereto.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Provision of Annual Reports.

- (a) The City shall, or shall cause the Dissemination Agent to, not later than **270** days after the end of the City’s Fiscal Year, commencing with the Fiscal Year ending September 30, 2019, submit to MSRB, through EMMA, the following financial information and operating data (the **“Annual Report”**):
 - (1) The audited financial statements of the City for the Fiscal Year most recently ended. If audited financial statements are not available by the time the Annual Report is required to be submitted pursuant to this Section, the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be provided in the same manner as the Annual Report promptly after they become available; and
 - (2) Updates to the following financial information and operating data in substantially the same format contained in Appendix A:

OPERATION OF THE SYSTEM

- (b) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an “obligated person” (as defined by the Rule), which have been submitted to MSRB and is available through EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from MSRB on EMMA. The City shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided

in this Section; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the submission of the Annual Report if they are not available by that date. If the City's Fiscal Year changes, the City shall give notice of such change in the same manner as for a Material Event under **Section 3(b)** hereof.

- (c) Not later than 15 days prior to the date specified in subsection (a) of this Section for submission of the Annual Report with MSRB, the City shall either (1) provide the Annual Report to the Dissemination Agent, with written instructions to submit the Annual Report as specified in subsection (a) of this Section, or (2) provide written notice to the Dissemination Agent that the City, has submitted the Annual Report with MSRB (or will do so prior to the deadline specified in subsection (a) of this Section).
- (d) If the Dissemination Agent has not received either an Annual Report with submission instructions or a written notice from the City that the City has submitted an Annual Report with MSRB by the date required in subsection (1) of this Section, the Dissemination Agent shall send a notice to MSRB in substantially the form of **Exhibit A**, attached hereto and incorporated herein by reference.
- (e) The Dissemination Agent shall:
 - (1) notify the City each year not later than 90 days and again not later than 30 days prior to the date for providing the Annual Report, of the date on which the City's Annual Report must be provided to the Dissemination Agent or submitted to MSRB;
 - (2) unless the City has certified in writing that it has submitted the Annual Report with MSRB promptly following receipt of the Annual Report and instructions required in subsection (c) of this Section, submit a report with the City, certifying that the Annual Report has been submitted pursuant to this Continuing Disclosure Agreement and stating the date it was submitted to MSRB.

Section 3. Reporting of Material Events.

- (a) Not later than 10 Business Days after the occurrence of any Material Event, the City, shall give, or cause to be given to MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Bonds (the "**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-exempt status of the Bonds;
 - (7) modifications to rights of bondholders, if material;
 - (8) optional, contingent or unscheduled 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 City;
 - (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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 trustee or additional trustee or the change of name of the trustee, if material;
 - (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; or
 - (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.
- (b) Whenever the City obtains actual knowledge of the occurrence of a Material Event, the City shall promptly notify and instruct the Dissemination Agent in writing to report the occurrence pursuant to subsection (c) of this Section.
- (c) If the Dissemination Agent receives written instructions from the City to report the occurrence of a Material Event, the Dissemination Agent shall promptly submit a notice of such occurrence with MSRB with a copy to the City. Notwithstanding the foregoing, notice of Material Events described in subsections (a)(3), (4), (8) and (9) of this Section need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the registered owners of affected Bonds pursuant to the Ordinance.

Section 4. Termination of Reporting Obligation. The City's obligations under this Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. The City shall be responsible for compliance with this Continuing Disclosure Agreement, and the City shall have no further responsibility hereunder except as otherwise stated herein. If such termination or substitution occurs prior to the final maturity of the Bonds, the City, shall give notice of such termination or substitution in the same manner as for a Material Event under **Section 3(b)** hereof.

Section 5. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent, with prior written consent of the City. The Dissemination Agent may resign as Dissemination Agent hereunder at any time upon **30** days prior written notice to the City. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Report) prepared by the City pursuant to this Continuing Disclosure Agreement. The initial Dissemination Agent is Security Bank of Kansas City.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the City and the Dissemination Agent may amend this Continuing Disclosure Agreement and any provision of this Continuing Disclosure Agreement may be waived, provided that

Bond Counsel or other counsel experienced in federal securities law matters provides the City and the Dissemination Agent with its written opinion that the obligations contained herein, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to this Continuing Disclosure Agreement.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Agreement, the City, 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 therein. 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 **Section 3(b)** hereof, 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.

