
TRANSCRIPT OF PROCEEDINGS

AUTHORIZING THE ISSUANCE

OF

**\$7,740,000
CITY OF GLADSTONE, MISSOURI
CERTIFICATES OF PARTICIPATION
SERIES 2020A**

Legal Opinion:

**Armstrong Teasdale LLP
Kansas City, Missouri**

\$7,740,000
CITY OF GLADSTONE, MISSOURI
CERTIFICATES OF PARTICIPATION
SERIES 2020A

Closing Date: November 5, 2020

CLOSING LIST

Document
No.

BASIC DOCUMENTS:

1. Lease Purchase Agreement.
2. Declaration of Trust.
3. Tax Compliance Agreement, with Form 8038 attached.
4. Specimen Certificates of Participation.
5. Continuing Disclosure Undertaking.
6. Preliminary Official Statement and Notice of Sale.
7. Official Statement.
8. Bid Documents.

DOCUMENTS DELIVERED BY THE CITY:

9. City's Closing Certificate with the following items attached:
 - A. Minutes of Meeting of the City Council.
 - B. Notice of Meeting of City Council.
 - C. Ordinance of the City Council approving the transaction and authorizing the execution of the City Documents.

DOCUMENTS DELIVERED BY THE TRUSTEE:

10. Trustee's Closing Certificate and Receipt for Purchase Price.

MISCELLANEOUS:

11. Underwriters' Receipt for Certificates and Closing Certificate.

**Document
No.**

- 12. Closing Memorandum.
- 13. UCC-1 Financing Statement.

LEGAL OPINIONS:

- 14. A. Approving Opinion of Special Counsel.
B. Supplemental Opinion of Special Counsel.

* * *

LEASE PURCHASE AGREEMENT

between

SECURITY BANK OF KANSAS CITY

and

THE CITY OF GLADSTONE, MISSOURI

Dated as of November 1, 2020

\$7,740,000

**CITY OF GLADSTONE, MISSOURI
CERTIFICATES OF PARTICIPATION
SERIES 2020A**

TABLE OF CONTENTS
LEASE PURCHASE AGREEMENT

PAGE

ARTICLE I

DEFINITIONS

Section 1.01.	Definitions	1
Section 1.02.	Rules of Construction	4
Section 1.03.	Execution of Counterparts	4
Section 1.04.	Severability	4
Section 1.05.	Governing Law	5

ARTICLE II

REPRESENTATIONS

Section 2.01.	Representations of the City	5
---------------	-----------------------------------	---

ARTICLE III

DEMISING OF THE PROPERTY; LEASE TERM

Section 3.01.	Lease of Leased Property	6
Section 3.02.	Lease Term.....	6
Section 3.03.	Continuation of Lease Term by the City	6
Section 3.04.	Nonappropriation	6
Section 3.05.	Enjoyment of Leased Property.....	7
Section 3.06.	Inspection.....	7

ARTICLE IV

RENT

Section 4.01.	Basic Rent	7
Section 4.02.	Supplemental Rent.....	7
Section 4.03.	Rent Payments to Constitute a Current Expense and Limited Obligation of the City	8
Section 4.04.	Advances.....	8
Section 4.05.	Credit against Basic Rent Payment Obligation.....	8
Section 4.06.	Net Lease; Rent Payments to be Unconditional.....	8
Section 4.07.	Compensation of the Trustee	9
Section 4.08.	Increased Basic Rent.....	9

ARTICLE V

ACQUISITION AND INSTALLATION OF THE PROJECT

Section 5.01.	Acquisition and Installation	9
Section 5.02.	Payment for the Project.....	10
Section 5.03.	Completion Date; Excess Funds	11
Section 5.04.	Warranties	11
Section 5.05.	DISCLAIMER OF WARRANTIES	11
Section 5.06.	Deficiency of Project Fund	11

ARTICLE VI

IMPOSITIONS

Section 6.01.	Impositions.....	12
Section 6.02.	Contest of Impositions	12

ARTICLE VII

INSURANCE; INDEMNITY

Section 7.01.	Insurance Required	12
Section 7.02.	Enforcement of Contract and Surety Bonds	13
Section 7.03.	Release and Indemnification.....	14

ARTICLE VIII

COVENANTS OF THE CITY

Section 8.01.	Maintenance and Modification of Leased Property by the City	14
Section 8.02.	Tax Covenants.....	15
Section 8.03.	The City's Continuing Existence	15

ARTICLE IX

CASUALTY AND CONDEMNATION

Section 9.01.	Damage, Destruction and Condemnation	15
Section 9.02.	Insufficiency of Net Proceeds	16
Section 9.03.	Eminent Domain	16

ARTICLE X

OPTION TO PURCHASE; PARTIAL PREPAYMENT

Section 10.01. Purchase Option.....	16
Section 10.02. Partial Prepayment.....	17
Section 10.03. Determination of Fair Rent and Purchase Price.....	17

ARTICLE XI

ASSIGNMENT

Section 11.01. Assignment and Subleasing by the City	17
--	----

ARTICLE XII

EVENTS OF DEFAULT

Section 12.01. Events of Default Defined	18
Section 12.02. Remedies on Default.....	18
Section 12.03. No Remedy Exclusive	19

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Notices	19
Section 13.02. Title to Leased Property	19
Section 13.03. Personal Property	19
Section 13.04. Binding Effect.....	20
Section 13.05. Amendments, Changes and Modifications	20
Section 13.06. Electronic Transaction	20

Signatures.....	S-1
-----------------	-----

Schedule 1 - Description of the Leased Property

Schedule 2 – Description of the Project

Exhibit A - Schedule of Basic Rent Payments and Purchase Price

LEASE PURCHASE AGREEMENT

THIS LEASE PURCHASE AGREEMENT (the “**Lease**”), dated as of November 1, 2020, is entered into between **SECURITY BANK OF KANSAS CITY**, a state banking corporation organized and existing under the laws of the State of Kansas, as trustee (the “**Trustee**”), and the **CITY OF GLADSTONE, MISSOURI**, a third class city and political subdivision organized and existing under the laws of the State of Missouri (the “**City**”).

WITNESSETH:

WHEREAS, concurrently herewith the Trustee and the City are entering into a Declaration of Trust (as hereinafter defined) pursuant to which the Trustee will initially execute and deliver a series of Certificates (as defined in the Declaration of Trust) the proceeds of which will be used to provide the funds to (1) pay the costs of the acquisition and installation of certain improvements and equipment (the “**Project**”) described on **Schedule 2**, and (2) pay certain costs connected to the execution and delivery of the Certificates; and

WHEREAS, the Trustee desires to lease a portion of the Project (the “**Leased Property**”) described on **Schedule 1** to the City, all subject to the terms and conditions and for the purposes set forth in this Lease; and

WHEREAS, the City is authorized under the constitution and laws of the State of Missouri to enter into this Lease for the purposes set forth herein.

NOW, THEREFORE, for and in consideration of the premises hereinafter contained, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. In addition to any words and terms defined elsewhere in this Lease, capitalized words and terms as used in this Lease shall have the meanings given to such words and terms in the Declaration of Trust granted by the Trustee, as trustee and the City. Unless the context otherwise specifically requires or indicates to the contrary, the following terms as used in this Lease shall have the following meanings:

“**Available Revenues**” means, for any Fiscal Year, any balances of the City from previous Fiscal Years encumbered to pay Rent, amounts budgeted or appropriated by the City for such Fiscal Year plus any unencumbered balances of the City from previous Fiscal Years that are legally available to pay Rent during such Fiscal Year, plus all moneys and investments, including earnings thereon, held by the Trustee pursuant to the Declaration of Trust.

“**Basic Rent**” means the Basic Rent Payments comprised of a Principal Portion and an Interest Portion as set forth on **Exhibit A**, as **Exhibit A** may be revised as provided in **Section 3.09** of the Declaration of Trust and **Section 4.08** herein.

“Basic Rent Payment” means a payment of Basic Rent.

“Basic Rent Payment Date” means each March 1, and September 1 during the Lease Term, commencing on March 1, 2021.

“Business Day” means a day other than (a) a Saturday or Sunday, or (b) a day on which banks located in any city in which the principal corporate trust office of the Trustee or any paying agent is located are required or authorized by law to remain closed.

“Certificates” means the Series 2020A Certificates and any Additional Certificates.

“City” means the City of Gladstone, Missouri, a third-class city and political subdivision duly created, organized and existing under and by virtue of the laws of the State of Missouri, and its successors.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“Completion Certificate” means the certificate of the City given in accordance with **Section 5.03**.

“Completion Date” means the date of completion of the installation of the Project as that date shall be certified as provided in **Section 5.03**.

“Contract” means one of any agreements between the City and various parties, if any, providing for the acquisition and installation of various portions of the Project.

“Costs of the Project” means all reasonable or necessary expenses related or incidental to the acquisition and installation of the Project, including the expenses of studies, engineering services, legal and other special services and all other necessary and incidental expenses, including without limitation costs related to the issuance of the Certificates.

“Declaration of Trust” means the Declaration of Trust dated as of November 1, 2020, entered into between the City and the Trustee, as the same may from time to time be amended or supplemented in accordance with its terms.

“Event of Default” means an Event of Default as described in **Section 12.01**.

“Event of Nonappropriation” means an Event of Nonappropriation as described in **Section 3.04**.

“Fiscal Year” means the fiscal year of the City, currently the twelve-month period beginning July 1.

“Funds” means the Funds as defined in the Declaration of Trust.

“Government Obligations” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are

fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, which obligations are rated in the highest rating category by a nationally recognized rating service and such obligations are held in a custodial account for the benefit of the City.

“Interest Portion” means the portion of each Basic Rent Payment that represents the payment of interest as set forth on **Exhibit A**.

“Lease” means this Lease Purchase Agreement, dated as of November 1, 2020, between the Trustee, as lessor, and the City, as lessee, as amended and supplemented from time to time in accordance with its terms.

“Lease Revenue Fund” means the Lease Revenue Fund as defined in the Declaration of Trust.

“Lease Term” means the Original Term and all Renewal Terms.

“Leased Property” means the improvements described on **Schedule 1**, including any modifications, additions, improvements, replacements or substitutions thereto or therefor.

“Net Proceeds” means the amount remaining from the gross proceeds of any insurance claim, condemnation award or sale under threat of condemnation after deducting all reasonable expenses, including attorneys’ fees, incurred in the collection thereof.

“Original Term” means the period from the delivery of this Lease until the end of the Fiscal Year then in effect.

“Principal Portion” means the principal portion of the Basic Rent Payments as set forth in **Exhibit A**.

“Project” means the improvements described on **Schedule 2**, including any modifications, additions, improvements, replacements or substitutions thereto or therefor.

“Purchase Price” means the amount designated as such in **Article X** that the City shall pay to the Trustee to purchase the Trustee’s interest in the Leased Property.

“Purchaser” means First Bankers’ Banc Securities, Inc., St. Louis, Missouri, the original purchaser of the Certificates.

“Renewal Term” means each renewal term of this Lease, each having a duration of one year and a term coextensive with then current Fiscal Year as provided in **Section 3.02**, except that the last possible Renewal Term shall end on March 1, 2040.

“Rent” means, collectively, Basic Rent and Supplemental Rent.

“Rent Payment” means a payment of Rent.

“Special Counsel” means Armstrong Teasdale LLP, or any other attorney or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds or other obligations issued by states and political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America.

“State” means the State of Missouri.

“Supplemental Declaration of Trust” means any amendment or supplement to the Declaration of Trust entered pursuant to **Article VIII** of the Declaration of Trust.

“Supplemental Lease” means any amendment or supplement to the Lease entered pursuant to **Section 13.05** herein.

“Supplemental Rent” means all amounts due hereunder other than Basic Rent.

“Supplemental Rent Payment” means a payment of Supplemental Rent.

Section 1.02. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words importing the singular number shall include the plural and vice versa, and words importing person shall include firms, associations and corporations, including public bodies, as well as natural persons.

The words “herein,” “hereby,” “hereunder,” “hereof,” “hereto,” “hereinbefore,” “hereinafter” and other equivalent words refer to this Lease and not solely to the particular article, section, paragraph or subparagraph hereof in which such word is used.

Reference herein to a particular article, section, exhibit, schedule or appendix shall be construed to be a reference to the specified article or section hereof or exhibit, schedule or appendix hereto unless the context or use clearly indicates another or different meaning or intent.

Whenever an item or items are listed after the words “including,” such listing is not intended to be a listing that excludes items not listed.

The section and article headings herein are for convenience only and in no way define, limit or describe the scope or intent of any of the provisions hereof.

Section 1.03. Execution of Counterparts. This Lease may be executed simultaneously in two or more counterparts, each of which shall be deemed to be an original, and all of which together shall constitute but one and the same instrument. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed 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 1.04. Severability. If any provision of this Lease shall be held or deemed to be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or

circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or sections in this Lease contained shall not affect the remaining portions of this Lease, or any part thereof.

Section 1.05. Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State.

ARTICLE II

REPRESENTATIONS

Section 2.01. Representations of the City. The City represents and warrants, as of the date of delivery hereof, as follows:

(a) The City is a third-class city and political subdivision duly created, organized and existing under and by virtue of the laws of the State with full power and authority to enter into this Lease and the transactions contemplated thereby and hereby and to perform all of its obligations thereunder and hereunder;

(b) The City has full power and authority to enter into the transactions contemplated by this Lease and has been duly authorized to execute and deliver this Lease by proper action by its governing body. This Lease is a valid, legal and binding obligation of the City enforceable in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws and equitable principles affecting creditor's rights generally;

(c) The lease of the Leased Property by the Trustee to the City, as provided in this Lease, is necessary, desirable, in the public interest and consistent with the permissible scope of the City's authority. The City hereby declares its current need for the Leased Property and its current expectation that it will continue to need and use the Leased Property for the maximum Lease Term;

(d) The City's financial statements that have been used in connection with any offering of the Certificates present fairly, in accordance with accounting principles generally accepted in the United States and applicable regulations consistently applied throughout the periods involved, the financial position of the City as at their respective dates and the revenues and expenses and changes in fund balances for the periods covered thereby;

(e) Neither the execution and delivery of this Lease, nor the fulfillment of or compliance with the terms and conditions thereof or hereof, nor the consummation of the transactions contemplated thereby or hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is a party or by which the City is bound;

(f) There is no proceeding pending or threatened in any court or before any governmental authority or arbitration board or tribunal challenging the validity of the proceedings

of the governing body of the City authorizing this Lease or the power or authority of the City to enter into this Lease or the validity or enforceability of this Lease or which, if adversely determined, would adversely affect the transactions contemplated by this Lease or the interest of the Trustee under this Lease;

(g) The City has not made, done, executed or suffered, and warrants that it will not make, do, execute or suffer, any act or thing whereby the City's interests in any property now or hereafter included in the Leased Property shall be or may be impaired, changed or encumbered in any manner whatsoever, except as contemplated by this Lease;

(h) No event or condition that constitutes, or with the giving of notice or the lapse of time or both would constitute, an Event of Default exists;

(i) Upon completion, the Project will be structurally sound and in compliance with all applicable building and design codes and the City's requirements; and

(j) The City has complied or will comply with any public bidding requirements that may be applicable to this Lease and the acquisition and installation of the Project.

ARTICLE III

DEMISING OF THE PROPERTY; LEASE TERM

Section 3.01. Lease of Leased Property. The Trustee hereby demises, leases and lets to the City, and the City rents, leases and hires from the Trustee, the Leased Property in accordance with this Lease for the Lease Term.

Section 3.02. Lease Term. The Original Term of this Lease shall terminate the last day of the current Fiscal Year. The Lease Term may be continued, solely at the option of the City, at the end of the Original Term or any Renewal Term for an additional one year, provided that the final Renewal Term shall not extend beyond March 1, 2040. At the end of the Original Term and at the end of each Renewal Term, unless the City has terminated this Lease pursuant to **Sections 3.04** or **10.01** and for no other reason, the City shall be deemed to have exercised its option to continue this Lease for the next Renewal Term. The terms and conditions during any Renewal Term shall be the same as the terms and conditions during the Original Term, except for any difference in the Rent as provided on **Exhibit A**.

Section 3.03. Continuation of Lease Term by the City. The City reasonably believes that legally available funds in an amount sufficient to make all payments of Rent during the Original Term and each of the Renewal Terms can be obtained. The City further covenants that its responsible financial officer shall do all things lawfully within his or her power to obtain and maintain funds from which the Rent may be paid, including making provision for such payments to the extent necessary in each proposed budget or appropriation request submitted for adoption in accordance with applicable provisions of law and to exhaust all available reviews and appeals in the event such portion of the budget or appropriation request is not approved. Notwithstanding the foregoing, the decision to budget and appropriate funds or to extend this Lease for any Renewal Term is to be made in accordance with the City's normal procedures for such decisions by then current governing body of the City.

Section 3.04. Nonappropriation. The City is obligated only to pay periodic payments under this Lease as may lawfully be made from Available Revenues. If an Event of Nonappropriation occurs, this Lease shall be deemed terminated at the end of then current Original Term or Renewal Term. An Event of Nonappropriation shall be deemed to have occurred if the City fails to budget, appropriate or otherwise provide for sufficient funds to pay Basic Rent and any reasonably anticipated Supplemental Rent to come due during the immediately following Renewal Term. The City agrees to deliver notice to the Trustee of such termination at least 90 days prior to the end of then current Original Term or Renewal Term, but failure to give such notice shall not extend the term beyond such Original Term or Renewal Term. If this Lease is terminated in accordance with this Section, the City agrees peaceably to transfer and surrender possession of the Leased Property to the Trustee.

Section 3.05. Enjoyment of Leased Property. The Trustee shall provide the City during the Lease Term with quiet use and enjoyment of the Leased Property, and the City shall during the Lease Term peaceably and quietly have, hold and enjoy the Leased Property, without suit, trouble or hindrance from the Trustee, except as expressly set forth in this Lease. The City shall have the right to use the Leased Property for any essential governmental or proprietary purpose of the City, subject to the limitations contained in this Lease.

Notwithstanding any other provision in this Lease, the Trustee shall have no responsibility to cause the Leased Property to be acquired or installed or to maintain or repair the Leased Property. The City shall comply with all statutes, laws, ordinances, orders, judgments, decrees, regulations, directions and requirements of all federal, state, local and other governments or governmental authorities, now or hereafter applicable to the Leased Property, as to the manner and use or the condition of the Leased Property. The City shall also comply with the mandatory requirements, rules and regulations of all insurers under the policies required to be carried by the provisions of **Article VII**. The City shall pay all costs, expenses, claims, fines, penalties and damages that may in any manner arise out of, or be imposed as a result of, the failure of the City to comply with the provisions of this Section. Notwithstanding any provision contained in this Section, however, the City shall have the right, at its own cost and expense, to contest or review by legal or other appropriate procedures the validity or legality of any such governmental statute, law, ordinance, order, judgment, decree, regulation, direction or requirement, or any such requirement, rule or regulation of an insurer and during such contest or review, the City may refrain from complying therewith, if the City furnishes, on request, to the Trustee, at the City's expense, indemnity satisfactory to the Trustee.

Section 3.06. Inspection. The Trustee and its agents shall have the right at all reasonable times and with reasonable notice during business hours to enter into and upon the property on which the Leased Property is located for the purpose of inspecting the Leased Property.

ARTICLE IV

RENT

Section 4.01. Basic Rent. The City shall promptly pay all Basic Rent, subject to **Sections 3.04** and **4.03**, in lawful money of the United States of America on each Basic Rent Payment Date in such amounts as are described on **Exhibit A**. A portion of each Basic Rent Payment is paid as, and represents payment of, interest as set forth on **Exhibit A** (said interest to be attributable to the various principal components in accordance with the per annum rates set forth on **Exhibit A**).

To provide for the timely payment of Basic Rent, the City shall pay to the Trustee for deposit in the Lease Revenue Fund not less than five Business Days before each Basic Rent Payment Date, the amount due on such Basic Rent Payment Date.

The City will, in accordance with the requirements of law and its normal budgeting procedures, fully budget and appropriate sufficient funds for the current Fiscal Year to make the Rent Payments scheduled to come due during the Original Term, and to meet its other obligations for the Original Term, and such funds will not be expended for other purposes.

Section 4.02. Supplemental Rent. The City shall pay, subject to **Sections 3.04** and **4.03**, as Supplemental Rent (a) all Impositions (as defined in **Article VI**); (b) all amounts required under **Sections 4.04** or **4.06** and all other payments of whatever nature which the City has agreed to pay or assume under this Lease; (c) all expenses, including attorneys' fees and expenses to the extent permitted by law, incurred in connection with the enforcement of any rights under this Lease by the Trustee; (d) all fees, charges and expenses of the Trustee as further provided in **Section 4.07**; and (e) any payments required to be made pursuant to the Arbitrage Instructions. Amounts required to be paid under this Section shall be paid directly to the person or entity owed.

Section 4.03. Rent Payments to Constitute a Current Expense and Limited Obligation of the City. NOTWITHSTANDING ANY OTHER PROVISION HEREOF, THE TRUSTEE AND THE CITY UNDERSTAND AND INTEND THAT THE OBLIGATION OF THE CITY TO PAY RENT HEREUNDER BE LIMITED TO PAYMENT FROM AVAILABLE REVENUES AND SHALL CONSTITUTE A CURRENT EXPENSE OF THE CITY AND SHALL NOT IN ANY WAY BE CONSTRUED TO BE A DEBT OF THE CITY IN CONTRAVENTION OF ANY APPLICABLE CONSTITUTIONAL OR STATUTORY LIMITATION OR REQUIREMENT CONCERNING THE CREATION OF INDEBTEDNESS BY THE CITY, NOR SHALL ANYTHING CONTAINED HEREIN CONSTITUTE A PLEDGE OF THE GENERAL TAX REVENUES, FUNDS OR MONEYS OF THE CITY, AND ALL PROVISIONS OF THIS LEASE SHALL BE CONSTRUED SO AS TO GIVE EFFECT TO SUCH INTENT.

Section 4.04. Advances. In the event the City shall fail to keep the Leased Property in good repair, the Trustee may, but shall be under no obligation to, maintain and repair the Leased Property and pay the cost thereof. All amounts so advanced by the Trustee shall constitute Supplement Rent for the then current Original Term or Renewal Term, and the City covenants and agrees to pay such amounts so advanced by the Trustee with interest thereon from the due date until paid at the Trustee's current prime rate plus 2% per annum or the maximum amount permitted by law, whichever is less. In accordance with Section 427.120 of the Revised Statutes of Missouri, unless the City provides evidence of the insurance coverage required by this Lease, the Trustee may purchase insurance at the City's expense to protect the Trustee's interests hereunder. This insurance may, but need not, protect the City's interests. The coverage that the Trustee may purchase may not pay any claim that the City may make or any claim that may be made against the City in connection with the Leased Property. The City may later cancel any insurance purchased by the Trustee, but only after providing evidence that the City has obtained insurance as required by this Lease. If the Trustee purchases insurance for the Leased Property, the City will be responsible for the costs of that insurance, including the insurance premium, interest and any other charges the Trustee may impose in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance will be added as Supplemental Rent. The costs of the insurance may be more than the cost of insurance the City may be able to obtain on its own.

Section 4.05. Credit against Basic Rent Payment Obligation. The City shall receive credit against its obligation to pay the Interest Portion or Principal Portion of Basic Rent to the extent moneys are on deposit in the Lease Revenue Fund and are available to pay the Interest Portion or the Principal Portion of Basic Rent represented by the Certificates.

Section 4.06. Net Lease; Rent Payments to be Unconditional. THIS LEASE IS INTENDED TO BE NET, NET, NET TO THE TRUSTEE, SUBJECT TO **SECTIONS 3.04, 4.03 AND 4.05**, AND THE OBLIGATIONS OF THE CITY TO MAKE PAYMENT OF THE RENT PAYMENTS AND TO PERFORM AND OBSERVE THE OTHER COVENANTS AND AGREEMENTS CONTAINED HEREIN SHALL BE ABSOLUTE AND UNCONDITIONAL IN ALL EVENTS WITHOUT ABATEMENT, DIMINUTION, DEDUCTION, SETOFF OR DEFENSE, FOR ANY REASON, INCLUDING ANY FAILURE OF THE PROJECT TO BE CONSTRUCTED OR INSTALLED, ANY DEFECTS, MALFUNCTIONS, BREAKDOWNS OR INFIRMITIES IN THE PROJECT OR ANY ACCIDENT, CONDEMNATION OR UNFORESEEN CIRCUMSTANCES.

Nothing in this Lease shall be construed as a waiver by the City of any rights or claims the City may have against the Trustee under this Lease or otherwise, but any recovery upon such rights and claims shall be from the Trustee separately, it being the intent of this Lease that the City shall be unconditionally and absolutely obligated to perform fully all of its obligations, agreements and covenants under this Lease, including its obligation to pay Basic Rent and Supplemental Rent. The City may, however, at its own cost and expense and in its own name or in the name of the Trustee, prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect its right of possession, occupancy and use hereunder, and in such event the Trustee hereby agrees, subject to receipt by the Trustee of satisfactory indemnity in accordance with **Section 11.03** of the Declaration of Trust, to cooperate fully with the City and to take all action necessary to effect the substitution of the City for the Trustee in any such action or proceeding if the City shall so request.

Section 4.07. Compensation of the Trustee. The City shall, from time to time, upon the written request of the Trustee, (a) pay to the Trustee reasonable compensation for its services as agreed to by the City and the Trustee from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and (b) reimburse the Trustee for all reasonable advances, fees, charges and expenditures, including but not limited to, advances to and reasonable fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys or other experts employed by it in the exercise and performance of its powers and duties hereunder. Compensation under this Section (except that the initial fee is to be paid on the delivery date of the Series 2020A Certificates) is to be paid as Supplemental Rent as set forth in **Section 4.02**. The Trustee will have a first lien against the Trust Estate for its reasonable costs, fees, expenses and advancements hereunder.

Section 4.08. Increased Basic Rent. Notwithstanding any other provision of this Lease, the Trustee and the City may enter into a Supplemental Lease or Supplemental Leases that increase the amount of Basic Rent payable by the City on any Basic Rent Payment Date in connection with any Additional Certificates issued under the Declaration of Trust, including any supplement thereto. Each such Supplemental Lease will include an amended **Exhibit A** reflecting separately the Principal Portion and the Interest Portion of Basic Rent allocable to the original Lease and to each Supplemental Lease due on each Basic Rent Payment Date as well as the total Basic Rent due on each Basic Rent Payment Date.

ARTICLE V
ACQUISITION AND INSTALLATION
OF THE PROJECT

Section 5.01. Acquisition and Installation. The City represents, warrants, covenants and agrees as follows:

(a) It has entered into or will enter into Contracts providing for the acquisition and installation of the Leased Property in accordance with the plans and specifications or will acquire and install the Leased Property with City employees in accordance with the plans and specifications;

(b) It will cause the acquisition and installation of the Project to be completed with all reasonable dispatch in accordance with the applicable provisions of this Lease;

(c) All Contracts entered into or to be entered into by the City relating to such work shall be in accordance with all applicable requirements of the laws of the State and shall have the performance bonds required by **Section 7.01(d)**;

(d) It has obtained or shall obtain all necessary or required permits, licenses, consents and approvals that are material for the purchase, installation, operation and maintenance of the Project and shall comply with all lawful requirements of any governmental body regarding the use or condition of the Project, whether existing or later enacted or foreseen or unforeseen or whether involving any change in governmental policy or requiring structural or other change to the Project and irrespective of the cost of so complying;

(e) It will pay all fees, costs and expenses incurred in completing the Project or, to the extent there are moneys in the Project Fund available therefor, will request the Trustee to make such payments from the Project Fund in the manner hereinafter and in the Declaration of Trust provided;

(f) It will ask, demand, sue for and use its best efforts to recover and receive such sums of money, debts or other demand to which it may be entitled under any contract, order, receipt, guaranty, warranty, writing or instruction in connection with the purchase and installation of the Project; and

(g) It will use its best efforts, to the extent economically reasonable, to enforce the provisions of any contract, agreement, obligation, bond or other security in connection therewith, and any such amounts received in connection with the foregoing, after deduction of expenses incurred in recovering such amounts, for payment to the Trustee for deposit in the Project Fund if the Completion Date has not occurred or for deposit in the Lease Revenue Fund if the Completion Date has occurred.

If the purchase and installation of the Project or any portion thereof is delayed or fails to occur for any reason, there shall be no diminution in or postponement of the payments to be made by the City hereunder.

The Trustee is not the agent or representative of the City, and the City is not the agent of the Trustee, and this Lease shall not be construed to make the Trustee liable to materialmen, contractors, subcontractors, craftsmen, laborers or others for goods or services delivered by them in connection with the Project, or for debts or claims accruing to the aforesaid parties against the City. This Lease shall not create any contractual relation either expressed or implied between the Trustee and any materialmen, contractors, subcontractors, craftsmen, laborers or any other person supplying any work, labor or materials in connection with the Project. Notwithstanding anything herein or in the Declaration of Trust to the contrary, during the Lease Term, the Trustee shall not be deemed to exercise control over or be an operator or owner of the Project and shall not be responsible or liable for the operation, use and maintenance of the Project.

Section 5.02. Payment for the Project. Costs and expenses of every nature incurred in the acquisition and installation of the Project that qualify as Costs of the Project shall be paid by the Trustee from the Project Fund upon receipt by the Trustee of a completed request of the City signed by the Authorized Representative of the City and containing the statements, representations and certifications set forth in the form of such request attached to the Declaration of Trust as **Exhibit B**.

In making disbursements for Costs of the Project, the Trustee shall be entitled to conclusively rely upon each written requisition certificate executed by the Authorized Representative of the City without inquiry or investigation. It is understood that the Trustee shall *not* make any inspections of the Project nor any improvements thereon, make any provision to obtain completion bonds, mechanic's or materialmen's lien releases or otherwise supervise any phase of the acquisition or installation of the Project. The approval of each requisition certificate by the Authorized Representative of the City shall constitute unto the Trustee an irrevocable determination that all conditions precedent to the payment of the specified amounts from the Project Fund have been completed.

Section 5.03. Completion Date; Excess Funds. The Completion Date shall be evidenced to Trustee upon receipt by the Trustee of a certificate signed by the Authorized Representative of the City (the "**Completion Certificate**") stating (a) the date on which the installation of the Project was substantially completed, (b) that all other facilities necessary in connection with the Project have been purchased and installed, (c) that the Project and such other facilities have been purchased and installed in accordance with the plans and specifications therefor and in conformance with all applicable zoning, planning, building, environmental and other similar governmental regulations, (d) that, except for Costs of the Project described in accordance with clause (e), all Costs of the Project have been paid, and (e) the amounts, if any, to be retained in the Project Fund for the payment of Costs of the Project, if any, not yet due or Costs of the Project whose liability the City is contesting, and amounts that otherwise should be retained and the reasons they should be retained. The Completion Certificate may state that it is given without prejudice to any rights of the City that then exist or may subsequently come into being against third parties. Any amounts remaining in the Project Fund that are not needed to pay any remaining Costs of the Project shall be transferred to the Lease Revenue Fund.

Section 5.04. Warranties. The Trustee hereby assigns to the City for and during the Lease Term, all of its interest in all warranties, guarantees or other contract rights against any architect, contractor, subcontractor or supplier, expressed or implied, issued on or applicable to the Project, and the Trustee hereby authorizes the City to obtain the customary services furnished in connection with such warranties, guarantees or other contract rights at the City's expense. The City's sole remedy for the breach of such warranties, guarantees or other contract rights shall be against any architect, contractor, subcontractor or supplier, and not against the Trustee, nor shall such matter have any effect whatsoever on the rights of the Trustee with respect to this Lease, including the right to receive full and timely Basic

Rent Payments and Supplemental Rent Payments. The City expressly acknowledges that the Trustee does not make nor has it made any representation or warranty whatsoever as to the existence or availability of such warranties, guarantees or other contract rights of the manufacturer or supplier of any portion of the Project.

Section 5.05. DISCLAIMER OF WARRANTIES. THE TRUSTEE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE PROJECT OR ANY PART THEREOF, OR WARRANTY WITH RESPECT THERETO. IN NO EVENT SHALL THE TRUSTEE BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGE IN CONNECTION WITH OR ARISING OUT OF THIS LEASE OR THE EXISTENCE, FURNISHING, FUNCTIONING OR THE CITY'S USE OF THE PROJECT OR ANY PART THEREOF.

Section 5.06. Deficiency of Project Fund. If the Project Fund shall be insufficient to pay fully all Costs of the Project and to complete fully the Project lien free, the City shall pay, in cash, the full amount of any such deficiency by making payments directly to the contractors and to the suppliers of materials and services as the same shall become due. The Trustee is not obligated to pay and shall not be responsible for any such deficiency, and the City shall save the Trustee whole and harmless from any obligation to pay such deficiency.

ARTICLE VI

IMPOSITIONS

Section 6.01. Impositions. The City shall bear, pay and discharge, before the delinquency thereof, as Supplemental Rent, all taxes and assessments, general and special, if any, which may be lawfully taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the Leased Property, including any taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and further including all water and sewer charges, assessments and other general governmental charges and impositions whatsoever, foreseen or unforeseen, which if not paid when due would impair the security of the Trustee or encumber the Leased Property (all of the foregoing being herein referred to as "**Impositions**").

Section 6.02. Contest of Impositions. The City shall have the right, in its own name or in the Trustee's name, to contest the validity or amount of any Imposition which the City is required to bear, pay and discharge pursuant to the terms of this Article by appropriate legal proceedings instituted at least ten days before the Imposition complained of becomes delinquent and may permit the Imposition so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Trustee shall notify the City that, in the opinion of counsel, by nonpayment of any such items the interest of the Trustee in the Leased Property will be endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Trustee with full security against any loss which may result from nonpayment in form satisfactory to the Trustee. The Trustee agrees to cooperate with the City in connection with any and all administrative or judicial proceedings related to Impositions. The City shall hold the Trustee whole and harmless from any costs and expenses the Trustee may incur with respect to any Imposition.

ARTICLE VII

INSURANCE; INDEMNITY

Section 7.01. Insurance Required. The City shall, during the Lease Term, cause the Leased Property to be kept continuously insured against such risks customarily insured against for facilities such as the Leased Property and shall pay (except as otherwise provided herein), as the same become due, all premiums in respect thereof, such insurance to include the following policies of insurance:

(a) Insurance insuring the Leased Property against loss or damage by fire, lightning and all other risks covered by the extended coverage insurance endorsement then in use in the State in an amount not less than the greater of the Principal Portion of the Certificates then Outstanding or the replacement value of the Leased Property and issued by such insurance company or companies authorized to do business in the State as may be selected by the City. The policy or policies of such insurance shall name the City and the Trustee as insureds, as their respective interests may appear. All proceeds from such policies of insurance shall be applied as provided in **Article IX**;

(b) Comprehensive general accident and public liability insurance (including coverage for all losses whatsoever arising from the ownership, maintenance, operation or use of any automobile, truck or other motor vehicle), under which the City and the Trustee are named as insureds, in amounts equal to the City's customary insurance practice for bodily injury (including death) but in no event less than the limitation on awards for liability in effect from time to time under Section 537.610, R.S.Mo., and for property damage arising out of or in any way relating to the condition or the operation of the Leased Property (subject to reasonable loss deductible clauses not to exceed \$25,000);

(c) Workers' compensation and unemployment coverages to the extent, if any, required by the laws of the State; and

(d) Performance and labor and material payment bonds with respect to the Contracts in the full amount of the Contracts from surety companies qualified to do business in the State.

Not less than 15 days prior to the expiration dates of the expiring policies, originals or copies of the policies required by this Section or certificates evidencing such insurance shall be delivered by the City to the Trustee. All policies of such insurance, and all renewals thereof, shall contain a provision that such insurance may not be cancelled by the issuer thereof without at least 30 days' written notice to the City and the Trustee.

Nothing in this Lease shall be construed as preventing the City from satisfying the insurance requirements herein set forth by using blanket policies of insurance or self-insurance provided each and all of the requirements and specifications of this Lease respecting insurance are complied with.

The City may elect to be self-insured for all or any part of the foregoing requirements of this **Section 7.01** if (i) the City annually obtains a written evaluation with respect to such self-insurance program from an individual or firm selected by the City and acceptable to the Trustee qualified to survey risks and to recommend insurance coverage for entities engaged in operations similar to those of the City and having a favorable reputation for skill and experience in making such surveys and recommendations (an "**Insurance Consultant**"), (ii) the evaluation is to the effect that the self-insurance program is sound,

(iii) unless the evaluation states that such reserves are not necessary, the City maintains adequate reserves for the self-insurance program, and (iv) in the case of workers' compensation, adequate reserves created by the City for such self-insurance program are maintained in such amount and manner as are acceptable to the State. The City will pay any fees and expenses of such Insurance Consultant in connection therewith.

Section 7.02. Enforcement of Contract and Surety Bonds. In the event of material default of any contractor or subcontractor under a Contract or any other contract made in connection with the acquisition and installation of the Project, or in the event of a material breach of warranty with respect to any materials, workmanship or performance, the City will promptly proceed, either separately or in conjunction with others, to pursue diligently the remedies of the City against the contractor or subcontractor in default and against each surety on a bond securing the performance of such contract. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing, after deduction of expenses incurred in such recovery and after reimbursement to the City of any amounts theretofore paid by the City not previously reimbursed to the City for correction or remedying of the default which gave rise to the proceedings against the contractor or subcontractor or surety, shall be paid to the Trustee for deposit in the Project Fund if received before the Completion Date and, if such funds are received after the Completion Date, for deposit in the Lease Revenue Fund to be used solely for the purpose of paying Basic Rent under this Lease.

Section 7.03. Release and Indemnification. To the extent permitted by law, the City shall indemnify, protect, hold harmless, save and keep the Trustee and its officials, officers, shareholders, employees, directors, attorneys and agents harmless from and against any and all liability, obligation, loss, claim, tax (other than income taxes or other taxes on or attributable to Rent Payments, if any, which are received by the Trustee in its individual capacity) and damage whatsoever and all expenses in connection therewith (including attorneys' fees and expenses) that are not caused by the negligence or willful misconduct of the Trustee, its agents or employees arising out of or as the result of (a) the entering into of this Lease and the Declaration of Trust, (b) the acquisition and installation of the Project, (c) injury, actual or claimed, of whatsoever kind or character, to property or persons, occurring or allegedly occurring in, on or about the Project during the Lease Term, and/or (d) the breach of any covenant by the City herein or any material misrepresentation by the City contained herein; provided that the City shall have the right to conduct the Trustee's defense through counsel designated by the City and approved by the Trustee, which approval shall not be unreasonably withheld. The indemnification arising under this Section shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease and the Declaration of Trust or the termination of this Lease for any reason.

ARTICLE VIII

COVENANTS OF THE CITY

Section 8.01. Maintenance and Modification of Leased Property by the City. The City will at its own expense (a) keep the Leased Property in a safe condition, (b) with respect to the Leased Property, comply with all applicable health and safety standards and all other industrial requirements or restrictions enacted or promulgated by the State, or any political subdivision or agency thereof, or by the government of the United States of America or any agency thereof, and (c) keep the Leased Property in good repair and in good operating condition and make from time to time all necessary repairs thereto and renewals and replacements thereof; provided, however, that the City will have no obligation to operate, maintain, preserve, repair, replace or renew any element or unit of the Leased Property the maintenance,

repair, replacement or renewal of which becomes uneconomical to the City because of damage, destruction or obsolescence, or change in economic or business conditions, or change in government standards and regulations. The City shall not permit or suffer others to commit a nuisance in or about the Leased Property or itself commit a nuisance in connection with its use or occupancy of the Leased Property. The City will pay all costs and expenses of operation of the Leased Property.

The City may, also at its own expense, make from time to time any additions, modifications or improvements to the Leased Property that it may deem desirable for its business purposes and that do not materially impair the structural strength or effective use, or materially decrease the value, of the Leased Property. All additions, modifications or improvements made by the City pursuant to the authority of this Section shall (a) be made in a workmanlike manner and in strict compliance with all laws and ordinances applicable thereto, (b) when commenced, be pursued to completion with due diligence and (c) when completed, be deemed a part of the Leased Property.

During the Lease Term, the Leased Property will be used by the City only for the purpose of performing essential governmental or proprietary functions of the City consistent with the permissible scope of the City's authority.

Section 8.02. Tax Covenants.

(a) The City covenants for the benefit of the purchasers and Owners of the Certificates from time to time Outstanding that so long as any of the Certificates remain Outstanding, it will not take any action or permit any action to be taken or omit to take any action or permit the omission of any action reasonably within its control which action or omission will cause any Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code, which will cause any Certificates to be subject to treatment under Section 141 of the Code as "private activity bonds."

(b) The City covenants and agrees that it will pay or provide for the payment from time to time of all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any Treasury Regulations applicable to the Certificates from time to time. The City specifically covenants to pay or cause to be paid to the United States the required rebate amounts at the times and in the amounts as determined by the Treasury Regulations and the Arbitrage Instructions. Notwithstanding anything to the contrary contained herein, the Arbitrage Instructions may be amended or replaced if, in the written opinion of Special Counsel, such amendments will not adversely affect the federal tax status of any Certificates Outstanding.

(c) The foregoing covenants shall remain in full force and effect notwithstanding the defeasance of the Certificates pursuant to **Article X** of the Declaration of Trust or any other provision of the Declaration of Trust, until the final maturity date of all Certificates Outstanding.

Section 8.03. The City's Continuing Existence. The City will do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a body corporate and politic.

ARTICLE IX

CASUALTY AND CONDEMNATION

Section 9.01. Damage, Destruction and Condemnation. The City shall bear the risk of loss with respect to the Leased Property during the Lease Term. If (a) the Leased Property or any portion thereof is destroyed, in whole or in part, or is damaged by fire or other casualty or (b) title to, or the temporary use of, the Leased Property or any part thereof shall be nonexistent or deficient or taken under the exercise or threat of the power of eminent domain by any governmental body or by any person, firm or corporation acting pursuant to governmental authority, the City will cause the Net Proceeds of any insurance claim, condemnation award or sale under threat of condemnation to be applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property, unless the City shall have exercised its option to purchase the Trustee's interest in the Leased Property by making payment of the Purchase Price as provided herein. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the Trustee who shall deposit such moneys as set forth in the Declaration of Trust.

If the City determines that the repair, restoration, modification or improvement of the Leased Property is not economically feasible or in the best interest of the City, then, in lieu of making such repair, restoration, modification or improvement and if permitted by law, the City shall promptly purchase the Trustee's interest in the Leased Property pursuant to **Section 10.01(c)** by paying the Purchase Price and such Net Proceeds shall be applied by the City to such payment to the extent required for such payment. Any balance of the Net Proceeds remaining after paying the Purchase Price shall belong to the City.

Section 9.02. Insufficiency of Net Proceeds. If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement referred to in **Section 9.01** and the City has not elected to purchase the Trustee's interest in the Leased Property pursuant to **Section 10.01(c)**, the City shall complete such replacement, repair, restoration, modification or improvement and pay any costs thereof in excess of the amount of the Net Proceeds and, if the City shall make any payments pursuant to this Section, the City shall not be entitled to any reimbursement therefor from the Trustee nor shall the City be entitled to any diminution of Rent.

Section 9.03. Eminent Domain.