Section 7. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Continuing Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by this Continuing Disclosure Agreement, the City, shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 8. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Continuing Disclosure Agreement, any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement shall not be deemed an event of default under the Ordinance, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Continuing Disclosure Agreement shall be an action to compel performance.

Section 9. Duties and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and, to the extent permitted by law, the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The City, shall pay the fees, charges and expenses of the Dissemination Agent in connection with its administration of this Continuing Disclosure Agreement.

Section 10. Notices. Any notices or communications to or among any of the parties to this Continuing Disclosure Agreement may be given by registered or certified mail, return receipt requested, or by facsimile, receipt confirmed by telephone, or delivered in person or by overnight courier, and will be deemed given on the second day following the date on which the notice or communication is so mailed, as set forth below.

To the City: City of Brookfield, Missouri
116 West Brooks Street
Brookfield, Missouri 64628

To the Dissemination Agent: Security Bank of Kansas City, as Dissemination Agent
707 Minnesota Ave., Suite 206
Kansas City, Kansas 66101

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 11. Beneficiaries. This Continuing Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriter, and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 12. Severability. If any provision in this Continuing Disclosure Agreement, the Ordinance or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 13. Counterparts. This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14. Electronic Transactions. The parties agree that the arrangement described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 15. Governing Law. This Continuing Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of Missouri.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the City has caused this Continuing Disclosure Agreement to be executed as of the day and year first above written.

CITY OF BROOKFIELD, MISSOURI

By: _____

Name: _____

Title: _____

IN WITNESS WHEREOF, the Dissemination Agent has caused this Continuing Disclosure Agreement to be executed as of the day and year first above written.

SECURITY BANK OF KANSAS CITY, as
Dissemination Agent

By: _____
Title: _____

NOTICE OF FAILURE TO SUBMIT ANNUAL REPORT

Name of Issuer: City of Brookfield, Missouri (the “*City*”)

Name of Bond Issue: \$_____ aggregate principal amount of Junior Lien Combined Waterworks and Sewerage System Refunding and Improvement Revenue Bonds, Series 2019 (the “*Bonds*”)

Name of Obligated Persons: City

Date of Issuance: _____, 2019

NOTICE IS HEREBY GIVEN that the City has not submitted an Annual Report, with respect to the Bonds, as defined in and required by the Continuing Disclosure Agreement, dated as of September ___, 2019, between the City and Security Bank of Kansas City, as Dissemination Agent (the “*Dissemination Agent*”). [The City has informed the Dissemination Agent that the City anticipates that the Annual Report will be submitted by _____.]

Dated: _____, _____.

SECURITY BANK OF KANSAS CITY, as
Dissemination Agent on behalf of the City of
Brookfield, Missouri

cc: City of Brookfield, Missouri

APPENDIX E
FORM OF BOND COUNSEL OPINION

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by The City of Brookfield, Missouri (the “City”) of the above-referenced bonds (the “*Series 2019 Bonds*”) pursuant to the Constitution and statutes of the State of Missouri (the “*State*”) and an Ordinance adopted by the City on August __, 2019 (the “*Ordinance*”). The Series 2019 Bonds are being issued for the purpose of (i) currently refunding all of the City’s outstanding Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2012; and (ii) paying costs of issuance of the Series 2019 Bonds.

In our capacity as Bond Counsel, we have examined such law and such certified proceedings and other documents and materials as we deem necessary to enable us to render this opinion, including the following documents:

- (a) Ordinance;
- (b) Bond Purchase Agreement, dated as of September __, 2019 (the “*Bond Purchase Agreement*”);
- (c) Continuing Disclosure Agreement, dated as of September __, 2019, by and between the City and Security Bank of Kansas City (the “*Continuing Disclosure Agreement*”);
- (d) Federal Tax Certificate, dated as of _____, 2019 (the “*Tax Certificate*”); and
- (e) Official Statement of the City dated as of _____, 2019 (the “*Official Statement*”).

In making our examination of documents, we have assumed that the parties to such documents had the power to enter into and perform all obligations thereunder and have also assumed the due authorization by all requisite action and execution and delivery of such documents and that the documents above are valid and binding as to the parties. We have assumed the genuineness of all signatures on all documents examined by us, the authenticity of all documents submitted to us as originals and the conformity to authentic originals of all documents submitted to us as copies. We have assumed that such documents are enforceable against such parties in accordance with their terms and that the parties to such documents have complied and will comply with their obligations thereunder. In giving this opinion, we have relied upon the representations of the City and of the parties to the documents reviewed by us with respect to the accuracy of factual matters contained therein, which were not independently established.

As to questions of fact material to this opinion, we have relied upon the representations of the City and of the parties to the documents reviewed by us with respect to the accuracy of factual matters contained therein and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Series 2019 Bonds have been duly authorized, executed, and delivered by the City in accordance with the Constitution and laws of the State of Missouri and the Ordinance and, when duly authenticated and delivered by the Paying Agent, will be valid and binding limited obligations of the City payable in accordance with the Ordinance and will be entitled to the benefits and security of the Ordinance. Neither the Ordinance nor the Series 2019 Bonds constitute an indebtedness of the City or the State of Missouri or any political subdivision thereof within the meaning of any constitutional or statutory provision or limitation, and neither the full faith and credit nor the taxing power, if any, of the City is pledged to the payment of the Series 2019 Bonds.

2. The Ordinance, the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Tax Certificate, and the Official Statement have been duly authorized, executed (other than the Official Statement), and delivered by the City and are valid and legally binding obligations of the City enforceable upon the City in accordance with their respective terms.

3. The interest on the Series 2019 Bonds is excludable from gross income for federal and State income tax purposes. Such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In addition to the foregoing exceptions, the opinions set forth in this paragraph are subject to the condition that the City complies with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Series 2019 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal and State income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of these requirements may cause interest on the Series 2019 Bonds to be included in gross income for federal and State income tax purposes retroactive to the date of issuance of the Series 2019 Bonds. We express no opinion as to whether interest on the Series 2019 Bonds is exempt from the tax imposed on financial institutions pursuant to Chapter 148 of the Revised Statutes of Missouri, as amended. The Series 2019 Bonds have been designated “qualified tax-exempt obligations” under Section 265(b)(3) of the Code.

Except as stated in Paragraph 3 above, we express no opinion regarding any federal or Missouri tax consequences, including whether such income is exempt from the tax imposed on financial institutions pursuant to Chapter 148 of the Revised Statutes of Missouri, as amended, arising with respect to the Series 2019 Bonds.

With respect to our opinion that any document was duly executed and delivered, we note that we were not present at the execution and delivery of the original documents and that we have based our opinions with respect thereto solely on an examination of copies of the executed documents.

It is to be understood that the rights of the owners of the Series 2019 Bonds and the enforceability thereof and of the Ordinance may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium and other similar laws relating to or affecting creditors’ rights and by equitable principles, whether considered at law or in equity, and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

The foregoing opinions are also subject to the following assumptions, exceptions and qualifications:

A. We express no opinion with respect to (i) waivers of any constitutional, statutory or common law rights, (ii) ownership of or title to or description of any property, (iii) the creation, attachment, perfection or priority of any lien, pledge, mortgage or security interest, (iv) any law, rule or regulation relating to securities, tax (except as set forth in Paragraph 3 hereof), environmental, antitrust, maritime, hazardous materials, pensions or employee benefits, health or safety, (v) provisions relating to submission to

jurisdiction or agreeing to venue of a court, (vi) the enforceability of any agreement to arbitrate or any liquidated damages provisions, (vii) local laws, rules and regulations, including building codes, zoning or restrictive covenants, or (viii) patent, copyright, service mark, trade name or trademark rights. Insofar as the foregoing opinions relate to the validity and enforceability of any provision which is expressed to be governed by the laws of any jurisdiction other than the State, we have assumed that such provisions are legal, valid and binding under such laws (as to which we express no opinion).