(a) Under Missouri statutes, the City has the power to condemn property for its purposes, and the City acknowledges that condemnation of the Leased Property would adversely affect the Trustee. The City and the Trustee have reached agreement on the terms of the acquisition of the Leased Property, at City's option, and to the use of the Leased Property, all as set forth in this Lease. Any acquisition of the Trustee's interest in the Leased Property or rights to its use by the City (whether pursuant to the exercise of eminent domain powers or otherwise) shall be pursuant to and in accordance with the Lease, including payment of Rent Payments and the applicable Purchase Price. If the City allows the Lease to expire without exercising its option to purchase (whether by failure to exercise its option to extend the Lease for a Renewal Term, failure to exercise its option to purchase at the conclusion of the maximum Lease Term or failure to cure an Event of Default), that action shall constitute an irrevocable determination by the City that the Leased Property is not required by it for any public purpose for the term of this Lease.

The City hereby covenants and agrees, to the extent it may lawfully do so, that if for any reason it exercises the power of eminent domain with respect to the Leased Property, the appraisal value of the

Leased Property shall not be less than the Rent Payments then due plus the then applicable Purchase Price.

(b) In the event that title to all or a portion of the Leased Property is challenged or threatened by means of competent legal or equitable action, the City covenants that it shall cooperate with the Trustee and shall take all reasonable actions, including where appropriate the lawful exercise of the City's power of eminent domain, in order to quiet title to the Leased Property in the City.

ARTICLE X

OPTION TO PURCHASE; PARTIAL PREPAYMENT

Section 10.01. Purchase Option. The City shall have the option to purchase the Trustee's interest in the Leased Property, upon giving written notice to the Trustee at least 30 days before the date of purchase, at the following times and on the following terms:

(a) At any time on or after March 1, 2030, upon payment in full of Rent Payments then due hereunder plus a Purchase Price equal to the remaining Principal Portions of Basic Rent for the maximum Lease Term plus the Interest Portion of Basic Rent accrued to the prepayment date;

(b) On any date upon deposit of funds or Government Obligations or both with the Trustee in accordance with **Article X** of the Declaration of Trust in the amount necessary to provide for the Basic Rent Payments until and on the prepayment date, and the Purchase Price calculated as described in (a) above on the Certificates; or

Upon payment in full of all Rent Payments calculated as described above, the City shall be deemed to have purchased the Leased Property pursuant to this Section.

Section 10.02. Partial Prepayment. At the option of the City the Series 2020A Certificates will be subject to optional partial prepayment as described in the Declaration of Trust, at which time the Rental Payments hereunder may be partially prepaid in the same amounts.

Section 10.03. Determination of Fair Rent and Purchase Price. The City hereby agrees and determines that the Rent hereunder during the Original Term and any Renewal Term represents the fair value of the use of the Leased Property and that the Purchase Price required to exercise the City's option to purchase the Trustee's interest in the Leased Property pursuant to **Section 10.01** represents, as of the end of the Original Term or any Renewal Term, the fair Purchase Price of the Leased Property. The City hereby determines that the Rent does not exceed a reasonable amount so as to place the City under an economic practical compulsion to renew this Lease or to exercise its option to purchase the Leased Property hereunder. In making such determinations, the City has given consideration to the Costs of the Project, the uses and purposes for which the Leased Property will be employed by the City, the benefit to the City by reason of the acquisition and installation of the Leased Property and the use and occupancy of the Leased Property pursuant to the terms and provisions of this Lease and the City's option to purchase the Leased Property. The City hereby determines and declares that the acquisition and installation of the Project and the leasing of the Leased Property pursuant to this Lease will result in a Project of comparable quality and meeting the same requirements and standards as would be necessary if the acquisition and installation of the Project were performed by the City other than pursuant to this Lease. The City hereby

determines and declares that the maximum Lease Term does not exceed the useful life of the Leased Property.

ARTICLE XI

ASSIGNMENT

Section 11.01. Assignment and Subleasing by the City. Except as hereinafter expressly provided, none of the City's right, title and interest in, to and under this Lease and in the Leased Property may be assigned or encumbered by the City for any reason; except that the City may sublease any one or more parts of the Leased Property if the City obtains and delivers to the Trustee an Opinion of Special Counsel that such subleasing will not adversely affect the tax status of the Interest Portion of the Basic Rent Payments. Any such sublease of all or part of the Leased Property shall be subject to this Lease and the rights of the Trustee in, to and under this Lease and the Leased Property.

ARTICLE XII

EVENTS OF DEFAULT

Section 12.01. Events of Default Defined. Any of the following shall constitute an "Event of Default" under this Lease:

- (a) Failure by the City to make any deposits required by **Section 4.01** to pay Basic Rent in the Lease Revenue Fund at the time specified herein;
- (b) Failure by the City to make any Supplemental Rent Payment when due and the continuance of such failure for ten days after written notice specifying such failure and requesting that it be remedied is given to the City by the Trustee;
- (c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in subparagraph (a) or (b) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied is given to the City by the Trustee unless such party shall agree in writing to an extension of such time prior to its expiration; provided that, if the failure stated in the notice cannot be corrected within the applicable period, such party will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected;
- (d) Any statement, representation or warranty made by the City in or pursuant to this Lease or the execution, delivery or performance of either of them shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made;
- (e) Any provision of this Lease shall at any time for any reason cease to be valid and binding on the City, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the City or any governmental agency or authority if the loss of such provision would materially adversely affect the rights or security of the Trustee; or

(f) The City becomes insolvent or admits in writing its inability to pay its debts as they mature or applies for, consents to, or acquiesces in the appointment of a trustee, receiver or custodian for the City or a substantial part of its property; or in the absence of such application, consent or acquiescence, a trustee, receiver or custodian for the City or a substantial part of its property; or in the absence of such application, consent or acquiescence, a trustee, receiver or custodian is appointed by the City or a substantial part of its property and is not discharged within 60 days; or any bankruptcy, reorganization, debt arrangement, moratorium or any proceeding under bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is instituted by or against the City and, if instituted against the City, is consented to or acquiesced in by the City or is not dismissed within 60 days.

Section 12.02. Remedies on Default. Whenever any Event of Default exists, the Trustee shall have the right, without any further demand or notice, to take one or any combination of the following remedial steps:

(a) By written notice to the City, the Trustee may declare all Rent payable by the City hereunder to the end of then current Original Term or Renewal Term to be due;

(b) With or without terminating this Lease, the Trustee may take possession of the Leased Property (in which event the City shall take all actions necessary to authorize, execute and deliver to the Trustee for the remainder of the Trustee's leasehold term all documents necessary to vest in the Trustee all of the City's interest in the Leased Property), and sell the Leased Property or lease the Leased Property or, for the account of the City, sublease the Leased Property continuing to hold the City liable for the difference between (a) the Rent payable by the City hereunder for then current Original Term or Renewal Term, as the case may be, and (b) the net proceeds of any such sale, leasing or subleasing (after deducting all expenses of the Trustee in exercising its remedies under this Lease, including without limitation all expenses of taking possession, removing, storing, reconditioning, and selling or leasing or subleasing the Leased Property and all brokerage, auctioneers and attorneys' fees);

(c) The Trustee may terminate any rights the City may have in any funds held by the Trustee under the Declaration of Trust; and

(d) The Trustee may take whatever action at law or in equity necessary or desirable to enforce its rights in the Leased Property and under this Lease.

Section 12.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Notices. All notices, certificates or other communications to be given or to be served upon any party in connection with this Lease shall be given in accordance with **Section 12.03** of the Declaration of Trust.

Section 13.02. Title to Leased Property. Title to the Leased Property shall vest in the City subject to Trustee's rights under this Lease; provided that title thereto shall thereafter immediately and without any action by the City vest in Trustee and the City shall immediately surrender possession thereof to Trustee upon (i) any termination of this Lease without the City exercising its option to purchase pursuant to **Section 10.01** or (ii) the occurrence of an Event of Default. It is the intent of the parties hereto that any transfer of title to Trustee pursuant to this Section shall occur automatically without the necessity of any deed, bill of sale, certificate of title or other instrument of conveyance. Nevertheless, the City shall execute and deliver any such instruments as the Trustee may request to evidence such transfer.

Section 13.03. Personal Property. The Trustee and the City agree that the Leased Property is and will remain personal property. The Leased Property will not be deemed to be affixed to or a part of the real estate on or under which it may be situated, notwithstanding that the Leased Property or any part thereof may be or hereafter become in any manner physically affixed to, buried in or otherwise attached to such real estate or any building thereon. Upon the request of the Trustee, the City will, at the City's expense, furnish a waiver of any interest in the Leased Property from any party having an interest in any such real estate or building.

To secure the payment of all of the City's obligations under this Lease, to the extent permitted by law, the Trustee retains a security interest in Leased Property and on all additions, attachments, accessions thereto, substitutions therefor and on any proceeds therefrom. The City shall execute all additional documents, including financing statements, affidavits, notices and similar instruments that are necessary or appropriate to establish and maintain such security interest. The City agrees that financing statements with respect to the Leased Property may be filed.

Section 13.04. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Trustee and the City and their respective successors and assigns.

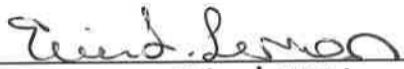
Section 13.05. Amendments, Changes and Modifications. This Lease may not be effectively amended, changed, modified, altered or supplemented except with the written consent of the Trustee and the City and as provided in the Declaration of Trust.

Section 13.06. Electronic Transaction. The parties agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed 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.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Trustee and the City have caused this Lease to be executed in their names by their duly authorized representatives as of the date first above written.

SECURITY BANK OF KANSAS CITY, as Trustee

By: 
Name: Erica Lemon
Title: Vice President

CITY OF GLADSTONE, MISSOURI

(SEAL)



ATTEST:

By Scott Wingerson
Name: Scott Wingerson
Title: City Manager

Ruth E. Bocchino w/30/2020

Name: Ruth Bocchino
Title: City Clerk

SCHEDULE 1

TO LEASE PURCHASE AGREEMENT

DESCRIPTION OF LEASED PROPERTY

The Leased Property consists of the following:

Water mains acquired and installed with the proceeds of the Series 2020A Certificates.

SCHEDULE 2

TO LEASE PURCHASE AGREEMENT

DESCRIPTION OF PROJECT

The Project consists of the following:

Fire Station Project – Proceeds from the issue will be used for an addition to the station and renovation of the existing structure located at 6569 N. Prospect. The project will update and enhance the living conditions, provide new fixtures, and new equipment for the emergency personnel. The estimated total project cost is \$2,545,000.

Water Main Project – The water main project will give the city the ability to accelerate the water main replacement program over the course of 3 years. The project will replace 2.5 miles of water mains. The estimated total project cost is \$2,500,000.

Gladstone Community Center Project – Proceeds from the issue will be used make renovations to the outdoor municipal pool and Community Center. Pool renovations include a new entry way to the outdoor pool and updated restrooms. Renovations to the Gladstone Community Center include improvements to the indoor pool deck, painting of the natatorium, new carpeting, and fitness equipment. The total cost of this project is estimated to be \$930,000.

Downtown Parking Project – Proceeds for this project will fund a parking study and project implementation to increase the parking capacity for the Downtown Gladstone area. Total estimated project costs are \$500,000.

Mill & Overlay – Proceeds for this project will fund additional mill and overlay. The estimated cost of the project is \$500,000 and will replace 3.25 lane miles of curb, gutter and sidewalk.

Atkins-Johnson Farm Project - The project at the Atkins-Johnson Farm will fund the replacement of a barn at the historical site. The estimated cost of the project is \$200,000.

Fire Truck - The City anticipates the acquisition of a fire pumper truck and equipment needed to outfit the fire truck at a projected cost of \$570,000.

EXHIBIT A

SCHEDULE OF BASIC RENT PAYMENTS AND PURCHASE PRICE

SERIES 2020A CERTIFICATES

[see following page]

Rental Payment Date		Principal Component		Interest Component		Option Purchase Price on Rental Payment Date through but excluding next Rental Payment Date
03/01/2021		\$ 1,255,000.00		\$ 50,963.47		n/a
09/01/2021		\$ -		\$ 66,531.25		n/a
03/01/2022		\$ 750,000.00		\$ 66,531.25		n/a
09/01/2022		\$ -		\$ 59,031.25		n/a
03/01/2023		\$ 765,000.00		\$ 59,031.25		n/a
09/01/2023		\$ -		\$ 51,381.25		n/a
03/01/2024		\$ 95,000.00		\$ 51,381.25		n/a
09/01/2024		\$ -		\$ 50,431.25		n/a
03/01/2025		\$ 215,000.00		\$ 50,431.25		n/a
09/01/2025		\$ -		\$ 48,281.25		n/a
03/01/2026		\$ 220,000.00		\$ 48,281.25		n/a
09/01/2026		\$ -		\$ 46,081.25		n/a
03/01/2027		\$ 275,000.00		\$ 46,081.25		n/a
09/01/2027		\$ -		\$ 43,331.25		n/a
03/01/2028		\$ 360,000.00		\$ 43,331.25		n/a
09/01/2028		\$ -		\$ 39,731.25		n/a
03/01/2029		\$ 370,000.00		\$ 39,731.25		n/a
09/01/2029		\$ -		\$ 36,031.25		n/a
03/01/2030		\$ 375,000.00		\$ 36,031.25		\$ 3,060,000.00
09/01/2030		\$ -		\$ 32,281.25		
03/01/2031		\$ 380,000.00		\$ 32,281.25		\$ 2,680,000.00
09/01/2031		\$ -		\$ 28,481.25		
03/01/2032		\$ 390,000.00		\$ 28,481.25		\$ 2,290,000.00
09/01/2032		\$ -		\$ 24,581.25		\$ -
03/01/2033		\$ 400,000.00		\$ 24,581.25		\$ 1,890,000.00
09/01/2033		\$ -		\$ 20,581.25		\$ -
03/01/2034		\$ 270,000.00		\$ 20,581.25		\$ 1,620,000.00
09/01/2034		\$ -		\$ 17,881.25		\$ -
03/01/2035		\$ 275,000.00		\$ 17,881.25		\$ 1,345,000.00
09/01/2035		\$ -		\$ 15,131.25		\$ -
03/01/2036		\$ 280,000.00		\$ 15,131.25		\$ 1,065,000.00
09/01/2036		\$ -		\$ 11,981.25		\$ -
03/01/2037		\$ 285,000.00		\$ 11,981.25		\$ 780,000.00
09/01/2037		\$ -		\$ 8,775.00		\$ -
03/01/2038		\$ 290,000.00		\$ 8,775.00		\$ 490,000.00
09/01/2038		\$ -		\$ 5,512.50		\$ -
03/01/2039		\$ 300,000.00		\$ 5,512.50		\$ 190,000.00
09/01/2039		\$ -		\$ 2,137.50		\$ -
03/01/2040		\$ 190,000.00		\$ 2,137.50		\$ 1.00

DECLARATION OF TRUST

between

SECURITY BANK OF KANSAS CITY

AND

CITY OF GLADSTONE, MISSOURI

Dated as of November 1, 2020

\$7,740,000
CITY OF GLADSTONE, MISSOURI
CERTIFICATES OF PARTICIPATION
SERIES 2020A

TABLE OF CONTENTS

DECLARATION OF TRUST

(This Table of Contents is for convenience of
reference only and is not a part of this Declaration of Trust.)

	<u>PAGE</u>
Parties	1
Declaration Clauses	1

ARTICLE I

DEFINITIONS

Section 1.01.	Definitions	2
Section 1.02.	General Rules of Construction	4
Section 1.03.	Execution in Counterparts	5
Section 1.04.	Severability	5
Section 1.05.	Date of Declaration of Trust	5
Section 1.06.	Governing Law	5

ARTICLE II

COVENANT AS TO LEASE

Section 2.01.	Covenant as to Lease	5
---------------	----------------------------	---

ARTICLE III

THE CERTIFICATES

Section 3.01.	Title and Amount of Certificates	6
Section 3.02.	General Provisions Concerning the Certificates	6
Section 3.03.	Execution of Certificates	7
Section 3.04.	Transfer of Certificates	7
Section 3.05.	Exchange of Certificates	7
Section 3.06.	Registration Books	7
Section 3.07.	Certificates Mutilated, Lost, Destroyed or Stolen	7
Section 3.08.	Series 2020A Certificates	8
Section 3.09.	Additional Certificates	9
Section 3.10.	Book Entry Certificates; Securities Depository	10
Section 3.11.	Cancellation and Destruction of Certificates upon Payment	10

ARTICLE IV

PARTICULAR COVENANTS AND PROVISIONS

Section 4.01.	Covenant of Trustee as to Performance of Obligations	11
Section 4.02.	Covenant to Perform Undertakings	11

ARTICLE V

PREPAYMENT

Section 5.01.	General	11
Section 5.02.	Prepayment Provisions with Respect to the Series 2020A Certificates	11
Section 5.03.	Selection of Certificates for Prepayment; Notice to Trustee	12
Section 5.04.	Partial Prepayment of Certificate	12
Section 5.05.	Notice of Prepayment	12
Section 5.06.	Effect of Prepayment	13

ARTICLE VI

ISSUE OF CERTIFICATES; FUNDS; APPLICATION OF PROCEEDS AND OTHER MONEYS

Section 6.01.	Establishment of Funds	13
Section 6.02.	Application of Proceeds of Series 2020A Certificates and Other Moneys	13
Section 6.03.	Application of Lease Revenues	14
Section 6.04.	Disbursements from the Project Fund	14
Section 6.05.	Application of Moneys in the Lease Revenue Fund	14
Section 6.06.	[Reserved]	15
Section 6.07.	[Reserved]	15
Section 6.08.	Repayment to the City from the Lease Revenue Fund	15
Section 6.09.	Payments Due on Days Other than Business Days	15
Section 6.10.	Nonpresentment of Certificates	15
Section 6.11.	Separate Accounting of Funds Allocable to each Series of Certificates	15

ARTICLE VII

DEPOSITARIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 7.01.	Moneys to be Held in Trust	16
Section 7.02.	Investment of Moneys	16

ARTICLE VIII

AMENDMENT OF THE DECLARATION OF TRUST OR THE LEASE

Section 8.01.	Amendments Permitted	16
Section 8.02.	Effect of Amendments	18
Section 8.03.	Endorsement of Certificates; Preparation of New Certificates	18
Section 8.04.	Amendment of Particular Certificates	18
Section 8.05.	Opinion of Counsel	18

ARTICLE IX

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND OWNERS OF CERTIFICATES

Section 9.01.	Defaults	19
Section 9.02.	Acceleration	19
Section 9.03.	Other Remedies Upon an Event of Default.....	19
Section 9.04.	Rights of Certificate Owners	19
Section 9.05.	Application of Moneys	20
Section 9.06.	Remedies Vested in Trustee	21
Section 9.07.	Rights and Remedies of Certificate Owners	21
Section 9.08.	Termination of Proceedings.....	22
Section 9.09.	Waivers of Defaults.....	22
Section 9.10.	Notices of Defaults	22

ARTICLE X

DEFEASANCE

Section 10.01.	Discharge of Declaration of Trust.....	22
Section 10.02.	Deposit of Moneys or Securities	23

ARTICLE XI

THE TRUSTEE

Section 11.01.	Duties, Immunities and Liabilities of Trustee	24
Section 11.02.	Merger or Consolidation.....	27
Section 11.03.	Liability of Trustee; Indemnity	27
Section 11.04.	Right of Trustee to Rely on Documents.....	27
Section 11.05.	Preservation and Inspection of Documents	27
Section 11.06.	Compensation of the Trustee.....	28

ARTICLE XII

MISCELLANEOUS

Section 12.01.	Survival of Provisions.....	28
Section 12.02.	No Third Party Beneficiaries	28
Section 12.03.	Notices	28
Section 12.04.	Waiver of Personal Liability	29
Section 12.05.	Electronic Transaction	29
Section 12.06.	Declaration of Trust Binding Upon Trustee and Successors.....	29

Signatures.....	S-1
-----------------	-----

Exhibit A - Form of Certificate of Participation

Exhibit B - Form of Requisition Certificate

Exhibit C - Payment Schedule for Series 2020A Certificates

DECLARATION OF TRUST

THIS DECLARATION OF TRUST (the “**Declaration of Trust**”), dated as of November 1, 2020, is entered by and between **SECURITY BANK OF KANSAS CITY**, Kansas City, Kansas, a state banking corporation organized and existing under the laws of the State of Kansas, as trustee (the “**Trustee**”), and the **CITY OF GLADSTONE, MISSOURI**, a third-class city and political subdivision organized and existing under the laws of the State of Missouri (the “**City**”).

WITNESSETH:

WHEREAS, concurrently herewith the Trustee and the City have entered into a Lease Purchase Agreement dated as of November 1, 2020 (as the same may be amended or supplemented in accordance with its terms from time to time, the “**Lease**”), pursuant to which the Trustee will lease to the City the hereinafter defined Leased Property and will grant the City an option to purchase the Trustee’s interest in the Leased Property; and

WHEREAS, Certificates of Participation substantially in the form of **Exhibit A** (the “**Series 2020A Certificates**”), each such Certificate evidencing a proportionate interest of the Registered Owner thereof in rights under the Lease, will be executed and delivered hereunder, and the proceeds from the sale of the Series 2020A Certificates will be used to provide the funds to (1) pay the costs of acquiring and installing the Leased Property (defined herein) and certain other improvements for the City (collectively, the “**Project**”), and (2) pay certain costs connected to the execution and delivery of the Series 2020A Certificates; and

WHEREAS, the Trustee is obligated to pay the costs of the Project only from funds available from the sale of the Series 2020A Certificates; and

WHEREAS, the Trustee and the City are executing this Declaration of Trust to set forth the terms of the Series 2020A Certificates and Additional Certificates, as hereinafter defined and authorized (the Series 2020A Certificates and said Additional Certificates being referenced collectively as the “**Certificates**”), the security therefor and other provisions respecting the Certificates,

DECLARATION CLAUSES

NOW, THEREFORE, in order to secure the payment of the principal of, premium, if any, and interest on the Certificates, and to secure the performance and observance of all covenants and conditions therein and herein contained and to declare the terms and conditions upon, and subject to which the Certificates are intended to be sold, held, secured and enforced, and in consideration of the premises set forth herein and of the purchase and acceptance of the Certificates by the Owners thereof, the Trustee has executed and delivered this Declaration of Trust and does declare that it will hold all of the assets, property and interests received by it under the terms of this Declaration of Trust and the Lease and all agreements and instruments contemplated hereby or thereby (except any compensation, indemnification or other amounts which may be due directly to the Trustee hereunder or thereunder) (collectively, the “**Trust Estate**”), as trustee, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the Certificates, without privilege,

priority or distinction as to the lien or otherwise of any of the Certificates over any of the other Certificates;

PROVIDED, HOWEVER, that, except as otherwise hereinafter provided in this clause, if the principal of and premium, if any, and interest due or to become due with respect to the Certificates are paid or provision made therefor in accordance with **Article X**, at the times and in the manner mentioned in the Certificates according to the true intent and meaning thereof, and provision shall have also been made for paying all sums payable under the Lease by the City in accordance with **Article X**, then this Declaration of Trust and the rights hereby granted shall cease, determine and be void except as provided in **Article X**;

THIS DECLARATION OF TRUST FURTHER WITNESSETH, and it is expressly declared, that all Certificates are to be sold, executed and delivered and all said rights and interests are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Trustee has agreed and covenanted, and does hereby agree and covenant, with the respective Owners of the Certificates as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. In addition to words and terms defined in the Lease and elsewhere in this Declaration of Trust, the following words and terms used in this Declaration of Trust shall have the following meanings, unless some other meaning is plainly intended:

“Additional Certificates” means any Certificates executed and delivered pursuant to **Section 3.09**.

“Arbitrage Instructions” means the Arbitrage Investment Instructions included in the Tax Compliance Agreement.

“Authorized Representative” means the Mayor, City Manager or Finance Director of the City or any other person designated as an Authorized Representative by the Mayor, such designation being approved by the Mayor in writing that is filed with the Trustee.

"Cede & Co." means Cede & Co., as nominee name of The Depository Trust Company, New York, New York.

“Certificate Payment” means the payments to be made to the Owners of the Certificates, whether representing Interest Portion only or Principal Portion and Interest Portion of Basic Rent under the Lease.

“Certificates” means the Series 2020A Certificates and any Additional Certificates.

“Directive” means an instrument in writing executed in one or more counterparts by the Owners of Certificates, as determined from the records of the Trustee kept pursuant to **Section 3.06**, or their

lawful attorneys-in-fact, representing no less than a majority of the aggregate unpaid Principal Portion represented by the then Outstanding Certificates.

“Event of Default” means an Event of Default as described in **Section 9.01**.

“Event of Lease Default” means an Event of Default under **Section 12.01** of the Lease.

“Funds” means, collectively, the Project Fund, the Lease Revenue Fund and all accounts therein.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended.

“Investment Securities” means and includes any of the following securities, if and to the extent the same are permitted by law:

- (a) Government Obligations;
- (b) other obligations issued by or on behalf of agencies or instrumentalities of the United States of America except for the Federal Farm Credit Bank;
- (c) negotiable certificates of deposit, demand deposits and other deposit arrangements, repurchase agreements, and investment agreements issued by banks or trust companies, including without limitation, the Trustee and its affiliates, continuously secured (to the extent not fully insured by the Federal Deposit Insurance Corporation), for the benefit of the Trustee by lodging with a bank or trust company (which may or may not be the bank or trust company issuing such negotiable certificates of deposit, repurchase agreement or investment agreement), as collateral security, Government Obligations having a market value at all times at least equal to the principal amount of such certificates of deposit, demand deposits and other deposit arrangements;
- (d) money market mutual funds rated in the highest rating category by a nationally recognized rating service consisting of Government Obligations or repurchase agreements for Government Obligations; and
- (e) any other investment permitted by law for the City.

“Lease Revenue Fund” means the fund by that name established pursuant to **Section 6.01**.

“Lease Revenues” means the Basic Rent Payments, Supplemental Rent Payments and all other amounts due and owing pursuant to or with respect to the Lease, including prepayments, insurance proceeds, condemnation proceeds, and any and all interest, profits or other income derived from the investment thereof in any fund or account established pursuant to this Declaration of Trust.

“Leased Property” has the meaning set forth in the Lease.

“Notice by Mail” or **“Notice”** of any action or condition **“by Mail”** means a written notice meeting the requirements of this Declaration of Trust mailed by first-class mail to the Owners of specified Certificates, at the addresses shown on the registration books maintained by the Registrar pursuant to **Section 3.06**.

“Opinion of Counsel” means a written opinion of counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the City.

“Outstanding” means, as of the date of determination, all Certificates theretofore executed and delivered pursuant to this Declaration of Trust except (i) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation, (ii) Certificates for the transfer or exchange of or in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to this Declaration of Trust, (iii) Certificates whose payment or prepayment has been provided for in accordance with **Article X**, and (iv) Certificates paid or deemed to be paid pursuant to **Article X**.

“Owner” or **“Registered Owner”** of a Certificate means the owner of such Certificate as shown on the register kept by the Registrar pursuant to **Section 3.06**.

“Prepayment Date” means any date set for prepayment of the Principal Portion of Basic Rent represented by Certificates.

“Prepayment Price” means, with respect to any Certificate (or portion thereof) the amount specified in **Section 5.02**.

“Proceeds” means the aggregate moneys initially paid to the Trustee for the Certificates.

“Project” has the meaning set forth in the Lease.

“Project Fund” means the fund by that name established pursuant to **Section 6.01**.

“Record Date” means the fifteenth day (whether or not a Business Day) of the month prior to the applicable Basic Rent Payment Date (whether or not a Business Day).

“Registrar” means the Trustee when acting in that capacity, or its successor as Registrar.

“Replacement Certificates” means Certificates issued to the beneficial owners of the Certificates in accordance with **Section 2.09(b)** hereof.

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

“Series 2020A Certificates” means the Certificates of Participation, Series 2020A, executed and delivered pursuant to this Declaration of Trust.

“Tax Compliance Agreement” means the Tax Compliance Agreement for the Series 2020A Certificates dated as of November 1, 2020, as from time to time amended in accordance with the provisions thereof.

“Trust Estate” means the assets, property and interests held by the Trustee pursuant to this Declaration of Trust and the Lease.

“Trustee” means Security Bank of Kansas City, Kansas City, Kansas, and its successor or successors and their respective assigns.

Section 1.02. General Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa, and words importing person shall include individuals, corporations, partnerships, joint ventures, associations, joint-stock companies, trusts, unincorporated organizations and governments and any agency or political subdivision thereof.

The words “herein,” “hereby,” “hereunder,” “hereof,” “hereto,” “hereinbefore,” “hereinafter” and other equivalent words refer to this Declaration of Trust and not solely to the particular article, section, paragraph or subparagraph hereof in which such word is used.

Reference herein to a particular article or a particular section, exhibit, schedule or appendix shall be construed to be a reference to the specified article or section hereof or exhibit, schedule or appendix hereto unless the context or use clearly indicates another or different meaning or intent.

Whenever an item or items are listed after the word “including,” such listing is not intended to be a listing that excludes items not listed.

The table of contents, captions and headings in this Declaration of Trust are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Declaration of Trust.

Section 1.03. Execution in Counterparts. This Declaration of Trust may be executed simultaneously in two or more counterparts, each of which shall be deemed to be an original, and all of which together shall constitute but one and the same instrument. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed 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 1.04. Severability. If any provision of this Declaration of Trust shall be held or deemed to be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or sections in this Declaration of Trust contained shall not affect the remaining portions of this Declaration of Trust, or any part thereof.

Section 1.05. Date of Declaration of Trust. The dating of this Declaration of Trust as of November 1, 2020, is intended as and for the convenient identification of this Declaration of Trust only and is not intended to indicate that this Declaration of Trust was executed and delivered on said date, this Declaration of Trust being executed and delivered and becoming effective simultaneously with the initial execution and delivery of the Certificates.

Section 1.06. Governing Law. This Declaration of Trust shall be governed by and construed in accordance with the laws of the State.

ARTICLE II

COVENANT AS TO LEASE

Section 2.01. Covenant as to Lease. The Trustee covenants and agrees that, except in accordance with the terms of this Declaration of Trust and the Lease, it will not take any action that would result in the occurrence of an Event of Default and that it will not agree to any abatement, reduction, abrogation, waiver, diminution or other modification in any manner or to any extent whatsoever of the obligations of the City under the Lease to pay Basic Rent and to meet its other obligations as provided in the Lease.

ARTICLE III

THE CERTIFICATES

Section 3.01. Title and Amount of Certificates. No Certificates may be executed and delivered under the Declaration of Trust except in accordance with this Article. The Certificates shall be designated and shall be in such aggregate amount as provided in **Section 3.08** hereof.

Section 3.02. General Provisions Concerning the Certificates.

(a) The Certificates and the form of assignment to appear thereon shall be in substantially the form set forth in **Exhibit A**, with necessary or appropriate variations, omissions and insertions as permitted or required hereby or by any Supplemental Declaration of Trust.

(b) The Certificates shall be fully registered Certificates without coupons, transferable to subsequent owners only on the books kept by the Registrar pursuant to **Section 3.06** as hereinafter provided. Each Certificate shall be in the denomination of \$5,000 and integral multiples thereof.

(c) Each of the Certificates shall represent the Interest Portion and Principal Portion of Basic Rent payable with respect thereto and shall be on a parity with the other Certificates as to the entire Trust Estate.

(d) Each series of Certificates shall be numbered from 1 upward, shall be dated and the Principal Portion shall be payable, subject to prior prepayment upon the terms and conditions hereinafter set forth, and shall represent Interest Portions of Basic Rent calculated at certain rates as set forth in this Declaration of Trust or any Supplemental Declaration of Trust authorizing such series of Certificates.

(e) The Interest Portion of the Basic Rent represented by each Certificate shall be payable from the date thereof or the most recent date to which said Interest Portion has been paid. The Interest Portion of the Basic Rent represented by the Certificates shall be paid on each March 1 and September 1, commencing on March 1, 2021.

(f) Payment of the Interest Portion of the Basic Rent represented by any Certificates shall be made to the person appearing on the registration books of the Registrar as the Owner thereof on the Record Date, such Interest Portion to be paid to such Owner by check or draft drawn on the Trustee and mailed to such Owner's address as it appears on the registration books of the Registrar on the Record

Date or in the case of such Interest Portion to any Owner of \$100,000 or more in aggregate principal amount of Certificates, by electronic transfer to such Owner upon written notice given to the Trustee by such Owner not less than 5 days prior to the Record Date for such Interest Portion, containing the electronic transfer instructions including the bank (which shall be in the continental United States), ABA routing number and account name and number to which such Owner wishes to have such transfer directed.

(g) The Interest Portion of the Basic Rent represented by any Certificates shall be computed with respect to such Certificates on the basis of a 360-day year of twelve 30-day months.

(h) The Principal Portion of the Basic Rent and prepayment premium, if any, represented by the Certificates shall be payable (whether at maturity or upon prepayment or acceleration) by check or draft to the Owners of such Certificates upon presentation and surrender of such Certificates at the payment office of the Trustee.

(i) Payment of Certificate Payments and of the Prepayment Price of Certificates shall be made in such coin or currency of the United States of America as, at the time of payment, shall be legal tender for public and private debts.

Section 3.03. Execution of Certificates. The Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized signatory of the Trustee.

Section 3.04. Transfer of Certificates. Any Certificate may be transferred upon the books required to be kept pursuant to the provisions of **Section 3.06**, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. The Trustee or the Securities Depository shall also require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. In the event any Owner fails to provide a correct taxpayer identification number to the Trustee, the Trustee may impose a charge against such Owner sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with Section 3406 of the Internal Revenue Code, such amount may be deducted by the Trustee from amounts otherwise payable to such Owner hereunder or under the Certificates.

Section 3.05. Exchange of Certificates. Certificates may be exchanged at the payment office of the Trustee for a like aggregate principal amount of Certificates of the same maturity, interest rate and tenor. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No exchange of any Certificate shall be required of the Trustee after such Certificate has been called for prepayment.

Section 3.06. Registration Books. The Registrar will keep or cause to be kept at its payment office, sufficient books for the registration and transfer of the Certificates, which shall at all reasonable times be open to inspection by the City, and, upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Certificates as hereinbefore provided.

The person in whose name any Certificate shall be registered on the registration books maintained by the Registrar on the Record Date shall be deemed the owner thereof for all purposes hereof, and payment of or on account of the Interest Portions and Principal Portions of Basic Rent, represented by

such Certificate shall be made only to or upon the order in writing of such Registered Owner, which payments shall be valid and effectual to satisfy and discharge the liability under the Lease as represented by such Certificate to the extent of the sum or sums so paid.

Section 3.07. Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like tenor, maturity, interest rate and number in exchange and substitution for the Certificate so mutilated (except that such number may be preceded by a distinguishing prefix), but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and indemnity of the Trustee and the City satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner of the Certificate, shall execute and deliver a new Certificate of like tenor, maturity, interest rate, and number as the Trustee shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Certificate executed and delivered under this Section and of the expenses that may be incurred by the Trustee under this Section. Any Certificate executed and delivered under this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Declaration of Trust with all other Certificates secured by this Declaration of Trust. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be Outstanding hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Certificate for a Certificate which has been mutilated, lost, destroyed or stolen and which has matured, is about to mature or has been selected for prepayment, the Trustee may make payment of such Certificate.

Section 3.08. Series 2020A Certificates. There shall be initially prepared, executed and delivered under this Declaration of Trust a series of Certificates in the aggregate principal amount of \$7,740,000, to be known as “Certificates of Participation, Series 2020A” (the “**Series 2020A Certificates**”). The Series 2020A Certificates shall be dated their date of delivery, and shall be payable on the dates, in the principal amounts, and with the Interest Portions accruing at the rates set forth on **Exhibit C**.

Prior to or simultaneously with the execution of and delivery of the Series 2020A Certificates by the Trustee the following documents shall be filed with the Trustee:

- (a) A copy, certified by the City Clerk, of the Ordinance adopted by the City Council authorizing the execution of the Lease and the Declaration of Trust;
- (b) An original executed counterpart of this Declaration of Trust and the Lease;
- (c) An original executed counterpart of the Tax Compliance Agreement;
- (d) An Opinion of Special Counsel as to the validity of the Series 2020A Certificates and the exemption from federal income taxation of the Interest Portion of Basic Rent Payments represented by the Series 2020A Certificates;

- (e) An Opinion of Special Counsel stating that the Series 2020A Certificates are exempt from registration under the Securities Act of 1933, as amended and the Declaration of Trust is exempt from qualification under the Trust Indenture Act of 1939, as amended;
- (f) A request and authorization to the Trustee by the City to authenticate the Series 2020A Certificates and to deliver the Series 2020A Certificates to or upon the order of the purchaser thereof upon payment, for the account of the City, of the purchase price thereof. The Trustee shall be entitled to rely conclusively upon such request and authorization as to the name(s) of the purchaser(s) and the amount of such purchase price; and
- (h) Such other certificates, statements, receipts, opinions and documents required by this Declaration of Trust or the Lease, or as the Trustee may reasonably require for the delivery of the Series 2020A Certificates.

When the documents specified above have been filed with the Trustee, and when the Series 2020A Certificates have been executed as required by this Declaration of Trust, the Trustee shall deliver the Series 2020A Certificates to or upon the order of the purchaser thereof, but only upon payment to the Trustee of the purchase price of the Series 2020A Certificates. The net proceeds of the sale of the Series 2020A Certificates paid over to the Trustee shall be deposited and applied as provided in **Article VI**.

Section 3.09. Additional Certificates.

(a) Upon the execution and delivery of a Supplemental Lease that provides for an increase in the amount of Basic Rent payable under the Lease and so long as no Event of Default or Event of Nonappropriation exists, Additional Certificates evidencing the right of the Owners thereof to receive the Principal Portion and the Interest Portion of such additional Basic Rent may be executed and delivered under and equally and ratably secured by this Declaration of Trust on a parity with the Series 2020A Certificates and any other Additional Certificates, at any time and from time to time, upon compliance with the conditions provided in this Section to (a) refund the Certificates of any series, and (b) fund the costs of completing the Project or for additional projects for the City.

(b) Before any Additional Certificates may be executed and delivered under the provisions of this Section, the City will (1) adopt an ordinance authorizing the execution and delivery of such Additional Certificates, fixing the amount and terms thereof and describing the Certificates to be refunded, if any, (2) consent in writing to the Trustee's execution of a Supplemental Declaration of Trust for the purpose of executing and delivering such Additional Certificates, and (3) authorize the Trustee to enter into an amendment to the Lease with the City to provide for Basic Rent Payments at least sufficient to pay the Principal Portion, premium, if any, and Interest Portion of the Certificates then to be Outstanding (including the Additional Certificates to be executed and delivered) as the same become due, and for such other matters as are appropriate because of the execution and delivery of the Additional Certificates proposed to be delivered.

(c) The Additional Certificates will have the same designation as the Series 2020A Certificates, except for an identifying series letter or date and any other changes necessary to appropriately identify such Additional Certificates. The Principal Portion and the Interest Portion of Basic Rent represented by such Additional Certificates will be payable on the dates, in the amounts and (with respect to such Interest Portion) at the rates as may be provided by the Supplemental Declaration of Trust authorizing such Additional Certificates. **Exhibit C** will be amended by such Supplemental

Declaration of Trust to reflect separately the Principal Portion of Basic Rent allocable to each series of Certificates. Such Additional Certificates will be on a parity with and will be entitled to the same benefit and security of this Declaration of Trust as the Series 2020A Certificates and any other Additional Certificates.

(d) Such Additional Certificates will be executed substantially in the form and manner as provided in this Article, but prior to or simultaneously with the delivery of such Certificates by the Trustee, the following items will be on file with the Trustee:

(i) A copy, certified by the City Clerk, of the ordinance passed by the City Council authorizing such Supplemental Lease and authorizing the execution and delivery of the Additional Certificates, fixing the amount and terms thereof and describing the Certificates to be refunded, if any;

(ii) An original executed counterpart of the Supplemental Declaration of Trust authorizing such Additional Certificates;

(iii) An original executed counterpart of the Supplemental Lease;

(iv) An Opinion of Special Counsel to the effect that the execution and delivery of such Additional Certificates will not adversely affect the federal tax status of any Certificates Outstanding; and

(v) Such other certificates, statements, receipts, opinions and documents required by this Declaration of Trust or the Lease or as the Trustee may reasonably require for the delivery of the Additional Certificates.

(e) When the documents mentioned in subsection (d) of this Section have been filed with the Trustee, and when such Additional Certificates have been executed and registered as required by this Declaration of Trust, the Trustee will deliver such Additional Certificates to or upon the order of the purchaser named in the certificate purchase agreement relating to such Additional Certificates, but only upon payment of the purchase price of such Additional Certificates as specified in the certificate purchase agreement relating to such Additional Certificates. The Proceeds of Additional Certificates, including accrued interest, if any, paid to the Trustee will be deposited as provided in the Supplemental Declaration of Trust.

Section 3.10. Book-Entry Certificates; Securities Depository.

(a) The Certificates shall initially be registered to Cede & Co., the nominee for the Securities Depository, and no beneficial owner will receive certificates representing their respective interests in the Certificates, except in the event the Trustee delivers Replacement Certificates as provided in subsection (b) hereof. It is anticipated that during the term of the Certificates, the Securities Depository will make book-entry transfers among its Participants and receive and transmit payment of principal, premium, if any, and interest components with respect to the Certificates to the Participants until and unless the Trustee authenticates and delivers Replacement Certificates to the beneficial owners as described in subsection (b).

(b) (1) If the City determines (A) that the Securities Depository is unable to properly discharge its responsibilities, or (B) that the Securities Depository is no longer qualified to act as a

securities depository and registered clearing agency under the Securities Exchange Act of 1934, as amended, or (C) that the continuation of a book-entry system to the exclusion of any Certificates being delivered to any Owner other than Cede & Co. is no longer in the best interests of the beneficial owners of the Certificates, or (2) if the Trustee receives written notice from Participants having interests in not less than 50% of the Certificates Outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the continuation of a book-entry system to the exclusion of any Certificates being delivered to any Owner other than Cede & Co. is no longer in the best interests of the beneficial owners of the Certificates, then the Trustee shall notify the Owners of such determination of such notice and of the availability of certificates to Owners requesting the same, and the Trustee shall register in the name of and authenticate and deliver Replacement Certificates to the beneficial owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest and previous calls for redemption; provided, that in the case of a determination under (1)(A) or (1)(B) of this subsection (b), the City, with the consent of the Trustee, may select a successor securities depository in accordance with **Section 2.09(c)** to effect book-entry transfers. In such event, all references to the Securities Depository herein shall relate to the period of time when the Securities Depository is the registered owner of at least one Certificate. Upon the delivery of Replacement Certificates, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Trustee, to the extent applicable with respect to such Replacement Certificates. If the Securities Depository resigns and the City, the Trustee or the Owners are unable to locate a qualified successor of the Securities Depository in accordance with **Section 2.09(c)**, then the Trustee shall authenticate and cause delivery of Replacement Certificates to Owners, as provided herein. The Trustee may rely on information from the Securities Depository and its Participants as to the names and addresses of, and principal amounts held by, the beneficial owners of the Certificates. The cost of printing Replacement Certificates shall be paid for by the City.

(c) If the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Securities Exchange Act of 1934, as amended, the City may appoint a successor Securities Depository provided the Trustee receives written evidence satisfactory to the Trustee with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository which is a registered clearing agency under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Trustee upon its receipt of a Certificate or Certificates for cancellation shall cause the delivery of Certificates to the successor Securities Depository in appropriate denominations and form as provided herein.

Section 3.11. Cancellation and Destruction of Certificates upon Payment.

(a) All Certificates that have been paid or prepaid or which the Trustee has purchased or which have otherwise been surrendered to the Trustee under this Declaration of Trust, either at or before maturity, if not reissued in an exchange pursuant to **Section 3.05**, shall be canceled by the Trustee immediately upon the payment, prepayment or purchase of such Certificates and the surrender thereof to the Trustee. The Trustee shall execute a certificate describing the Certificates to be canceled, and shall file an executed counterpart of such certificate with the City.

(b) All Certificates canceled under any of the provisions of this Declaration of Trust shall be destroyed by the Trustee in accordance with then applicable record retention requirements.

ARTICLE IV

PARTICULAR COVENANTS AND PROVISIONS

Section 4.01. Covenant of Trustee as to Performance of Obligations. The Trustee covenants that it will promptly remit to the Owner of each Certificate its interest in each installment of Basic Rent to the extent received by the Trustee, at the places, on the dates and in the manner provided herein and in the Certificates.

Section 4.02. Covenant to Perform Undertakings. The Trustee covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Declaration of Trust, in any and every Certificate executed and delivered hereunder and in all proceedings of the Trustee pertaining thereto. The Trustee covenants that it is duly authorized to execute and deliver the Certificates and to enter into this Declaration of Trust and to perform its obligations hereunder.

ARTICLE V

PREPAYMENT

Section 5.01. General. The Certificates are subject to prepayment pursuant to this Article and any Supplemental Declaration of Trust to the extent that prepayments of Basic Rent are required, allowed or provided under the Lease.

Section 5.02. Prepayment Provisions with Respect to the Series 2020A Certificates.

(a) *Optional Prepayment.* At the option of the City, the Certificates will be subject to prepayment in whole or in part beginning on March 1, 2030, at a Prepayment Price equal to 100% of the Principal Portion being prepaid, plus the Interest Portion accrued to the Prepayment Date.

(b) *Mandatory Sinking Fund Prepayment.* The Certificates shall be subject to mandatory prepayment prior to its stated maturity at a prepayment price of 100% of the principal amount so prepaid plus accrued interest thereon to the Prepayment Date, without premium, on March 1 in the years and in the following principal amounts:

Term Certificates Maturing March 1, 2040

<u>March 1</u> <u>Prepayment Date</u>	<u>Principal</u> <u>Amount</u>
2036	\$280,000
2037	\$285,000
2038	\$290,000
2039	\$300,000
2040*	\$190,000

*Final Maturity

Section 5.03. Selection of Certificates for Prepayment; Notice to Trustee. If less than all of the Outstanding Certificates are called for optional prepayment, Certificates shall be prepaid in such order of stated payment dates as is determined by the City. Within a stated payment date the Trustee shall select the Certificates or any given portion thereof to be prepaid in such equitable manner as the Trustee determines in principal amounts of \$5,000 or integral multiples thereof. In case of any optional prepayment, at the election of the City, the City shall, at least 45 days prior to the Prepayment Date (unless a shorter notice shall be satisfactory to the Trustee), give written notice to the Trustee directing the Trustee to call Certificates for prepayment and give notice of prepayment and specifying the Prepayment Date, the principal amount and maturities of Certificates to be called for prepayment, the applicable prepayment price and the provision or provisions of the Declaration of Trust pursuant to which such Certificates are to be called for prepayment.

Section 5.04. Partial Prepayment of Certificate. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the City, a new Certificate or Certificates of the same maturity, equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered.

Section 5.05. Notice of Prepayment. Unless otherwise provided herein, notice of prepayment shall be given by the Trustee, not less than 30 days prior to the Prepayment Date, to the City and the Owner of each Certificate affected at the address shown on the registration books of the Registrar on the date such notice is mailed. Each notice of prepayment shall state (a) the Prepayment Date, (b) the place of prepayment, (c) the Prepayment Price (d) if less than all, the identification number of the Certificates to be prepaid and (e) if a Certificate is being prepaid in part, the portion thereof being prepaid. Such notice shall also state that the Interest Portion of the Basic Rent represented by the Certificates designated for prepayment shall cease to accrue from and after such Prepayment Date and that on said date the Prepayment Price will become due and payable on each of said Certificates. The failure of the Owner of any Certificate to be so prepaid to receive notice of prepayment mailed as herein provided or any defect therein shall not affect or invalidate the validity of any proceedings for the prepayment of such Certificate.

The Trustee is also directed to comply with any mandatory standards then in effect for processing redemptions of municipal securities established by the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the prepayment of any Certificate to be prepaid.

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

Section 5.06. Effect of Prepayment. Notice of prepayment having been duly given as aforesaid, and upon funds for payment of the Prepayment Price of such Certificates (or portions thereof) being held by the Trustee, on the Prepayment Date designated in such notice, the Certificates (or portions thereof) so called for prepayment shall become due and payable at the Prepayment Price specified in such notice and the Interest Portion of Basic Rent represented by the Certificates so called for prepayment shall cease to accrue, said Certificates (or portions thereof) shall cease to be entitled to any benefit or security under this Declaration of Trust and the Owners of such Certificates shall have no rights in respect thereof except to receive payment of the Prepayment Price.

All Certificates prepaid pursuant to the provisions of this Article shall be cancelled upon surrender thereof and destroyed by the Trustee pursuant to **Section 3.11**.

ARTICLE VI

ISSUE OF CERTIFICATES; FUNDS; APPLICATION OF PROCEEDS AND OTHER MONEYS

Section 6.01. Establishment of Funds. There are hereby established the following funds and accounts:

- (a) Project Fund; and
- (b) Lease Revenue Fund.

Separate subaccounts shall be established for each series of Certificates or as otherwise required by this Declaration of Trust. All funds and accounts established pursuant to this Article shall be held by the Trustee in trust and for the benefit of the Certificate Owners. The money in all of the funds and the accounts shall be applied as hereinafter provided.

Section 6.02. Application of Proceeds of the Series 2020A Certificates and Other Moneys. The Proceeds of the Series 2020A Certificates paid to the Trustee shall be deposited as follows:

- (a) in the appropriate subaccounts of the Lease Revenue Fund, any accrued interest with respect to the Series 2020A Certificates (\$0.00); and
- (b) in the appropriate subaccounts of the Project Fund, the remainder of the proceeds of the Series 2020A Certificates (\$7,865,510.40).

Section 6.03. Application of Lease Revenues. Lease Revenues shall be deposited, as received pursuant to the Lease, as follows:

- (a) The Basic Rent shall be deposited to the Lease Revenue Fund;
- (b) Prepayments of the Principal Portion of Basic Rent (in amounts equal to the applicable Prepayment Price) shall be deposited to the Lease Revenue Fund; and
- (c) Payments of Supplemental Rent pursuant to **Section 4.02** of the Lease shall be applied as provided in **Section 4.02** of the Lease.
- (d) Payment to the Trustee of excess Net Proceeds as described in **Section 9.01** of the Lease shall be deposited in the Lease Revenue Fund.

Subject to Article IX, undesignated payments of Rent that are insufficient to discharge the full amount then due shall be applied first to the Interest Portion of Basic Rent, next to the Principal Portion of Basic Rent and finally to Supplemental Rent.

Section 6.04. Disbursements from the Project Fund.

(a) Moneys in the Project Fund shall be used to pay for Costs of the Project. Payment shall be made from moneys in the Project Fund upon receipt by the Trustee of a requisition certificate therefor signed by an Authorized Representative of the City, which requisition certificate shall contain the statements, representations and certificates set forth in the form thereof attached hereto as **Exhibit B** and shall be otherwise substantially in such form.

In making disbursements for Costs of the Project, the Trustee shall be entitled to conclusively rely upon each written requisition certificate executed by the Authorized Representative of the City without inquiry or investigation. It is understood that the Trustee shall *not* make any inspections of the Project nor any improvements thereon, make any provision to obtain completion bonds, mechanic's or materialmen's lien releases or otherwise supervise any phase of the acquisition or installation of the Project. The approval of each requisition certificate by the Authorized Representative of the City shall constitute unto the Trustee an irrevocable determination that all conditions precedent to the payment of the specified amounts from the Project Fund have been completed. The Trustee shall make disbursements to pay Costs of the Project for which any such request is made within five Business Days of the receipt of a properly executed certificate with all necessary supporting information.

(b) The Completion Date of the acquisition and installation of the Project and the payment of all Costs of the Project (other than Costs of the Project for which sufficient amounts are retained in the Project Fund) shall be evidenced by the filing with the Trustee of the Completion Certificate pursuant to **Section 5.03** of the Lease. As soon as practicable thereafter any balance remaining in the Project Fund shall be transferred and deposited without further authorization as provided in **Section 5.03** of the Lease.

(c) In the event of the acceleration of all of the Certificates pursuant to **Section 9.02**, any moneys then remaining in the Project Fund shall be transferred and deposited to the credit of the Lease Revenue Fund.

Section 6.05. Application of Moneys in the Lease Revenue Fund. Except as otherwise provided herein, all amounts in the Lease Revenue Fund shall be used and withdrawn by the Trustee solely to pay Basic Rent represented by the Certificates when due and payable (including principal and accrued interest with respect to any Certificates paid prior to maturity pursuant to this Declaration of Trust).

Section 6.06. [Reserved].

Section 6.07. [Reserved].

Section 6.08. Repayment to the City from the Lease Revenue Fund. After payment in full of all Rent Payments through the maximum Lease Term or the earlier purchase of the Trustee's interest in the Leased Property pursuant to **Section 10.01** of the Lease, all amounts remaining in the Funds shall be paid to the City.

Section 6.09. Payments Due on Days Other than Business Days. In any case where the date of maturity of the Principal Portion or Interest Portion of Basic Rent represented by the Certificates, or premium related thereto, or the date fixed for prepayment of any Certificates shall not be a Business Day, then payment of Principal Portion or Interest Portion of Basic Rent represented by the Certificates, or premium related thereto need not be made on such date but may be made on the next succeeding Business

Day with the same force and effect as if made on the date of maturity or the date fixed for prepayment, and no interest shall accrue for the period after such date.

Section 6.10. Nonpresentment of Certificates. If any Certificate shall not be presented for payment when the Principal Portion of Basic Rent represented by the Certificates becomes due, either at maturity or otherwise, or at the date fixed for prepayment thereof, if funds sufficient to pay such Certificate shall have been made available to the Trustee, all liability of the Trustee and the City to the Owner thereof for the payment of such Certificate shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the Owner of such Certificate, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature under this Declaration of Trust or on, or with respect to, said Certificate. If any Certificate shall not be presented for payment within one year following the date when such Certificate becomes due, whether by maturity or otherwise, the Trustee shall repay, without liability for interest thereon, to the City the funds theretofore held by the Trustee for payment of such Certificate, and such Certificate shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the City, and the Registered Owner thereof shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid, and the City shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Section 6.11. Separate Accounting of Funds Allocable to each Series of Certificates. The Trustee will maintain separate accounts for funds and securities attributable to each series of Certificates in the Funds held by the Trustee hereunder so that the calculations for each series of Certificates can be made separately for such series. Any transfer of funds or securities or earnings thereon from one fund or account to another will be made to the appropriate account or subaccount of the same series of Certificates to which such funds or securities are attributed. If, at any time, a payment is made to any such fund that is less than the amount due and payable to such fund, the amount payable will be credited *pro rata* to each such separate account within such fund, based on the amount owed to each such account.

ARTICLE VII

DEPOSITARIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 7.01. Moneys to be Held in Trust. All moneys deposited with or paid to the Trustee for account of the Funds under this Declaration of Trust shall be held by the Trustee in trust and shall be applied only in accordance with this Declaration of Trust and the Lease and until used or applied as herein provided, shall constitute part of the Trust Estate and shall not be subject to any lien other than the lien of this Declaration of Trust. The Trustee shall not be under any liability for interest on any moneys received hereunder except such as provided herein.

Section 7.02. Investment of Moneys. Moneys held in the Funds shall, subject to the requirements of the Arbitrage Instructions and as hereinafter provided, be invested and reinvested by the Trustee, pursuant to written direction of the City, signed by an Authorized Representative of the City, in Investment Securities that mature or are subject to redemption by the holder prior to the date such funds will be needed. In the absence of such instructions, the Trustee is authorized to invest moneys in Investment Securities described in subparagraph (d) of the definition of Investment Securities in **Section 1.01**. The Trustee is specifically authorized to implement its automated cash investment system

to assure that cash on hand is invested and to charge its normal cash management fees, which may be deducted from income earned on investments.

The Trustee shall sell and reduce to cash a sufficient amount of such Investment Securities held by the Trustee in any fund hereunder whenever the cash balance in such Fund is insufficient for the purpose of such Fund. Any such Investment Securities shall be held by or under the control of the Trustee and shall be deemed at all times a part of the Fund or Account in which such moneys are originally held, and the interest accruing thereon and any profit realized from such Investment Securities shall be credited to such Fund or Account, and any loss resulting from such Investment Securities shall be charged to such Fund or Account.

For purposes of determining the amount in any Fund or account, the value of any investments shall be computed at the market value thereof, the purchase price thereof or principal amount, whichever is lower. The Funds and accounts shall be valued on February 1 of each year.

The Trustee may, in making or disposing of any investment permitted by this Section, deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

ARTICLE VIII

AMENDMENT OF THE DECLARATION OF TRUST OR THE LEASE

Section 8.01. Amendments Permitted.

(a) This Declaration of Trust, the Lease and the rights and obligations of the City and of the Owners of the Certificates and of the Trustee may be modified or amended from time to time and at any time by an amendment or supplement hereto or thereto which the parties hereto or thereto may enter into when the written consent of the Trustee and the City, if not a party hereto or thereto, and the Owners of a majority in aggregate Principal Portion of Basic Rent Payments represented by the Certificates then Outstanding shall have been filed with the Trustee. No such modification or amendment shall (i) extend the stated maturity of any Certificate, or reduce the amount of principal represented thereby, or extend the time of payment or reduce the amount of any Prepayment Price provided in the Declaration of Trust for the payment of any Certificate, or reduce the rate of interest with respect thereto, or extend the time of payment of interest with respect thereto without the consent of the Owner of each Certificate so affected, (ii) reduce the aforesaid percentage of Certificates the consent of the Owners of which is required to effect any such modification or amendment or, except in connection with the delivery of any Additional Certificates, permit the creation of any lien on the moneys in the Project Fund or the Lease Revenue Fund or deprive the Owners of the trust created by this Declaration of Trust with respect to the moneys in the Project Fund and the Lease Revenue Fund or (iii) create a preference or priority of any Certificate or Certificates over any other Certificate or Certificates without the consent of the Owners of all of the Certificates then Outstanding. Promptly after the execution by the Trustee of any amendment pursuant to this subsection (a), the Trustee shall give Notice by Mail, setting forth in general terms the substance of such amendment to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to **Section 3.06**. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment.

(b) Notwithstanding subsection (a), this Declaration of Trust and the Lease and the rights and obligations of the City, of the Trustee and of the Owners of the Certificates may also be modified or amended from time to time and at any time by an agreement which the parties hereto or thereto may enter into without the consent of any Certificate Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Trustee in this Declaration of Trust, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Certificates (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the City; provided, however, that no such covenant, agreement, pledge, assignment or surrender shall, in the sole judgment of the Trustee, materially adversely affect the interests of the Trustee or the security of the Owners of the Certificates;

(ii) to add to the covenants and agreements of the City in the Lease, other covenants and agreements thereafter to be observed or to surrender any right or power therein reserved to or conferred upon the Trustee or the City; provided, however, that no such covenant, agreement or surrender shall, in the sole judgment of the Trustee, materially adversely affect the security of the Owners of the Certificates;

(iii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Declaration of Trust, the Lease, or in regard to matters or questions arising under this Declaration of Trust, the Lease as the Trustee and the City may deem necessary or desirable and not inconsistent with said agreements, or as may be requested by the City or the Trustee and which shall not, in any such case, in the sole judgment of the Trustee, materially adversely affect the security of the Owners of the Certificates;

(iv) to modify, amend or supplement this Declaration of Trust in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not, in the sole judgment of the Trustee, materially adversely affect the security of the Owners of the Certificates;

(v) to provide for any additional procedures, covenants or agreements necessary to maintain the federal tax status of the Certificates Outstanding;

(vi) to provide for the execution and delivery of Additional Certificates; or

(vii) to make any other change that, in the sole judgment of the Trustee, does not have a materially adverse effect on the security of the Certificate Owners.

Section 8.02. Effect of Amendments. Upon the execution of any amendments hereto, pursuant to this **Article VIII**, this Declaration of Trust shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Declaration of Trust of the Trustee and all Owners of Certificates Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such amendment shall be deemed to be part of the terms and conditions of the Declaration of Trust for any and all purposes.

Section 8.03. Endorsement of Certificates; Preparation of New Certificates. Certificates delivered after the execution of any amendment pursuant to this **Article VIII** may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form determined by the Trustee as to any modification or amendment provided for in such amendment. In that case, upon presentation of a Certificate for such purpose at the payment office of the Trustee, a suitable notation shall be made on such Certificate. If the amendment shall so provide, new Certificates so modified as to conform, in the opinion of the Trustee, to any modification or amendment contained in such amendment, shall be prepared and executed by the Trustee, and upon demand of the Owners of any Certificates then Outstanding shall be exchanged at the payment office of the Trustee, without cost to any Certificate Owner, for Certificates then Outstanding, upon surrender for cancellation of such Certificates in equal aggregate principal amounts of the same maturity, interest rate and tenor.

Section 8.04. Amendment of Particular Certificates. The provisions of this Article shall not prevent any Certificate Owner from accepting any amendment as to the particular Certificates held by him, provided that due notation thereof is made on such Certificates.

Section 8.05. Opinion of Counsel. Anything to the contrary in this **Article VIII** notwithstanding, before the Trustee or the City consent to any modification or amendment of this Declaration of Trust or the Lease, there shall have been delivered to the Trustee an Opinion of Special Counsel to the effect that such amendment (1) is permitted by this Declaration of Trust and the instrument modified or amended (if other than this Declaration of Trust), (2) complies with their terms, (3) will, upon execution and delivery thereof, be valid and binding upon the City in accordance with the terms of the instrument modified or amended, and (4) will not adversely affect the federal tax status of any Certificates Outstanding. In any instance in which the Trustee may be required to determine that a modification or amendment will not materially adversely affect the interest of the Owners of the Certificates, prior to consenting to such modification or amendment, the Trustee shall be entitled to require that there be delivered to it an Opinion of Counsel to the effect that no such materially adverse effect would result from such modification or amendment. The Trustee shall be fully protected and shall incur no liability in relying upon such Opinion of Counsel in making such determination. The Trustee may, but shall not be obligated to enter into any such supplemental Declaration of Trust or Lease which affects the Trustee's own rights, duties or immunities under this Declaration of Trust or Lease or otherwise.

ARTICLE IX

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND OWNERS OF CERTIFICATES

Section 9.01. Defaults. The occurrence of any of the following events, subject to the provisions of **Section 9.09**, is hereby defined as an "Event of Default":

- (a) Default in the due and punctual payment of any Interest Portion of Basic Rent represented by a Certificate; or
- (b) Default in the due and punctual payment of the Principal Portion of Basic Rent represented by a Certificate, whether at the stated payment date thereof or the Prepayment Date set therefor in accordance with the terms hereof; or
- (c) Any Event of Lease Default.

Section 9.02. Acceleration. Upon the occurrence of an Event of Default, the Trustee may, and upon receipt of a Directive shall, by notice in writing delivered to the City, declare the Principal Portion and Interest Portion of Basic Rent represented by all Certificates Outstanding to the end of the then current Fiscal Year immediately due and payable.

Section 9.03. Other Remedies Upon an Event of Default. Upon the occurrence of an Event of Lease Default or Event of Nonappropriation, the Trustee may exercise any remedies available under the Lease and, to the extent consistent therewith, may sell, lease or manage all or any portion of the Leased Property and apply the net proceeds thereof in accordance with **Section 9.05** and, whether or not it has done so, may pursue any other remedy available to it under the Lease or at law or in equity.

No remedy by the terms of this Declaration of Trust conferred upon or reserved to the Trustee or to the Certificate Owners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Certificate Owners hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default hereunder whether by the Trustee or by the Certificate Owners shall extend to or shall affect any subsequent default or shall impair any rights or remedies consequent thereon.

Section 9.04. Rights of Certificate Owners. If an Event of Default or Event of Nonappropriation shall have occurred and be continuing and if instructed to do so by a Directive and if indemnified as provided in **Section 9.07** and **Section 11.03**, the Trustee shall be obligated to exercise such one or more of the rights and the remedies conferred by this Article as the Trustee, upon the advice of counsel, shall deem to be in the interests of the Certificate Owners; provided that such Directive shall not be otherwise than in accordance with the provisions of law and of this Declaration of Trust, and provided further that the Trustee shall have the right to decline to follow any such Directive if the Trustee in good faith shall determine that the proceedings so directed would involve it in personal liability.

Any other provision herein to the contrary notwithstanding, the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding shall have the right, at any time, by a Directive, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of this Declaration of Trust, or for the appointment of a receiver or any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Declaration of Trust, and provided, further, that the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability.

Section 9.05. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited into the Lease Revenue Fund and all moneys in the Lease Revenue Fund shall be applied as follows:

(a) unless the Principal Portions of Basic Rent represented by all the Certificates shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST - To the payment to the persons entitled thereto of the Interest Portions of Basic Rent represented by the Certificates in the order of the maturity of the installments of such interest and, to the payment ratably, according to the amount due on such installments, to the persons entitled thereto, without any discrimination or privilege; and

SECOND - To the payment to the persons entitled thereto of the unpaid Principal Portions of Basic Rent represented by any Certificates that shall have become due (other than Principal Portions of Basic Rent represented by Certificates with respect to the payment of which moneys are held pursuant to the provisions of this Declaration of Trust) in the order of such due dates, with interest from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full the Principal Portions of Basic Rent represented by Certificates due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege except as to any difference in the respective rates of interest specified respecting the Certificates.

(b) If the Principal Portions of Basic Rent represented by all Certificates shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the Principal Portions and the Interest Portions of the Basic Rent then due and unpaid upon the Certificates without preference or priority of principal over the interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Certificate over any other Certificate, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege except as to any difference in the respective rates of interest specified respecting the certificates.

(c) If the Principal Portions of the Basic Rent represented by all Certificates shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then subject to the provisions of paragraph (b) of this Section in the event that the Principal Portions of Basic Rent represented by all the Certificates shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to the provision of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for the application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be a Basic Rent Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the Owner of any Certificate until such Certificate shall be presented to the Trustee for appropriate endorsement or for cancellation if paid in full.

Whenever the Principal Portion and the Interest Portion of all Certificates have been paid under the provisions of this Section and all fees, expenses and charges of the Trustee have been paid, any balance remaining in the Funds shall be paid to the City.

Section 9.06. Remedies Vested in Trustee. All remedies and rights of action (including the right to file proof of claims) under this Declaration of Trust or under any of the Certificates may be enforced by the Trustee without the possession of any of the Certificates or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Owners of the Certificates. Any recovery of judgment or other amounts shall be for the equal benefit of the Owners of the Outstanding Certificates.

Section 9.07. Rights and Remedies of Certificate Owners. No Owner of any Certificates shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Lease or this Declaration of Trust, for the execution of any trust thereof, for the appointment of a receiver or to enforce any other remedy thereunder or hereunder, unless (a) an Event of Default or an Event of Nonappropriation has occurred; (b) the Owners shall have made by a Directive a written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) such Certificate Owners have provided to the Trustee indemnification satisfactory to the Trustee; and (d) the Trustee shall thereafter fail or shall refuse to exercise the powers hereinbefore granted or to institute such action suit or proceedings in its, his, her or their name or names. Such notification, request and indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and the trusts of this Declaration of Trust and to any action or cause of action for the enforcement of this Declaration of Trust or for the appointment of a receiver or for any other right or remedy hereunder. No one or more Owners of the Certificates shall have any right in any manner whatsoever to affect, to disturb or to prejudice the lien of this Declaration of Trust by its, his, her or their action or to enforce any right or remedy hereunder except in the manner herein provided and all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Owners of all Certificates then Outstanding. Nothing in this Declaration of Trust contained shall, however, affect or impair the right of any Certificate Owner to enforce the payment of the Principal Portion of and the Interest Portion of the Basic Rent represented by any Certificate at and after the maturity or earlier mandatory prepayment thereof.

Section 9.08. Termination of Proceedings. If the Trustee shall have proceeded to enforce any right or remedy under the Lease or this Declaration of Trust by the appointment of a receiver, by entry or otherwise and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case, the City, the Owners and the Trustee shall be restored to their former respective positions and rights thereunder and hereunder and all rights remedies and powers of the Trustee shall continue as if no such proceeding had been taken.

Section 9.09. Waivers of Defaults. The Trustee shall waive any Event of Default and its consequences and rescind any declaration of maturity of principal upon the written request of the Owners of (a) a majority in aggregate principal amount of all Certificates then Outstanding with respect to which a default in the payment of Principal Portion of Basic Rent represented thereby exists; or (b) a majority in aggregate principal amount of all Certificates then Outstanding in the case of any other default; provided, however, that there shall not be waived (i) any Event of Default respecting the payment of the Principal Portion of Basic Rent represented by any Certificate at its maturity date, or (ii) any Event of Default respecting the payment of the Interest Portion of Basic Rent represented by any Certificate, unless prior to

such waiver or rescission, all arrears of principal and interest when due, as the case may be, and all fees, charges and expenses of the Trustee in connection with such default shall have been paid or provided for and, in case any such waiver or rescission or in case any proceeding(s) taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Trustee, the City and the Certificate Owners shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default or impair any right consequent thereon.

Section 9.10. Notices of Defaults. Within 30 days after the occurrence of any default hereunder of which the Trustee is required to take notice or if notice of default has been given as provided in **Section 11.01(f)**, the Trustee shall give written notice thereof to the City and Notice by Mail to the Owners of all Certificates then Outstanding (unless such default has been cured or waived; provided, however, that, except in the case of a default in the payment of the Principal Portion or Interest Portion of Basic Rent Payments represented thereby, the Trustee shall be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of such Owners). For the purpose of this Section, the term “**default**” means any event which is an “Event of Default” as defined in **Section 9.01**.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Declaration of Trust.

(a) When (i) the obligations of the City under the Lease shall have been satisfied in connection with the exercise by the City of its option to purchase the Leased Property in accordance with **Article X** of the Lease by the irrevocable deposit in escrow of cash or Government Obligations (maturing as to principal and interest in such amounts and at such times as are necessary to make any required payments without reinvestment of any earnings thereon) or both cash and such Government Obligations, and (ii) the City shall have delivered to the Trustee, (x) an Opinion of Counsel to the effect that the conditions for such discharge contained herein and in **Section 10.02** have been satisfied or irrevocably provided for and (y) for an advance refunding, an accountant’s certificate verifying the sufficiency of cash or Government Obligations or both so deposited for the payment of the Principal Portion and Interest Portion of the Certificates and any applicable Prepayment Price to be paid with respect to the Certificates and (iii) the City shall have deposited sufficient moneys to pay the fees, charges and expenses of the Trustee (or has made provision satisfactory to the Trustee for their payment), thereupon the obligations created by this Declaration of Trust shall cease, determine and become void except for the right of the Certificate Owners and the obligation of the Trustee to apply such moneys and Government Obligations to the payment of the Certificates as herein set forth; provided, however, that all provisions hereof relating to the compensation or indemnification of the Trustee shall survive the satisfaction and discharge of this Declaration of Trust.

(b) After all amounts owing to the Certificate Owners have been paid hereunder and under the Lease and all fees, expenses and charges of the Trustee have been paid, the Trustee shall turn over to the City any surplus in the Lease Revenue Fund and all balances remaining in any other funds or accounts other than moneys and Government Obligations held for the payment of the Certificates at maturity or on prepayment, which moneys and Government Obligations shall continue to be held by the Trustee in trust for the benefit of the Certificate Owners and shall be applied by the Trustee to the payment, when due, of

the Principal Portions and any premium and Interest Portions of Basic Rent represented by the Certificates.

Section 10.02. Deposit of Moneys or Securities. If moneys or Government Obligations as hereinabove provided, are deposited with and held by the Trustee or other bank or trust company, the Trustee or other bank or trust company shall within 30 days after such Government Obligations shall have been deposited with it give Notice by Mail, to the Owners at the addresses listed on the registration books kept by the Registrar pursuant to **Section 3.06**, setting forth (i) the maturity date or Prepayment Date, as the case may be, of the Certificates, (ii) a description of the Government Obligations, if any, so held by it, and (iii) that this Declaration of Trust has been released in accordance with the provisions of this Section. Whenever in this Declaration of Trust or the Lease it is provided or permitted that there be deposited with or held in trust by the Trustee or other bank or trust company moneys or Government Obligations in the necessary amount to pay or prepay any Certificates, the money or Government Obligations so to be deposited or held may include money or Government Obligations held by the Trustee in the Funds established pursuant to this Declaration of Trust (exclusive of the Project Fund) the principal of and interest on which when due together with any moneys held by the Trustee or other bank or trust company for such purpose will provide moneys sufficient to pay the Principal Portions and Interest Portions of the Basic Rent represented by the Certificates as same becomes due, except that, in the case of Certificates which are to be prepaid prior to maturity and in respect of which irrevocable notice of such prepayment shall have been given as in **Article V** provided or irrevocable provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the Prepayment Price with respect to such Certificates and all unpaid interest to the Prepayment Date.

ARTICLE XI

THE TRUSTEE

Section 11.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default or Event of Nonappropriation, and after the curing of all Events of Default or Events of Nonappropriation that may have occurred, perform only such duties as are specifically set forth in this Declaration of Trust. The Trustee will have no implied duties. The permissive right or power to take any action may not be construed as a duty to take action under any circumstances, and the Trustee will not be liable except in the event of its negligence or willful misconduct. The Trustee shall, during the existence of any Event of Default or Event of Nonappropriation, exercise such of the rights and powers vested in it by this Declaration of Trust, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee will not be obligated to risk its own funds in the administration of the Trust Estate. Notwithstanding any provision herein to the contrary, the Trustee need not take any action under this Declaration of Trust which may involve it in any expense or liability until indemnified to its satisfaction for any expense or liability, including liability related to environmental contamination, it reasonably believes it may incur.

(c) The Trustee is not responsible for any recitals contained in this Declaration of Trust or in the Certificates, or for the recording, filing, rerecording or refiling of the Declaration of Trust or security agreements (excluding the continuation of Uniform Commercial Code financing statements) in

connection therewith, or for the sufficiency of the security for the Certificates. The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the validity or sufficiency of this Declaration of Trust or of the Certificates. The Trustee shall not be accountable for the use or application by the City of any of the Certificates or the proceeds thereof or of any money paid to or upon the order of the City under any provision of this Declaration of Trust or the Lease.

(d) The Trustee will not be required to give any bond or surety or report to any court despite any statute, custom or rule to the contrary.

(e) The Trustee may execute any of the duties under this Declaration of Trust by or through agents, attorneys, trustees or receivers and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, attorney, trustee or receiver appointed with due care by it hereunder.

(f) The Trustee will not be required to take notice or be deemed to have notice of any default, or Event of Default or other fact or event under this Declaration of Trust other than the City's failure to pay Basic Rent Payments required by **Section 4.01** of the Lease, unless the Trustee is specifically notified in writing of the default or Event of Default, fact or event by the City or the Owners of not less than 25% of the unpaid Principal Portion of Basic Rent Payments represented by the Certificates then Outstanding.

(g) The Trustee may consult legal counsel, may conclusively rely on the opinion or advice of such legal counsel and will not be liable for any act or omission taken or suffered pursuant to the opinion or advice of such counsel. The fees and expenses of the counsel will be deemed to be a proper expense of the Trustee.

(h) Unless specifically required by the terms of this Declaration of Trust, the Trustee need not take notice of or enforce any other document or relationship, including any contract, settlement, arrangement, plan, assignment, pledge, release, decree or the like, other than the Lease, but its duties will be solely as set out in this Declaration of Trust.

(i) The Trustee may be removed at any time by a Directive or shall resign at any time the Trustee shall cease to be eligible in accordance with subsection (l) of this Section, or shall become incapable of acting, or shall be adjudged as bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the property or affairs for the purpose of rehabilitation, conservation or liquidation, and thereupon a successor Trustee shall be appointed by a Directive. Written notice of any removal or resignation pursuant to this subsection (i) shall be given by the Trustee to the City.

(j) The Trustee may at any time resign by giving written notice of such resignation to the City and by giving the Certificate Owners Notice by Mail of such resignation at the addresses listed on the registration books kept by the Trustee pursuant to **Section 3.06**. Upon receiving such notice of resignation, a successor Trustee shall be appointed by a Directive.

(k) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Certificate Owner (on behalf of himself and all other Certificate Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper,

appoint such successor Trustee. Any successor Trustee appointed under this Declaration of Trust shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee held by it as security for the Certificates, including its interest in the Lease, with like effect as if originally named Trustee herein and the duties and obligations of the predecessor Trustee hereunder shall thereafter cease and terminate; but, nevertheless at the request of the City or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Declaration of Trust and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee shall cause Notice by Mail of such acceptance to be given to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to **Section 3.06**.

(l) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a state or national trust company or bank having the powers of a trust company and being duly authorized to execute trust powers having its payment office in the State, in good standing in the State, having a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision and examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (l), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(m) Notwithstanding anything elsewhere in this Declaration of Trust or the Lease contained, before taking any action under this Declaration of Trust, the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all reasonable fees, costs and expenses to which it may be put and to protect it against all liability which it may incur in or by reason of such action, including without limitation liability in connection with environmental contamination, and the cleanup thereof, except liability which is adjudicated to have resulted from its negligence or willful misconduct by reason of any action so taken.

(n) The Trustee may elect not to proceed in accordance with the directions of the Owners of the Certificates without incurring any liability to the Certificate Owners if in the opinion of the Trustee such direction may result in environmental or other liability to the Trustee, in its individual capacity, for which the Trustee has not received indemnity from the Certificate Owners, and the Trustee may rely upon an Opinion of Counsel addressed to the Trustee in determining whether any action directed by Certificate Owners may result in such liability.

(o) The Trustee may inform the Certificate Owners of environmental hazards that the Trustee has reason to believe exist, and the Trustee has the right to take no further action and, in such event no fiduciary duty exists which imposes any obligation for further action with respect to the Trust Estate or

any portion thereof if the Trustee, in its individual capacity, determines that any such action would materially and adversely subject the Trustee to environmental or other liability for which the Trustee has not received indemnity pursuant to this Declaration of Trust.

(p) Notwithstanding any other provision of this Declaration of Trust to the contrary, any provision intended to provide authority to act, right to payment of fees and expenses, protection, immunity and indemnification to the Trustee shall be interpreted to include any action of the Trustee whether it is deemed to be in its capacity as Trustee, Registrar or Paying Agent.

(q) The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with **Section 7.02**.

(r) The Trustee shall not be responsible for the use of any Certificates executed and delivered hereunder.

(s) Any action taken by the Trustee pursuant to and in accordance with this Declaration of Trust upon the request or authority or consent of any person who, at the time of making such request or giving such authority or consent is the Owner of any Certificate shall be conclusive and binding upon all future Owners of the same Certificate and upon Certificates issued in exchange therefor or upon transfer or in place thereof.

(t) The Trustee shall have the right, but shall not be required, to demand, in respect of the execution of any Certificate, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Declaration of Trust, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee as are deemed desirable for the purpose of establishing the right of the City to any such action.

Section 11.02. Merger or Consolidation. Any entity into which the Trustee may be merged or converted or with which it may be consolidated or any entity resulting from any merger, conversion or consolidation to which it shall be a party or any entity to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under **Section 11.01(l)** shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 11.03. Liability of Trustee; Indemnity. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the owner of Certificates with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Certificate Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Certificates then Outstanding.

Before taking any action under this Declaration of Trust (except with respect to acceleration of the Certificates and payment of the Certificates upon such acceleration or any payments of the Certificates when due), the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all reasonable fees, costs and expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct by reason of any action so taken.

Section 11.04. Right of Trustee to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, ordinance, request, consent, order, certificate, report, opinion, Directive or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Any action taken by the Trustee upon the request, authority, or consent of any person who, at the time of making such request or giving such authority or consent is the Owner of any Certificate, shall be conclusive and binding upon all future Owners of the same Certificate and upon Certificates issued in exchange therefor or upon transfer or in place thereof. The Trustee may consult with counsel, who may be counsel of or to the City, with regard to legal questions or the interpretation of the provisions hereof, and the opinion or advice of such counsel may be conclusively relied upon by the Trustee and shall be full and complete authorization and protection in respect of any action taken, omitted or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of the trusts imposed upon it by this Declaration of Trust the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a statement of the Authorized Representative, and such statement shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Declaration of Trust in reliance upon such statement, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 11.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Declaration of Trust shall be retained in its possession until six months after payment in full of all Certificates and discharge of this Declaration of Trust and shall be subject at all reasonable times to the inspection of the City and any Certificate Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 11.06. Compensation of the Trustee. The City shall, from time to time, upon the written request of the Trustee, (a) pay to the Trustee reasonable compensation for its services as agreed to by the City and the Trustee (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and (b) reimburse the Trustee for all reasonable advances, fees, costs and expenditures, including but not limited to, advances to and reasonable fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys or other experts employed by it in the exercise and performance of its powers and duties hereunder. Said compensation is to be paid as Supplemental Rent pursuant to the Lease. The Trustee will have a first lien against the Trust Estate for its reasonable costs, fees, expenses and advancements hereunder. In every instance in which this Declaration of Trust or the Lease provides for compensation, reimbursement or indemnification of the Trustee, such provision shall be deemed to provide for, whether or not expressly so stated, the payment of all related fees, costs, charges, advances and expenses of the Trustee (including without limitation, attorneys' fees and expenses), unless the context shall clearly indicate otherwise.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Survival of Provisions. The obligations of the Trustee with respect to matters arising before the termination of this Declaration of Trust shall survive the termination of this Declaration of Trust.

Section 12.02. No Third Party Beneficiaries. No persons other than the City, the Trustee, the Owners of Certificates and the successors and assigns of such persons, shall have any rights whatsoever under this Declaration of Trust.

Section 12.03. Notices. It shall be sufficient service of any notice, request, complaint, demand or other paper required by this Declaration of Trust or the Lease to be given or filed with the Trustee or the City if the same shall be duly mailed by registered or certified mail with postage prepaid (except as indicated in (a) below) addressed as follows:

(a) To the Owners of the Certificates if the same shall be duly mailed by first class mail, postage prepaid, addressed to each of the Owners of Certificates at the time Outstanding at his address as shown by the register maintained pursuant to **Section 3.06**.

(b) If to the City:

City of Gladstone, Missouri
7010 North Holmes
Gladstone, Missouri 64118
Attention: City Manager

(c) If to the Trustee:

Security Bank of Kansas City
701 Minnesota Avenue, Suite 206
Kansas City, Kansas 66101
Attn: Corporate Trust Department

Notwithstanding the foregoing, notice to the Trustee shall only be effective upon actual receipt. A duplicate copy of each notice, certificate or other communication given hereunder, or pursuant to the Lease to any of the parties mentioned in this Section shall be given to all other parties mentioned in this Section (other than the Owners of the Certificates unless a copy is required to be furnished to them by other provisions of this Declaration of Trust). The Trustee or the City may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent to it. Notice to the Trustee shall be effective only upon receipt.

Section 12.04. Waiver of Personal Liability

(a) All obligations or liabilities under this Declaration of Trust on the part of the Trustee are solely obligations or liabilities of the Trustee in its capacity hereunder as a corporate trustee of the Trust Estate. To the extent permitted by law, the City hereby releases each and every director, officer, agent, attorney or employee of the Trustee from any personal or individual liability under this Declaration of Trust. No director, officer, agent, attorney or employee of the Trustee will at any time or under any circumstances be individually or personally liable under this Declaration of Trust for anything done or omitted to be done by the Trustee hereunder.

(b) All obligations or liabilities under this Declaration of Trust on the part of the City are solely obligations or liabilities of the City as a political subdivision. To the extent permitted by law, the Trustee hereby releases each and every official, member, employee or agent of the City from any personal or individual liability under this Declaration of Trust. No official, member, employee or agent of the City will at any time or under any circumstances be individually or personally liable under this Declaration of Trust for anything done or omitted to be done by the City hereunder.

Section 12.05. Electronic Transaction. The parties agree that the transaction described herein may be conducted and related documents may be stored by electronic means.

Section 12.06. Declaration of Trust Binding Upon Trustee and Successors. This Declaration of Trust will inure to the benefit of and will be binding upon the Trustee and its successors and assigns, subject to the limitations contained herein.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have caused this Declaration of Trust to be executed by their duly authorized officers, all as of the day and year indicated above.

SECURITY BANK OF KANSAS CITY,
as Trustee

By 
Name: Erica Lemon
Title: Vice President

CITY OF GLADSTONE, MISSOURI

(SEAL)

ATTEST:



By Scott Wingerson
Name: Scott Wingerson
Title: City Manager

Ruth E. Bocchino 10/30/2020
Name: Ruth Bocchino
Title: City Clerk

Declaration of Trust

EXHIBIT A

TO DECLARATION OF TRUST

FORM OF CERTIFICATE OF PARTICIPATION

**UNITED STATES OF AMERICA
STATE OF MISSOURI**

No. _____

\$ _____

**CITY OF GLADSTONE, MISSOURI
CERTIFICATE OF PARTICIPATION
SERIES 2020A**

Interest Rate

Payment Date

Certificate Date

CUSIP

_____ 1, 20__

_____, 2020

Registered Owner:

Principal Sum:

THIS IS TO CERTIFY that the Registered Owner identified above of this Certificate of Participation (the "Certificate") is the owner of the proportionate interest hereinafter stated in that certain Lease Purchase Agreement dated as of November 1, 2020 (the "Lease"), between Security Bank of Kansas City, a state banking corporation organized and existing under the laws of the State of Kansas (the "Trustee"), and the City of Gladstone, Missouri, a third-class city and political subdivision of the state of Missouri (the "City"), including payments of Basic Rent to be made thereunder (the "Basic Rent Payments"). The City is authorized to enter into the Lease pursuant to applicable laws, including the constitution and statutes of the State of Missouri and an ordinance of the City. This Certificate is subject to the Declaration of Trust dated as of November 1, 2020, between the Trustee and the City, as amended or supplemented from time to time (the "Declaration of Trust"), which is on file at the corporate trust office of the Trustee located in Kansas City, Kansas. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Declaration of Trust.

THE REGISTERED OWNER of this Certificate is entitled to receive, subject to the terms of the Lease and the Declaration of Trust, on the payment date specified above (the "Certificate Payment Date"), or if selected for prepayment, on the Prepayment Date, the principal sum specified above, representing a portion of the Basic Rent Payment designated as principal coming due on the Certificate Payment Date, and to receive the Registered Owner's proportionate share of Basic Rent Payments designated as interest each March 1 and September 1, commencing on March 1, 2021, to and including the Certificate Payment Date or the Prepayment Date, whichever is earlier. Said proportionate share of the Basic Rent Payments designated as interest is computed on the principal sum specified above from the Dated Date, or the most recent date to which such interest has been paid, at the interest rate specified above on the basis of a 360-day year of twelve 30-day months.