B. Further, the opinions in this letter do not include any opinion as to the enforceability of (i) any waiver of jury trial, (ii) any choice of law provision, (iii) any limitation on the availability of a remedy under certain circumstances where another remedy has been elected, (iv) any limitation on the right of a creditor to use force or cause a breach of the peace in enforcing rights, (v) the sale or disposition of collateral which may not be commercially reasonable, (vi) any provisions which release, exculpate or exempt a party from, or require indemnification of a party for, liability for its own action or inaction, to the extent the action or inaction involves gross negligence, recklessness, willful misconduct or unlawful conduct, (vii) any rights to indemnification or contribution insofar as such rights may be limited or otherwise affected by limitations based on statutes, case law or public policy, or (viii) any severability provision.

C. For purposes of this opinion, we have assumed: (a) the legal capacity of all natural persons; (b) if any certificate or other document is dated as of a date prior to the date hereof, that the information contained in such certificate or other document is also true and correct on the date hereof; (c) the identity, capacity and authority of any person acting or purporting to act as a public official; (d) the accuracy and completeness of all information provided to us (in written form or by facsimile or electronic transmission) by offices of public records; (e) the correct procedure was carried out for the passing of any resolutions (for example proper notice was given, a quorum was present, etc.); (f) such resolutions remain in full force and effect; and (g) the information indicated by the documents submitted to us remains true and correct.

D. The opinions in this letter regarding the enforceability of any document or obligation are subject to (i) bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance, receivership, preferential transfer, liquidation and similar laws relating to or affecting rights and remedies of creditors generally, (ii) principles of equity, including, without limitation, applicable law relating to fiduciary duties and equitable remedies, including specific performance and injunctive relief (regardless of whether such enforceability is considered or applied in a proceeding in equity or at law), (iii) standards of good faith, fair dealing, course of dealing, course of performance, materiality and reasonableness that may be applied by a court, considerations of public policy and the exercise of judicial discretion, and (iv) federal or state securities laws and public policy considerations relating to indemnification or contribution. Furthermore, we express no opinion as to the enforceability of (i) any covenants or warranties regarding the exercise of rights without appropriate notice and hearing, (ii) any non-judicial sales rights other than the power of sale, (iii) any provision purporting to waive broadly or vaguely stated rights, unknown future defenses, rights to damages, or the benefits of other statutory, regulatory or constitutional rights that cannot be waived or, if they can be waived, cannot be waived prospectively or (iv) provisions that purport to waive any statute of limitations that may be applicable to the rights of any party under any document or that otherwise directly or indirectly purport to limit or tend to limit the time in which any judicial or administrative proceeding may be instituted.

E. No opinion is given or expressed, nor should any opinion be inferred or implied, as to (i) the financial ability of the City under or pursuant to the Series 2019 Bonds to meet or satisfy its obligations thereunder, and (ii) the compliance by the City or any other person or entity with applicable federal and state securities laws and/or regulations in connection with the transactions evidenced by the Series 2019 Bonds.

We have not been engaged or undertaken to review the accuracy, adequacy, completeness, or sufficiency of the Official Statement or other offering material relating to the Series 2019 Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto.

The opinions expressed herein are limited to the federal law of the United States of America and the laws of Missouri, and we express no opinion as to the laws of any other state or jurisdiction, including any local or municipal laws. In rendering our opinion, we have not considered, and hereby disclaim any opinion as to, the application or impact of any laws, cases, decisions, rules or regulations of any other jurisdiction, court or administrative agency.

We call to your attention the fact that our legal opinions are an expression of professional judgment and not a guarantee of result. Further, the opinions expressed herein are as of the date hereof only and are based on laws, orders, contract terms, and provisions and facts as of such date. By rendering this opinion, we do not undertake, and hereby disclaim any obligation, to update this opinion letter after such date or to advise you of any changes in law or fact stated or assumed herein that may occur or come to our attention after the date hereof.

This opinion is furnished only to you and is solely for your use and benefit in connection with the transactions described herein. Without our prior written consent, this opinion may not be used, quoted or otherwise referred to for any other purpose or relied upon by, or assigned to, any other person for any purpose, including any other person that seeks to assert your rights in respect of this opinion. We hereby consent to references to and inclusion of this opinion in the Preliminary Official Statement and the Official Statement relating to the Series 2019 Bonds.