SAID AMOUNTS are payable in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts. The amounts representing principal and prepayment premium, if any, are payable by check or draft at the payment office of the Trustee upon the presentation and surrender of this Certificate and the amounts representing interest are payable to the person in whose name this Certificate is registered in the register maintained by the Trustee at the close of business on the fifteenth day (whether or not a Business Day) of the calendar month next preceding each interest payment date (a "Record Date") by check or draft mailed to said Registered Owner at their address as it appears in said register or in the case of an amount representing interest to be paid to any Registered Owner of Certificates representing an aggregate amount of principal of \$100,000 or more, by electronic transfer to such Registered Owner upon written notice given to the Trustee by such Registered Owner not less than 5 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), ABA routing number and account name and number to which such Registered Owner wishes to have such transfer directed.

BASIC RENT PAYMENTS are payable solely from Available Revenues which includes, for any Fiscal Year, any balances of the City from previous Fiscal Years encumbered to pay Rent under the Lease, amounts budgeted or appropriated out of the income and revenue of the City for such Fiscal Year plus any unencumbered balances of the City from previous Fiscal Years that are legally available to pay Rent during such Fiscal Year and all moneys and investments, including earnings thereon, held by the Trustee pursuant to the Declaration of Trust.

NEITHER THE BASIC RENT PAYMENTS NOR ANY OTHER AMOUNTS DUE UNDER THE LEASE CONSTITUTE A DEBT, A GENERAL OBLIGATION OR, EXCEPT FROM AVAILABLE REVENUES, A LIABILITY OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. THE CITY SHALL NOT BE OBLIGATED TO PAY THE SAME EXCEPT FROM AVAILABLE REVENUES. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE BASIC RENT PAYMENTS OR ANY OTHER AMOUNTS DUE UNDER THE LEASE. THE REGISTERED OWNER SHALL NOT HAVE THE RIGHT TO REQUIRE OR COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY FOR THE PAYMENT OF THE PRINCIPAL AND INTEREST UNDER THE LEASE REPRESENTED BY THIS CERTIFICATE OR THE MAKING OF ANY OTHER PAYMENTS PROVIDED FOR IN THE LEASE.

This Certificate is one of a duly authorized series of certificates of participation designated "Certificates of Participation, Series 2020A" (the "Certificates"), issued for the purpose of providing funds to (i) pay a portion of the costs of acquiring and installing the Project, and (ii) pay certain costs connected to the execution and delivery of the Certificates. The Certificates have been executed by the Trustee pursuant to and are governed by the terms of the Declaration of Trust. Copies of the Lease and the Declaration of Trust are on file at the office of the City and at the corporate trust office of the Trustee, and reference to the Lease and the Declaration of Trust and any and all amendments and supplements thereto is made for a description of the pledges and covenants of the City securing the Basic Rent Payments, the nature, extent and manner of enforcement of such pledges and covenants and the rights and the terms and conditions upon which the Certificates are delivered thereunder. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Declaration of Trust.

The Declaration of Trust permits certain amendments or supplements to the Declaration of Trust and the Lease not materially adverse to the security of the Owners to be made without the consent of or notice to the Owners, certain other amendments or supplements thereto to be made with the consent of the

Owners of not less than a majority in aggregate principal amount of the Certificates then outstanding and other amendments or supplements thereto to be made only with the consent of all Owners.

At the option of the City, the Certificates will be subject to prepayment in whole or in part at any time beginning March 1, 2030, at a Prepayment Price equal to 100% of the Principal Portion being prepaid, plus the Interest Portion accrued to the Prepayment Date.

The Certificates maturing on March 1, 2040, shall be subject to mandatory sinking fund prepayment at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent represented thereby plus the Interest Portion of Basic Rent accrued to the Prepayment Date, on the dates and in the amounts set forth in the Declaration of Trust.

In the event any of the Certificates are to be prepaid, notice thereof identifying the Certificates to be prepaid will be given by first class mail, postage prepaid, mailed not less than 30 days prior to the Prepayment Date to each Registered Owner of Certificates to be prepaid. The failure of the Registered Owner of any Certificate to be so redeemed to receive notice of prepayment mailed as herein provided shall not affect or invalidate the prepayment of such Certificate. All Certificates for which notice of prepayment is given will cease to bear interest on the specified Prepayment Date, provided moneys or certain securities for their prepayment are on deposit at the place of payment at that time, shall cease to be entitled to any benefit or security under the Declaration of Trust and shall no longer be deemed to be outstanding under the Declaration of Trust.

This Certificate shall be transferable upon the Certificate register, which shall be kept for that purpose at the payment office of the Trustee, upon surrender and cancellation of this Certificate together with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner or his, her or its duly authorized attorney and upon payment of the charges provided in the Declaration of Trust. Upon such transfer a new fully registered Certificate or Certificates of the same maturity and aggregate principal amount will be issued to the transferee. The Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Trustee shall not be affected by any notice to the contrary.

The Certificate are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Indenture. One Bond certificate with respect to each date on which the Certificate are stated to mature or with respect to each form of Certificate, registered in the nominee name of the Securities Depository, is being issued and required to be deposited with the Securities Depository or the Trustee as its "FAST" agent and immobilized in its custody. The book-entry system will evidence positions held in the Certificate by the Securities Depository's participants, beneficial ownership of the Certificate in authorized denominations being evidenced in the records of such participants. Transfers of ownership shall be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants. The Board and the Trustee will recognize the Securities Depository nominee, while the registered owner of this Bond, as the owner of this Bond for all purposes, including (i) payments of principal of, and redemption premium, if any, and interest on, this Bond, (ii) notices and (iii) voting. Transfer of principal, interest and any redemption premium payments to participants of the Securities Depository, and transfer of principal, interest and any redemption premium payments to beneficial owners of the Certificate by participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The Board and the Trustee will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository nominee, its participants or persons acting through such participants. While the Securities Depository nominee is the owner of this

Bond, notwithstanding the provision hereinabove contained, payments of principal of, redemption premium, if any, and interest on this Bond shall be made in accordance with existing arrangements among the Board, the Trustee and the Securities Depository.

EXCEPT AS OTHERWISE PROVIDED IN THE DECLARATION OF TRUST, THIS GLOBAL CERTIFICATE MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

The Certificates may be delivered in the form of fully registered Certificates in the denomination of \$5,000 or any integral multiple thereof, subject to certain limitations and as otherwise provided in the Declaration of Trust. The Certificates, upon surrender thereof at the payment office of the Trustee with a written request for exchange satisfactory to the Trustee duly executed by the Registered Owner or his, her or its duly authorized attorney in writing, may be exchanged for an equal aggregate principal amount of fully registered Certificates of any authorized denomination of the same maturity. No service charge shall be made for any transfer or exchange of Certificates, but the Trustee may require payment of any tax or governmental charge in connection therewith.

THE TRUSTEE has no obligation or liability to the Registered Owners of the Certificates to make payments of principal or interest with respect to the Certificates. The Trustee's sole obligations are to administer, for the benefit of the Registered Owners thereof, the various funds and accounts established under the Declaration of Trust.

THE CITY has certified, recited and declared that all acts, conditions and things required by the constitution and statutes of the State of Missouri and the Lease to exist, to have happened and to have been performed precedent to the delivery of the Lease, exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the Trustee has caused this Certificate to be executed by an authorized signatory as of the date set forth above.

SECURITY BANK OF KANSAS CITY,
Trustee

By: _____
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____

Please Print or Typewrite Name, Address and
Employee Identification Number or Social Security Number of Transferee

the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints _____ agent to transfer the within Certificate on the register kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Certificate in every particular.

Signature Guaranteed By:

(Name of Eligible Guarantor Institution as defined by SEC Rule 17 Ad-15 (17 CFR 240.17 Ad-15))

By: _____
Title: _____

EXHIBIT B

TO DECLARATION OF TRUST

**FORM OF REQUISITION CERTIFICATE
FOR COSTS OF IMPROVEMENTS**

Request No. ____

Date: _____

**CITY OF GLADSTONE, MISSOURI
PROJECT FUND
WRITTEN REQUEST FOR DISBURSEMENT FOR
COSTS OF IMPROVEMENTS**

To: Security Bank of Kansas City
Attention: Corporate Trust Department

Ladies and Gentlemen:

Pursuant to **Section 5.02** of the Lease Purchase Agreement (the "Lease") dated as of November 1, 2020, between Security Bank of Kansas City (the "Trustee") and the City of Gladstone, Missouri (the "City"), and **Section 6.04** of the Declaration of Trust (the "Declaration of Trust"), the City hereby requests payment in accordance with this request and said sections of the Lease and the Declaration of Trust, and the City hereby states and certifies that (a) all terms of this request are used with the meanings used in the Lease and the Declaration of Trust, (b) the names of the persons, firms or corporations, if any, to whom the payments requested hereby are due, the amounts to be paid are as set forth on **Attachment I** hereto, (c) the amount hereby requested has been paid or is justly due and is hereby requested to be paid to contractors, subcontractors, materialmen, engineers, architects or other persons (which may include the City) (whose names and addresses are stated on **Attachment I** hereto) who have performed necessary and appropriate work or furnished necessary and appropriate materials in the acquisition and installation of the Project (a brief description of such work and materials and the several amounts so paid or due being set forth on **Attachment I** hereto), (d) no part of the several amounts paid or due, as stated in this certificate has been, is being or will be made the basis for the withdrawal of any moneys in any previous, pending or subsequently filed certificate, (e) the amount remaining to be paid from the Project Fund to pay the remaining Costs of the Project to be paid from the Series 2020A Certificates (as defined in the Declaration of Trust), together with other moneys set aside by the City to pay Costs of the Project, after payment of the amounts requested, will be sufficient to pay the cost of completing the Project in accordance with an estimate of cost of work not yet completed, it being understood that no moneys in the Project Fund may be disbursed to pay Costs of the Project unless after such expenditure the remaining moneys in the Project Fund, together with any other funds available and committed by the City, are sufficient to pay such remaining Costs of the Project to be paid from the Certificates (as defined in the Declaration of Trust), (f) this certificate contains no request for payment on account of any retained percentage which the City is at the date of such certificate entitled to retain, (g) there has not been filed with or served upon the City any notice of any lien, right to a lien or attachment upon or claim affecting the right of any person, firm or corporation to receive payment of the respective amounts stated in said certificate which has not been released or will not be released simultaneously with the payment of such obligation, and (h) invoices, statements, vouchers or bills for the amounts requested and lien waivers for

all services or materials furnished by subcontractors, except as to any retainage, related to amounts specified in this certificate are attached hereto.

Pursuant to **Section 5.02** of the Lease and **Section 6.04** of the Declaration of Trust, the City hereby states and certifies that (a) each of the City's representations contained in the Lease is true, correct and not misleading as though made as of the date hereof, and (b) no event exists that constitutes, or with the giving of notice of the passage of time or both would constitute, an Event of Default.

CITY OF GLADSTONE, MISSOURI

By _____
Authorized Representative

**ATTACHMENT I
TO WRITTEN REQUEST FOR DISBURSEMENT FROM
CITY OF GLADSTONE, MISSOURI
PROJECT FUND**

SCHEDULE OF PAYMENTS REQUESTED

<u>Payee and Address</u>	<u>Amount</u>	<u>Description</u>
--------------------------	---------------	--------------------

EXHIBIT C

TO DECLARATION OF TRUST

PAYMENT SCHEDULE FOR SERIES 2020A CERTIFICATES

Serial Certificates

<u>Due</u> <u>March 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2021	\$1,255,000	2.000%
2022	\$750,000	2.000%
2023	\$765,000	2.000%
2024	\$95,000	2.000%
2025	\$215,000	2.000%
2026	\$220,000	2.000%
2027	\$275,000	2.000%
2028	\$360,000	2.000%
2029	\$370,000	2.000%
2030	\$375,000	2.000%
2031	\$380,000	2.000%
2032	\$390,000	2.000%
2033	\$400,000	2.000%
2034	\$270,000	2.000%
2035	\$275,000	2.000%

Term Certificates

Due: 3/1/2040 Principal Amount: \$1,345,000 Interest Rate: 2.250%

TAX COMPLIANCE AGREEMENT

Dated as of November 1, 2020

Between the

CITY OF GLADSTONE, MISSOURI

And

**SECURITY BANK OF KANSAS CITY,
as Trustee**

\$7,740,000

**Certificates of Participation
Series 2020A**

TAX COMPLIANCE AGREEMENT

TABLE OF CONTENTS

	<u>Page</u>
Parties and Recitals.....	1
ARTICLE I	
DEFINITIONS	
Section 1.1. Definitions of Words and Terms	1
ARTICLE II	
GENERAL COVENANTS	
Section 2.1. Covenants of the City	6
Section 2.2. Covenants of the Trustee	9
Section 2.3. Survival of Covenants.....	9
ARTICLE III	
ARBITRAGE CERTIFICATIONS AND COVENANTS	
Section 3.1. General.....	9
Section 3.2. Reasonable Expectations	10
Section 3.3. Purpose of Financing	10
Section 3.4. Fund.....	10
Section 3.5. Amount and Use of Certificate Proceeds.....	10
Section 3.6. Multipurpose Issue.....	10
Section 3.7. No Advance Refunding	10
Section 3.8. No Current Refunding	10
Section 3.9. Project Completion	11
Section 3.10. Sinking Funds	11
Section 3.11. Reserve, Replacement and Pledged Funds	11
Section 3.12. Purpose Investment Yield.....	11
Section 3.13. Issue Price and Yield on Lease.....	11
Section 3.14. Miscellaneous Arbitrage Matters.....	11
Section 3.15. Conclusion	12
ARTICLE IV	
POST-ISSUANCE TAX REQUIREMENTS, POLICIES AND PROCEDURES	
Section 4.1. General.....	12
Section 4.2. Record Keeping; Use of Certificate Proceeds and Use of Financed Facilities	12
Section 4.3. Temporary Periods/Yield Restriction	13
Section 4.4. Procedures for Establishing Fair Market Value.....	14

Section 4.5.	Certain Gross Proceeds Exempt from the Rebate Requirement	16
Section 4.6.	Computation and Payment of Arbitrage Rebate	18
Section 4.7.	Successor Rebate Analyst.....	19
Section 4.8.	Filing Requirements.....	19
Section 4.9.	Survival after Defeasance	19

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 5.1.	Term of Tax Agreement	19
Section 5.2.	Amendments	19
Section 5.3.	Opinion of Special Tax Counsel.....	19
Section 5.4.	Reliance	20
Section 5.5.	Severability	20
Section 5.6.	Benefit of Agreement	20
Section 5.7.	Default; Breach and Enforcement.....	20
Section 5.8.	Execution in Counterparts	20
Section 5.9.	Governing Law	20
Section 5.10.	Electronic Transactions	20
	Signatures	S-1

Exhibit A – Debt Service Schedule and Proof of Lease Yield

Exhibit B – IRS Form 8038-G

Exhibit C – Description of Property Comprising the Financed Facilities

Exhibit D – Sample Annual Compliance Checklist

Exhibit E – Sample Final Written Allocation

Exhibit F – Tax and Disclosure Compliance Procedure

Exhibit G – Resolution of Official Intent

* * *

TAX COMPLIANCE AGREEMENT

THIS TAX COMPLIANCE AGREEMENT (the “Tax Agreement”), dated as of November 1, 2020, between the **CITY OF GLADSTONE, MISSOURI**, a political subdivision organized and existing under the laws of the State of Missouri (the “City”), and **SECURITY BANK OF KANSAS CITY**, a Kansas state banking corporation, as Trustee (the “Trustee”).

RECITALS

1. This Tax Agreement is being executed and delivered in connection with the execution and delivery by the City of \$7,740,000 principal amount of Certificates of Participation, Series 2020A (the “Certificates”), evidencing a proportionate interest of the Owners thereof in Base Rentals to be made by the City pursuant to an annually-renewable Lease Purchase Agreement dated as of November 1, 2020 (the “Lease”), which Certificates are delivered under a Declaration of Trust dated as of November 1, 2020 (the “Declaration”) between the Trustee and the City, for the purposes described in this Tax Agreement, the Declaration and the Lease.

2. The Internal Revenue Code of 1986, as amended (the “Code”), and the applicable Regulations and rulings issued by the U.S. Treasury Department (the “Regulations”), impose certain limitations on the uses and investment of the Certificate proceeds and of certain other money relating to the Certificates and set forth the conditions under which the Interest Component of the Base Rentals paid by the City and distributed to the registered owners of the Certificates will be excluded from gross income for federal income tax purposes.

3. The City and the Trustee are entering into this Tax Agreement in order to set forth certain facts, covenants, and expectations relating to the use of Certificate proceeds and the property financed or refinanced with those proceeds and the investment of the Certificate proceeds and of certain other related money, in order to establish and maintain the exclusion of the Interest Component of Base Rentals represented by the Certificates from gross income for federal income tax purposes.

4. The City adopted a Tax and Disclosure Compliance Procedure on June 24, 2013 (the “Tax Compliance Procedure”), a copy of which is attached hereto as **Exhibit F**, for the purpose of setting out general procedures for the City to continuously monitor and comply with the federal income tax requirements set out in the Code and the Regulations.

5. This Tax Agreement is entered into as required by the Tax Compliance Procedure to set out specific tax compliance procedures applicable to the Certificates.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth in this Tax Agreement, the City and the Trustee covenant and agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions of Words and Terms. Except as otherwise provided in this Tax Agreement or unless the context otherwise requires, capitalized words and terms used in this Tax Agreement have the same meanings as set forth in the Declaration and the Lease, and certain other words

and phrases have the meanings assigned in Code §§ 103, 141-150 and the Regulations. In addition, the following words and terms used in this Tax Agreement have the following meanings:

“Adjusted Gross Proceeds” means the Gross Proceeds of the Certificates reduced by amounts (a) in a Bona Fide Debt Service Fund or a reasonably required reserve or replacement fund, (b) that as of the Issue Date are not expected to be Gross Proceeds, but which arise after the end of the applicable spending period and (c) representing grant repayments or sale or Investment proceeds of any purpose Investment.

“Annual Compliance Checklist” means a checklist for the Certificates to measure compliance with the requirements of this Tax Agreement and the Tax Compliance Procedure after the Issue Date, as further described in **Section 4.2** hereof and substantially in the form attached hereto as **Exhibit D**.

“Available Construction Proceeds” means the sale proceeds of the Certificates, increased by (a) Investment earnings on the sale proceeds, (b) earnings on amounts in a reasonably required reserve or replacement fund allocable to the Certificates but not funded from the Certificates and (c) earnings on such earnings, reduced by sale proceeds (1) in any reasonably required reserve fund or (2) used to pay issuance costs of the Certificates. But Available Construction Proceeds do not include Investment earnings on amounts in a reasonably required reserve or replacement fund after the earlier of (A) the second anniversary of the Issue Date or (B) the date the Financed Facilities are substantially completed.

“Base Rentals” means the amount or amounts payable by the City as required by the Lease and is comprised of a Principal Component and an Interest Component as set forth in the Lease.

“Bona Fide Debt Service Fund” means a fund, which may include Certificate proceeds, that (a) is used primarily to achieve a proper matching of revenues with Base Rentals within each Certificate Year and (b) is depleted at least once each Certificate Year, except for a reasonable carryover amount not to exceed the greater of (1) the earnings on the fund for the immediately preceding Certificate Year or (2) one-twelfth of the Base Rentals for the immediately preceding Certificate Year.

“Bond Compliance Officer” means the City’s Finance Director or other person named in the Tax Compliance Procedure.

“Certificate” or **“Certificates”** means any Certificate or Certificates described in the recitals, authenticated and delivered under the Declaration.

“Certificate Year” means each one-year period (or shorter period for the first Certificate Year) ending November 1, or another one-year period selected by the City.

“Code” means the Internal Revenue Code of 1986, as amended.

“Computation Date” means each date on which arbitrage rebate for the Certificates is computed. The City may treat any date as a Computation Date, subject to the following limits:

- (a) the first rebate installment payment must be made for a Computation Date not later than 5 years after the Issue Date;
- (b) each subsequent rebate installment payment must be made for a Computation Date not later than five years after the previous Computation Date for which an installment payment was made; and

(c) the date the last Certificate is discharged is the final Computation Date.

The City selects November 1, 2025 as the first Computation Date but reserves the right to select a different date consistent with the Regulations.

“City” means the City of Gladstone, Missouri and its successors and assigns, or any body, agency or instrumentality of the State of Missouri succeeding to or charged with the powers, duties and functions of the City.

“Declaration” means the Declaration of Trust dated as of November 1, 2020, by and between the Trustee and the City, as amended and supplemented in accordance with the provisions thereof.

“Final Written Allocation” means the final written allocation of expenditures of Certificate proceeds prepared by the Bond Compliance Officer in accordance with the Tax Compliance Procedure and **Section 4.2(b)** hereof, a form of which is set forth on **Exhibit E** hereto.

“Financed Facilities” means the portion of the Project being financed or refinanced with the Certificate proceeds as described on **Exhibit C** hereto.

“Gross Proceeds” means (a) sale proceeds (any amounts actually or constructively received by the City from the sale of the Certificates, including amounts used to pay underwriting discount or fees, but excluding pre-issuance accrued interest), (b) Investment proceeds (any amounts received from investing sale proceeds), (c) any amounts held in a sinking fund for the Certificates, (d) any amounts held in a pledged fund or reserve fund for the Certificates, (e) any other replacement proceeds and (f) any transferred proceeds. Specifically, Gross Proceeds includes (but is not limited to) amounts held in the following funds:

- (1) Project Fund.
- (2) Lease Revenue Fund.

“Guaranteed Investment Contract” means any Investment with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate, including any agreement to supply Investments on two or more future dates (*e.g.*, a forward supply contract).

“Interest Component” means the portion of each payment of Base Rentals that represents the payment of interest as set forth in the Lease.

“Investment” means any security, obligation, annuity contract or other investment-type property that is purchased directly with, or otherwise allocated to, Gross Proceeds. This term does not include a tax-exempt bond, except for “specified private activity bonds” as defined in Code § 57(a)(5)(C), but it does include the investment element of most interest rate caps.

“IRS” means the United States Internal Revenue Service.

“Issue Date” means November 5, 2020.

“Lease” means the Lease Purchase Agreement dated as of November 1, 2020, between the Trustee, as lessor, and the City, as lessee, as amended and supplemented in accordance with the provisions thereof.

“Management Agreement” means a legal agreement defined in Regulations § 1.141-3(b) as a management, service, or incentive payment contract with an entity that provides services involving all or a portion of any function of the Financed Facilities, such as a contract to manage the entire Financed Facilities or a portion of the Financed Facilities. Contracts for services that are solely incidental to the primary governmental function of the Financed Facilities (for example, contracts for janitorial, office equipment repair, billing, or similar services) are not treated as Management Agreements.

“Measurement Period” means, with respect to each item of property financed as part of the Financed Facilities, the period beginning on the later of (a) the Issue Date or (b) the date the property is placed in service, and ending on the earlier of (1) the final maturity date of the Certificates or (2) the expected economic useful life of the property.

“Minor Portion” means the lesser of \$100,000 or 5% of the sale proceeds of the Certificates.

“Net Proceeds” means the sale proceeds of the Certificates (excluding pre-issuance accrued interest), less any proceeds deposited in a reasonably required reserve or replacement fund, plus all Investment earnings on such sale proceeds.

“Non-Qualified Use” means use of Certificate proceeds or the Financed Facilities in a trade or business carried on by any Non-Qualified User. The rules set out in Regulations § 1.141-3 determine whether Certificate proceeds or the Financed Facilities are “used” in a trade or business. Generally, ownership, a lease, or any other use that grants a Non-Qualified User a special legal right or entitlement with respect to the Financed Facilities, will constitute use under Regulations § 1.141-3.

“Non-Qualified User” means any person or entity other than a Qualified User.

“Opinion of Special Tax Counsel” means the written opinion of Special Tax Counsel to the effect that the action or proposed action or the failure to act or proposed failure to act for which the opinion is required will not adversely affect the exclusion of the Interest Component of Base Rentals from gross income for federal income tax purposes.

“Post-Issuance Tax Requirements” means those requirements related to the use of Certificate proceeds, the use of the Financed Facilities and the investment of Gross Proceeds after the Issue Date.

“Principal Portion” means the portion of each payment of Base Rentals that represents the payment of principal as set forth in the Lease.

“Project” means all of the property being acquired, constructed, furnished and equipped by the City using Certificate proceeds, as described on **Exhibit C** hereto.

“Qualified Use Agreement” means any of the following:

(a) A lease or other short-term use by members of the general public who occupy the Financed Facilities on a short-term basis in the ordinary course of the City’s governmental purposes.

(b) Agreements with Qualified Users or Non-Qualified Users to use all or a portion of the Financed Facilities for a period up to 200 days in length pursuant to an arrangement whereby (1) the use of the Financed Facilities under the same or similar arrangements is predominantly by natural persons who are not engaged in a trade or business and (2) the compensation for the use is determined based on generally applicable, fair market value rates that are in effect at the time the agreement is entered into or renewed. Any Qualified User or Non-Qualified User using all or any portion of the Financed Facilities under this type of arrangement may have a right of first refusal to renew the agreement at rates generally in effect at the time of the renewal.

(c) Agreements with Qualified Users or Non-Qualified Users to use all or a portion of the Financed Facilities for a period up to 100 days in length pursuant to arrangements whereby (1) the use of the property by the person would be general public use but for the fact that generally applicable and uniformly applied rates are not reasonably available to natural persons not engaged in a trade or business, (2) the compensation for the use under the arrangement is determined based on applicable, fair market value rates that are in effect at the time the agreement is entered into or renewed and (3) the Financed Facilities were not constructed for a principal purpose of providing the property for use by that Qualified User or Non-Qualified User. Any Qualified User or Non-Qualified User using all or any portion of the Financed Facilities under this type of arrangement may have a right of first refusal to renew the agreement at rates generally in effect at the time of the renewal.

(d) Agreements with Qualified Users or Non-Qualified Users to use all or a portion of the Financed Facilities for a period up to 50 days in length pursuant to a negotiated arm's-length arrangement at fair market value so long as the Financed Facilities were not constructed for a principal purpose of providing the property for use by that person.

“Qualified User” means a State, territory, possession of the United States, the City of Columbia, or any political subdivision thereof, or any instrumentality of such entity, but it does not include the United States or any agency or instrumentality of the United States.

“Reasonable Retainage” means Gross Proceeds retained by the City for reasonable business purposes, such as to ensure or promote compliance with a construction contract; provided that such amount may not exceed (a) for purposes of the 18-month spending test, 5% of net sale proceeds of the Certificates on the date 18 months after the Issue Date or (b) for purposes of the 2-year spending test, 5% of the Available Construction Proceeds as of the end of the 2-year spending period.

“Rebate Analyst” means Development Dynamics (D2), or a successor Rebate Analyst selected by the City pursuant to this Tax Agreement, to compute arbitrage rebate.

“Regulations” means all Regulations issued by the U.S. Treasury Department to implement the provisions of Code §§ 103 and 141 through 150 and applicable to the Certificates.

“Special Tax Counsel” means Armstrong Teasdale LLP, or other firm of nationally recognized bond counsel acceptable to the City.

“Tax Agreement” means this Tax Compliance Agreement as it may from time to time be amended and supplemented in accordance with its terms.

“Tax Compliance Procedure” means the City’s Tax and Disclosure Compliance Procedure dated June 24, 2013, a copy of which is attached hereto as **Exhibit F**.

“Tax-Exempt Bond File” means documents and records for the Certificates maintained by the Bond Compliance Officer pursuant to the Tax Compliance Procedure.

“Transcript” means the Transcript of Proceedings relating to the authorization and delivery of the Certificates.

“Trustee” means Security Bank of Kansas City, and its successor or successors and any other corporation or association which at any time may be substituted in its place at the time serving as Trustee under the Declaration.

“Underwriter” means First Bankers’ Banc Securities, Inc., St. Louis, Missouri, the original purchaser of the Certificates.

“Yield” means yield on the Lease, computed under Regulations § 1.148-4, and yield on an Investment, computed under Regulations § 1.148-5.

ARTICLE II

GENERAL COVENANTS

Section 2.1. Covenants of the City. The City covenants as follows:

(a) *Organization and Authority.* The City (1) is a political subdivision organized and existing under the laws of the State of Missouri, (2) has lawful power and authority to enter into, execute the Lease, deliver the Certificates and execute this Tax Agreement and to carry out its obligations under the Lease, the Certificates and this Tax Agreement and (3) by all necessary action has been duly authorized to execute the Lease, deliver the Certificates and execute this Tax Agreement, acting by and through its duly authorized officials.

(b) *Tax-Exempt Status of Certificates – General Covenants.* In order to maintain the exclusion of the Interest Component of the Base Rentals represented by the Certificates from gross income for federal income tax purposes, the City (1) will take whatever action, and refrain from whatever action, necessary to comply with the applicable requirements of the Code, (2) will not use or invest, or permit the use or Investment of, any Certificate proceeds, other money held under the Declaration, or other funds of the City, in a manner that would violate applicable provisions of the Code, and (3) will not use, or permit the use of, any portion of the Financed Facilities in a manner that would cause the Lease to become a “private activity bond” as defined in Code § 141.

(c) *Governmental Obligations – Use of Proceeds.* Throughout the Measurement Period, (1) all of the Financed Facilities are expected to be owned by the City or another Qualified User, (2) no portion of the Financed Facilities is expected to be used in a Non-Qualified Use and (3) the City will not permit any Non-Qualified Use of the Financed Facilities without first obtaining an Opinion of Special Tax Counsel.

(d) *Governmental Obligations – Private Security or Payment.* As of the Issue Date, the City expects that none of the Base Rentals represented by the Certificates will be, directly or indirectly:

(1) secured by (A) any interest in property used or to be used for a private business use or (B) any interest in payments in respect of such property; or

(2) derived from payments (whether or not such payments are made to the City) in respect of property, or borrowed money, used or to be used for a private business use.

For purposes of the foregoing, taxes of general application, including payments in lieu of taxes, are not treated as private payments or as private security. The City will not permit any private security or payment with respect to the Certificates without first obtaining and delivering to the Trustee an Opinion of Special Tax Counsel.

(e) *No Private Loan.* Not more than 5% of the Net Proceeds of the Certificates will be loaned directly or indirectly to any Non-Qualified User.

(f) *Management Agreements.* As of the Issue Date, the City has no Management Agreements with Non-Qualified Users. During the Measurement Period, the City will not enter into any Management Agreement with any Non-Qualified User without first obtaining and delivering to the Trustee an Opinion of Special Tax Counsel.

(g) *Leases.* Except for the Lease, neither of which gives rise to Non-Qualified Use, as of the Issue Date, the City has not entered into any leases of any portion of the Financed Facilities other than Qualified Use Agreements during the Measurement Period. During the Measurement Period, the City will not enter into or renew any lease or similar agreement or arrangement other than a Qualified Use Agreement without first obtaining an Opinion of Special Tax Counsel.

(h) *Limit on Maturity of Certificates.* A list of the assets included in the Financed Facilities and a computation of the “average reasonably expected economic life” is attached to this Tax Agreement as **Exhibit C** hereto. Based on this computation, the “average maturity” of the Certificates, as computed by Special Tax Counsel, does not exceed 120% of the “average reasonably expected economic life” of the Financed Facilities.

(i) *Reimbursement of Expenditures; Official Intent.* On _____, 2019, the governing body of the City adopted a resolution declaring the intent of the City to finance the Project with tax-exempt obligations and to reimburse the City for expenditures made for the Project prior to the issuance of those obligations. Such resolution was supplemented by a subsequent ordinance adopted by the City on September 28, 2020 that authorized issuance of tax-exempt obligations for the Project. Attached as **Exhibit G** are copies of both the ordinance and resolution. \$187,734.24 of the proceeds of the Lease will be allocated to expenditures paid by the City prior to the Issue Date and should be shown on line 45 of Form 8038-G. No portion of the Net Proceeds of the Lease will be used to reimburse an expenditure paid by the City more than 60 days prior to the date the original (August 18, 2017) resolution was adopted. No reimbursement allocation will be made for an expenditure made more than 3 years before the date of the reimbursement allocation.

(j) *Registered Certificates.* The Declaration requires that all of the Certificates be delivered and held in registered form within the meaning of Code § 149(a).

(k) *Certificates Not Federally Guaranteed.* The City will not take any action or permit any action to be taken which would cause its Base Rentals under the Lease, or any Certificate to be “federally guaranteed” within the meaning of Code § 149(b).

(l) *IRS Form 8038-G.* Special Tax Counsel will prepare Form 8038-G (Information Return for Tax-Exempt Governmental Obligations) based on the covenants of the City contained in this Tax Agreement or otherwise provided by the City. Special Tax Counsel will sign the return as a paid preparer following completion and will then deliver copies to the City for execution and for the City's records. The City agrees to timely execute and return to Special Tax Counsel the execution copy of Form 8038-G for filing with the IRS. A copy of the "as-filed" Form 8038-G, along with proof of filing, is attached hereto as **Exhibit B**.

(m) *Hedge Bonds.* At least 85% of the net sale proceeds (the sale proceeds of the Certificates less any sale proceeds invested in a reserve fund) of the Certificates will be used to carry out the governmental purpose of the Certificates within three years after the Issue Date, and not more than 50% of the Certificate proceeds will be invested in Investments having a substantially guaranteed Yield for four years or more.

(n) *Compliance with Future Tax Requirements.* The City understands that the Code and the Regulations may impose new or different restrictions and requirements on the City in the future. The City will comply with such future restrictions that are necessary to maintain the exclusion of the Interest Component of the Base Rentals from gross income for federal income tax purposes.

(o) *Single Issue; No Other Issues.* The Certificates constitute a single "issue" under Regulations § 1.150-1(c). No other debt obligations of the City are (1) being sold within 15 days of the sale of the Certificates, (2) being sold under the same plan of financing as the Certificates and (3) expected to be paid from substantially the same source of funds as the Certificates (disregarding guarantees from unrelated parties, such as bond insurance).

(p) *Interest Rate Swap.* As of the Issue Date, the City has not entered into an interest rate swap agreement or any other similar arrangement designed to modify its interest rate risk with respect to the Certificates. The City will not enter into any such arrangement in the future without obtaining an Opinion of Special Tax Counsel.

(q) *Guaranteed Investment Contract.* As of the Issue Date, the City does not expect to enter into a Guaranteed Investment Contract for any Gross Proceeds of the Certificates. The City will be responsible for complying **Section 4.4(d)** hereof if it decides to enter into a Guaranteed Investment Contract at a later date.

(r) *Bank Qualified Tax-Exempt Obligation.* The City designates the Lease and the Certificates as "qualified tax-exempt obligations" under Code § 265(b)(3), and with respect to this designation certifies as follows:

(1) the City reasonably anticipates that the amount of tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) that will be issued by or on behalf of the City (and all subordinate entities of the City) during calendar year 2020, including the Lease and the Certificates, will not exceed \$10,000,000; and

(2) the City (including all subordinate entities of the City) will not issue tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) during calendar year 2020, including the Lease and the Certificates, in an aggregate principal amount or aggregate issue price in excess of \$10,000,000, without first obtaining an Opinion of Special Tax

Counsel that the designation of the Lease and the Certificates as “qualified tax-exempt obligations” will not be adversely affected.

Section 2.2. Covenants of the Trustee. The Trustee covenants to the City as follows:

(a) The Trustee will comply with the provisions of this Tax Agreement that apply to it as Trustee and any written letter or Opinion of Special Tax Counsel, specifically referencing the Certificates and received by the Trustee, that sets forth any action necessary to comply with any statute, regulation or ruling that may apply to it as Trustee and relating to reporting requirements or other requirements necessary to maintain the exclusion of the Interest Component of the Base Rentals from gross income for federal income tax purposes; provided that any such reporting requirements or actions relate to records that the Trustee has or is required to have or responsibilities of the Trustee contained herein or in the Declaration.

(b) The Trustee, upon receipt of a written request from the City, may from time to time cause a firm of attorneys, consultants or independent accountants or an investment banking firm to provide the Trustee and the City with such information as it may request in order for the City to determine all matters relating to (1) the Yield on the Certificates as it relates to any data or conclusions necessary to verify that the Certificates are not “arbitrage bonds” within the meaning of Code § 148 and (2) compliance with arbitrage rebate requirements of Code § 148(f). The City will pay all reasonable costs and expenses incurred in connection with supplying the foregoing information.

(c) The Trustee, acting on behalf of the City, will retain records related to the investment and expenditure of Gross Proceeds held in funds and accounts maintained by the Trustee and any records provided to the Trustee by the City related to the Post-Issuance Tax Requirements in accordance with **Section 4.2(a)** of this Tax Agreement. The Trustee will retain these records until three years following the final maturity of (i) the Certificates or (ii) any obligation issued to refund the Certificates; provided, however, if the Trustee is not retained to serve as trustee for any obligation issued to refund the Certificates (a “Refunding Obligation”), then the Trustee may satisfy its record retention duties under this **Section 2.2(c)** by providing copies of all records in its possession related to the Certificates to the trustee for the Refunding Obligation or other party designated by the City.

Section 2.3. Survival of Covenants. All covenants and certifications of the City and the Trustee contained in this Tax Agreement or in any certificate or other instrument delivered by the City or the Trustee under this Tax Agreement, will survive the execution and delivery of such documents and the approval and delivery of the Certificates, as representations of facts existing as of the date of execution and delivery of the instruments containing such representations. The foregoing covenants of this Section will remain in full force and effect notwithstanding the defeasance of the Certificates.

ARTICLE III

ARBITRAGE CERTIFICATIONS AND COVENANTS

Section 3.1. General. The purpose of this Article is to certify, under Regulations § 1.148-2(b), the City’s expectations as to the sources, uses and Investment of Certificate proceeds and other money, in order to support the City’s conclusion that the Lease and the Certificates are not arbitrage bonds. The person executing this Tax Agreement on behalf of the City is an officer of the City responsible for delivering the Lease and authorizing the Trustee to deliver the Certificates.

Section 3.2. Reasonable Expectations. The facts, estimates and expectations set forth in this Article are based upon and in reliance upon the City's understanding of the documents and certificates that comprise the Transcript, and the covenants and certifications of the parties contained therein. To the City's knowledge, the facts and estimates set forth in this Tax Agreement are accurate, and the expectations of the City set forth in this Tax Agreement are reasonable. The City has no knowledge that would cause it to believe that the certifications described in this Tax Agreement are unreasonable or inaccurate or may not be relied upon.

Section 3.3. Purpose of Financing. The Certificates are being executed and delivered for the purpose of providing funds to pay the costs of (a) the Project and (b) executing the Lease and delivering the Certificates.

Section 3.4. Funds. The following funds have been established under the Declaration:

- (1) Project Fund.
- (2) Lease Revenue Fund.

Section 3.5. Amount and Use of Certificate Proceeds.

(a) *Amount of Certificate Proceeds.* The total Certificate proceeds to be received by the City from the sale of the Certificates will be as follows:

Principal Amount	\$7,740,000.00
Net Original Issue Premium/(Discount)	202,833.00
Less Underwriting Discount	(77,322.60)
Accrued Interest	0.00
Total Proceeds Received by City	<hr/> \$7,865,510.40

(b) *Use of Certificate Proceeds.* The Certificate proceeds (net of underwriter's discount) are expected to be allocated to expenditures as follows:

- (1) \$120,510.40 of Certificate proceeds will be used to pay the costs of executing and delivering the Certificates.
- (2) \$7,450,000.00 of Certificate proceeds will be deposited in the Project Fund, of which \$187,734.24 will be used to reimburse the City for costs of the Financed Facilities paid before the Issue Date and \$7,557,265.76 will be used to pay future costs of the Financed Facilities.

Section 3.6. Multipurpose Issue. Pursuant to Regulations § 1.148-9(h), the City is applying the arbitrage rules to separate financing purposes of the issue that have the same initial temporary period as if they constitute a single issue for purposes of applying the arbitrage rules.

Section 3.7. No Advance Refunding. No Certificate proceeds will be used more than 90 days following the Issue Date to pay principal of or interest on any other debt obligation.

Section 3.8. No Current Refunding. No Certificate proceeds will be used to pay principal of or interest on any other debt obligation.

Section 3.9. Project Completion. The City has incurred, or will incur within six months after the Issue Date, a substantial binding obligation to a third party to spend at least 5% of the Net Proceeds of the Certificates on the Financed Facilities. The completion of the Financed Facilities and the allocation of the Net Proceeds of the Certificates to expenditures will proceed with due diligence. At least 85% of the Net Proceeds of the Certificates will be allocated to expenditures on the Financed Facilities within three years after the Issue Date.

Section 3.10. Sinking Funds. The City is required to make periodic payments in amounts sufficient to pay the Base Rentals. Such payments will be deposited into the Certificate Payment Fund. Except for the Certificate Payment Fund and the Prepayment Fund, no sinking fund or other similar fund that is expected to be used to pay Base Rentals has been established or is expected to be established. The Certificate Payment Fund and the Prepayment Fund are used primarily to achieve a proper matching of revenues with Base Rentals within each Certificate Year, and the City expects that the Certificate Payment Fund and the Prepayment Fund, in the aggregate, will qualify as a Bona Fide Debt Service Fund.

Section 3.11. Reserve, Replacement and Pledged Funds.

(a) *Reserve Fund.* No reserve or replacement fund has been established for the Certificates.

(b) *No Other Replacement or Pledged Funds.* None of the Certificate proceeds will be used as a substitute for other funds that were intended or earmarked to pay costs of the Financed Facilities, and that instead have been or will be used to acquire higher yielding investments. Except for the Certificate Payment Fund and the Prepayment Fund, there are no other funds pledged or committed in a manner that provides a reasonable assurance that such funds would be available for Base Rentals if the City encounters financial difficulty.

Section 3.12. Purpose Investment Yield. The Certificate proceeds will not be used to purchase an Investment for the purpose of carrying out the governmental purpose of the financing.

Section 3.13. Issue Price and Yield on Lease.

(a) *Issue Price.* Based on the Underwriter's certifications in the Underwriter's Receipt for Certificates and Closing Certificate, the City hereby elects to establish the issue prices of the Certificates maturing in the years 2021 through 2035 pursuant to Regulations § 1.148-1(f)(2)(i) (relating to the so-called "general rule"), and the issue price of the Certificate maturing in year 2040 pursuant to Regulations § 1.148-1(f)(2)(ii) (relating to the so-called "hold-the-offering-price rule"). Therefore, the aggregate issue price of the Certificates for such purpose is \$7,942,800.00.

(b) *Yield on the Lease.* Based on the issue price, the Yield on the Lease is 1.7077%, as shown on **Exhibit A** attached hereto. The City has not entered into an interest rate swap agreement with respect to any portion of the Certificate proceeds.

Section 3.14. Miscellaneous Arbitrage Matters.

(a) *No Abusive Arbitrage Device.* The Certificates are not and will not be part of a transaction or series of transactions that has the effect of (1) enabling the City to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage and (2) overburdening the tax-exempt bond market.

(b) *No Over-Issuance.* The sale proceeds of the Certificates, together with expected Investment earnings thereon and other money contributed by the City, if any, do not exceed the cost of the governmental purpose of the Certificates as described above.

Section 3.15. Conclusion. On the basis of the facts, estimates and circumstances set forth in this Tax Agreement, the City does not expect that the Certificate proceeds will be used in a manner that would cause the Lease or any Certificate to be an “arbitrage bond” within the meaning of Code § 148 and the Regulations.

ARTICLE IV

POST-ISSUANCE TAX REQUIREMENTS, POLICIES AND PROCEDURES

Section 4.1. General.

(a) *Purpose of Article.* The purpose of this Article is to supplement the Tax Compliance Procedure and to set out specific policies and procedures governing compliance with the federal income tax requirements that apply after the Certificates are delivered. The City recognizes that the Interest Component of the Base Rentals represented by the Certificates will remain excludable from gross income only if the Post-Issuance Tax Requirements are followed after the Issue Date. The City further acknowledges that written evidence substantiating compliance with the Post-Issuance Tax Requirements must be retained in order to permit the Certificates to be refinanced with tax-exempt obligations and substantiate the position that the Interest Component of the Base Rentals represented by the Certificates is excluded from gross income in the event of an audit of the Certificates by the IRS.

(b) *Written Policies and Procedures of the City.* The City intends for the Tax Compliance Procedure, as supplemented by this Tax Agreement, to be its primary written policies and procedures for monitoring compliance with the Post-Issuance Tax Requirements for the Certificates and to supplement any other formal policies and procedures related to tax compliance that the City has established. The provisions of this Tax Agreement are intended to be consistent with the Tax Compliance Procedure. In the event of any inconsistency between the Tax Compliance Procedure and this Tax Agreement, the terms of this Tax Agreement will govern.

(c) *Bond Compliance Officer.* The City when necessary to fulfill its Post-Issuance Tax Requirements will, through its Bond Compliance Officer, sign Form 8038-T in connection with the payment of arbitrage rebate or yield reduction payments, participate in any federal income tax audit of the Certificates or related proceedings under a voluntary compliance agreement procedures (VCAP) or undertake a remedial action procedure pursuant to Regulations § 1.141-12. In each case, all costs and expenses incurred by the City shall be treated as a reasonable cost of administering the Certificates and the City shall be entitled to reimbursement and recovery of its costs to the same extent as provided in the Declaration or State law.

Section 4.2. Record Keeping; Use of Certificate Proceeds and Use of Financed Facilities.

(a) *Record Keeping.* The Bond Compliance Officer will maintain the Tax-Advantaged Bond File for the Certificates in accordance with the Tax Compliance Procedure. Unless otherwise specifically instructed in a written Opinion of Special Tax Counsel or to the extent otherwise provided in this Tax Agreement, the Bond Compliance Officer shall retain records related to Post-Issuance Tax Requirements

until three years following the final maturity of (1) the Certificates or (2) any obligation issued to refund the Certificates. Any records maintained electronically must comply with Section 4.01 of Revenue Procedure 97-22, which generally provides that an electronic storage system must (A) ensure an accurate and complete transfer of the hardcopy records which indexes, stores, preserves, retrieves and reproduces the electronic records, (B) include reasonable controls to ensure integrity, accuracy and reliability of the electronic storage system and to prevent unauthorized alteration or deterioration of electronic records, (C) exhibit a high degree of legibility and readability both electronically and in hardcopy, (D) provide support for other books and records of the City and (E) not be subject to any agreement that would limit the ability of the IRS to access and use the electronic storage system on the City's premises.

(b) *Accounting and Allocation of Certificate Proceeds to Expenditures.* The Bond Compliance Officer will account for the investment and expenditure of Certificate proceeds in the level of detail required by the Tax Compliance Procedure. The Bond Compliance Officer will supplement the expected allocation of Certificate proceeds to expenditures with a Final Written Allocation as required by the Tax Compliance Procedure. A sample form of a Final Written Allocation is attached as **Exhibit E** hereto.

(c) *Annual Compliance Checklist.* Attached as **Exhibit D** hereto is a form of Annual Compliance Checklist for the Certificates. The Bond Compliance Officer will prepare and complete an Annual Compliance Checklist for the Financed Facilities at least annually in accordance with the Tax Compliance Procedure. In the event the Annual Compliance Checklist identifies a deficiency in compliance with the requirements of this Tax Agreement, the Bond Compliance Officer will take the actions identified in an Opinion of Special Tax Counsel or the Tax Compliance Procedure to correct any deficiency.

(d) *Opinions of Special Tax Counsel.* The Bond Compliance Officer is responsible for obtaining and delivering to the City and the Trustee any Opinion of Special Tax Counsel required under the provisions of this Tax Agreement, including any Opinion of Special Tax Counsel required by this Tax Agreement or the Annual Compliance Checklist.

Section 4.3. Temporary Periods/Yield Restriction. Except as described below, the City will not invest Gross Proceeds at a Yield greater than the Yield on the Lease:

(a) *Project Fund and Costs of Issuance.* Certificate proceeds deposited in the Project Fund and investment earnings on those proceeds may be invested without Yield restriction for up to three years following the Issue Date. If any unspent proceeds remain in the Project Fund after three years, those amounts may continue to be invested without Yield restriction so long as the City pays to the IRS all Yield reduction payments in accordance with Regulations § 1.148-5(c). These payments are required whether or not the Certificates are exempt from the arbitrage rebate requirements of Code § 148. Certificate proceeds deposited in the Project Fund that will be used to pay the costs of executing and delivering the Certificates may be invested without Yield restriction for 13 months.

(b) *Certificate Payment Fund and Prepayment Fund.* To the extent that the Certificate Payment Fund and the Prepayment Fund qualify, in the aggregate, as a Bona Fide Debt Service Fund, money in such funds may be invested without Yield restriction for 13 months after the date of deposit. Earnings on such amounts may be invested without Yield restriction for one year after the date of receipt of such earnings.

(c) *Minor Portion.* In addition to the amounts described above, Gross Proceeds not exceeding the Minor Portion may be invested without Yield restriction.

Section 4.4. Procedures for Establishing Fair Market Value.

(a) *General.* No Investment may be acquired with Gross Proceeds for an amount (including transaction costs) in excess of the fair market value of such Investment, or sold or otherwise disposed of for an amount (including transaction costs) less than the fair market value of the Investment. The fair market value of any Investment is the price a willing buyer would pay to a willing seller to acquire the Investment in a bona fide, arm's-length transaction. Fair market value will be determined in accordance with Regulations § 1.148-5.

(b) *Established Securities Market.* Except for Investments purchased for a Yield-restricted defeasance escrow, if an Investment is purchased or sold in an arm's-length transaction on an established securities market (within the meaning of Code § 1273), the purchase or sale price constitutes the fair market value. Where there is no established securities market for an Investment, market value must be established using one of the paragraphs below. The fair market value of Investments purchased for a Yield-restricted defeasance escrow must be determined in a bona fide solicitation for bids that complies with Regulations § 1.148-5.

(c) *Certificates of Deposit.* The purchase price of a certificate of deposit (a "CD") is treated as its fair market value on the purchase date if (1) the CD has a fixed interest rate, a fixed payment schedule, and a substantial penalty for early withdrawal, (2) the Yield on the CD is not less than the Yield on reasonably comparable direct obligations of the United States, and (3) the Yield is not less than the highest Yield published or posted by the CD issuer to be currently available on reasonably comparable CDs offered to the public.

(d) *Guaranteed Investment Contracts.* The purchase price of a Guaranteed Investment Contract is treated as its fair market value on the purchase date if all of the following requirements are met:

(1) Bona Fide Solicitation for Bids. The City makes a bona fide solicitation for the Guaranteed Investment Contract, using the following procedures:

(A) The bid specifications are in writing and are timely forwarded to potential providers.

(B) The bid specifications include all "material" terms of the bid. A term is material if it may directly or indirectly affect the Yield or the cost of the Guaranteed Investment Contract.

(C) The bid specifications include a statement notifying potential providers that submission of a bid is a representation (i) that the potential provider did not consult with any other potential provider about its bid, (ii) that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the City, the Trustee, or any other person (whether or not in connection with the bond issue), and (iii) that the bid is not being submitted solely as a courtesy to the City or any other person, for purposes of satisfying the requirements of the Regulations.

(D) The terms of the bid specifications are "commercially reasonable." A term is commercially reasonable if there is a legitimate business purpose for the term

other than to increase the purchase price or reduce the Yield of the Guaranteed Investment Contract.

(E) The terms of the solicitation take into account the City's reasonably expected deposit and draw-down schedule for the amounts to be invested.

(F) All potential providers have an equal opportunity to bid. For example, no potential provider is given the opportunity to review other bids (*i.e.*, a last look) before providing a bid.

(G) At least three "reasonably competitive providers" are solicited for bids. A reasonably competitive provider is a provider that has an established industry reputation as a competitive provider of the type of Investments being purchased.

(2) Bids Received. The bids received must meet all of the following requirements:

(A) At least three bids are received from providers that were solicited as described above and that do not have a "material financial interest" in the issue. For this purpose, (i) a lead underwriter in a negotiated underwriting transaction is deemed to have a material financial interest in the issue until 15 days after the Issue Date of the issue, (ii) any entity acting as a financial advisor with respect to the purchase of the Guaranteed Investment Contract at the time the bid specifications are forwarded to potential providers has a material financial interest in the issue, and (iii) a provider that is a related party to a provider that has a material financial interest in the issue is deemed to have a material financial interest in the issue.

(B) At least one of the three bids received is from a reasonably competitive provider, as defined above.

(C) If an agent or broker is used to conduct the bidding process, the agent or broker did not bid to provide the Guaranteed Investment Contract.

(3) Winning Bid. The winning bid is the highest yielding bona fide bid (determined net of any broker's fees).

(4) Fees Paid. The obligor on the Guaranteed Investment Contract certifies the administrative costs that it pays (or expects to pay, if any) to third parties in connection with supplying the Guaranteed Investment Contract.

(5) Records. The City and the Trustee (to the extent the Trustee is provided with such records) retain the following records with the Certificate documents until three years after the last outstanding Certificate is redeemed:

(A) A copy of the Guaranteed Investment Contract.

(B) The receipt or other record of the amount actually paid for the Guaranteed Investment Contract, including a record of any administrative costs paid by the City or the Trustee, and the certification as to fees paid, described in paragraph (d)(4) above.

(C) For each bid that is submitted, the name of the person and entity submitting the bid, the time and date of the bid, and the bid results.

(D) The bid solicitation form and, if the terms of Guaranteed Investment Contract deviated from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose for the deviation.

(e) *Other Investments.* If an Investment is not described above, the fair market value may be established through a competitive bidding process, as follows:

(1) at least three bids on the Investment must be received from persons with no financial interest in the Certificates (*e.g.*, as underwriters or brokers); and

(2) the Yield on the Investment must be equal to or greater than the Yield offered under the highest bid.

Section 4.5. Certain Gross Proceeds Exempt from the Rebate Requirement.

(a) *General.* A portion of the Gross Proceeds of the Certificates may be exempt from rebate pursuant to one or more of the following exceptions. The exceptions typically will not apply with respect to all Gross Proceeds of the Certificates and will not otherwise affect the application of the Investment limitations described in **Section 4.3** hereof. Unless specifically noted, the obligation to compute, and if necessary, to pay rebate as set forth in **Section 4.6** hereof applies even if a portion of the gross proceeds of the Certificates is exempt from the rebate requirement. To the extent all or a portion of the Certificates is exempt from Rebate, the Rebate Analyst may account for such fact in connection with its preparation of a rebate report described in **Section 4.6** hereof. The City may defer the final rebate Computation Date and the payment of rebate for the Certificates to the extent permitted by Regulations § 1.148-7(b)(1) and § 1.148-3(e)(2) but only in accordance with specific written instructions provided by the Rebate Analyst.

(b) *Applicable Spending Exceptions.*

(1) The City expects that at least 75% of the Available Construction Proceeds will be used for construction or rehabilitation expenditures for property owned by the City. The City expects to earn approximately \$0.00 in Investment earnings on Certificate proceeds in the Project Fund.

(2) The following optional rebate spending exceptions can apply to the Certificates:

(A) 6-month Exception (Code § 148(f)(4)(B) and Regulations § 1.148-7(c)).

(B) 18-month Exception (Regulations § 1.148-7(d)).

(C) 2-year Exception (Code § 148(f)(4)(C) and Regulations § 1.148-7(e)).

(c) *Special Elections Made with Respect to Spending Exception Elections.* No special elections are being made in connection with the application of the spending exceptions.

(d) *Bona Fide Debt Service Fund.* To the extent that the Certificate Payment Fund qualifies as a Bona Fide Debt Service Fund, Investment earnings in the account cannot be taken into account in computing arbitrage rebate (1) with respect to such portion that meets the 6-month, 18-month or 2-year spending exception, or (2) for a given Certificate Year, if the gross earnings on the Certificate Payment Fund for such Certificate Year are less than \$100,000. If the average annual debt service on the Certificates does not exceed \$2,500,000, the \$100,000 earnings test may be treated as satisfied in every Certificate Year.

(e) *Documenting Application of Spending Exception.* At any time prior to the first Computation Date, the City may engage the Rebate Analyst to determine whether one or more spending exceptions has been satisfied, and the extent to which the City must continue to comply with **Section 4.6** hereof.

(f) *General Requirements for Spending Exception.* The following general requirements apply in determining whether a spending exception is met.

(1) Using Adjusted Gross Proceeds or Available Construction Proceeds to pay principal of any Certificates is not taken into account as expenditure for purposes of meeting any of the spending tests.

(2) The six-month spending exception generally is met if all Adjusted Gross Proceeds of the Certificates are spent within six months following the Issue Date. The test may still be satisfied even if up to 5% of the sale proceeds remain at the end of the initial 6-month period, so long as this amount is spent within one year of the Issue Date.

(3) The 18-month spending exception generally is met if all Adjusted Gross Proceeds of the Certificates are spent in accordance with the following schedule:

Time Period After the Issue Date	Minimum Percentage of Adjusted Gross Proceeds Spent
6 months	15%
12 months	60%
18 months (Final)	100%

(4) The 2-year spending exception generally is met if all Available Construction Proceeds are spent in accordance with the following schedule:

Time Period After the Issue Date	Minimum Percentage of Available Construction Proceeds Spent
6 months	10%
12 months	45%
18 months	75%
24 months (Final)	100%

(5) For purposes of applying the 18-month and 2 year spending exceptions only, the failure to satisfy the **final** spending requirement is disregarded if the City uses due diligence to complete the Financed Facilities and the failure does not exceed the lesser of 3% of the aggregate issue price of the Certificates or \$250,000. **No such exception applies for any other spending period.**

(6) For purposes of applying the 18-month and 2 year spending exceptions only, the Certificates meet the applicable spending test even if, at the end of the **final** spending period, proceeds not exceeding a Reasonable Retainage remain unspent, so long as such Reasonable Retainage is spent within 30 months (in the case of the 18-month exception) or 3 years (in the case of the 2 year spending test) after the Issue Date.

Section 4.6. Computation and Payment of Arbitrage Rebate.

(a) *Rebate Fund.* The Trustee will keep the Rebate Fund separate from all other funds and will administer the Rebate Fund under this Tax Agreement. Any Investment earnings derived from the Rebate Fund will be credited to the Rebate Fund, and any Investment loss will be charged to the Rebate Fund.

(b) *Computation of Rebate Amount.* The Trustee will provide the Rebate Analyst investment reports relating to each fund held by the Trustee at such times as reports are provided to the City, and not later than ten days following each Computation Date. The City will provide the Rebate Analyst with copies of investment reports for any funds containing Gross Proceeds that are held by a party other than the Trustee annually as of the end of each Certificate Year and not later than ten days following each Computation Date. Each investment report provided to the Rebate Analyst will contain a record of each Investment, including (1) purchase date, (2) purchase price, (3) information establishing the fair market value on the date such Investment was allocated to the Certificates, (4) any accrued interest paid, (5) face amount, (6) coupon rate, (7) frequency of interest payments, (8) disposition price, (9) any accrued interest received and (10) disposition date. Such records may be supplied in electronic form. The Rebate Analyst will compute rebate (the "Rebate Amount") following each Computation Date and deliver a written report to the Trustee and the City together with an opinion or certificate of the Rebate Analyst stating that arbitrage rebate was determined in accordance with the Regulations. Each report and opinion will be provided not later than 45 days following the Computation Date to which it relates. In performing its duties, the Rebate Analyst may rely, in its discretion, on the correctness of financial analysis reports prepared by other professionals. If the sum of the amount on deposit in the Rebate Fund and the value of prior rebate payments is less than the Rebate Amount, the City will, within 55 days after such Computation Date, pay to the Trustee the amount of the deficiency for deposit into the Rebate Fund. If the sum of the amount on deposit in the Rebate Fund and the value of prior rebate payments is greater than the Rebate Amount, the Trustee will transfer such surplus in the Rebate Fund to the Certificate Payment Fund. After the final Computation Date or at any other time if the Rebate Analyst has advised the Trustee, any money left in the Rebate Fund will be paid to the City and may be used for any purpose not prohibited by law.

(c) *Rebate Payments.* Within 60 days after each Computation Date, the Trustee must pay (but solely from money in the Rebate Fund or provided by the City) to the United States the Rebate Amount then due, determined in accordance with the Regulations. Each payment must be (1) accompanied by IRS Form 8038-T and such other forms, documents or certificates as may be required by the Regulations and (2) mailed or delivered to the IRS at the address shown below, or to such other location as the IRS may direct:

Internal Revenue Service Center
Ogden, UT 84201

Section 4.7. Successor Rebate Analyst. If the firm acting as the Rebate Analyst resigns or becomes incapable of acting for any reason, or if the City desires that a different firm act as the Rebate Analyst, then the City by an instrument or concurrent instruments in writing delivered to the firm then serving as the Rebate Analyst and any other party to this Tax Agreement, will engage a successor Rebate Analyst. In each case the successor Rebate Analyst must be a firm of nationally recognized bond counsel or a firm of independent certified public accountants and such firm must expressly agree to undertake the responsibilities assigned to the Rebate Analyst hereunder. In the event the firm acting as the Rebate Analyst resigns or becomes incapable of acting for any reason, and the City fails to appoint a qualified successor Rebate Analyst within thirty (30) days following notice of such resignation, then the Trustee will appoint a firm to act as the successor Rebate Analyst.

Section 4.8. Filing Requirements. The Trustee (to the extent the Trustee has documentation in its possession or is required to have such information in its books and records) and the City will file or cause to be filed with the IRS such reports or other documents as are required by the Code in accordance with an Opinion of Special Tax Counsel.

Section 4.9. Survival after Defeasance. Notwithstanding anything in the Declaration to the contrary, the obligation to pay arbitrage rebate to the United States will survive the payment or defeasance of the Certificates.

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 5.1. Term of Tax Agreement. This Tax Agreement will be effective concurrently with the delivery of the Certificates and will continue in force and effect until the earlier of (a) all of the Base Rentals represented by the Certificates have been fully paid and all such Certificates are cancelled or (b) the termination of the Lease; provided that, the provisions of **Section 4.2** hereof relating to record keeping shall continue in force for the period described therein for records to be retained.

Section 5.2. Amendments. This Tax Agreement may be amended from time to time by the parties to this Tax Agreement without notice to or the consent of any of the Certificate holders, but only if such amendment is in writing and is accompanied by an Opinion of Special Tax Counsel to the effect that, under then-existing law, assuming compliance with this Tax Agreement as so amended, such amendment will not cause the Interest Component of the Base Rentals to be included in gross income for federal income tax purposes. No such amendment will become effective until the City and the Trustee receive an Opinion of Special Tax Counsel as outlined herein.

Section 5.3. Opinion of Special Tax Counsel. The City and the Trustee may deviate from the provisions of this Tax Agreement if furnished with an Opinion of Special Tax Counsel addressed to each of them to the effect that the proposed deviation will not adversely affect the exclusion of the Interest Component of the Base Rentals represented by the Certificates from gross income for federal income tax purposes. The City and the Trustee will comply with any further or different instructions provided in an Opinion of Special Tax Counsel to the effect that the further or different instructions need to be complied with in order to maintain the validity of the Certificates or the exclusion from gross

income of the Interest Component of the Base Rentals; provided that with respect to the Trustee any such instructions are within the scope of the Trustee's responsibilities as set forth in the Declaration.

Section 5.4. Reliance. In delivering this Tax Agreement, the City and the Trustee are making only those certifications and agreements as are specifically attributed to them in this Tax Agreement. Neither the City nor the Trustee is aware of any facts or circumstances which would cause it to question the accuracy of the facts, circumstances, estimates or expectations of any other party providing certifications as part of this Tax Agreement and, to the best of its knowledge, those facts, circumstances, estimates and expectations are reasonable. The parties to this Tax Agreement understand that their certifications will be relied upon by the law firm of Armstrong Teasdale LLP, in rendering its opinion as to the validity of the Certificates and the exclusion from federal gross income of the Interest Component of the Base Rentals.

Section 5.5. Severability. If any provision in this Tax Agreement or in the Certificates is determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not be affected or impaired.

Section 5.6. Benefit of Agreement. This Tax Agreement is binding upon the City and the Trustee and their respective successors and assigns, and inures to the benefit of the parties to this Tax Agreement and the owners of the Certificates. Nothing in this Tax Agreement or in the Declaration or the Certificates, express or implied, gives to any person, other than the parties to this Tax Agreement, and their successors and assigns, and the owners of the Certificates, any benefit or any legal or equitable right, remedy or claim under this Tax Agreement.

Section 5.7. Default; Breach and Enforcement. Any misrepresentation of a party contained herein or any breach of a covenant or agreement contained in this Tax Agreement may be pursued by the Owners of the Certificates or the Trustee pursuant to the terms of the Declaration or any other document which references this Tax Agreement and gives remedies for a misrepresentation or breach thereof.

Section 5.8. Execution in Counterparts. This Tax Agreement may be executed in any number of counterparts, each of which so executed will be deemed to be an original, but all such counterparts will together constitute the same instrument.

Section 5.9. Governing Law. This Tax Agreement will be governed by and construed in accordance with the laws of the State of Missouri.

Section 5.10. Electronic Transactions. The parties agree that the transaction described in this Tax Agreement may be conducted, and related documents may be sent, received or stored, by electronic means.

[Remainder of page intentionally blank.]

The parties to this Tax Agreement have caused this Tax Compliance Agreement to be duly executed by their duly authorized officers as of the Issue Date.

CITY OF GLADSTONE, MISSOURI

By: 
City Manager

SECURITY BANK OF KANSAS CITY, as Trustee


By: 
Title: Authorized Officer

EXHIBIT A

DEBT SERVICE SCHEDULE AND PROOF OF LEASE YIELD

Debt Service Schedule				
Date	Principal	Coupon	Interest	Total P+I
03/01/2021	1,255,000.00	2.000%	50,963.47	1,305,963.47
09/01/2021	-	-	66,531.25	66,531.25
03/01/2022	750,000.00	2.000%	66,531.25	816,531.25
09/01/2022	-	-	59,031.25	59,031.25
03/01/2023	765,000.00	2.000%	59,031.25	824,031.25
09/01/2023	-	-	51,381.25	51,381.25
03/01/2024	95,000.00	2.000%	51,381.25	146,381.25
09/01/2024	-	-	50,431.25	50,431.25
03/01/2025	215,000.00	2.000%	50,431.25	265,431.25
09/01/2025	-	-	48,281.25	48,281.25
03/01/2026	220,000.00	2.000%	48,281.25	268,281.25
09/01/2026	-	-	46,081.25	46,081.25
03/01/2027	275,000.00	2.000%	46,081.25	321,081.25
09/01/2027	-	-	43,331.25	43,331.25
03/01/2028	360,000.00	2.000%	43,331.25	403,331.25
09/01/2028	-	-	39,731.25	39,731.25
03/01/2029	370,000.00	2.000%	39,731.25	409,731.25
09/01/2029	-	-	36,031.25	36,031.25
03/01/2030	375,000.00	2.000%	36,031.25	411,031.25
09/01/2030	-	-	32,281.25	32,281.25
03/01/2031	380,000.00	2.000%	32,281.25	412,281.25
09/01/2031	-	-	28,481.25	28,481.25
03/01/2032	390,000.00	2.000%	28,481.25	418,481.25
09/01/2032	-	-	24,581.25	24,581.25
03/01/2033	400,000.00	2.000%	24,581.25	424,581.25
09/01/2033	-	-	20,581.25	20,581.25
03/01/2034	270,000.00	2.000%	20,581.25	290,581.25
09/01/2034	-	-	17,881.25	17,881.25
03/01/2035	275,000.00	2.000%	17,881.25	292,881.25
09/01/2035	-	-	15,131.25	15,131.25
03/01/2036	280,000.00	2.250%	15,131.25	295,131.25
09/01/2036	-	-	11,981.25	11,981.25
03/01/2037	285,000.00	2.250%	11,981.25	296,981.25
09/01/2037	-	-	8,775.00	8,775.00
03/01/2038	290,000.00	2.250%	8,775.00	298,775.00
09/01/2038	-	-	5,512.50	5,512.50
03/01/2039	300,000.00	2.250%	5,512.50	305,512.50
09/01/2039	-	-	2,137.50	2,137.50
03/01/2040	190,000.00	2.250%	2,137.50	192,137.50
Total	\$7,740,000.00	-	\$1,267,313.47	\$9,007,313.47

Proof of Bond Yield @ 1.7077104%

Date	Cashflow	PV Factor	Present Value	Cumulative PV
11/05/2020	-	1.0000000x	-	-
03/01/2021	1,305,963.47	0.9945357x	1,298,827.32	1,298,827.32
09/01/2021	66,531.25	0.9861157x	65,607.51	1,364,434.83
03/01/2022	816,531.25	0.9777670x	798,377.32	2,162,812.15
09/01/2022	59,031.25	0.9694890x	57,230.15	2,220,042.30
03/01/2023	824,031.25	0.9612810x	792,125.60	3,012,167.90
09/01/2023	51,381.25	0.9531426x	48,973.66	3,061,141.56
03/01/2024	146,381.25	0.9450730x	138,340.97	3,199,482.53
09/01/2024	50,431.25	0.9370718x	47,257.70	3,246,740.23
03/01/2025	265,431.25	0.9291383x	246,622.34	3,493,362.56
09/01/2025	48,281.25	0.9212720x	44,480.16	3,537,842.72
03/01/2026	268,281.25	0.9134722x	245,067.47	3,782,910.19
09/01/2026	46,081.25	0.9057385x	41,737.56	3,824,647.76
03/01/2027	321,081.25	0.8980703x	288,353.54	4,113,001.29
09/01/2027	43,331.25	0.8904670x	38,585.05	4,151,586.34
03/01/2028	403,331.25	0.8829281x	356,112.49	4,507,698.83
09/01/2028	39,731.25	0.8754530x	34,782.84	4,542,481.67
03/01/2029	409,731.25	0.8680412x	355,663.59	4,898,145.26
09/01/2029	36,031.25	0.8606921x	31,011.81	4,929,157.07
03/01/2030	1,581,031.25	0.8534053x	1,349,260.38	6,278,417.45
09/01/2030	20,581.25	0.8461801x	17,415.44	6,295,832.89
03/01/2031	20,581.25	0.8390161x	17,268.00	6,313,100.89
09/01/2031	20,581.25	0.8319128x	17,121.81	6,330,222.70
03/01/2032	20,581.25	0.8248696x	16,976.85	6,347,199.55
09/01/2032	20,581.25	0.8178860x	16,833.12	6,364,032.66
03/01/2033	20,581.25	0.8109616x	16,690.60	6,380,723.27
09/01/2033	20,581.25	0.8040958x	16,549.30	6,397,272.56
03/01/2034	290,581.25	0.7972881x	231,676.97	6,628,949.53
09/01/2034	17,881.25	0.7905380x	14,135.81	6,643,085.34
03/01/2035	292,881.25	0.7838451x	229,573.55	6,872,658.89
09/01/2035	15,131.25	0.7772089x	11,760.14	6,884,419.03
03/01/2036	295,131.25	0.7706288x	227,436.66	7,111,855.69
09/01/2036	11,981.25	0.7641045x	9,154.93	7,121,010.61
03/01/2037	296,981.25	0.7576354x	225,003.51	7,346,014.12
09/01/2037	8,775.00	0.7512211x	6,591.96	7,352,606.08
03/01/2038	298,775.00	0.7448610x	222,545.85	7,575,151.94
09/01/2038	5,512.50	0.7385548x	4,071.28	7,579,223.22
03/01/2039	305,512.50	0.7323020x	223,727.42	7,802,950.64
09/01/2039	2,137.50	0.7261022x	1,552.04	7,804,502.69
03/01/2040	192,137.50	0.7199548x	138,330.32	7,942,833.00
Total	\$8,960,113.47	-	\$7,942,833.00	-

EXHIBIT B

IRS FORM 8038-G

[Attached]



February 12, 2021

Department of the Treasury
Internal Revenue Service Center
1973 Rulon White Boulevard
Ogden, UT 84201

Re: Gladstone, Missouri

Dear Sir/Madam:

Enclosed please find the Form 8038-G for filing with the respect to the above-referenced issuer.

We appreciate your time and assistance, and please let us know if you have any questions.

Sincerely,

Rick McConnell

Enclosure

Information Return for Tax-Exempt Governmental Bonds

► Under Internal Revenue Code section 149(e)

► See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

► Go to www.irs.gov/F8038G for instructions and the latest information.

OMB No. 1545-0720

Part I Reporting AuthorityIf Amended Return, check here ☐

1 Issuer's name City of Gladstone, Missouri		2 Issuer's employer identification number (EIN) 44-6005624
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions) Richard C. McConnell, Armstrong Teasdale LLP, Bond Counsel		3b Telephone number of other person shown on 3a 816-221-3420
4 Number and street (or P.O. box if mail is not delivered to street address) 2345 Grand Blvd	Room/suite 1500	5 Report number (For IRS Use Only) 3
6 City, town, or post office, state, and ZIP code Kansas City, MO 64108		7 Date of issue 11/05/2020
8 Name of issue Certificates of Participation, Series 2020A		9 CUSIP number 376609HE6
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) Scott Wingerson, City Manager		10b Telephone number of officer or other employee shown on 10a 816-436-2200

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.

11 Education	11		
12 Health and hospital	12		
13 Transportation	13		
14 Public safety	14		
15 Environment (including sewage bonds)	15		
16 Housing	16		
17 Utilities	17		
18 Other. Describe ► Various capital projects including fire station, pool, and water main improvements	18	\$7,942,833	00
19a If bonds are TANs or RANs, check only box 19a			
b If bonds are BANs, check only box 19b			
20 If bonds are in the form of a lease or installment sale, check box			

Part III Description of Bonds. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	03/01/2040	\$ 7,942,833.00	\$ 7,740,000.00	7.788 years	1.7077104 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22 Proceeds used for accrued interest	22		
23 Issue price of entire issue (enter amount from line 21, column (b))	23	7,942,833	00
24 Proceeds used for bond issuance costs (including underwriters' discount)	24	\$197,833	00
25 Proceeds used for credit enhancement	25		
26 Proceeds allocated to reasonably required reserve or replacement fund	26		
27 Proceeds used to refund prior tax-exempt bonds. Complete Part V	27		
28 Proceeds used to refund prior taxable bonds. Complete Part V	28		
29 Total (add lines 24 through 28)	29	\$197,833	00
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	\$7,745,000	00

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.

31 Enter the remaining weighted average maturity of the tax-exempt bonds to be refunded	►	years
32 Enter the remaining weighted average maturity of the taxable bonds to be refunded	►	years
33 Enter the last date on which the refunded tax-exempt bonds will be called (MM/DD/YYYY)	►	
34 Enter the date(s) the refunded bonds were issued ► (MM/DD/YYYY)		

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 63773S

Form **8038-G** (Rev. 9-2018)

Part VI Miscellaneous

- 35** Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) **35**
- 36a** Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC). See instructions **36a**
- b** Enter the final maturity date of the GIC ▶ (MM/DD/YYYY) _____
- c** Enter the name of the GIC provider ▶ _____
- 37** Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units **37**
- 38a** If this issue is a loan made from the proceeds of another tax-exempt issue, check box ☐ and enter the following information:
- b** Enter the date of the master pool bond ▶ (MM/DD/YYYY) _____
- c** Enter the EIN of the issuer of the master pool bond ▶ _____
- d** Enter the name of the issuer of the master pool bond ▶ _____
- 39** If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ☒
- 40** If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ☐
- 41a** If the issuer has identified a hedge, check here ☐ and enter the following information:
- b** Name of hedge provider ▶ _____
- c** Type of hedge ▶ _____
- d** Term of hedge ▶ _____
- 42** If the issuer has superintegrated the hedge, check box ☐
- 43** If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box ☒
- 44** If the issuer has established written procedures to monitor the requirements of section 148, check box ☒
- 45a** If some portion of the proceeds was used to reimburse expenditures, check here ☒ and enter the amount of reimbursement **\$157,886.74**
- b** Enter the date the official intent was adopted ▶ (MM/DD/YYYY) **09/28/2020**

Signature and Consent

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.



2-10-2021

Scott Wingerson, City Manager

Signature of issuer's authorized representative

Date

Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name

Preparer's signature

Date

Check ☐ if self-employed

PTIN

Jillian Yakominich

Jillian Yakominich

2.10.2021

P02040938

Firm's name ▶ Armstrong Teasdale LLP

Firm's EIN ▶ 43-1274026

Firm's address ▶ 2345 Grand Blvd, Suite 1500, Kansas City, MO 64108

Phone no. 816-221-3420

EXHIBIT C

DESCRIPTION OF PROPERTY COMPRISING THE FINANCED FACILITIES

Fire Station Project – A portion of the proceeds of the Series 2020A Certificates will be used for an addition to the station and renovation of the existing structure located at 6569 N. Prospect. The project will update and enhance the living conditions, provide new fixtures, and new equipment for the emergency personnel. The estimated total project cost is \$2,545,000.

Water Main Project – The water main project will give the City the ability to accelerate the water main replacement program over the course of 3 years. The project will replace 2.5 miles of water mains. The estimated total project cost is \$2,500,000.

Gladstone Community Center Project – A portion of the proceeds of the Series 2020A Certificates will be used make renovations to the outdoor municipal pool and Community Center. Pool renovations include a new entry way to the outdoor pool and updated restrooms Renovations to the Gladstone Community Center include improvements to the indoor pool deck, painting of the natatorium, new carpeting, and fitness equipment. The total cost of this project is estimated to be \$930,000.

Downtown Parking Project – Proceeds for this project will fund a parking study and project implementation to increase the parking capacity for the Downtown Gladstone area. Total estimated project costs are \$500,000

Mill & Overlay – Proceeds for this project will fund additional mill and overlay and will replace 3.25 lane miles of curb, gutter and sidewalk. The estimated cost of the project is \$500,000.

Atkins-Johnson Farm Project- The project at the Atkins-Johnson Farm will fund the replacement of a barn at the historical site. The estimated cost of the project is \$200,000.

Fire Truck - The City anticipates the acquisition of a fire pumper truck and equipment needed to outfit the fire truck at a projected cost of \$570,000.

EXHIBIT D**SAMPLE
ANNUAL COMPLIANCE CHECKLIST**

Name of tax-exempt obligation ("Certificates")	\$7,740,000 Certificates of Participation, Series 2020A
financing Financed Assets*:	
Issue Date of Certificates:	November 5, 2020
Placed in service date of Financed Assets:	
Name of Bond Compliance Officer:	
Period covered by request ("Annual Period"):	

Item	Question	Response
1 Ownership	Were all the Financed Assets owned by the City during the entire Annual Period? If "Yes," skip to Item 2.	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If answer above was "No," was an Opinion of Special Tax Counsel obtained prior to the transfer?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If Yes, include a copy of the Opinion in the Tax-Exempt Bond File.	
	If No, contact Special Tax Counsel and include description of resolution in the Tax-Exempt Bond File.	

2 Leases & Other Rights to Possession	During the Annual Period, was any part of the Financed Assets leased (other than under the Ground Lease and the Lease) at any time pursuant to a lease or similar agreement for more than 50 days? If "No," skip to Item 3.	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If answer above was "Yes," was an Opinion of Special Tax Counsel obtained prior to entering into the lease or other arrangement?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If Yes, include a copy of the Opinion in the Tax-Exempt Bond File.	
	If No, contact Special Tax Counsel and include description of resolution in the Tax-Exempt Bond File.	

** Capitalized words and terms used herein, unless otherwise defined herein or the context requires otherwise, shall have the same meanings ascribed to them in the City's Tax and Disclosure Compliance Procedure on May 15, [Year], as amended and supplemented.*

Item	Question	Response
3 Management or Service Agreements	During the Annual Period, has the management of all or any part of the operations of the Financed Assets (e.g., museum management, coffee shop, etc.) been assumed by or transferred to another entity? If “No,” skip to Item 4.	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If answer above was “Yes,” was an Opinion of Special Tax Counsel obtained prior to entering into the management agreement? If Yes, include a copy of the Opinion in the Tax-Exempt Bond File. If No, contact Special Tax Counsel and include description of resolution in the Tax-Exempt Bond File.	<input type="checkbox"/> Yes <input type="checkbox"/> No
4 Other Use	Was any other agreement entered into with an individual or entity that grants special legal rights or privileges to such individual or entity that are not otherwise available to the general public to the Financed Assets? If “No,” skip to Item 5.	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If answer above was “Yes,” was an Opinion of Special Tax Counsel obtained prior to entering into the agreement? If Yes, include a copy of the Opinion in the Tax-Exempt Bond File. If No, contact Special Tax Counsel and include description of resolution in the Tax-Exempt Bond File.	<input type="checkbox"/> Yes <input type="checkbox"/> No
5 Arbitrage & Rebate	Have all rebate and yield reduction calculations mandated in the Tax Agreement been prepared for the current year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If “No,” contact Special Tax Counsel and incorporate report or include description of resolution in the Tax-Exempt Bond File.	
6 Continuing Disclosure Filings	Did the City file its annual report (including audited financial statements and any other financial information and operating data required for the Certificates) with the MSRB through EMMA within 180 days of the end of the last Fiscal Year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	If No, file the appropriate failure to file notice required by the Continuing Disclosure Undertaking with the MSRB through EMMA. In addition, contact Special Tax Counsel to inform them of the failure to file and file, as promptly as possible, the annual report with the MSRB through EMMA. Include a description of the reason for the delay in filing the annual report in the Tax-Exempt Bond File.	

7 Material Event Filings	<p>Did any of the following events occur with respect to the Certificates?</p> <ul style="list-style-type: none"> • principal and interest payment delinquencies; • non-payment related defaults, if material; • unscheduled draws on debt service reserves reflecting financial difficulties; • unscheduled draws on credit enhancements reflecting financial difficulties; • substitution of credit or liquidity providers, or their failure to perform; • 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 Certificates, or other material events affecting the tax status of the Certificates; • modifications to rights of certificate holders, if material; • certificate calls, if material, and tender offers; • defeasances; • release, substitution or sale of property securing repayment of the Certificates, if material; • rating changes; • bankruptcy, insolvency, receivership or similar event of the obligated person; • the consummation of a merger, consolidation, or acquisition involving the obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; • appointment of a successor or additional trustee or the change of name of the trustee, if material; • 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; and • 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. 	<input type="checkbox"/> Yes <input type="checkbox"/> No
	<p>If “Yes,” was Special Tax Counsel contacted and notice of the material event filed with the MSRB through EMMA?</p> <p>If No, contact Special Tax Counsel immediately and prepare and file any required notice with the MSRB through EMMA.</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No

Bond Compliance Officer: _____

Date Completed: _____

EXHIBIT E

SAMPLE FINAL WRITTEN ALLOCATION

Final Written Allocation

The undersigned is the Bond Compliance Officer of the City of Gladstone, Missouri (the “City”) and in that capacity is authorized to execute federal income tax returns required to be filed by the City and to make appropriate elections and designations regarding federal income tax matters on behalf of the City. This allocation of the proceeds of the above-described tax-exempt obligations (the “Certificates”) is necessary for the City to satisfy ongoing reporting and compliance requirements under federal income tax laws.

Purpose. This document, together with the schedules and records referred to below, is intended to memorialize allocations of Certificate proceeds to expenditures for purposes of §§ 141 and 148 of the Internal Revenue Code of 1986, as amended (the “Code”). All allocations are or were previously made no later than 18 months following the date the expenditure was made by the City or, if later, the date the Project was Placed in Service (both as defined below), and no later than 60 days following the 5th anniversary of the Issue Date (as defined below).

Background. The Certificates were delivered on November 5, 2020 (the “Issue Date”), by Security Bank of Kansas City, as trustee, pursuant to an Declaration of Trust dated as of November 1, 2020. The Certificates were delivered in order to provide funds (1) to pay a portion of the costs to acquire, construct, renovate, install, improve and equip certain improvements within the City (collectively, the “Project”), and (2) to pay the costs of executing and delivering the Certificates.

Sources Used to Fund Project Costs and Allocation of Proceeds to Project Costs. The sources and uses of Certificate proceeds and other legally available money of the City, if any, are shown on **Exhibit A** hereto.

Identification of Financed Assets. The portions of the Project financed from Certificate proceeds (i.e., the “Financed Facilities” referenced in the Tax Compliance Agreement) are listed on page 1 of **Exhibit B** hereto.

Identification and Timing of Expenditures for Arbitrage Purposes. For purposes of complying with the arbitrage rules, the City allocates the Certificate proceeds to the various expenditures described in the invoices, requisitions or other substantiation attached as **Exhibit B** hereto. In each case, the cost requisitioned was either paid directly to a third party or reimbursed the City for an amount it had previously paid or incurred. Amounts received from the sale of the Certificates and retained as underwriting discount are allocated to that purpose and spent on the Issue Date.

Placed In Service. The Project was Placed in Service on the date set out on **Exhibit B** hereto. For this purpose, the Financed Facilities are considered to be Placed in Service as of the date on which, based on all the facts and circumstances: (1) the constructing and equipping of the Financed Facilities have reached a degree of completion that would permit their operation at substantially their designed level and (2) the Financed Facilities are, in fact, in operation at that level.

This allocation has been prepared based on statutes and regulations existing as of this date. The City reserves the right to amend this allocation to the extent permitted by future Treasury Regulations or similar authorities.

CITY OF GLADSTONE, MISSOURI

By: _____
Name: _____
Title: Finance Director

Dated: _____

[EXHIBIT A - ALLOCATION OF SOURCES AND USES]

**[EXHIBIT B - IDENTIFICATION OF FINANCED FACILITIES
AND DETAILED LISTING OF EXPENDITURES]**

EXHIBIT F

TAX AND DISCLOSURE COMPLIANCE PROCEDURE

[ON FILE WITH THE CITY]

EXHIBIT G

RESOLUTIONS OF OFFICIAL INTENT

[Attached]

RESOLUTION NO. R-19-34

A RESOLUTION DECLARING THE INTENTION OF THE CITY COUNCIL TO REIMBURSE CERTAIN CAPITAL EXPENDITURES WITH PROCEEDS OF TAX-EXEMPT FINANCING.

WHEREAS, the City of Gladstone, Missouri (the "City"), is undertaking various capital projects which are anticipated to include police station improvements, fire station improvements, parking, municipal pool improvements, facility improvements at Atkins-Johnson farm, Community Center upgrades, City Hall upgrades, water main improvements, and acquisition of a new ambulance and software (collectively, the "Project"), with the estimated costs of the Project being approximately \$20,000,000; and

WHEREAS, the City Council hereby finds and determines that it is necessary and advisable to declare the City's official intent of obtaining tax-exempt financing for the Project and to reimburse the City for costs related to the Project from such financing.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF GLADSTONE, MISSOURI, AS FOLLOWS:


1. The City has made capital expenditures prior to the date of this Resolution and expects to make capital expenditures after the date of this Resolution in connection with the Project, and the City intends to reimburse itself for such expenditures with the proceeds of tax-exempt financing obtained for the Project to the extent allowed by the Internal Revenue Code.
2. The maximum principal amount of the obligations expected to be issued for the Project is \$20,000,000. The obligations may be issued as part of one or more financings. The City may finance part of the Project in connection with the refinancing of other obligations of the City.
3. This Resolution shall be in full force and effect from and after its date of passage and approval.

INTRODUCED, READ, PASSED, AND ADOPTED BY THE COUNCIL OF THE CITY OF GLADSTONE, MISSOURI, THIS 22th DAY OF JULY 2019.



Mayor Carol J. Suter

ATTEST:



Ruth E. Bocchino, City Clerk



Request for Council Action

RES ☒ # 19-34

BILL ☐ # City Clerk Only

ORD # City Clerk Only

Date: 7/17/2019

Department: Finance

Meeting Date Requested: 7/22/2019

Public Hearing: Yes ☐ Date: [Click here to enter a date.](#)

Subject: Reimbursement Resolution

Background: In consideration of a debt issue later in this fiscal year, staff is recommending the execution of a reimbursement resolution. The Reimbursement Resolution shows the City's intention to issue debt in the future. The Resolution also gives the City the ability to reimburse itself for expenses incurred by the projects or capital purchases listed on the resolution when the funding becomes available. Projects funded by the debt issue are the construction of a Police Station, improvements to Fire Station #2, parking, improvements at the Municipal Pool, City Hall, and Community Center, ambulance, and software. Staff will present projects, timelines, and additional information on the debt issue at the July 22 open study session.

Budget Discussion: Funds are budgeted in the amount of \$ from the Fund. Ongoing costs are estimated to be \$ annually. Previous years' funding was \$

Public/Board/Staff Input: See resolution

Provide Original Contracts, Leases, Agreements, etc. to: City Clerk and Vendor

Dominic Accurso
Department Director/Administrator

City Attorney

City Manager

**UNITED STATES OF AMERICA
STATE OF MISSOURI**

No. 1

\$

**CITY OF GLADSTONE, MISSOURI
CERTIFICATE OF PARTICIPATION
SERIES 2020A**

<u>Interest Rate</u>	<u>Payment Date</u>	<u>Certificate Date</u>	<u>CUSIP</u>
%	March 1, 20	November 5, 2020	376609

Registered Owner: CEDE & CO.

Principal Sum: DOLLARS

THIS IS TO CERTIFY that the Registered Owner identified above of this Certificate of Participation (the "Certificate") is the owner of the proportionate interest hereinafter stated in that certain Lease Purchase Agreement dated as of November 1, 2020 (the "Lease"), between Security Bank of Kansas City, a state banking corporation organized and existing under the laws of the State of Kansas (the "Trustee"), and the City of Gladstone, Missouri, a third-class city and political subdivision of the state of Missouri (the "City"), including payments of Basic Rent to be made thereunder (the "Basic Rent Payments"). The City is authorized to enter into the Lease pursuant to applicable laws, including the constitution and statutes of the State of Missouri and an ordinance of the City. This Certificate is subject to the Declaration of Trust dated as of November 1, 2020, between the Trustee and the City, as amended or supplemented from time to time (the "Declaration of Trust"), which is on file at the corporate trust office of the Trustee located in Kansas City, Kansas. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Declaration of Trust.

THE REGISTERED OWNER of this Certificate is entitled to receive, subject to the terms of the Lease and the Declaration of Trust, on the payment date specified above (the "Certificate Payment Date"), or if selected for prepayment, on the Prepayment Date, the principal sum specified above, representing a portion of the Basic Rent Payment designated as principal coming due on the Certificate Payment Date, and to receive the Registered Owner's proportionate share of Basic Rent Payments designated as interest each March 1 and September 1, commencing on March 1, 2021, to and including the Certificate Payment Date or the Prepayment Date, whichever is earlier. Said proportionate share of the Basic Rent Payments designated as interest is computed on the principal sum specified above from the Dated Date, or the most recent date to which such interest has been paid, at the interest rate specified above on the basis of a 360-day year of twelve 30-day months.

SAID AMOUNTS are payable in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts. The amounts representing principal and prepayment premium, if any, are payable by check or draft at the payment office of the Trustee upon the presentation and surrender of this Certificate and the amounts representing interest are payable to the person in whose name this Certificate is registered in the register maintained by the Trustee at the close of business on the fifteenth day (whether or not a Business Day) of the calendar month next preceding each interest payment date (a "Record Date") by check or draft mailed to said Registered Owner at their address as it appears in said register or in the case of an amount representing interest to be paid to any Registered Owner of Certificates representing an aggregate amount of principal of \$100,000 or more, by electronic transfer to such Registered Owner upon written notice given to the Trustee by such Registered Owner not less than 5 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), ABA routing number and account name and number to which such Registered Owner wishes to have such transfer directed.

BASIC RENT PAYMENTS are payable solely from Available Revenues which includes, for any Fiscal Year, any balances of the City from previous Fiscal Years encumbered to pay Rent under the Lease, amounts budgeted or appropriated out of the income and revenue of the City for such Fiscal Year plus any unencumbered balances of the City from previous Fiscal Years that are legally available to pay Rent during such Fiscal Year and all moneys and investments, including earnings thereon, held by the Trustee pursuant to the Declaration of Trust.

NEITHER THE BASIC RENT PAYMENTS NOR ANY OTHER AMOUNTS DUE UNDER THE LEASE CONSTITUTE A DEBT, A GENERAL OBLIGATION OR, EXCEPT FROM AVAILABLE REVENUES, A LIABILITY OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. THE CITY SHALL NOT BE OBLIGATED TO PAY THE SAME EXCEPT FROM AVAILABLE REVENUES. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE BASIC RENT PAYMENTS OR ANY OTHER AMOUNTS DUE UNDER THE LEASE. THE REGISTERED OWNER SHALL NOT HAVE THE RIGHT TO REQUIRE OR COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY FOR THE PAYMENT OF THE PRINCIPAL AND INTEREST UNDER THE LEASE REPRESENTED BY THIS CERTIFICATE OR THE MAKING OF ANY OTHER PAYMENTS PROVIDED FOR IN THE LEASE.

This Certificate is one of a duly authorized series of certificates of participation designated "Certificates of Participation, Series 2020A" (the "Certificates"), issued for the purpose of providing funds to (i) pay a portion of the costs of acquiring and installing the Project, and (ii) pay certain costs connected to the execution and delivery of the Certificates. The Certificates have been executed by the Trustee pursuant to and are governed by the terms of the Declaration of Trust. Copies of the Lease and the Declaration of Trust are on file at the office of the City and at the corporate trust office of the Trustee, and reference to the Lease and the Declaration of Trust and any and all amendments and supplements thereto is made for a description of the pledges and covenants of the City securing the Basic Rent Payments, the nature, extent and manner of enforcement of such pledges and covenants and the rights and the terms and conditions upon which the Certificates are delivered thereunder. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Declaration of Trust.

The Declaration of Trust permits certain amendments or supplements to the Declaration of Trust and the Lease not materially adverse to the security of the Owners to be made without the consent of or notice to the Owners, certain other amendments or supplements thereto to be made with the consent of the Owners of not less than a majority in aggregate principal amount of the Certificates then outstanding and other amendments or supplements thereto to be made only with the consent of all Owners.

At the option of the City, the Certificates will be subject to prepayment in whole or in part at any time beginning March 1, 2030, at a Prepayment Price equal to 100% of the Principal Portion being prepaid, plus the Interest Portion accrued to the Prepayment Date.

The Certificates maturing on March 1, 2040, shall be subject to mandatory sinking fund prepayment at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent represented thereby plus the Interest Portion of Basic Rent accrued to the Prepayment Date, on the dates and in the amounts set forth in the Declaration of Trust.

In the event any of the Certificates are to be prepaid, notice thereof identifying the Certificates to be prepaid will be given by first class mail, postage prepaid, mailed not less than 30 days prior to the Prepayment Date to each Registered Owner of Certificates to be prepaid. The failure of the Registered Owner of any Certificate to be so redeemed to receive notice of prepayment mailed as herein provided shall not affect or invalidate the prepayment of such Certificate. All Certificates for which notice of prepayment is given will cease to bear interest on the specified Prepayment Date, provided moneys or certain securities for their prepayment are on deposit at the place of payment at that time, shall cease to be entitled to any benefit or

security under the Declaration of Trust and shall no longer be deemed to be outstanding under the Declaration of Trust.

This Certificate shall be transferable upon the Certificate register, which shall be kept for that purpose at the payment office of the Trustee, upon surrender and cancellation of this Certificate together with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner or his, her or its duly authorized attorney and upon payment of the charges provided in the Declaration of Trust. Upon such transfer a new fully registered Certificate or Certificates of the same maturity and aggregate principal amount will be issued to the transferee. The Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Trustee shall not be affected by any notice to the contrary.

The Certificate are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Indenture. One Bond certificate with respect to each date on which the Certificate are stated to mature or with respect to each form of Certificate, registered in the nominee name of the Securities Depository, is being issued and required to be deposited with the Securities Depository or the Trustee as its "FAST" agent and immobilized in its custody. The book-entry system will evidence positions held in the Certificate by the Securities Depository's participants, beneficial ownership of the Certificate in authorized denominations being evidenced in the records of such participants. Transfers of ownership shall be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants. The Board and the Trustee will recognize the Securities Depository nominee, while the registered owner of this Bond, as the owner of this Bond for all purposes, including (i) payments of principal of, and redemption premium, if any, and interest on, this Bond, (ii) notices and (iii) voting. Transfer of principal, interest and any redemption premium payments to participants of the Securities Depository, and transfer of principal, interest and any redemption premium payments to beneficial owners of the Certificate by participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The Board and the Trustee will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository nominee, its participants or persons acting through such participants. While the Securities Depository nominee is the owner of this Bond, notwithstanding the provision hereinabove contained, payments of principal of, redemption premium, if any, and interest on this Bond shall be made in accordance with existing arrangements among the Board, the Trustee and the Securities Depository.

EXCEPT AS OTHERWISE PROVIDED IN THE DECLARATION OF TRUST, THIS GLOBAL CERTIFICATE MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

The Certificates may be delivered in the form of fully registered Certificates in the denomination of \$5,000 or any integral multiple thereof, subject to certain limitations and as otherwise provided in the Declaration of Trust. The Certificates, upon surrender thereof at the payment office of the Trustee with a written request for exchange satisfactory to the Trustee duly executed by the Registered Owner or his, her or its duly authorized attorney in writing, may be exchanged for an equal aggregate principal amount of fully registered Certificates of any authorized denomination of the same maturity. No service charge shall be made for any transfer or exchange of Certificates, but the Trustee may require payment of any tax or governmental charge in connection therewith.

THE TRUSTEE has no obligation or liability to the Registered Owners of the Certificates to make payments of principal or interest with respect to the Certificates. The Trustee's sole obligations are to administer, for the benefit of the Registered Owners thereof, the various funds and accounts established under the Declaration of Trust.

THE CITY has certified, recited and declared that all acts, conditions and things required by the constitution and statutes of the State of Missouri and the Lease to exist, to have happened and to have been performed precedent to the delivery of the Lease, exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the Trustee has caused this Certificate to be executed by an authorized signatory as of the date set forth above.

SECURITY BANK OF KANSAS CITY,
Trustee

By: _____
Authorized Signatory

SPECIMEN

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

Please Print or Typewrite Name, Address and
Employee Identification Number or Social Security Number of Transferee

the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints _____ agent to transfer the within Certificate on the register kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Certificate in every particular.

Signature Guaranteed By: _____

(Name of Eligible Guarantor Institution as defined by SEC Rule 17 Ad-15 (17 CFR 240.17 Ad-15))

By: _____
Title: _____

CONTINUING DISCLOSURE UNDERTAKING

Dated as of November 1, 2020

of the

CITY OF GLADSTONE, MISSOURI

regarding

**\$7,740,000
Certificates of Participation
Series 2020A**

CONTINUING DISCLOSURE UNDERTAKING

This CONTINUING DISCLOSURE UNDERTAKING dated as of November 1, 2020 (as may be amended and supplemented from time to time, this “*Continuing Disclosure Undertaking*”), is executed and delivered by the CITY OF GLADSTONE, MISSOURI, a third-class city organized and existing under the laws of the State of Missouri (the “*City*”). Capitalized terms used in this Continuing Disclosure Undertaking, unless the context clearly indicates otherwise, shall have the meanings given to them in the herein defined Declaration.

RECITALS

1. This Continuing Disclosure Undertaking is executed and delivered in connection with the execution and delivery of the Certificates of Participation, Series 2020A in the aggregate principal amount of \$7,740,000 (the “*Series 2020A Certificates*”), pursuant to an Declaration of Trust between the City and the Trustee named therein (the “*Declaration*”).

2. The City is executing and delivering this Continuing Disclosure Undertaking for the benefit of the Beneficial Owners of the Series 2020A Certificates and in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “*Rule*”). The City has determined that the City is the only “obligated person” with responsibility for continuing disclosure within the meaning of the Rule.

IN CONSIDERATION of the mutual covenants and agreements herein, the City covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Declaration, which apply to any capitalized term used in this Continuing Disclosure Undertaking unless otherwise defined in this Section or in this Continuing Disclosure Undertaking, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Section 2(a) of this Continuing Disclosure Undertaking.

“*Beneficial Owner*” means any Registered Owner of any Series 2020A Certificates 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 Series 2020A Certificates (including Persons holding Series 2020A Certificates through nominees, depositories, or other intermediaries), or (b) is treated as the owner of any Series 2020A Certificates for federal income tax purposes.

“*Bond Counsel*” means Armstrong Teasdale LLP or another attorney or firm of attorneys selected by the City and of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds or other obligations issued by states and political subdivisions.

“*Business Day*” means a day other than (a) a Saturday or Sunday, or (b) a day on which banks located in any city in which the principal corporate trust office of the Paying Agent is located are required or authorized by law to remain closed.

“*City*” means the City of Gladstone, Missouri, a third-class city organized and existing under the constitution and laws of the State.

“*Disclosure Representative*” means the City Clerk or Deputy City Clerk, on behalf of the City, or his or her successors or designees, or such other Person as the City shall designate in writing to the Paying Agent from time to time.

“*Dissemination Agent*” means on the date hereof, the City Administrator of the City, and thereafter, any other Person with whom the City contracts to assist in the carrying out of the City’s obligations under the Continuing Disclosure Undertaking pursuant to Section 5.

“*Financial Obligation*” means 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 debt obligation or derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation. The term *Financial Obligation* excludes municipal securities for which a final official statement has been provided to MSRB consistent with the Rule.

“*Fiscal Year*” means the fiscal year of the City, currently the twelve-month period beginning July 1 and ending on June 30.

“*Material Events*” means any of the events listed in Section 3(a) of this Continuing Disclosure Undertaking.

“*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.

“*National Repository*” means the MSRB’s Electronic Municipal Market Access system for municipal securities disclosures and any other repository for purposes of the Rule. The repository approved from time to time by the Securities and Exchange Commission is listed at <http://www.sec.gov/info/municipal/nrmsir.htm> and current is <http://www.emma.msrb.org>.

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

“*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.

“*Underwriter*” means any of the original underwriter(s) of the Series 2020A Certificates required to comply with the Rule in connection with offering of the Certificates.

Section 2. Provision of Annual Reports.

(a) The City shall, or shall cause any Dissemination Agent to, not later than 210 days after the end of the City’s Fiscal Year, provide to the National Repository, the following financial information and operating data (the “*Annual Report*”):

- (i) Commencing with the Fiscal Year ending June 30, 2020, the audited financial statements of the City for the most recently ended Fiscal Year. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to this Section, the Annual Report shall contain unaudited financial statements in a format similar to the prior audited financial statements

of the City, and the audited financial statements shall be provided in the same manner as the Annual Report promptly after they become available.

- (ii) Commencing with the Fiscal Year ending June 30, 2020, financial information and operating data of the City updated for the prior Fiscal Year in substantially the scope and form contained in the final Official Statement relating to the Series 2020A Certificates in tables under the sections captioned:

SALES TAX INFORMATION CONCERNING THE CITY –

Sales Tax Collections

PROPERTY TAX INFORMATION CONCERNING THE CITY –

Tax Collection Record

Major Property Taxpayers

(b) Any or all of the items listed in subsection (a) 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 provided to the National Repository. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

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 filing of the Annual Report if they are not available by that date. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event under Section 3(d).

(c) Not later than the dates specified in subsection (a) above for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the MSRB or provide the Annual Report to the Dissemination Agent, with written instructions to file the Annual Report as specified in such subsection (a).

(d) If a Dissemination Agent is then acting on behalf of the City hereunder, and such Dissemination Agent has not received the Annual Report with filing instructions or a written notice from the City that it has provided an Annual Report to the MSRB by the date required in subsection (a) above, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached hereto as **Exhibit A**, and incorporated herein by reference.

(e) If a Dissemination Agent is then acting on behalf of the City hereunder, the Dissemination Agent shall (1) notify the City each year, not later than thirty (30) days prior to the date for providing the Annual Report to the MSRB, of the date on which its Annual Report must be provided to the Dissemination Agent or the MSRB, and (2) unless the City has provided such Annual Report to the MSRB, promptly following receipt of such Annual Report and instructions required in subsection (a), provide such Annual Report to the MSRB and file a report with the City certifying that such Annual Report has been provided pursuant to this Continuing Disclosure Undertaking, stating the date it was provided.

Section 3. Reporting of Material Events.

(a) Pursuant to the provisions of this Section, the City shall give, or cause to be given to the National Repository, notice of the occurrence of any of the following events with respect to the Series 2020A Certificates (each, a “*Material Event*”) no later than ten (10) Business Days after the occurrence thereof:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) modifications to rights of security holders, if material;
- (4) Series 2020A Bond calls, if material, and tender offers;
- (5) defeasances;
- (6) rating changes;
- (7) 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 Series 2020A Certificates, or other material events affecting the tax-exempt status of the security;
- (8) unscheduled draws on debt service reserves reflecting financial difficulties;
- (9) unscheduled draws on credit enhancements reflecting financial difficulties;
- (10) substitution of credit or liquidity providers, or their failure to perform;
- (11) release, substitution or sale of property security repayment of the Series 2020A Certificates, if material;
- (12) bankruptcy, insolvency, receivership or similar event of the City;
- (13) the consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material;
- (15) incurrence of a Financial Obligation of the 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; and
- (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) If a Dissemination Agent is then acting on behalf of the City hereunder, the Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that it believes may constitute a Material Event, contact the Disclosure Representative of the City, inform such Person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (d) below. If in response to a request under this subsection (b), the City determines that such event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent whether or not to report the occurrence pursuant to such subsection (d).

(c) Whenever the City obtains knowledge of the occurrence of a Material Event, because of a notice from any Dissemination Agent pursuant to subsection (b) above or otherwise, the City shall

promptly report the occurrence pursuant to subsection (d) below, or cause its Dissemination Agent, if any, to promptly do so.

(d) The City or the Dissemination Agent, if a Dissemination Agent is then acting on behalf of the City, shall promptly file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Material Events described in clauses (8) and (9) of subsection (a) above 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 Series 2020A Certificates pursuant to the Declaration.

Section 4. Termination of Reporting Obligation. The City's obligations under this Continuing Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Series 2020A Certificates. If the City's obligations under this Continuing Disclosure Undertaking are assumed in full by some other Person, such Person shall be responsible for compliance with this Continuing Disclosure Undertaking in the same manner as if it were the City, and the City shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Series 2020A Certificates, the City shall give notice of such termination or substitution in the same manner as for a Material Event under Section 3(d).

Section 5. Dissemination Agent; Other Designated Agents. The City may, from time to time, appoint or designate one or more agents (each, a "designated agent") to submit Annual Reports, Material Event notices, and other notices or reports with the National Repository. The City may revoke this designation at any time upon written notice to the designated agent, and may designate one or more additional designated agents for purposes of this Section from time to time by written designation to the newly appointed designated agent.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Undertaking, the City may amend this Continuing Disclosure Undertaking and any provision of this Continuing Disclosure Undertaking may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the City with its written opinion that the undertaking of the City 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 Undertaking.

If a provision of this Continuing Disclosure Undertaking is amended or waived, 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 by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (a) notice of such change shall be given in the same manner as for a Material Event under Section 3(d); and (b) 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 Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Undertaking 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 Undertaking. 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 Undertaking, the City shall have no

obligation under this Continuing Disclosure Undertaking to update such information or include it in any future Annual Report, as the case may be, or notice of occurrence of a Material Event.

Section 8. Default. If there is a failure of the City to comply with any provision of this Continuing Disclosure Undertaking, the Paying Agent may (and, at the request of any Underwriter or the Registered Owners of at least 25% aggregate principal amount of Outstanding Series 2020A Certificates, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Continuing Disclosure Undertaking. A default under this Continuing Disclosure Undertaking shall not be deemed an event of default under the Declaration, and the sole remedy under this Continuing Disclosure Undertaking if there is any failure of the City to comply with this Continuing Disclosure Undertaking shall be an action to compel performance.

Section 9. Notices. Notices or communications concerning the resignation, revocation or designation of a dissemination agent pursuant to Section 5 of this Continuing Disclosure Undertaking, shall be duly mailed by first class mail, postage prepaid, or sent by electronic mail (email), facsimile or other similar communication, as follows:

If to the City: City of Gladstone, Missouri
7010 N. Holmes St.
Gladstone, MO 64118
Attn: Finance Director

Any Person may, by written notice to the other Persons listed above, designate a different address, telephone number, or facsimile number to which subsequent notices or communications should be sent.

Section 10. Beneficiaries. This Continuing Disclosure Undertaking shall inure solely to the benefit of the Beneficial Owners from time to time of the Series 2020A Certificates, and shall create no rights in any other Person.

Section 11. Severability. If any provision in this Continuing Disclosure Undertaking 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 12. Counterparts. This Continuing Disclosure Undertaking 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 13. Electronic Transactions. The measures and arrangements 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 14. Governing Law. This Continuing Disclosure Undertaking 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 Undertaking to be executed by its duly authorized officers or elected officials as of the date first above written.

CITY OF GLADSTONE, MISSOURI

[SEAL]

ATTEST:

By: Ruth E. Bachino
City Clerk



By:

[Signature]
City Manager

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issue: \$7,740,000 Certificates of Participation, Series 2020A (the “*Series 2020A Certificates*”)

Name of Obligated Person: City of Gladstone, Missouri (the “*City*”)

Date of Issuance: November 5, 2020

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the Series 2020A Certificates as required by the Continuing Disclosure Undertaking dated as of November 1, 2020, executed by the City (the “*Undertaking*”). Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Undertaking.

Dated: _____, _____.

_____,
on behalf of the CITY OF GLADSTONE, MISSOURI

cc: City of Gladstone, Missouri

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 30, 2020

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
BOOK ENTRY ONLY

S&P RATING: ____
(applied for)

In the opinion of Armstrong Teasdale LLP, Special Tax Counsel, under existing law and assuming, among other matters, continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the Interest Portion of Basic Rent (the "Interest Portion") paid by the City under the Lease (defined herein) and distributed to the owners of the Series 2020A Certificates (including any original issue discount properly allocable to an owner of the Series 2020A Certificates) is excludable from gross income for federal and Missouri income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The Series 2020A Certificates have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS" in this Official Statement.

OFFICIAL STATEMENT

\$7,510,000* CITY OF GLADSTONE, MISSOURI CERTIFICATES OF PARTICIPATION SERIES 2020A

Due: March 1, as shown
on the inside cover page

Dated: Date of Delivery

The Series 2020A Certificates represent undivided, proportionate interests in Basic Rent (the "Basic Rent") to be paid by the City of Gladstone, Missouri (the "City"), and are being delivered pursuant to an Declaration of Trust dated as of November 1, 2020 (the "Declaration"), executed by Security Bank of Kansas City, Kansas City, Kansas, as trustee (the "Trustee"). The Basic Rent are payable by the City under an annually renewable Lease Purchase Agreement dated as of November 1, 2020 (the "Lease") between the City and the Trustee.

The Series 2020A Certificates will be delivered in fully registered form without coupons in the denomination of \$5,000 or any integral multiple thereof, and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of interests in the Series 2020A Certificates will be made in book-entry form only. Purchasers of such interests (the "Beneficial Owners") will not receive certificates representing their interests in the Series 2020A Certificates. So long as Cede & Co., as nominee of DTC, is the owner of the Series 2020A Certificates, references herein to the owners or registered owners mean Cede & Co., as aforesaid, and do not mean the Beneficial Owners of the Series 2020A Certificates.

Principal and interest distributable with respect to the Series 2020A Certificates are payable by the Trustee. So long as DTC or its nominee, Cede & Co., is the owner, such payments will be made directly to such owner. Upon receipt of payments of principal and interest, DTC will in turn remit such principal and interest to DTC's participants for subsequent disbursement to the Beneficial Owners of the Series 2020A Certificates. Principal and prepayment premium, if any, will be payable annually on March 1, beginning on March 1, 2021. Interest will be payable semiannually on March 1 and September 1, beginning on March 1, 2021, by check or draft mailed (or by wire transfer in certain circumstances described herein) to the persons who are the registered owners of the Certificates as of the close of business on the 15th day of the month preceding the applicable interest payment date.

The Series 2020A Certificates will be payable solely from the Basic Rent under the Lease and certain money held by the Trustee under the Declaration. See the caption "SECURITY FOR THE CERTIFICATES" herein. The City will agree to pay the total Basic Rent due under the Lease for each fiscal year, but only if the governing body of the City annually appropriates sufficient money specifically designated to pay the Basic Rent coming due during each succeeding fiscal year. **The obligation to make payments will not create a general obligation or other indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction. The delivery of the Series 2020A Certificates will not obligate the City to levy any form of taxation therefore or to make any appropriation for their payment in any year subsequent to a year in which the Lease is in effect.**

The Series 2020A Certificates are subject to prepayment prior to their stated payment dates under certain conditions. See the caption "THE SERIES 2020A CERTIFICATES — Prepayment Provisions" herein.

The Series 2020A Certificates are subject to certain risks. Prospective purchasers of the Series 2020A Certificates should be able to evaluate the risks and merits of an investment in the Series 2020A Certificates before considering a purchase of the Series 2020A Certificates. See "RISK FACTORS AND INVESTMENT CONSIDERATIONS" herein.

The Series 2020A Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approval of legality by Armstrong Teasdale LLP, Kansas City, Missouri, Special Tax Counsel, and certain other conditions. It is expected that the Series 2020A Certificates will be available for delivery through The Depository Trust Company in New York, New York, on or about November __, 2020.

Bids for the Series 2020A Certificates will be received until 11:30 a.m., CST, on October 22, 2020 as described the Notice of Sale for the Series 2020A Certificates.

The date of this Official Statement is October __, 2020.

* Preliminary, subject to change.

\$7,510,000*
CITY OF GLADSTONE, MISSOURI
CERTIFICATES OF PARTICIPATION
SERIES 2020A

MATURITY SCHEDULE*

Serial Certificates

<u>Due March 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
2021	\$1,240,000.00		
2022	720,000.00		
2023	745,000.00		
2024	75,000.00		
2025	200,000.00		
2026	205,000.00		
2027	260,000.00		
2028	350,000.00		
2029	360,000.00		
2030	370,000.00		
2031	380,000.00		
2032	390,000.00		
2033	400,000.00		
2034	260,000.00		
2035	265,000.00		
2036	265,000.00		
2037	270,000.00		
2038	280,000.00		
2039	285,000.00		
2040	190,000.00		

* Preliminary, subject to change.

City of Gladstone, Missouri

7010 North Holmes
Gladstone, Missouri 64118
816-436-2200

CITY OFFICIALS

City Council

Jean Moore – Mayor
R.D. Mallams, Mayor Pro-Tem
Bill Gamos, Council Member
Tina Spallo, Council Member
Tom Frisby, Council Member

Administrative Officials

Scott Wingerson – City Manager
Bob Baer – Assistant City Manager
Dominic Accurso – Director of Finance

CERTIFIED PUBLIC ACCOUNTANTS

Berberich Trahan & Co. P.A.
Topeka, Kansas

SPECIAL TAX COUNSEL

Armstrong Teasdale LLP
Kansas City, Missouri

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Saint Paul, Minnesota & Kansas City, Missouri

UNDERWRITER

[to be determined]

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2020A CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2020A CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE DECLARATION BEEN QUALIFIED UNDER THE TRUST DECLARATION ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

The Underwriter and Municipal Advisor have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but neither the Underwriter nor the Municipal Advisor guarantee the accuracy or completeness of that information.

No dealer, broker, salesperson or other person has been authorized by the City, the Underwriter, or the Municipal Advisor to give any information or to make any representation with respect to the Series 2020A Certificates offered hereby other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Series 2020A Certificates offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City and from other sources believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter or the Municipal Advisor. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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

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. THESE FUTURE RISKS AND UNCERTAINTIES INCLUDE THOSE DISCUSSED IN THE “RISK FACTORS” SECTION OF THIS OFFICIAL STATEMENT. 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.

TABLE OF CONTENTS

INTRODUCTION	1	PLAN OF FINANCING	12
General.....	1	The Project	12
The City	1	Sources and Uses of Funds.....	12
Plan of Financing	1	FINANCIAL STATEMENTS	12
Limited Obligations	2	APPROVAL OF LEGALITY	12
Risk Factors	2	TAX MATTERS	12
Parity Obligations	2	Opinion of Special Tax Counsel	13
Continuing Disclosure Information.....	2	Other Tax Consequences.....	13
Definitions and Descriptions; Inspection of Documents	2	RATING.....	14
THE SERIES 2020A CERTIFICATES	3	ABSENCE OF LITIGATION.....	14
Description	3	UNDERWRITING.....	15
Prepayment Provisions.....	3	MUNICIPAL ADVISOR.....	15
Acceleration	4	CONTINUING DISCLOSURE	16
BOOK-ENTRY ONLY SYSTEM	5	MISCELLANEOUS.....	16
Transfer Outside Book-Entry Only System	6		
SECURITY FOR THE CERTIFICATES	7	Appendix A - City of Gladstone, Missouri	
Limited Obligations; Sources of Payment	7	Appendix B -Independent Auditor's Report and the City's Audited Financial Statements	
Parity Obligations	8	Appendix C -Forms of the Documents	
THE TRUSTEE	8	Appendix D-Form of Continuing Disclosure Undertaking	
RISK FACTORS AND INVESTMENT CONSIDERATIONS	8	Appendix E - Proposed Form of Opinion of Special Tax Counsel	
Limited Obligations	8		
No Reserve Fund.....	9		
Expiration or Termination of the Lease	9		
Delays in Exercising Remedies.....	10		
Damage or Destruction of the Leased Property	10		
Construction Risks	11		
Effect on Tax-Exemption of Termination of the Lease	11		
Amendment of the Declaration and Lease	11		
Other Factors.....	11		

OFFICIAL STATEMENT
\$7,510,000*
CERTIFICATES OF PARTICIPATION
CITY OF GLADSTONE, MISSOURI
SERIES 2020A

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 the more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement.

General

The purpose of this Official Statement is to furnish information in connection with the offering and sale of Certificates of Participation City of Gladstone, Missouri, Series 2020A, in the aggregate principal amount of \$7,510,000* (the "**Series 2020A Certificates**"). The Series 2020A Certificates represent undivided interests in Basic Rent to be paid by the City of Gladstone, Missouri (the "**City**") pursuant to an annually renewable Lease Purchase Agreement dated as of November 1, 2020 (the "**Lease**"), between Security Bank of Kansas City, Kansas City, Kansas (the "**Trustee**"), as lessor, and the City, as lessee. The Trustee has agreed to execute and deliver the Series 2020A Certificates pursuant to a Declaration of Trust dated as of November 1, 2020 (the "**Declaration**"). The Basic Rent constitutes rent for use of certain personal property (the "**Leased Property**," as further described herein) pursuant to the Lease.

The City

The City is a third class city and political subdivision organized and existing under the constitution and laws of the State of Missouri.

Plan of Financing

Proceeds from the sale of the Series 2020A Certificates will be used (a) to provide for the financing of the costs related to construction of an addition to and renovation of an existing fire station, street improvements, parking improvements in the City's central business district, municipal pool improvements, museum improvements, construction of water mains, acquisition of a fire pumper truck and other capital projects (collectively, the "**Project**" as further described herein) and (b) to pay the costs of issuance of the Series 2020A Certificates. The "**Leased Property**" as referred to herein consists of certain personal property acquired in the completion of the Project, and includes approximately 2.5 miles of water mains. See "**PLAN OF FINANCING – The Project**" herein. **The Leased Property does not include any interest in real property.**

Simultaneously with the delivery of the Series 2020A Certificates, the Trustee, as lessor under the Lease, will lease the Leased Property to the City for an initial term ending June 30, 2021, with successive one-year renewal options (the "**Renewal Terms**"), with a final Renewal Term ending March 1, 2040. Each Renewal Term is subject to annual appropriation by the City Council.

* Preliminary, subject to change.

A portion of each Base Rental will be used to pay interest distributable with respect to the Series 2020A Certificates, and a portion of each Base Rental will be used to pay principal and prepayment premium, if any, distributable with respect to the Series 2020A Certificates. See the caption "**PLAN OF FINANCING**" herein.

Limited Obligations

Under the Lease, the City has agreed to pay Basic Rent consisting of a Principal Portion and an Interest Portion (collectively, the "**Basic Rent**") that are distributable with respect to the Series 2020A Certificates, but only if and to the extent that the City annually appropriates sufficient money to pay the Basic Rent coming due during each succeeding Renewal Term.

Neither the Series 2020A Certificates, the Lease nor any payments required under the Lease will constitute a mandatory payment obligation of the City in any year beyond the year during which the City is a lessee under the Lease, or constitute or give rise to a general obligation or other indebtedness of the City. The City is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year or any subsequent fiscal year in which the Lease is in effect, and there can be no assurance that the City will appropriate funds to make Basic Rent or renew the Lease after the Initial Term or any Renewal Term of the Lease. The City may terminate its obligations under the Lease on an annual basis. The City will have the option to purchase the Trustee's interest in the Leased Property as provided in the Declaration and the Lease.

Neither the Series 2020A Certificates nor the Lease will constitute a debt or liability of the City, the State of Missouri or any political subdivision thereof, nor will they constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The execution and delivery of the Lease will not obligate the City to levy any form of taxation for the payments required thereunder or to make any appropriation for such payments in any fiscal year subsequent to a fiscal year in which the Lease is in effect.

Risk Factors

Payment of the principal and interest distributable with respect to the Series 2020A Certificates is subject to certain risks. See the caption "**RISK FACTORS AND INVESTMENT CONSIDERATIONS.**"

Parity Obligations

The Declaration provides for the future delivery of Additional Certificates, if delivered, to be secured on a parity with the Series 2020A Certificates and any other Additional Certificates then Outstanding under the Declaration. The Series 2020A Certificates, together with any Additional Certificates, are collectively the "Certificates." See the caption "**FORMS OF THE DOCUMENTS** " in *Appendix C* hereto.

Continuing Disclosure Information

The City will enter into an undertaking (the "Undertaking") for the benefit of the beneficial owners of the Obligations to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access system ("EMMA") pursuant to the requirements of SEC Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The form of Undertaking is set forth in *Appendix D*, attached hereto and made a part hereof and entitled "CONTINUING DISCLOSURE UNDERTAKING."

The City believes that it has timely filed required operating and financial data required by previous undertakings since the fiscal year ended June 30, 2015, other than the City did not file notices of defeasances, redemptions and rating changes, if any, which were available from other sources.

A failure by the City to comply with the Undertaking will not constitute a default under the respective authorizing resolutions (the "Resolutions"), and beneficial owners of the Obligations are limited to the remedies described in the Undertaking. A failure by the City to comply with the Undertaking must be reported in accordance with the Rule, and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Obligations in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Obligations and their market price.

Definitions and Descriptions; Inspection of Documents

All capitalized terms used in this Official Statement not defined in the text hereof are defined under the caption "**Definitions of Words and Terms**" set forth in *Appendix C* to this Official Statement. Brief descriptions of the Series 2020A Certificates, the Lease, the Declaration and certain other matters are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Lease and the Declaration are qualified in their entirety by reference to such documents, copies of which may be requested from Baker Tilly Municipal Advisors, LLC via the following email address: bondservice@bakertilly.com. All references to the Series 2020A Certificates are qualified in their entirety by the definitive terms thereof and the information with respect thereto included in the Lease and the Declaration.

THE SERIES 2020A CERTIFICATES

Description

The Series 2020A Certificates are dated the date set forth on the cover page hereof. The Principal Portion of Basic Rent distributable with respect to each Series 2020A Certificate will bear interest at specified rates as set forth on the inside cover page hereof. The Interest Portion of Basic Rent distributable with respect to the Series 2020A Certificates will be payable semiannually on March 1 and September 1 of each year beginning on March 1, 2021 (collectively the "**Payment Dates**"). The Principal Portion of Basic Rent distributable with respect to the Series 2020A Certificates is payable on March 1 of each year in the principal amounts set forth on the inside cover page of this Official Statement.

Interest distributable with respect to the Series 2020A Certificates is payable by (a) check or draft mailed by the Trustee to the person in whose name each Certificate is registered on the 15th day of the month next preceding each Payment Date at such person's address as it appears on the registration books kept by the Trustee under the Declaration (the "**Register**"), or (b) in the case of the payment of Interest Portions to the Securities Depository or any Registered Owner of \$500,000 or more in aggregate principal amount of Series 2020A Certificates, by electronic transfer to such Registered Owner upon written notice given to the Trustee by such Registered Owner not less than five days prior to the Record Date for such Interest Portions,

containing the electronic transfer instructions including the bank (which shall be in the continental United States), ABA routing number and account name and account number to which such Registered Owner wishes to have such transfer directed. Principal distributable with respect to the Certificates is payable upon presentation and surrender thereof at the principal corporate trust office of the Trustee.

Prepayment Provisions

Optional Prepayment. The Series 2020A Certificates or portions thereof with a stated maturity of March 1, 2031 and thereafter are subject to prepayment on March 1, 2030 and thereafter in whole or in part at any time at a prepayment price equal to 100% of the Principal Portion of Basic Rent represented thereby plus the Interest Portion of Basic Rent accrued thereon to the Prepayment Date.

Partial Prepayment of Certificates. Certificates will be prepaid only in the principal amount of \$5,000 each or integral multiples thereof. In the case of a partial prepayment of Certificates when Certificates of denominations greater than \$5,000 are then outstanding, each \$5,000 of principal amount will be treated as though it were a separate Certificate of the denomination of \$5,000.

Selection of Certificates. With respect to any partial prepayment of the Certificates and unless otherwise provided in the Declaration, the particular Certificates to be prepaid will be prepaid in such order of stated payment dates as the City determines and within each stated payment date by such equitable manner as the Trustee determines.

Notice of Prepayment. Official notice of any prepayment of Certificates is required to be given by the Trustee by mailing a copy of the notice at least 30 days prior to the prepayment date by first class mail to the Owner of the Certificate or Certificates to be prepaid, at the address shown on the Register on the date the notice is mailed, as more fully described in the Declaration.

Acceleration

If the Lease is terminated upon the occurrence of an Event of Nonappropriation or an Event of Default occurs under the Declaration or the Lease and in either case the terms and conditions of the Declaration are satisfied, the Principal Portion of Basic Rent then due and unpaid during the then current fiscal year with respect to the Certificates will be declared immediately due and payable. If sufficient money is not available to pay in full all interest and principal then due with respect to the Certificates, the Trustee will, after the payment of costs and expenses related to exercising remedies under the Declaration, apply all available money first to the payment of all interest due with respect to the Certificates, *pro rata* if necessary, and second to the payment of the principal due with respect to the Certificates, *pro rata* if necessary. See "**RISK FACTORS AND INVESTMENT CONSIDERATIONS**" below and "**FORMS OF THE DOCUMENTS**" in *Appendix C* hereto.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2020A Certificates. The Series 2020A Certificates will be delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Series 2020A Certificates, each in the aggregate principal amount of such maturity.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and

provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2020A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020A Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020A Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2020A Certificates, except in the event that use of the book-entry system for the Series 2020A Certificates is discontinued.

To facilitate subsequent transfers, all Series 2020A Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2020A Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020A Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020A Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2020A Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2020A Certificates, such as prepayments, defaults, and proposed amendments to the related documents. For example, Beneficial Owners of Series 2020A Certificates may wish to ascertain that the nominee holding the Series 2020A Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the Series 2020A Certificates within an issue 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 Series 2020A Certificates unless authorized by a Direct Participant in accordance with DTC's 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 Series 2020A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal Portions and Interest Portions on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on each 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 nor its nominee, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2020A Certificates at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2020A Certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2020A Certificates will be printed and delivered.

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, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Transfer Outside Book-Entry Only System

If the Book-Entry Only System is discontinued the following provisions would apply. The Certificates are transferable only upon the Register upon presentation and surrender of the Certificates, together with instructions for transfer. Certificates may be exchanged for other Certificates of any denomination authorized by the Declaration in the same aggregate principal amount, series, payment date and interest rate, upon presentation to the Trustee, subject to the terms, conditions and limitations and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, exchange or transfer.

SECURITY FOR THE CERTIFICATES

Limited Obligations; Sources of Payment

Each Certificate evidences the undivided interest of the Owner thereof in the right to receive Basic Rent to be made by the City under the Lease. The Series 2020A Certificates are payable solely out of the Basic Rent and other money and investments held by the Trustee under the Declaration.

The City's obligation to make Basic Rent and other payments under the Lease is subject to annual appropriation by the City and will not constitute a debt or liability of the City, the State of Missouri or any

political subdivision thereof, or an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The execution and delivery of the Lease and the Certificates will not obligate the City to levy any form of taxation therefor or to make any appropriation for their payment in any fiscal year subsequent to a fiscal year in which the Lease is in effect.

Under the terms of the Lease, if the City elects to renew the Lease at the end of the Initial Term or any Renewal Term, it is obligated to budget, appropriate and set aside a portion of its general revenues derived from user fees and other sources, which appropriation must be sufficient to make the Basic Rent coming due during the ensuing fiscal year. The City is obligated to make Basic Rent to the Trustee on the 15th of each month preceding each Payment Date, which payments will be distributable as principal and interest with respect to the Certificates (but only if the City elects to renew the Lease for each Renewal Term). **There can be no assurance that the City will appropriate funds for Basic Rent or renew the Lease after the initial term. The City is not legally required to budget or appropriate money for any subsequent fiscal year beyond the current fiscal year.**

Parity Obligations

Additional Certificates may be delivered without the consent of the Owners of the Certificates to (a) refund the Certificates of any series, and (b) fund the costs of completing the Project or for additional projects for the City.

All Additional Certificates will be secured by the lien of the Declaration and will rank on a parity with the Series 2020A Certificates and any Additional Certificates. Unless provided otherwise in a supplement to the Declaration, any Additional Certificates will be in substantially the same form as the Series 2020A Certificates, but will bear such date or dates, bear such interest rate or rates, have such payment date or dates, prepayment dates and prepayment premiums, and be issued at such prices as are approved in writing by the City, subject to the requirements of the Declaration.

THE TRUSTEE

Security Bank of Kansas City, Kansas City, Kansas, a Kansas state banking corporation, will be the Trustee under the Declaration and a party to the Lease. The Trustee may consult with counsel, and the opinion of such counsel will be full and complete authorization and protection with respect to any action taken or suffered by the Trustee in good faith in accordance with such opinion. The Trustee may execute any trusts or powers or perform the duties required by the Declaration or the Lease by or through attorneys, agents or receivers and will not be answerable for the default or misconduct of any such attorney, agent or receiver selected by it in good faith.

The Series 2020A Certificates are executed by the Trustee, not individually or personally but solely as Trustee under the Declaration, in the exercise of the power and authority conferred upon and invested in it as such Trustee. Except for its negligence or willful misconduct, nothing contained in the Declaration or the Lease is to be construed as creating any liability on the Trustee, individually or personally, to perform any covenant either express or implied in the Certificates, the Declaration or the Lease, all such liability, if any, being expressly waived by the Owners of the Certificates by the acceptance thereof and by each and every person now or hereafter claiming by, through or under the Trustee or the Owners of the Certificates. Insofar as the City is concerned, the Trustee and the Owner of any Certificate and any person claiming by, through or under the Trustee or the Owner of any Certificate may look solely to the Trust Estate described in the Declaration for payment of the interests evidenced by the Certificates.

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

RISK FACTORS AND INVESTMENT CONSIDERATIONS

The purchase of the Series 2020A Certificates involves certain investment risks that are discussed throughout this Official Statement. Each prospective purchaser of the Series 2020A Certificates should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. Certain risk factors relating to the Series 2020A Certificates are described below.

Limited Obligations

The Series 2020A Certificates represent an interest in the right to receive amounts due under the Lease, which constitute currently budgeted expenditures of the City, payable only if the City appropriates sufficient money to extend the term of the Lease for each successive fiscal year. The Initial Term of the Lease expires on June 30, 2021. The Lease is thereafter subject to successive one-year Renewal Terms commencing on July 1 of each year, and a final renewal term ending March 1, 2040. The City's obligations under the Lease do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Although the City intends to satisfy its obligations to pay Basic Rent out of the revenues generated from various sources, none of those revenues are pledged to the payment of the Certificates.

The City has declared its current intention and expectation that the Lease will be renewed annually until the City exercises its option to acquire the Trustee's interest in the Leased Property. However, such a declaration may not be construed as contractually obligating or otherwise binding the City. Accordingly, the likelihood that the City will renew the Lease for all Renewal Terms and continue to pay the Basic Rent thereunder for distribution by the Trustee with respect to the Series 2020A Certificates is dependent upon certain factors which are beyond the control of the Owners, including (1) the availability of funds from the Series 2020A Certificates or other sources in an amount sufficient to complete the Project, (2) the City's continuing need for the Leased Property, (3) the demographic conditions within the City, (4) the City's ability to generate sufficient funds from various sources to pay its obligations under the Lease and its other obligations, and (5) the value of the Leased Property if assigned or subleased in proceedings instituted by the Trustee if the term of the Lease is terminated as a result of an Event of Default or Event of Nonappropriation.

No Reserve Fund

No debt service reserve fund is being established for the Series 2020A Certificates.

Expiration or Termination of the Lease

The Lease will expire by its terms on June 30 during each year from 2021 through 2039 (with a final term ending March 1, 2040), unless the City in its sole discretion exercises the option provided in the Lease to extend its term for each next succeeding Renewal Term. If the City does not extend in any year the term of the Lease, the City's obligation to make payments will terminate on the June 30 occurring at the end of the Initial Term or the then current Renewal Term. Upon (1) the expiration of the Initial Term or any Renewal Term during which an Event of Nonappropriation occurs or (2) a default under the Lease and an election by the Trustee to terminate the City's possessory interest under the Lease, the City's right of possession of the Leased Property under the Lease will expire or be terminated, as appropriate. See **"FORMS OF THE DOCUMENTS"** in *Appendix C* hereto.

If the City's right of possession of the Leased Property under the Lease expires or is terminated for either of the reasons described in the preceding paragraph, the City's obligation to make payments thereunder will continue through the Initial Term or the Renewal Term then in effect, but not thereafter, and the Series 2020A Certificates will be payable from, among other sources, such money as may be available by way of

recovery from the City of the Basic Rent that are due through the Initial Term or the Renewal Term then in effect. If the Lease expires at the end of the Initial Term or a Renewal Term without any extension for the next succeeding Renewal Term or if an event occurs as described above pursuant to which the Trustee terminates the City's right of possession of the Leased Property under the Lease, the Trustee may take possession of or sell its interest in the Leased Property as provided in the Lease and the Declaration. The net proceeds of any sale or assignment of the Trustee's interest in the Leased Property, together with certain other money then held by the Trustee under the Declaration, are required to be used to pay the Certificates to the extent of such money.

Due to the nature of the Leased Property, no assurance can be given that the Trustee could sell or assign its interest in the Leased Property for the amount necessary (after taking into account money legally available from other sources) to pay in full the Principal and Interest Portions of Basic Rent then due with respect to the Certificates. The Leased Property consists of water mains. The Leased Property does not include any interest in real property. Furthermore, no assurance can be given that the amount, if any, realized upon any sale or assignment of the Trustee's interest in the Leased Property will be available to provide for the payment of the Certificates on a timely basis. The insured value of the Leased Property is less than the principal amount of the Certificates.

Delays in Exercising Remedies

A termination of the City's right of possession of the Leased Property under the Lease as a result of an Event of Default or an Event of Nonappropriation or expiration of the term of the Lease at the end of the Initial Term or any Renewal Term without an extension for the next succeeding Renewal Term will give the Trustee the right to possession of, and the right to sell or assign its interest in, the Leased Property in accordance with the provisions of the Lease and the Declaration. However, the enforceability of the Declaration is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, the exercise of judicial authority by the State of Missouri or federal courts and the exercise by the United States of America of the powers delegated to it by the U.S. Constitution.

Further, the Leased Property is used by the City for the performance of its governmental functions. Due to the governmental use of the Leased Property and the delays inherent in obtaining possession of the Leased Property and other judicial remedies, no assurance can be given that (1) a court, in the exercise of judicial discretion, would enforce these remedies in a timely manner, or (2) any money realized by the Trustee upon an exercise of any remedies would be sufficient to pay in full the principal and Interest Portions of Basic Rent with respect to the Certificates. The legal opinions to be delivered with the delivery of the Series 2020A Certificates will be qualified as they relate to the enforceability of the various legal instruments by reference to the limitations on enforceability of those instruments under (1) applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights, (2) general principles of equity, and (3) the exercise of judicial discretion in appropriate cases. If such money is insufficient to pay all outstanding Certificates in full, the Certificates would be paid in part on a *pro rata* basis. Any delays in the ability of the Trustee to obtain possession of the Leased Property will, of necessity, result in delays in any payment of principal and Interest Portions of Basic Rent with respect to the Certificates.

Damage or Destruction of the Leased Property

The Lease requires the Leased Property to be insured as described in "**FORMS OF THE DOCUMENTS**" in *Appendix C* hereto. If the Leased Property is damaged or destroyed, the City is nevertheless required to continue to make payments under the Lease, subject to the exercise of its option to extend the term of the Lease for each next succeeding Renewal Term and to the application of Net Proceeds from insurance and certain other sources to repair, restore, modify, improve or replace the affected portion of the Leased Property. If the Net Proceeds from insurance and such other sources are sufficient to repair, restore, modify, improve or replace the affected portion of the Leased Property, such proceeds are to be so applied. If the Net Proceeds are insufficient for such purpose, (1) the City is obligated to commence and

thereafter complete the work and pay any cost in excess of such net proceeds, but only from Supplemental Rent appropriated by the City, in order for the affected portion of the Leased Property to be repaired, restored and replaced, (2) if the failure to repair or restore does not materially detract from the value of the Leased Property, such net proceeds may be deposited into the Certificate Payment Fund or (3) the City may apply net proceeds to the payment of all or a portion of the Option Price applicable on the next available Optional Payment Date.

There can be no assurance either as to the adequacy of or timely payment under property damage insurance in effect at that time or that the City will elect to extend the term of the Lease for the next Renewal Term succeeding such damage or destruction. See **"FORMS OF THE DOCUMENTS"** in *Appendix C* hereto.

Construction Risks

Weather, labor disputes, availability of materials and supplies, casualty damages, unanticipated subsoil conditions, unanticipated construction difficulties and other "force majeure" occurrences or events or financial failure or failure to perform by a contractor, subcontractor or supplier may affect the timely construction of certain portions of the Project. No assurance can be given that the Project will be completed on schedule, within budget or without material errors and defects. Any such failure could affect the City's decision to continue appropriations and the Trustee's ability to sell or assign its interest in the Leased Property.

Effect on Tax-Exemption of Termination of the Lease

Special Tax Counsel is not rendering an opinion with respect to the tax-exempt status of the Interest Portion of the Basic Rent distributable to owners of the Series 2020A Certificates subsequent to the termination of the Lease for any reason (including an Event of Default or an Event of Nonappropriation under the Lease). If the Lease is terminated while Series 2020A Certificates are outstanding, there is no assurance that payments made to Series 2020A Certificate owners after such termination with respect to interest will be excluded from gross income of the owners thereof for federal or Missouri income tax purposes.

Amendment of the Declaration and Lease

Certain amendments to the Declaration and the Lease may be made with consent of the owners of not less than a majority in principal amount of the Certificates (including any Additional Certificates which may be hereafter delivered) then outstanding affected by such supplemental Declarations or supplemental leases. Such amendments may adversely affect the security of the owners of the Certificates.

Potential Risks Relating to COVID-19

In December 2019, a novel strain of coronavirus (which leads to the disease known as "COVID-19"), was discovered in Wuhan, China. Since that date, the virus has spread throughout the world and has been characterized by the World Health Organization as a pandemic. The impact of the COVID-19 pandemic on the U.S. economy is expected to be broad based and to negatively impact national, state and local economies.

In response to such expectations, the President of the United States on March 13, 2020, declared a "national emergency," which, among other effects, allows the executive branch to disburse disaster relief funds to address the COVID-19 pandemic and related economic dislocation. On March 13, 2020, the Governor of the State signed an Executive Order declaring a state of emergency in the State in response to COVID-19. On April 24, 2020, the Governor signed another Executive Order extending the state of emergency in the State through June 15, 2020. On June 11, 2020, the Governor signed another Executive Order extending the state of emergency in the State through December 30, 2020. The stated purpose of the Executive Orders is to allow more flexibility in utilizing resources and deploying them around the State where they are most appropriate, including allowing the Governor to waive certain State laws and regulations where necessary.

On April 3, 2020, the Governor issued a “stay at home order,” which began on April 6, 2020, and ended on May 4, 2020, requiring all Missourians to avoid leaving their residences unless necessary and to practice social distancing when travel outside their residences was necessary. On April 27, 2020, the Missouri Department of Health and Senior Services (“DHS”) issued the “Show Me Strong Recovery Order,” which went into effect on May 4, 2020 and ended on May 31, 2020. On May 28, 2020, DHS issued the “Economic Reopening Order,” which went into effect on June 1, 2020 and ended on June 15, 2020. Both DHS orders provide guidelines for individuals and businesses in the State to gradually reopen economic and social activity. The DHS orders expired on June 16, 2020, and the State is not currently under a statewide public health order. Despite the expiration of statewide orders, the State remains under a “State of Emergency” through December 30, 2020 per Executive Order 20-12 and cities and counties have the ability, and continue, to impose local public health orders restricting economic activities within the State.

On July 19, 2020, Clay County (where the City is located) began requiring face masks and coverings to be worn in all indoor areas of public accommodation. According to the County’s web site [<https://www.clayhealth.com/292/Face-Masks-and-Coverings>] the decision was “made due to the rapid increase in the number of COVID-19 cases and hospitalizations of Clay County residents in recent weeks.” On August 21st, 2020, the order was amended to allow schools to open, granting certain exemptions for essential governmental functions as described in the order and providing that youth sports leagues may resume. The order continues until further notice.

In preparing for the COVID-19 pandemic for Fiscal Year 2020, the City staff expected to receive less than budgeted revenues in sales tax and charges for services associated with recreation and the Community Center. Sales tax for the fiscal year ending June 30, 2020 increased over 3% from the previous year. Use tax increased over 30% from the previous year (\$680,053 in fiscal year 2019 to \$950,190 in fiscal year 2020). Revenue shortfalls from charges for services were mitigated by postponing or canceling events and temporarily closing the Community Center for a portion of the stay at home order. The economic affect to the General Fund has been minimal, however the Community Center’s lost revenue is estimated to be \$250,000.

In May, 2020, Clay County distributed CARES Act funding to the municipalities of the County to assist with COVID-19 related expenses. The City received \$2,519,805 and is allowed to utilize funds for COVID-19 related expenses from March 1, 2020 through December 31, 2020. Qualifying expenses include but are not limited to personal protection equipment (PPE), sanitizing supplies and services, equipment to enable employees to work from home, and salaries and benefits for COVID related work. It is expected that the City has incurred and will draw down \$200,000 in COVID related expenses as of June 30, 2020.

In planning the 2021 fiscal year budget, staff was cognizant of the possibility that the COVID-19 virus would continue throughout the year and extend into the future. The City plans to mitigate losses from the pandemic by conservative planning and budgeting and using CARES Act funding. The economic effect of the 2021 fiscal year is expected to be similar to the 2020 fiscal year with minimal revenue shortfalls in most funds that can be offset by reductions in expenditures and an additional loss of \$250,000 in the Community Center Fund.

Other Factors

The City intends to satisfy its obligation to pay Basic Rent under the Lease out of various revenues of the City. Purchasers of the Certificates should be aware, however, that such revenues are not pledged to the payment of the Certificates. Additionally, one or more of the following factors or events could adversely affect the City’s operations and financial performance to an extent that cannot be determined at this time:

1. *Changes in Management.* Changes in key management personnel could affect the capability of the management of the City.

2. *Future Economic Conditions.* Adverse economic conditions or changes in demographics in the City, including increased unemployment and inability to control expenses in periods of inflation, could adversely impact the City's financial condition.

3. *Insurance Claims.* Increases in the cost of general liability insurance coverage and the amounts paid in settlement of liability claims not covered by insurance could adversely impact the City's financial performance.

4. *Environmental Hazards.* The City has covenanted in the Lease to comply with all applicable environmental laws. The City is not aware of any environmental condition at the Leased Property that requires any present remedial action. The discovery of such a condition may adversely affect the City's willingness to renew the Lease after the expiration of the Initial Term or any Renewal Term.

5. *Natural Disasters.* The occurrence of natural disasters, such as floods, droughts or earthquakes, could damage the facilities of the City, interrupt services or otherwise impair operations of the City.

PLAN OF FINANCING

The Project

The Project includes the following:

Fire Station Project – A portion of the proceeds of the Series 2020A Certificates will be used for an addition to the station and renovation of the existing structure located at 6569 N. Prospect. The project will update and enhance the living conditions, provide new fixtures, and new equipment for the emergency personnel. The estimated total project cost is \$2,545,000.

Water Main Project – The water main project will give the City the ability to accelerate the water main replacement program over the course of 3 years. The project will replace 2.5 miles of water mains. The estimated total project cost is \$2,500,000.

Gladstone Community Center Project – A portion of the proceeds of the Series 2020A Certificates will be used make renovations to the outdoor municipal pool and Community Center. Pool renovations include a new entry way to the outdoor pool and updated restrooms Renovations to the Gladstone Community Center include improvements to the indoor pool deck, painting of the natatorium, new carpeting, and fitness equipment. The total cost of this project is estimated to be \$930,000.

Downtown Parking Project – Proceeds for this project will fund a parking study and project implementation to increase the parking capacity for the Downtown Gladstone area. Total estimated project costs are \$500,000

Mill & Overlay – Proceeds for this project will fund additional mill and overlay and will replace 3.25 lane miles of curb, gutter and sidewalk. The estimated cost of the project is \$500,000.

Atkins-Johnson Farm Project- The project at the Atkins-Johnson Farm will fund the replacement of a barn at the historical site. The estimated cost of the project is \$200,000.

Fire Truck - The City anticipates the acquisition of a fire pumper truck and equipment needed to outfit the fire truck at a projected cost of \$570,000.

Sources and Uses of Funds*

The following table itemizes the estimated sources of funds, including the proceeds from the sale of the Series 2020A Certificates (excluding accrued interest) and how such funds are expected to be used:

Sources of Funds:

Par Amount of the Series 2020A Certificates.....	\$7,510,000.00
Net Original Issue Premium	<u>409,592.55</u>
Total.....	<u>\$7,919,592.55</u>

Uses of Funds:

Deposit to Project Fund	\$7,745,000.00
Costs of Issuance ⁽¹⁾	<u>174,592.55</u>
Total.....	<u>\$7,919,592.55</u>

*Preliminary, subject to change

⁽¹⁾Includes underwriters' discount.

FINANCIAL STATEMENTS

The City maintains its financial records on the basis of a fiscal year ending June 30. Set forth in *Appendix B* are the City's audited financial statements for the fiscal years ended June 30, 2019. (The City's audited financial statements for the fiscal year ended June 30, 2020 are not yet available.)

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance and sale of the Certificates are subject to the approving legal opinion of Armstrong Teasdale LLP, Kansas City, Missouri, Special Tax Counsel. A copy of the proposed form of the approving opinion of Special Tax Counsel is attached hereto as **Exhibit D**.

TAX MATTERS

The following is a summary of the material federal and State of Missouri income tax consequences of holding the Series 2020A Certificates. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not (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 Series 2020A Certificates in the secondary market.

Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2020A Certificates.

Federal Income Tax Consequences of Owning Series 2020A Certificates

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 Series 2020A Certificates in order for the Interest Portion of Basic Rent paid by the County under the Lease and distributed to the owners of the Series 2020A Certificates (the "Interest Portion") to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements would cause the Interest Portion to be included in gross

income for federal income tax purposes retroactive to the date of issue of the Series 2020A Certificates. The City has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of interest of the Interest Portions from gross income for federal income tax purposes pursuant to Section 103 of the Code. Special Counsel assumes compliance with these requirements. In addition, the County has made certain representations and certifications in regards to the Series 2020A Certificates and the Lease. Special Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Special Counsel, under existing law and assuming compliance with the aforementioned covenants, and the accuracy of the aforementioned representations and certifications of the County, the Interest Portion (including any original issue discount properly allocable to an owner of the Series 2020A Certificates) is excludable from gross income for federal income tax purposes under Section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax. The Series 2020A Certificates have been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. Special 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 Series 2020A Certificates.

State Taxes

Special Counsel is also of the opinion that, under existing law and assuming that the Interest Portion is excluded from gross income for federal income tax purposes, the Interest Portion (including any original issue discount properly allocable to an owner of the Series 2020A Certificates) 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. Special Counsel expresses no opinion as to whether the Interest Portion 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 Discount

Special Counsel is also of the opinion that, subject to the conditions set forth above, the original issue discount (as described below) is the selling price of any Series 2020A Certificate sold in the initial offering to the public at a price less than the par amount thereof (hereinafter referred to as the “OID Certificates”), to the extent properly allocable to each owner of such Series 2020A Certificate, is excluded from gross income for federal income tax purposes with respect to such owner. Original issue discount is the excess of the stated redemption price at maturity of an OID Certificate over its issue price. Under Section 1288 of the Code, the issue price of an OID Certificate is generally the first price at which a substantial amount of the Series 2020A Certificates of that maturity have been sold to the public. Under Section 1288 of the Code, original issue discount on tax-exempt obligations accrues on a compound basis. For an owner who acquires an OID Certificate in this offering, the amount of original issue discount that accrues during any accrual period generally equals (1) the issue price of that OID Certificate, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that OID Certificate (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (3) any interest payable on that OID Certificate during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that sale or exchange of such OID Certificate. Any gain realized by an owner from a sale, exchange, payment or redemption of an OID Certificate would be treated as gain from the sale or exchange of such OID Certificate. Owners of OID Certificates should consult with their individual tax advisors to determine whether the application of the original issue discount rules and regulations for federal tax purposes require inclusion for state and local income tax purposes of an amount of interest on the OID Certificates as income, even though no corresponding cash interest payment is actually received during the tax year.

Original Issue Premium

The Series 2020A Certificates to be sold in the initial offering at a price greater than the principal amount thereof (hereinafter referred to as the “OIP Certificates”) 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 Certificate and the cost basis of such OIP Certificate to an owner thereof is “bond premium.” Under the Code, bond premium is amortized over the term of an OIP Certificate for federal income tax purposes. An owner of an OIP Certificate is required to decrease its basis in such OIP Certificate by the amount of the amortizable bond premium attributable to each taxable year (or portion thereof) it owns the OIP Certificate. 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 Certificate 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 Certificates (including purchasers of OIP Certificates 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 Certificates and with respect to the state and local consequences of owning and disposing of such OIP Certificates.

Other Federal Tax Matters

Ownership of the Series 2020A Certificates 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 Series 2020A Certificates.

Interest paid on tax-exempt obligations such as the Lease (the proportionate ownership of which is represented by the Series 2020A Certificates) 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 Portion paid with respect to the Series 2020A Certificates 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.

Special 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 Series 2020A Certificates, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

THE FOREGOING DISCUSSION IN "TAX MATTERS" WAS NOT INTENDED OR WRITTEN BY SPECIAL COUNSEL TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON AN OWNER OF THE SERIES 2020A CERTIFICATES. THE FOREGOING DISCUSSION IN "TAX MATTERS" WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SERIES 2020A CERTIFICATES. EACH PROSPECTIVE PURCHASER OF THE SERIES 2020A CERTIFICATES SHOULD SEEK ADVICE BASED ON THE PROSPECTIVE PURCHASER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

RATING

Application for a rating on the Series 2020A Certificates has been made to S&P Global Ratings ("S&P"), 55 Water Street, New York, New York. If ratings are assigned, they will reflect only the opinion of S&P. Any explanation of the significance of the ratings may be obtained only from S&P.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Obligations.

ABSENCE OF LITIGATION

There is not now pending or, to the City's knowledge, threatened, any litigation seeking to restrain or enjoin or in any way limit the approval or the delivery of this Official Statement or the Series 2020A Certificates or the proceedings or authority under which they are to be delivered. There is no litigation pending or, to the City's knowledge, threatened which in any manner challenges or threatens the City's powers to enter into or carry out the transactions contemplated by the Declaration, the Lease and this Official Statement, or which would materially and adversely affect the financial condition of the City.

UNDERWRITING

Based upon bids received by the City on October 22, 2020, the Series 2020A Certificates are being awarded to _____, _____, _____ (the "Underwriter"). The Series 2020A Certificates are being purchased for reoffering by the Underwriter. The Underwriter has agreed to purchase the Series 2020A Certificates at an aggregate purchase price of \$ _____ (the principal amount of the Series 2020A Certificates less an underwriter's discount of \$ _____ and plus net original issue premium of \$ _____), plus accrued interest, if any. The Underwriter is purchasing the Series

2020A Certificates for resale in the normal course of the Underwriter's business activities. The Underwriter reserves the right to offer any of the Series 2020A Certificates to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter shall determine. The Underwriter is purchasing the Series 2020A Certificates from the City for resale in the normal course of the Underwriter's business activities. The Underwriter may sell certain of the Series 2020A Certificates at a price greater than such purchase price, as shown on the inside cover page hereof. The Underwriter reserves the right to offer any of the Series 2020A Certificates to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter, in its discretion, shall determine. The Underwriter reserves the right to join with dealers and other purchasers in offering the Series 2020A Certificates to the public. The Underwriter may offer and sell Series 2020A Certificates to certain dealers (including dealers depositing Series 2020A Certificates into investment trusts) at prices lower than the public offering prices.

MUNICIPAL ADVISOR

The City has retained Baker Tilly Municipal Advisors, LLC as municipal advisor in connection with certain aspects of the issuance of Bonds (the "Municipal Advisor" or "BTMA"). BTMA is a registered municipal advisor and a wholly-owned subsidiary of Baker Tilly US, LLP ("BTUS"), an accounting firm and has been retained by the City to provide certain financial advisory services including, among other things, review of the deemed "nearly final" Preliminary Official Statement and the Final Official Statement (the "Official Statements"). The information contained in the Official Statements has been compiled from records and other materials provided by City officials and other sources deemed to be reliable. The Municipal Advisor has not and will not independently verify the completeness and accuracy of the information contained in the Official Statements. The Municipal Advisor's duties, responsibilities and fees arise solely as Municipal Advisor to the City and they have no secondary obligations or other responsibility.

Municipal Advisor Registration:

BTMA is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. As such, BTMA is providing certain specific municipal advisory services to the City, but is neither a placement agent to the City nor a broker/dealer and cannot participate in the underwriting of the Series 2020A Certificates.

The offer and sale of the Series 2020A Certificates shall be made by the City, in the sole discretion of the City, and under its control and supervision. The City has agreed that BTMA does not undertake to sell or attempt to sell the Series 2020A Certificates, and will take no part in the sale thereof.

Other Financial Industry Activities and Affiliations:

BTUS is an advisory, tax and assurance firm headquartered in Chicago, Illinois. BTUS and its affiliated entities, have operations in North America, South America, Europe, Asia and Australia. BTUS is an independent member of Baker Tilly International, a worldwide network of independent accounting and business advisory firms in 47 territories, with 33,600 professionals.

Baker Tilly Investment Services, LLC ("BTIS") is registered as an investment adviser with the Securities and Exchange Commission ("SEC") under the Federal Investment Advisers Act of 1940. BTIS provides discretionary and non-discretionary investment management services to government and municipal entities. BTIS may provide advisory services to the clients of BTMA.

Baker Tilly Capital, LLC ("BTC"), a wholly owned subsidiary of BTUS, is a limited purpose broker/dealer registered with the SEC and member of the Financial Industry Regulatory Authority ("FINRA"). BTC provides merger & acquisition, capital sourcing and corporate finance advisory services. BTC may provide transaction advisory services to clients of BTMA.

Baker Tilly Financial, LLC (“BTF”), a wholly owned subsidiary of BTUS, is an investment adviser registered with the SEC. BTF provides both discretionary and non-discretionary portfolio management, consulting and retirement plan management services to individuals and retirement plans. BTF may provide advisory services to the clients of BTMA.

BTMA has no other activities or arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, investment company, other investment adviser or financial planner, bank, law firm or other financial entity.

CONTINUING DISCLOSURE

The City and Security Bank of Kansas City, as dissemination agent, are entering into a Continuing Disclosure Agreement for the benefit of the owners and Beneficial Owners of the Series 2020A Certificates in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”). The City is the only “obligated person” with responsibility for continuing disclosure.

Pursuant to the Continuing Disclosure Agreement, the City will, or will cause the Dissemination Agent to, not later than **210** days after the end of the City’s fiscal year, file with the Municipal Securities Rulemaking Board via the Electronic Municipal Market Access system the following financial information and operating data (the “Annual Report”):

- (1) The audited financial statements of the City for the prior fiscal year. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in this Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report promptly after they become available.
- (2) Updates as of the end of the fiscal year of the financial information and operating data contained in the following sections of **Appendix A** of this Official Statement:

SALES TAX INFORMATION CONCERNING THE CITY –

Sales Tax Collections

PROPERTY TAX INFORMATION CONCERNING THE CITY –

Tax Collection Record

Major Property Taxpayers

Pursuant to the Continuing Disclosure Agreement, the City also will give, or cause the Dissemination Agent to give, notice of the occurrence of certain events with respect to the Series 2020A Certificates, if material (“Material Events”).

Notwithstanding any other provision of the Continuing Disclosure Agreement, the City and the Dissemination Agent may amend the Continuing Disclosure Agreement and any provision of the Continuing Disclosure Agreement may be waived, provided Co-Special Tax Counsel or other counsel experienced in federal securities law matters provides the Dissemination Agent with its opinion that the undertaking of the City, 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 the Continuing Disclosure Agreement.

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Dissemination Agent, the Underwriter or any owner or Beneficial Owner of the Series 2020A Certificates 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 the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement will not be deemed an event of default under the Declaration, the Lease or the Series 2020A Certificates, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement will be an action to compel performance.

MISCELLANEOUS

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

Any statements made in this Official Statement involving matters of opinion or of estimates, 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 will be realized.

The form of this Official Statement and its distribution and use by the Underwriter has been approved by the City; however, the City has made no warranty or representations regarding either the accuracy or sufficiency of any material contained herein. 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 City's financial condition or its ability to make payments required under the Lease and the Declaration.

CITY OF GLADSTONE, MISSOURI

By: _____
City Manager

APPENDIX A

CITY OF GLADSTONE, MISSOURI

APPENDIX A

THE CITY OF GLADSTONE, MISSOURI GENERAL, ECONOMIC AND FINANCIAL INFORMATION

TABLE OF CONTENTS

	<u>Page</u>
GENERAL AND ECONOMIC INFORMATION CONCERNING THE CITY	A-1
Location and Size.....	A-1
Government and Organization	A-1
Municipal Services and Utilities	A-1
Transportation and Communication Facilities.....	A-1
Educational Institutions and Facilities	A-2
Medical and Health Facilities.....	A-2
Recreational, Cultural and Religious Facilities.....	A-2
Commerce and Industry	A-3
Employment.....	A-3
Financial and Banking Institutions.....	A-4
Housing	A-4
Building Construction.....	A-5
General Demographic Statistics	A-5
DEBT STRUCTURE OF THE CITY	A-5
Current Long-Term General Obligation Indebtedness	A-5
Lease Obligations	A-5
Other Long-Term Annual Appropriation Obligations of the City	A-7
Overlapping Indebtedness	A-7
Legal Debt Capacity	A-7
Other Long-Term Obligations of the City	A-7
Future Capital Needs	A-7
FINANCIAL INFORMATION CONCERNING THE CITY.....	A-8
General Description of Financial Practices and Recent Results of Operations	A-8
Employee Relations	A-9
Financial Statements.....	A-10
SALES TAX INFORMATION CONCERNING THE CITY.....	A-10
Sales Taxes.....	A-10
Sales Tax Collections.....	A-10
PROPERTY TAX INFORMATION CONCERNING THE CITY	A-11
Property Valuations	A-11
Property Tax Levies and Collections	A-11
Tax Rates.....	A-12
Tax Collection Record.....	A-13
Major Property Taxpayers.....	A-13

APPENDIX A

THE CITY OF GLADSTONE, MISSOURI GENERAL, ECONOMIC AND FINANCIAL INFORMATION

GENERAL AND ECONOMIC INFORMATION CONCERNING THE CITY

Note: Much of the economic and financial information in this Appendix A is historical in nature and generally predates the COVID-19 pandemic. It is not possible to predict whether any of the trends shown herein will continue in the future. See the caption "RISK FACTORS AND INVESTMENT CONSIDERATIONS – Potential Risks Relating to COVID-19" in the Official Statement.

Location and Size

The City is located in the southern part of Clay County and is in the northern part of the Kansas City Metropolitan area.

The City encompasses approximately 9 square miles and has a current estimated population of 27,317.

Government and Organization

The City was incorporated in 1952. It is incorporated as a third-class city under the Missouri statutes utilizing the City Manager form of government. In accordance with these statutes, the registered voters within the City elect five individuals at-large to serve alternating three-year terms as representatives on the City Council. Each year the City Council selects, from amongst themselves, a Mayor and a Mayor Pro Tem. The Council also appoints a City Manager to serve as the chief executive officer of the City.

The elected City officials as of the date of the Official Statement are as follows:

Jean Moore	Mayor
R.D. Mallams	Mayor Pro-Tem
Bill Garnos	Councilmember
Tom Frisby	Councilmember
Tina Spallo	Councilmember

Among the appointed officials of the City are the following:

Scott Wingerson	City Manager
Bob Baer	Assistant City Manager
Chris Williams	City Attorney
Dominic Accurso	Finance Director
Ruth Bocchino	City Clerk

Municipal Services and Utilities

Utility service in the City is mixed between public and private companies. Water and sewage utilities are provided by the Combined Waterworks and Sewerage System (the "System") of the City. This System has the responsibility of providing water and sewerage service to the City. Water and sewerage rates are established to meet the total revenue requirements of the System. The City also provides law enforcement, fire protection, paramedic services, community enrichment and development and various social services. Natural gas is supplied by the Missouri Gas Energy Co. Electricity is supplied by Evergy.

Transportation and Communication Facilities

The City is ringed by U.S. Highway 169 on the western boundary, Missouri Highway 152 north of the City, Interstate 435 on the eastern boundary of the City and U.S. Highway 69 south of the City. These highways connect with Interstate Highways 29, 35, 435 and 635 and thereby give the City good access to the entire metropolitan Kansas City area. The City is approximately 10 miles from the Kansas City International Airport and approximately 8 miles from downtown Kansas City.

Telephone service in the area is supplied by AT&T and major cellular telephone providers.

The City is served by one daily newspaper, *The Kansas City Star*.

The four major commercial television networks, as well as public television and cable television, serve the City, and a number of AM and FM stations broadcast throughout the area.

Educational Institutions and Facilities

North Kansas City School District, the third largest school district in Missouri, serves the Gladstone community and has earned state and national accreditation. North Kansas City School District is comprised of 22 elementary schools, two sixth grade centers, four middle schools and four high schools. The District also offers optional pre-kindergarten and before/after school programs, gifted/honors programs, career and professional academies and adult and community education programs. The total enrollment of the District is 21,179. Oakhill Day School, located within the city limits, is a private, non-parochial independent day school with 365 students from 18 months through 8th grade. Northland Catholic Schools offers six schools in close proximity to the city serving students from pre-kindergarten through middle school. Maple Woods Community College is located just outside the City limits, and has an annual enrollment of more than 5,400. Northwest Missouri State University opened a Kansas City Campus at the Innovation Center in Gladstone. Annual enrollment of the university is about 100 students. The Mid-Continent Public Library has a branch location in Gladstone and the residents of the City have easy access to the Kansas City Metropolitan area's numerous colleges and universities, technical institutes and seminaries.

Medical and Health Facilities

The three-county hospital service area in which Gladstone is located is served by numerous hospitals and physicians. North Kansas City Hospital is located six miles to the south of the City's limits. North Kansas City Hospital is a 451 licensed-bed, 3,000 employee acute care facility located at I-35 and Armour Road East. St. Luke's North, located five miles west of the City at the intersection of I-29 and Barry Road is a 95-bed acute care facility offering more than 20 specialized health care services. Both hospitals provide a variety of medical services and community resources for the Kansas City area.

Recreational, Cultural and Religious Facilities

The City has 14 public parks covering 271 acres of park land, an outdoor amphitheater, 8 playgrounds, 7 tennis courts, 8 softball facilities, 11 soccer fields, 18 hole disk golf course, a municipal swimming pool and a community center with indoor competitive and recreation pools. The City offers many different recreational programs throughout the year ranging from basketball, soccer, tennis and aerobics to summer Theater in the Park. The City also hosts a number of special events including a fall festival (Gladfest) and a summer blues festival.

Smithville Lake is in a county recreational park near Gladstone and offers numerous activities such as boating, fishing, skiing and swimming. Worlds of Fun amusement park, Oceans of Fun water park, Hodge Park, Line Creek Park and Archaeological Preserve and the Missouri River are also within easy access to Gladstone citizens.

Other cultural and recreational activities are in the Kansas City metropolitan area and therefore within minutes of Gladstone. The Harry S Truman Sports Complex is home to the Kansas City Royals professional baseball team and the Kansas City Chiefs professional football team and Kemper Arena is home to a variety of

activities. Sprint Center is host to concerts, family shows, special events as well as professional, collegiate and amateur sporting events. There are various bowling, skating, golfing and movie facilities available in the community.

There are numerous churches located within the City.

Commerce and Industry

The concentration of employment and businesses in the City are in the Service and Retail Trade industries.

New additions to the downtown landscape include two new restaurants and entrepreneurial workspaces. In December of 2018, Summit Grill opened in the retail space of the Heights at Linden Square. The Gladstone location is the company's newest and largest establishment. Stone Canyon Pizza relocated from Zona Rosa to downtown Gladstone in July of 2019. iWerx and DesignWerx are entrepreneurial development centers offering private office space and a collaborative environment for entrepreneurs and contractors. iWerx has completed their renovation on a 30,000 square foot, 40 year old downtown building during the 2019 fiscal year. One of the newest projects in the downtown district is the groundbreaking on a Fairfield Inn & Suites by Marriot. The 67,000 square foot 110 room hotel is scheduled to open in 2021 giving visitors a place to stay while in the area.

Employment

Since the City is located in the northern portion of the Kansas City, Missouri metropolitan area, employment opportunities for residents of the City are available both in the City and throughout the Kansas City metropolitan area.

Listed below are the top ten employers located in the City:

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Hy-Vee	Grocery Store	372
Walmart	Retail	339
North Kansas City School District	Public Education	284
City of Gladstone	Government	193
Van Chevrolet	Automobile Dealership	160
The Home Depot	Home Improvement Store	150
Price Chopper	Grocery Store	129
Gladstone Dodge	Automobile Dealership	114
McDonalds	Restaurant	114
Northtowne Hyundai	Automobile Dealership	103

Source: City of Gladstone, Missouri, 2019 Financial Report

Listed below are ten of the major employers located in the Kansas City metropolitan area and the number employed by each:

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Federal Government	Government	20,846
Cerner Corporation	Healthcare IT solutions	14,178
The University of Kansas Health System	Healthcare	10,229
HCA Midwest Health	Healthcare	9,963
Saint Luke's Hospital of Kansas City	Healthcare	9,029

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Children's Mercy Hospital	Healthcare	8,614
Ford Motor Company	Motor Vehicle Manufacturing	6,640
Hallmark Cards, Inc.	Greeting Card Manufacturing	6,085
Sprint Corporation	Telecommunications	6,000
University of Kansas	Higher Education	5,570

Source: Kansas City Area Development Council

The following table sets forth unemployment figures for the last five years for the City, Clay County and the State of Missouri.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<i>City</i>					
Total Labor Force	13,993	13,962	14,003	14,446	15,105
Unemployed	1,114	877	930	862	674
Unemployment Rate	8.0%	6.3%	6.6%	6.0%	4.5%
<i>Clay County</i>					
Total Labor Force	125,628	126,160	126,538	130,479	139,808
Unemployed	9,304	7,730	7,693	6,995	5,534
Unemployment Rate	7.4%	6.1%	6.1%	5.4%	4.0%
<i>State of Missouri</i>					
Total Labor Force	3,049,016	3,018,211	3,015,888	3,058,118	3,117,422
Unemployed	258,745	210,415	202,049	186,901	117,030
Unemployment Rate	8.5%	7.0%	6.7%	6.1%	3.8%

Source: (MERIC) Missouri Economic Research and Information Center.

Financial and Banking Institutions

There are numerous financial institutions and credit unions located within the City.

Housing

The following table sets forth the owner/renter occupancy percentages in the City:

Total Units	12,109
Owner Occupied	7,083
Renter Occupied	4,047
Vacant	979
Total Occupied Units	11,130
% of Owner Occupied Units	63.6%
% of Renter Occupied Units	36.4%

Source: U.S. Census Bureau, 2018 American Community Survey

Building Construction

The following table indicates the number of building permits and total estimated valuation of these permits issued within the City over a five-year period. These numbers reflect permits issued for new construction.

<u>Fiscal Year Ended</u>	<u>Commercial Construction¹</u>		<u>Residential Construction¹</u>	
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>
2019	2	\$800,400	5	\$1,406,867
2018	1	342,421	30	3,002,931
2017	6	3,186,688	22	2,733,932
2016	2	1,580,673	36	3,680,018
2015	4	22,331,992	29	3,680,018

General Demographic Statistics

The following table shows the population of the City according to the U.S. Census for each of such years.

<u>Year</u>	<u>Population</u>
1960	14,502
1970	23,817
1980	25,127
1990	26,243
2000	26,365
2010	25,410
2019*	27,489

*Estimated

DEBT STRUCTURE OF THE CITY

Current Long-Term General Obligation Indebtedness

In December 2010, the City issued its Taxable General Obligation Street Improvement Bonds (Build America Recovery Zone Economic Development Bonds – Direct Pay), Series 2010 in the principal amount of \$2,000,000 for the purpose of constructing street improvements, which are outstanding as of June 30, 2020 in the amount of \$600,000.

In December 2010, the City issued its Taxable Combined Water and Sewerage System Revenue Bonds (Build America Recovery Zone Economic Development Bonds), Series 2010 in the principal amount of \$5,725,000 for the purpose of improving and extending the existing municipal water and wastewater system, which are outstanding as of June 30, 2020, in the amount of \$1,725,000.

Lease Obligations

Certificates of Participation.

In 2015, the City issued \$23,510,000 in Certificates of Participation with a final maturity of June 1, 2031 (the “Series 2015 Certificates”) to (a) fund improvements to the extent proceeds are available including (i)

¹ Based on building permits issued by the City; property values are estimates provided at time of permit issuance

improvements at Hobby Hill Park, including new access from Broadway Avenue, two shelters, restrooms, generational play structures, sled hill, wetland development, .25 mile paved trail around wetlands, clearing of primitive trails, and installation of drive lanes, parking and lighting (collectively, the "Hobby Hill Park Improvements"), (ii) improvements to the City's outdoor pool, and (iii) construction of a senior center, (b) prepay \$20,540,000 outstanding principal amount of Certificates of Participation, Series 2006-A evidencing a proportionate interest in Basic Rent Payments to be made by the City of Gladstone, Missouri pursuant to an annually renewable Lease Purchase Agreement (the "Series 2006- A Certificates"), which were used to, among other things, (i) acquire, construct, furnish, equip and install a new community recreation center/natatorium, improvements to an existing outdoor swimming pool, improvements to City streets in the vicinity of the new community recreation center/natatorium and a computer aided dispatch system for the City's public safety department and (ii) refund a prior series of certificates of participation that were used to, among other things, provide funds to acquire, construct, furnish, equip and install improvements to the City Hall and storm water improvements, and (c) pay certain expenses related to the delivery of the Series 2015 Certificates. As of June 30, 2020, the Series 2015 Certificates are outstanding in the amount of \$18,190,000.

In 2011, the City issued \$7,740,000 in Certificates of Participation with a final maturity of June 1, 2023 (the "Series 2011 Certificates") in order to provide for costs related to certain improvements to City facilities. The Series 2011 Certificates are outstanding as of June 30, 2020, in the amount of \$2,075,000.

Capital Leases.

The State and Municipal Lease Purchase Agreement, made in June 2013 provides financing for an Automated Meter Reading System, copiers and phone system. The lease payments are intended to be made from the Combined Water and Wastewater System and the General Fund, but are not pledged toward repayment of the Lease.

The State and Municipal Lease Purchase Agreement made in September 2014 provides financing for large capital equipment for various public works functions. The lease payments are intended to be made from the Combined Water and Wastewater System and the General Fund, but are not pledged toward repayment of the lease.

The Certificates of Participation issued in 2015 provided financing for facility construction and related street improvements. The Certificate payments are intended to be made from the Community Center/Parks Sales Tax Fund, the Transportation Sales Tax Fund, and the Capital Improvements Sales Tax Fund, but are not pledged toward repayment of the Certificates.

The State and Municipal Lease Purchase Agreement made January 15, 2016 provides financing for economic development. The Lease payments are intended to be made from the Capital Improvement Sales Tax, Transportation Sales Tax and the Combined Water and Wastewater System Funds, but are not pledged toward repayment of the Lease.

The State and Municipal Lease Purchase Agreement made January 15, 2016 provides financing for large capital equipment for various public safety and public works functions. The Lease payments are intended to be made from the Public Safety Sales Tax and the General Fund, but are not pledged toward repayment of the Lease.

The Land Lease made January 1, 2017 provides financing for land purchases made to further development in the downtown area. The Lease payments are intended to be made from the Capital Improvement Sales Tax Fund, but are not pledged toward repayment of the lease.

The Lease Purchase Agreement made December 22, 2017 provides a refinancing of Certificates of Participation issued in 2011 which originally financed stormwater projects, facility construction and new equipment. The agreement provides additional financing for park improvements, energy saving improvements and public works improvements. The Lease payments are intended to be paid from the General Fund, the Public Safety Sales Tax Fund, the Community Center/Parks Sales Tax Fund, the Capital Improvements Sales Tax Fund,

the Transportation Sales Tax Fund, the Capital Equipment Replacement Fund and the Combined Water and Sewer System Fund, but are not pledged toward repayment of the Lease.

DNR Loan Payable. The City entered into a loan agreement with the Missouri Department of Natural Resources in the amount of \$1,092,693 at an interest rate of 4.0% to finance building improvements at the Community Center. The agreement requires semi-annual payments of \$47,038 until August 1, 2023, which includes interest.

Overlapping Indebtedness

The following table sets forth overlapping indebtedness (including both general obligation and lease-backed debt) of political subdivisions with boundaries overlapping the City as of June 30, 2019, and the percent attributable (on the basis of assessed valuation) to the City:

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Amount Applicable to the City
Clay County	\$ 7,113,033	12.31%	\$ 875,614
North Kansas City School District #74	332,747,143	17.59	58,530,222

Legal Debt Capacity

Under Article VI, Section 26(b) of the Constitution of Missouri, the City may incur indebtedness for authorized “city purposes” not to exceed 20% of the valuation of taxable tangible property in the City according to the last completed assessment upon the approval of four-sevenths of the qualified voters in the City voting on the proposition at any municipal, primary or general election or two-thirds voter approval on any other election date. Based on the assessed valuation of the City according to Clay County, Missouri, as of August, 2020, the current legal debt limit of the City is \$80,046,000. The City has \$600,000 of general obligation bonds outstanding as of June 30, 2020, leaving a remaining debt limit of \$79,446,000.

Other Long-Term Obligations of the City

Revenue Bonds. In December 2010, the City issued its Taxable Combined Waterworks and Sewerage System Revenue Bonds (Build America Recovery Zone Economic Development Bonds – Direct Pay), Series 2010A in the principal amount of \$5,000,000 for the purpose of constructing certain capital improvements to the water portion of the system, which has a current principal amount outstanding of \$4,325,000.

Redevelopment Agreement. The City entered into a Redevelopment Agreement with a developer to provide reimbursements for certain site and public improvement costs incurred by the developer for the project. Such site and public improvement costs eligible for reimbursement, subject to certain performance thresholds, totaled \$1,400,000. Under the agreement, the City will reimburse the developer up to 75% of the incremental sales taxes increase in years one through three and 50% of the incremental sales taxes increase in years four through fifteen, through fiscal year 2016. In addition, the agreement requires interest to be accrued on outstanding unreimbursed amounts at an annual interest rate of 7.5%. The City is not obligated to reimburse the developer if the incremental sales and property taxes are insufficient to do so.

Future Capital Needs

Subsequent to the issuance of the Series 2020A Certificates, during Fiscal Year 2021, the City anticipates the issuance of approximately \$13,000,000 in Certificates of Participation to fund additional public safety facilities. Other than the issuance of those certificates, the City does not as of the date of the Official Statement have any other plans for additional financing for capital improvements.

FINANCIAL INFORMATION CONCERNING THE CITY

General Description of Financial Practices and Recent Results of Operations

Accounting, Budgeting and Auditing Procedures. The various departments of the City submit their proposed budgets to the City Manager who presents the same to the City Council for approval by July 1 of each year.

The City has for a number of consecutive years received the following two awards for its financial records from the Government Finance Officers Association: Certificate of Achievement for Excellence in Financial Reporting every year since 1977 and Distinguished Budget Presentation Award every year since 1985.

The City follows a modified accrual basis system of accounting for all governmental and agency funds. The accrual basis system of accounting is followed for proprietary funds.

The City is required by law to prepare an annual budget of estimated receipts and disbursements for the coming fiscal year under the direction of the City Manager which is presented to the City Council in June for approval after a public hearing. The City's fiscal year is July 1 through June 30. The budget lists estimated receipts by fund and sources and estimated disbursements by fund and purposes and includes a statement of the rate of levy per hundred dollars of assessed valuation required to raise each amount shown on the budget as coming from City taxes.

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. The annual audit for the fiscal year ending June 30, 2019 was performed by Berberich Trahan & Co. P.A., Topeka, Kansas. Copies of the audit reports are on file in the Finance Department and are available for review. Attached as *Appendix B* to this Official Statement is the Independent Auditor's Report and General Purpose Financial Statements for the City for the fiscal year ended June 30, 2019.

Financial Summary. Total revenues for the last five fiscal years in the governmental fund types, which include general, special revenue, debt service, capital project and special assessment funds, are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Amount</u>	Percent of <u>Increase</u>
2019	\$37,960,906	2.5%
2018	37,033,200	3.5%
2017	35,776,000	2.8%
2016	34,813,647	-0.2%
2015	34,886,372	2.7%

Revenues in the Governmental Fund Types make up the major portion of the resources used to finance the City's activities. Operations in the enterprise funds are reported separately. The following table shows a comparison of major revenues sources for the last two fiscal years:

REVENUES - GOVERNMENTAL FUND TYPES

<u>Source</u>	<u>2019</u>	<u>2018</u>	<u>Increase or Decrease</u>	<u>Percent Increase/ Decrease</u>	<u>Percent Total 2019</u>	<u>Percent Total 2018</u>
Taxes	\$10,864,876	\$11,031,123	\$(166,247)	(1.51)%	59.42%	60.41%
Licenses and permits	593,705	647,065	(53,360)	(8.25)	3.25	3.54
Intergovernmental	1,387,131	1,386,141	990	0.07	7.59	7.60
Charges for services	3,797,228	3,520,724	276,504	7.85	20.76	19.28
Fines & forfeitures	700,656	823,733	(123,077)	(14.94)	3.83	4.51
Interest	123,035	91,567	31,468	34.37	0.67	0.51
Other	818,296	759,039	59,257	7.81	4.48	4.15
Total revenues	\$18,284,927	\$18,259,392	\$25,535	2.42%	100.00%	100.00%

The following tables present comparative data for fiscal years 2019 and 2018 in the governmental fund types by program functions and major character:

EXPENDITURES BY PROGRAM FUNCTION - GOVERNMENTAL FUND TYPES

<u>Source</u>	<u>2019</u>	<u>2018</u>	<u>Increase or Decrease</u>	<u>Percent Increase/ Decrease</u>	<u>Percent Total 2019</u>	<u>Percent Total 2018</u>
General administration	\$1,259,288	\$1,232,829	\$26,459	2.15%	6.86%	7.03%
Finance	1,408,991	1,369,264	39,727	2.90	7.68	7.81
Public safety	8,191,844	7,857,207	334,637	4.26	44.64	44.80
Public works	2,328,913	2,298,337	30,576	1.33	12.69	13.10
Community development	732,880	757,702	(24,822)	(3.28)	3.99	4.32
Parks and recreation	2,812,988	2,619,493	193,495	7.39	15.33	14.94
Nondepartmental	716,297	749,833	(33,536)	(4.47)	3.90	4.28
Capital outlay	580,081	139,651	440,430	315.38	3.16	0.80
Debt Service						
Principal	220,180	444,680	(224,500)	(50.49)	1.20	2.54
Interest	97,466	69,260	28,206	40.72	0.53	0.39
Total expenditures	\$18,348,928	\$17,538,256	\$810,672	4.62%	100.00%	100.00%

Risk Management. The City is a member of the Midwest Public Risk of Missouri (MPR), a not-for-profit corporation consisting of local governments and political subdivisions. MPR was formed as a public entity risk retention pool operating as a common risk management and insurance program to cover health and dental, workers' compensation, and property and casualty claims for its members. MPR has been established as assessable pools and accounting records are maintained for each line of coverage on a policy year basis. The City pays annual premiums to MPR for all coverage. The agreement with MPR provides that MPR will be self-sustaining through member premiums. MPR has the authority to assess members for any deficiencies of revenues under expenses for any single plan year. Likewise, MPR has the authority to declare refunds to members for the excess of revenues over expenses relating to any single plan year. Losses have not been in excess of premiums in any of the past three fiscal years for the workers' compensation, property and casualty programs.

Employee Relations

The City has a total of 188 full-time personnel in the classified and unclassified service. The Classification Plan provides a grouping by class of all those positions in the City service which are sufficiently alike in duties and responsibilities to be called the same descriptive title, to be accorded the same pay range and require substantially the same qualifications. All employees are compensated in accordance with the rates set for the salary grade to which the position of their class is assigned by ordinance.

The City's firefighters and dispatchers are represented by the International Association of Fire Fighters, Local 3228; however, the members of Local 3228 do not have a separate negotiated work agreement. The City currently has 34 employees eligible to join Local 3228.

The City has 42 commissioned law enforcement officers. The Fraternal Order of Police, Regional Lodge 50 represents 33 of the 42 officers.

Financial Statements

Attached hereto as *Appendix B* is the Independent Auditor's Report and the General Purpose Financial Statements for the City for the fiscal year ended June 30, 2019.

SALES TAX INFORMATION CONCERNING THE CITY

Sales Taxes

The City collects six sales taxes that aggregate 3.0%, all of which were approved by the voters. Beginning in 1972, the City began collecting a 1% sales tax, the receipts of which are used for general operating purposes. Collection of a 0.5% capital improvement sales tax commenced in April 1988. The City began collecting a 0.5% transportation sales tax in April 1996, the receipts of which are used for transportation improvements, including street improvements. The City instituted a 0.25% Park Sales Tax effective July 1, 2006. The City began collecting a 0.25% public safety sales tax effective October 1, 2010.

In April, 2019 the voters of the City approved imposition of an additional 1/2% general sales tax to fund a compensation plan for front line employees, construction for an addition to City Hall for Public Safety, and the remodel of Fire Station #2. The City anticipates that a portion of the Series 2020A Certificates will be repaid from this tax, subject to annual appropriation by the City Council. The collection of this tax did not commence until Fiscal Year 2020, but is projected to generate 50% of what the City's 1% General Operating Sales Tax does.

The City's sales taxes do not have sunset provisions.

Sales Tax Collections

The following table sets forth the sales taxes collected by the City for the fiscal years noted.

Fiscal Year Ended <u>June 30</u>	1% General <u>Operating</u>	0.5% Capital <u>Improvement</u>	0.5% Transportation <u>Improvement</u>	.025% Public <u>Safety</u>	.025% Parks & <u>Stormwater</u>
2019	3,715,035	1,740,935	1,740,935	870,443	870,465
2018	3,678,142	1,679,756	1,679,756	839,854	839,877
2017	3,790,940	1,736,998	1,737,007	868,416	868,533
2016	3,640,830	1,701,542	1,701,543	850,576	850,769
2015	3,470,056	1,624,341	1,624,353	811,706	812,124

PROPERTY TAX INFORMATION CONCERNING THE CITY

Property Valuations

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

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

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

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

Current Assessed Valuation. The following table shows the total assessed valuation, by category, of all taxable tangible property situated in the City as of August, 2020 (per Clay County, Missouri):

		<u>Assessed</u>	<u>Assessment</u>	<u>Estimated</u>
		<u>Valuation</u>	<u>Rate</u>	<u>Actual</u>
				<u>Valuation</u>
Real Estate				
Commercial		\$ 269,432,490	32.00%	\$ 841,976,531
Agricultural		\$ 30,020	12.00%	\$ 250,167
Residential		\$ 55,524,270	19.00%	\$ 292,233,000
Total Real Estate		\$ 324,986,780		\$ 1,134,459,698
Personal Property		\$ 60,034,927	33.33%	\$ 180,122,793
Supplemental Personal				
Added Individual Personal				
Business Personal				
Supplemental Business Personal				
Added Business Personal				
Railroad & Utility (Local Real)		\$ 172,270	32.00%	\$ 538,344
(Local Personal)		\$ 137,341	33.33%	\$ 412,064
Railroad & Utility (State Real)		\$ 12,942,593	32.00%	\$ 40,445,603
(State Personal)		\$ 1,956,090	33.33%	\$ 5,868,857
Total Current Valuation		\$ 400,230,001		\$ 1,361,847,359

Source: Clay County Clerk

History of Property Valuations. The total assessed valuation of all taxable tangible property situated in the City according to the assessments of January 1 in each of the following years, has been as follows:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Percentage Change</u>
2019	\$367,838,000	(0.06%)
2018	368,042,000	5.8
2017	347,860,000	(0.74)
2016	350,468,000	3.01
2015	340,230,000	

Property Tax Levies and Collections

Tax Collection Procedures. Property taxes are levied and collected by the City.

The City is required by law to prepare an annual budget, which includes an estimate of the amount of revenues to be received from all sources for the budget year, including an estimate of the amount of money required to be raised from property taxes and the tax levy rates required to produce such amounts. The budget must also include proposed expenditures and must state the amount required for the payment of interest, amortization and redemption charges on the City's debt for the ensuing budget year. Such estimates are based on the assessed valuation figures provided by the County Clerk. If the assessed valuation of property in the City has increased by 10% or more over the prior year's valuation by action other than a general reassessment, the rates of levy must be reduced to the extent necessary to produce substantially the same amount of tax revenue as estimated in the City's budget. The City must fix its ad valorem property tax rates and certify them to the County Clerk not later than September first for entry in the tax books.

Taxes are due by December 31 and become delinquent if not paid to the City Collector by that time. All tracts of land and city lots on which delinquent taxes are due are charged with a penalty of fourteen percent of each year's delinquency. All lands and lots on which taxes are delinquent and unpaid are subject to sale at public auction in August of each year. Because of the tax collection procedure described above, the City receives the bulk of its money from local property taxes in the months of December, January and February.

Tax Rates

Operating Levy. The current operating levy of the City is \$.9290 per \$100 of assessed valuation. The operating levy does not require annual voter approval but the City Council cannot raise the rate above that approved in the last election.

Debt Service Levy. The City's current debt service levy is \$0.00 per \$100 of assessed valuation. Once indebtedness has been approved by the required majority of the voters voting therefor and bonds are issued, the City has the power at any time under Article VI, Section 26(f) of the Missouri Constitution to levy an annual tax on all taxable tangible property therein sufficient to pay the interest and principal of the indebtedness as they fall due and to retire the same within 20 years from the date of issue. The City Council may set the tax rate for debt service, without limitation as to rate or amount, at the level required to make such payments.

Tax Collection Record

The following table sets forth tax collection information for the City for the years noted.

<u>Fiscal year</u>		<u>Total</u>	<u>Current Taxes</u>	<u>Current & Delinquent</u>
<u>Ended</u>	<u>Total</u>	<u>Taxes</u>	<u>Collected</u>	<u>Taxes Collected</u>
<u>June 30</u>	<u>Levy</u>	<u>Levied</u>	<u>Amount</u> <u>%</u>	<u>Amount</u> <u>%</u>

2019	\$0.9290	\$3,416,601	\$3,348,876	98.02%	\$3,348,876	98.02%
2018	0.9290	3,418,503	3,285,320	96.10	3,347,312	97.92
2017	0.9290	3,231,619	3,114,848	96.39	3,188,905	98.68
2016	0.9290	3,241,997	3,125,385	96.40	3,204,027	98.83
2015	0.9290	3,160,734	3,011,526	95.28	3,090,725	97.79

Major Property Taxpayers

The following table sets forth the ten largest property taxpayers in the City as of June 30, 2020:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation¹</u>
1. Wal-Mart Real Estate	Retail	\$2,649,000	0.72%
2. CCRC of Gladstone, LLC	Apartments	2,467,000	0.67
3. Gladstone Investors, LLC	Retail	2,090,000	0.57
4. Gladstone Meadows	Apartments	1,540,000	0.42
5. Intercontinental Investment Co.	Apartments	1,456,000	0.40
6. ECG-Kansas City-III, LLC	Apartments	1,291,000	0.35
7. Curry Investment Company	Apartments	1,255,000	0.34
8. Gladstone Senior Partners, LP	Apartments	1,227,000	0.33
9. Axiom	Apartments	1,120,000	0.30
10. Meadowbrook Village	Retail	1,056,000	0.29
		<u>\$16,151,000</u>	<u>4.39%</u>

Source: City of Gladstone 2020 Annual Budget

¹ Does not include railroad and utilities.

APPENDIX B

INDEPENDENT AUDITOR'S REPORT

AND

THE CITY'S AUDITED FINANCIAL STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



YEAR ENDED
JUNE 30, 2019

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**Prepared By:
Department of Finance
Director of Finance
Dominic Accurso**

**YEAR ENDED
June 30, 2019**

CITY OF GLADSTONE, MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Principal Officials	1
Organizational Chart	2
Transmittal Letter	3 - 7
Certificate of Achievement	8
FINANCIAL SECTION:	
Independent Auditors' Report	9 - 11
Management's Discussion and Analysis	12 - 24
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	25
Statement of Activities	26
Fund Financial Statements:	
Balance Sheet – Governmental Funds	27
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	28
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	30
Statement of Net Position – Proprietary Fund	31
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	32
Statement of Cash Flows – Proprietary Fund	33 - 34
Notes to Basic Financial Statements	35 - 79
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	80
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Community Center and Parks Tax Fund	81

CITY OF GLADSTONE, MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2019

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	82
Schedule of Contributions – Pension Plan	83 - 84
Schedule of Changes in the City’s Total OPEB Liability and Related Ratios	85
Other Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Transportation Sales Tax Fund	86
Combining Statements and Individual Fund Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	87 - 88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	89 - 90
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budgeted Nonmajor Funds:	
Special Park and Playground Fund	91
Public Safety Sales Tax Fund	92
Capital Improvement Sales Tax Fund	93
Equipment Replacement Fund	94
Schedule of Expenditures – Budget and Actual – General Fund	95
Schedule of Operating Expenses by Department – Combined Waterworks and Sewerage System Fund	96
Balance Sheet – Discretely Presented Component Unit – Special Road District #3	97
Statement of Revenues, Expenditures and Changes in Fund Balances – Discretely Presented Component Unit – Special Road District #3	98
STATISTICAL SECTION:	
Net Position by Component	100
Changes in Net Position	101 - 102
Fund Balances of Governmental Funds	103
Changes in Fund Balances of Governmental Funds	104
Total City Taxable Sales by Category	105
Sales Tax Rates Direct and Overlapping Governments	106
Assessed Value and Estimated Actual Value of Taxable Property	107
Property Tax Rates Direct and Overlapping Debt	108
Principal Property Taxpayers	109
Property Tax Levies and Collections	110
Ratios of Outstanding Debt by Type	111
Ratios of General Bonded Debt Outstanding	112
Direct and Overlapping Governmental Activities Debt	113
Legal Debt Margin Information	114

CITY OF GLADSTONE, MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2019

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Pledged-Revenue Coverage	115
Demographic and Economic Statistics	116
Principal Employers	117
Full-time Equivalent City Government Employees by Function/Program	118
Operating Indicators by Function/Program	119
Capital Asset Statistics by Function/Program	120

INTRODUCTORY SECTION



CITY OF GLADSTONE, MISSOURI



PRINCIPAL OFFICIALS

CITY COUNCIL

Carol Suter, Mayor

Jean Moore, Mayor Pro-Tem

R.D. Mallams

Bill Garnos

Kyle Yarber

ADMINISTRATION

Scott Wingerson, City Manager

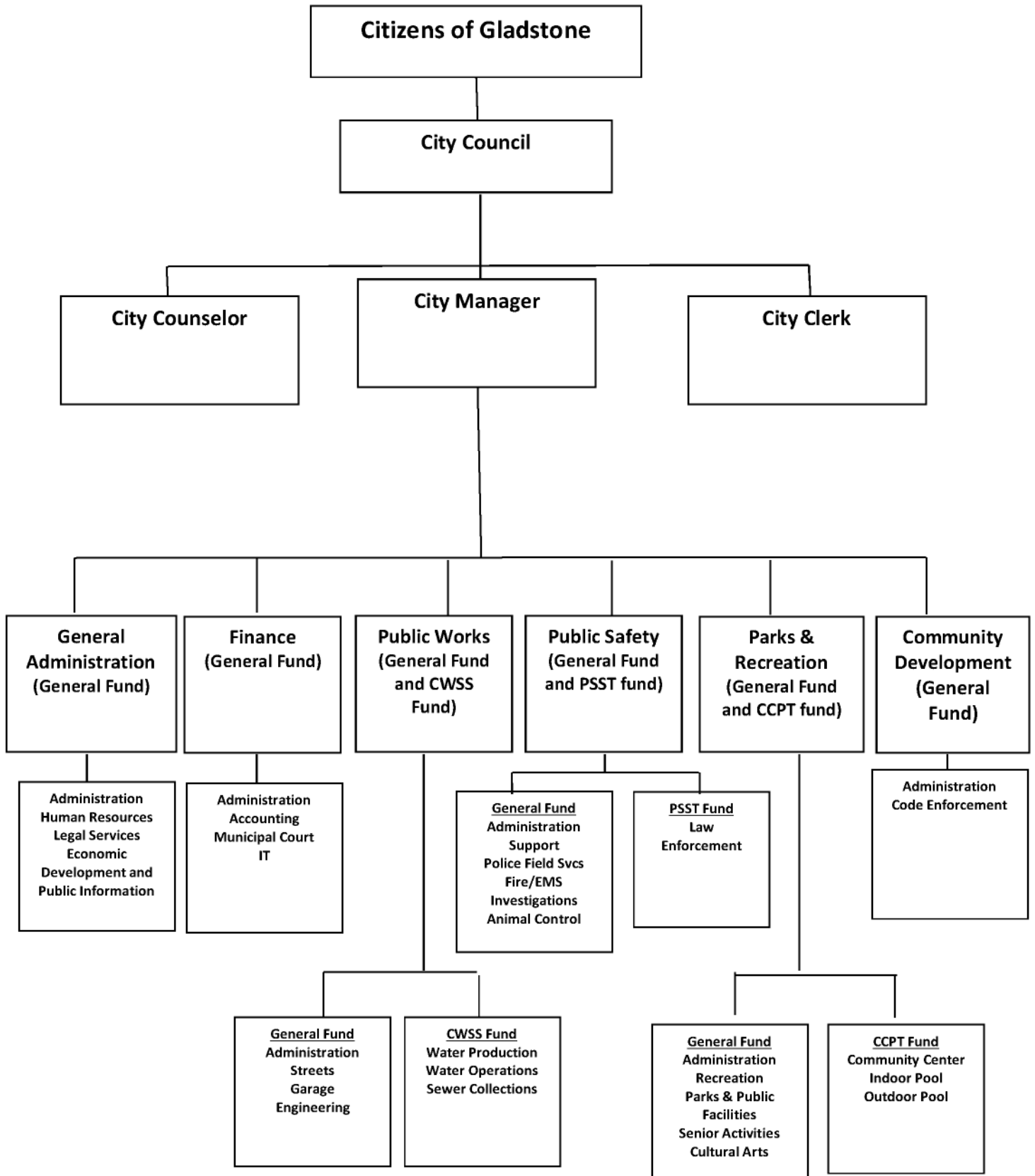
CITY COUNSELOR

Williams & Campo, P.C.

FINANCE DEPARTMENT

Dominic Accurso, Director of Finance

Organizational Chart





All-America City



December 5, 2019

The Honorable Mayor,
Members of the City Council
and the Citizens of Gladstone Missouri:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Gladstone (City) for the fiscal year ended June 30, 2019. This report has been prepared according to the reporting requirements as prescribed by Government Accounting Standards Board (GASB) Statement No. 34.

Generally Accepted Accounting Principles (GAAP) require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with MD&A. The City of Gladstone's MD&A can be found immediately following the Independent Auditors' Report.

The responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various activities of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

THE FINANCIAL REPORTING ENTITY

Primary Government - The City of Gladstone is a suburban community located in Clay County, Missouri, and within the northern sector of the Kansas City Metroplex. Incorporated in 1952, the population of Gladstone was 2,500. As of the 2010 Census, the population of Gladstone is 25,410. This population is located within the 9 square mile area that Gladstone encompasses, resulting in the City being approximately 97% developed.

Gladstone operates as a statutory third-class city with a Council-Manager form of government. Registered voters within the City elect five individuals at-large to serve staggered three-year terms as their representatives on the City Council. Each year the City Council selects a Mayor from among its members. The Council is responsible for appointing a City Manager to serve as the Chief Executive Officer of the City.

As required by accounting principles generally accepted in the United States of America, the only basic financial statements presented are the City's (the primary government). The City has one component unit that is discretely presented, the Gladstone Special Road District No. 3. It provides street maintenance and repair functions in the City even though it is a separate legal entity. For additional information please reference note 1 in the notes to the basic financial statements.

ECONOMIC CONDITION AND OUTLOOK

Gladstone has traditionally viewed itself as a bedroom community, offering convenient services, comfortable living conditions, and a variety of outstanding residential neighborhoods. These neighborhoods, when combined with an active community spirit, excellent school system, and a low crime rate, create a favorable standard of living for Gladstone citizens. The local government is cognizant of this fact and strives to maintain and enhance this standard of living enjoyed by its citizens. The mission statement of the City is "The City Council Boards, Commissions, and City Staff are dedicated to enhancing Gladstone's quality of life and sense of community through effective leadership and citizen engagement." Organizational goals include promoting Gladstone as a safe place, continuing the implementation of all master plans, commitment to downtown and commercial corridors through innovative strategies and partnerships and defining and pursuing opportunities for comprehensive community health.

Gladstone's commercial base is located along two main corridors, North Oak Traffic way on the west and Antioch/Prospect Rd. on the east, and is comprised of service and retail businesses with few industrial businesses. The estimated average household income is \$77,535. Because of the concentration of population within the Gladstone City limits, Gladstone's average income, and current re-development initiatives, the commercial sales tax base of the City has remained relatively stable. Total taxes increased 0.3% in the current fiscal year. This increase in total taxes resulted from the increase in real estate valuation.

Major Initiatives

Shaping our Future - In 2003, the National Civic League partnered with the City to facilitate conversations and meetings through which Gladstone residents identified key priorities and charted the community's course for the next 15 years. The group, Gladstone on the Move, led the City and community partnering to design and build the Community Center, develop Linden Square and create the Gladstone Leadership Academy, along with many other changes.

In 2014, after achieving many of the key goals from the Gladstone on the Move, the City was ready to re-engage Gladstone residents again to develop a new strategic plan that would build upon the accomplishments of Gladstone on the Move. With the assistance of the National Civic League, Shaping our Future was created. Throughout the process, Gladstone residents led the way defining the vision, establishing goals and balancing competing priorities. In 2017, with the support of the National Civic League and City staff, the group decided to focus on two key areas: Public Health and Safety and Quality of Life and Economic Development.

Since receiving the Shaping our Future report, the City staff and Shaping our Future have begun to make the vision a reality. To address both public health and safety and quality of life and economic development, one of the top priorities is to construct a new police station or a significant addition and renovation to City Hall. Total estimated cost of this project is \$12 million. Another goal from the Shaping Our Future initiative is to renovate and expand Fire Station #2. This \$2 million project will consist of improvements to the living quarters, upgrades to the HVAC and electrical systems, and correct other maintenance issues.

In April of 2019, a ½ cent general fund sales tax was passed by an overwhelming majority of the Gladstone voters. The new revenue will generate approximately \$1.7 million per year. \$1 million of the sales tax will pay for the debt service on the construction of the police station and fire station. The remaining \$700,000 will be used to fund a recruitment and retention program that will be implemented in the 2020 fiscal year.

Downtown Gladstone - Gladstone began to develop a downtown with the completion of a new 81,000 sq. ft. Community Center that includes recreational as well as a competitive natatorium with seating for 1,800 spectators. The overwhelming support of the voters and the unique partnership with the North Kansas City School District (NKCSO) provided the City with the means necessary to plan, design and construct this Community Center and Natatorium, as well as totally renovate an existing outdoor pool located adjacent to the new facilities. The City received the MML Innovations Award for its cooperative partnership with NKCSO for construction of the natatorium.

The Linden Square Amphitheatre and Skating Rink projects were completed and resulted in numerous awards including the Urban Land Institute 2014 Development of Distinction, the Kansas City Business Journal Capstone Award for Community Impact, the Clay County Economic Development Commission Keystone Award, and finally the American Society of Landscape Architects Award for Land Use. The Heights at Linden Square is a mixed use development adjacent to Linden Square. It is a \$28 million luxury residence complex with 222 apartments and 10,000 sq. ft. of storefront retail space. The Heights at Linden Square has received local and national awards for progress in the reduction of environmental impacts and use of environmental efficiency practices as well as the Capstone Award for mixed-use.

Northland Innovation Center is part of the ongoing downtown development for Gladstone. The project itself provides for 150,000 square feet of Class A office space initially. This space is occupied by Northland CAPS (Center for Advanced Professional Studies), North Kansas City Schools SAGE (Students in Academically Gifted Education) program, class space for Northwestern Missouri State University and other educational components. The Northland Innovation Center received the Excellence in Design Award from Design-Build Institute of America's Mid-America Region.

New additions to the downtown landscape include two new restaurants and entrepreneurial workspaces. In December of 2018, Summit Grill opened in the retail space of the Heights at Linden Square. The Gladstone location is the company's newest and largest establishment. Stone Canyon Pizza relocated from Zona Rosa to downtown Gladstone in July of 2019. iWerx and DesignWerx are entrepreneurial development centers offering private office space and a collaborative environment for entrepreneurs and contractors. iWerx has completed their renovation on a 30,000 square foot, 40 year old downtown building during the 2019 fiscal year. One of the newest projects in the downtown district is the groundbreaking on a Fairfield Inn & Suites by Marriot. The 67,000 square foot 110 room hotel is scheduled to open in 2021 giving visitors a place to stay while in the area.

Capital Projects

Projects completed during the 2019 fiscal year include the mill and overlay of 10.3 lane miles of streets, Pleasant Valley Road Improvements in partnership with Kansas City, MO and the Missouri Department of Transportation, Hobby Hill Park, Meadowbrook Park Playground, Public Works Facility Improvements, and the start of construction on Old Pike Road and the Shoal Creek Trail from N. Antioch to N. Brighton.

Staff also began collecting easements and right of way to begin construction on the NE 76th Street project which is scheduled to begin in FY20. Other projects in various stages of design include the Rock Creek Greenway Trail - Phase 2, approximately \$1M in water main replacements, and various parks projects across the City.

The above listed projects and awards, in addition to the stabilizing economy overall, suggest stable economic forecasts for Gladstone throughout the next decade. The City will continue to investigate methods of expanding the economic base for the community as well as exploring economic and community development programs that will benefit the City.

FINANCIAL CONTROLS

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

Accounting records for the City's general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when measurable and available and expenditures being recorded when the liability is incurred. The City's accounting records for proprietary funds are maintained on the accrual basis.

The City maintains specific budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds, debt service fund, capital projects funds, and proprietary fund are included in the annual appropriated budget. The legal level of budgetary control, which cannot legally exceed the appropriated amount, is established at the fund total; however, equal transfers between line items within a fund may be approved by the City Manager.

The City maintains an encumbrance accounting system as a budgetary control technique. Encumbrances reserve appropriations, which have been obligated through purchase orders or contractual documents. Encumbered amounts lapse at year-end; however, they are generally re-appropriated as part of the following year's budget.

Single Audit – The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and compliance with legal requirements involving the administration of federal awards.

It is a priority of the City to maintain and improve existing infrastructure. A vital element for managing both of these priorities is the development and maintenance of the City's infrastructure through capital improvements. The management of the City's Capital Improvements Program is controlled through the use of a long-range plan approved in concept by the Mayor and City Council. The Capital Improvements Program projects the City's capital improvement needs for a five-year period and is reviewed and updated annually.

The management and accounting of this plan is controlled through the use of capital projects funds. The primary sources of financing these improvements include sales tax, certificates of participation bonds, City budgeted funds, and revenue from federal and state grants.

OTHER INFORMATION

Certificates of Achievement - The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for the CAFR for the fiscal year ended June 30, 2018. The City has been the recipient of this award since 1977.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. A certificate is valid for a period of one year. We believe our 2019 report continues to conform to Certificate of Achievement Program requirements, and we will submit this report to the GFOA to determine its eligibility for another certificate.

Acknowledgments - The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. In addition, I would like to recognize and thank the City's audit firm of Berberich Trahan & Co P.A. of Topeka, Kansas.

In closing, I would also like to thank the Mayor, Members of the City Council, and City Manager for their commitment to planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Dominic Accurso

Dominic Accurso
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Gladstone
Missouri**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION





BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
City of Gladstone, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gladstone, Missouri (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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. 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 auditors' 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.

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

3630 SW Burlingame Road Topeka, Kansas 66611 | t: 785.234.3427 | toll-free: 800.530.5526 | f: 785.233.1768 | w: blandcccpa.com

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 activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, 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 management's discussion and analysis and the required supplementary information listed in the table of contents 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Berberich Trahan + Co., P.A.

December 5, 2019
Topeka, Kansas

City of Gladstone, Missouri
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019

This discussion and analysis of the City of Gladstone's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

Gladstone is a mature city with approximately 97% of the land developed. As a result, redevelopment remains a focus of the City. While economic factors slowed the rate of redevelopment after 2008, recent bond issues and the improved economy have revived reinvestment in Gladstone. Redevelopment continues to enhance the stability of the City and the services it provides. The City provides a full range of governmental and proprietary services, including streets, water, sewer treatment, police, fire, and emergency medical service. This results in a greater volume of transactions and values than other cities of comparable size.

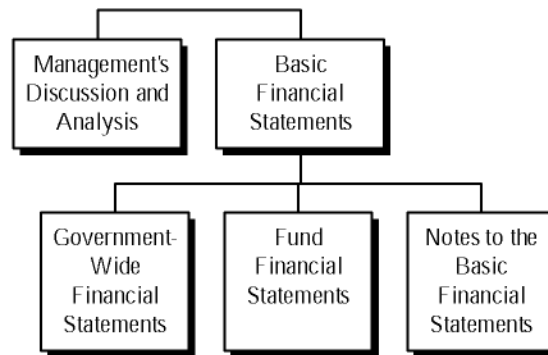
- Approximately 49% or \$5,574,051 of the combined governmental fund balances of \$11,468,740 is unassigned and available for meeting on-going general government expenditures.
- The assets and deferred outflows of resources of the City of Gladstone exceeded its liabilities and deferred inflows at the close of the fiscal year by \$78,550,963.
- The City's total net position increased by \$1,131,587 primarily due to the reduction of long term debt relative to capital assets.
- As of the close of the current fiscal year, the City of Gladstone's governmental funds reported combined ending fund balances of \$11,468,740 a decrease of \$4,165,192 in comparison with the prior year. The decrease in governmental funds consisted largely of the completion of Pleasant Valley Road and the draw down from lease purchase funds.
- General Fund revenues increased for FY19 due to an increase in charges for services. Compared to FY18, total FY19 revenues in the General Fund increased by \$25,535.

Overview of the Financial Statements

The City of Gladstone's basic financial statements are composed of three sections:

- Introductory section, which includes the transmittal letter and general information.
- Financial section, which includes the independent auditor's report, management's discussion and analysis, the basic financial statements, which include the government-wide and the fund financial statements, along with the notes to the basic financial statements, required supplementary information, and other supplementary information.
- Statistical information.

Required Components of Annual Financial Report
Figure 1



BASIC FINANCIAL STATEMENTS

The first two statements in the basic financial statements are the Government Wide-Financial Statements. The Government-Wide Financial Statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The Government-Wide Financial Statements provide short and long-term information about the City's financial status as a whole.

The next statements are Fund Financial Statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the Government-Wide Financial Statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the Notes to the Basic Financial Statements. The notes to the basic financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the City's individual funds.

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish between the City's functions that are mainly supported by taxes and intergovernmental revenues and other functions that are intended to recover all or a portion of their costs through user fees and charges. The governmental activities of the City of Gladstone include General Administration, Finance, Public Safety, Public Works, Community Development, and Parks & Recreation. The Combined Waterworks and Sewer System Fund is the only business-type activity.

Fund Financial Statements

The City uses two types of funds to manage its resources: governmental funds and proprietary funds. A fund is a fiscal entity with a set of self-balancing accounts recording financial resources, together with all related liabilities and residual equities and balances, and the changes therein. These accounting entities are separated for the purpose of carrying on specific activities or attaining certain objectives in accordance with regulations, restrictions, or limitations.

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 available for spending. These funds are reported using an accounting method called the modified accrual basis of 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationships or differences of activities reported in the Governmental Fund Financial Statement versus that reported in the Government-Wide Financial Statements are explained in the reconciliation schedules following the Governmental Fund Financial Statements.

Proprietary Funds – When the City charges customers for the services it provides to cover the cost of operations, these activities 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 Revenues, Expenses, and Changes in Net Position. In fact, the City's enterprise fund is the same as the business-type activities reported in the government-wide statements but provides more detail and additional information, such as cash flows, for proprietary funds.

Notes to the Basic Financial Statements – The notes provide additional information essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning budgetary comparison schedules and schedules of funding progress concerning the City's obligation to provide pension and other post-employment benefits to its employees.

Government-Wide Financial Analysis

Net position may serve over time as one useful indicator of a government's financial condition. For the City of Gladstone, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$78,550,963 as of June 30, 2019. Following is a condensed version of the government-wide statement of net position comparing fiscal year 2019 and 2018.

City of Gladstone's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Current and other assets	\$ 24,777,938	\$ 19,628,722	\$ 6,124,585	\$ 6,464,688	\$ 30,902,523	\$ 26,093,410
Capital assets	79,106,476	81,212,482	22,828,125	22,406,593	101,934,601	103,619,075
Total assets	<u>103,884,414</u>	<u>100,841,204</u>	<u>28,952,710</u>	<u>28,871,281</u>	<u>132,837,124</u>	<u>129,712,485</u>
Deferred outflows	<u>1,421,520</u>	<u>903,291</u>	<u>192,257</u>	<u>120,599</u>	<u>1,613,777</u>	<u>1,023,890</u>
Other liabilities	4,462,637	3,149,937	1,935,914	1,834,366	6,398,551	4,984,303
Long-term debt	42,678,240	39,643,799	5,767,181	4,765,733	48,445,421	44,409,532
Total liabilities	<u>47,140,877</u>	<u>42,793,736</u>	<u>7,703,095</u>	<u>6,600,099</u>	<u>54,843,972</u>	<u>49,393,835</u>
Deferred inflows	<u>1,979,097</u>	<u>2,502,985</u>	<u>208,456</u>	<u>288,592</u>	<u>2,187,553</u>	<u>2,791,577</u>
Net Position:						
Net investment in capital assets	43,389,680	46,993,069	17,417,954	17,925,744	60,807,634	64,918,813
Restricted	5,033,822	5,263,177	548,449	417,385	5,582,271	5,680,562
Unrestricted	7,762,458	4,191,528	3,267,013	3,760,060	11,029,471	7,951,588
Total net position	<u>\$ 56,185,960</u>	<u>\$ 56,447,774</u>	<u>\$ 21,233,416</u>	<u>\$ 22,103,189</u>	<u>\$ 77,419,376</u>	<u>\$ 78,550,963</u>

Total assets for the City as a whole are \$129,712,485. This includes \$100,841,204 for governmental activities and \$28,871,281 for business-type activities. Of these total assets, \$103,619,075 is capital assets and \$26,093,410 is classified as current and other assets. For governmental activities, \$81,212,482 is capital assets and other assets total \$19,628,722. The decrease in current and other assets and increase in capital assets is due to the purchase of property, building improvements, and spend down of existing lease purchase funds. Capital assets for business-type activities are \$22,406,593 and other assets are \$6,464,688. The increase in current and other assets is due to a majority of the water main replacement project will be completed early in the 2020 fiscal year. The decrease in capital assets is due to depreciation.

Total liabilities for the City as a whole are \$49,393,835. This includes \$42,793,736 for governmental activities and \$6,600,099 for business-type activities. Of these total liabilities, \$44,409,532 is long-term liabilities and \$4,984,303 is other liabilities. For governmental activities, \$39,643,799 long-term and \$3,149,937 is other liabilities. The decrease in other liabilities is due to the completion of Pleasant Valley Road and other capital projects during the fiscal year. Long-term liabilities for business-type activities are \$4,765,733 and other liabilities are \$1,834,366. The majority of the long-term liabilities are for debt issued for major capital projects.

Total net position for the City as a whole is \$78,550,963. This includes \$56,447,774 for governmental activities and \$22,103,189 for business-type activities. Of the total net position, \$7,951,588 is unrestricted net position, \$4,191,528 for governmental activities and \$3,760,060 for business-type activities. Net position invested in capital assets net of related debt is \$64,918,813. The majority of this capital investment is in governmental activities, which is expected given the large capital investment the City has in its infrastructure. For governmental activities, \$46,993,069 is invested in capital assets, net of related debt. For business-type activities, \$17,925,744 is invested in capital assets, net of related debt.

A large portion of the City of Gladstone's net position (83%) reflects the City's investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City of Gladstone uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Gladstone's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Gladstone's net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,951,588 or 10% is unrestricted.

City of Gladstone's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Revenues:						
Program revenues:						
Charges for services	\$ 6,621,869	\$ 6,778,078	\$ 10,279,284	\$ 10,524,964	\$ 16,901,153	\$ 17,303,042
Operating grants and contributions	184,883	188,165	61,479	53,543	246,362	241,708
Capital grants and contributions	3,173,989	1,490,198	-	-	3,173,989	1,490,198
General revenues:						
Property taxes	3,573,871	3,595,664	-	-	3,573,871	3,595,664
Sales tax	9,532,703	9,543,702	-	-	9,532,703	9,543,702
Franchise tax	3,352,646	3,153,189	-	-	3,352,646	3,153,189
Other taxes	1,159,846	1,147,000	-	-	1,159,846	1,147,000
Unrestricted investment earnings	203,202	285,137	52,844	75,613	256,046	360,750
Gain on sale of capital assets	44,035	-	18,000	21,250	62,035	21,250
Other taxes	1,927,653	1,071,927	155,550	9,175	2,083,203	1,081,102
Total revenues	<u>29,774,697</u>	<u>27,253,060</u>	<u>10,567,157</u>	<u>10,684,545</u>	<u>40,341,854</u>	<u>37,937,605</u>
Expenses:						
General Administration	1,543,844	1,627,689	-	-	1,543,844	1,627,689
Finance	1,682,594	1,760,928	-	-	1,682,594	1,760,928
Public Safety	10,415,792	10,433,075	-	-	10,415,792	10,433,075
Public Works	4,764,