Very Truly Yours,

Armstrong Teasdale LLP

APPENDIX F
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

APPENDIX G
SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY



MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

ISSUER: ISSUER_NAME, STATE_NAME

Policy No: _____

MEMBER: MEMBER_COMPANY,
STATE_NAME

Effective Date: _____

BONDS: \$ _____ in aggregate
principal amount of

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

Maximum Policy Limit: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above under the Security Documents, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

BAM will make payment as provided in this Policy to the Trustee or Paying Agent on the later of (i) the Business Day on which such principal and interest becomes Due for Payment and (ii) the first Business Day following the Business Day on which BAM shall have received a completed Notice of Nonpayment in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of this paragraph, and BAM shall promptly so advise the Trustee or Paying Agent who may submit an amended Notice of Nonpayment.

Payment by BAM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of BAM under this Policy. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, (a) BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond and (b) BAM shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Security Documents and Debt Service Reserve Agreement.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by and to the extent of any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (after taking into account the payment of interest and expenses) to BAM by or on behalf of the Issuer. Within three (3) Business Days of such reimbursement, BAM shall provide the Trustee or the Paying Agent with Notice of Reinstatement, in the form of Exhibit A attached hereto, and such reinstatement shall be effective as of the date BAM gives such notice.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the end of the Term of this Policy or (b) Bonds that are not outstanding under the Security Documents. If the amount payable under this Policy is also payable under another BAM issued policy insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall BAM incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other BAM issued insurance policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. **“Business Day”** means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as hereinafter defined) are authorized or required by law or executive order to remain closed. **“Debt Service Reserve Agreement”** means the Debt Service Reserve Agreement, if any, dated as of the effective date hereof, in respect of this Policy, as the same may be amended or supplemented from time to time. **“Due for Payment”** means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. **“Nonpayment”** means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. **“Notice”** means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. **“Owner”** means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. **“Policy Limit”** means the dollar

amount of the debt service reserve fund required to be maintained for the Bonds by the Security Documents from time to time (the “Reserve Account Requirement”), or the portion of the Reserve Account Requirement for the Bonds provided by this Policy as specified in the Security Documents or Debt Service Reserve Agreement, if any, but in no event shall the Policy Limit exceed the Maximum Policy Limit set forth above. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of or, if this Policy is only providing a portion of the Reserve Account Requirement, in the same proportion as, each reduction in the Reserve Account Requirement, as provided in the Security Documents or Debt Service Reserve Agreement. **“Security Documents”** means any resolution, ordinance, trust agreement, trust indenture, loan agreement and/or lease agreement and any additional or supplemental document executed in connection with the Bonds. **“Term”** means the period from and including the Effective Date until the earlier of (i) the maturity date for the Bonds and (ii) the date on which the Bonds are no longer outstanding under the Security Documents.

BAM may appoint a fiscal agent (the “Insurer’s Fiscal Agent”) for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer’s Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer’s Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer’s Fiscal Agent on behalf of BAM. The Insurer’s Fiscal Agent is the agent of BAM only, and the Insurer’s Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer’s Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy is being issued under and pursuant to and shall be construed under and governed by the laws of the State of New York, without regard to conflict of law provisions.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE
COMPANY

By: _____
Authorized Officer

SPECIMEN

Schedule

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

EXHIBIT A

NOTICE OF REINSTATEMENT

[DATE]

[TRUSTEE][PAYING AGENT]
[INSERT ADDRESS]

Reference is made to the Municipal Bond Debt Service Reserve Insurance Policy, Policy No. _____ (the “Policy”), issued by Build America Mutual Assurance Company (“BAM”). The terms which are capitalized herein and not otherwise defined shall have the meanings specified in the Policy.

BAM hereby delivers notice that it is in receipt of payment from the [Issuer], or on its behalf, pursuant to the Security Documents or Debt Service Reserve Agreement, if any, and, as of the date hereof, the Policy Limit is \$_____, subject to reduction as the Reserve Account Requirement for the Bonds is reduced in accordance with the terms set forth in the Security Documents.

BUILD AMERICA MUTUAL ASSURANCE
COMPANY

By: _____

Name:

Title: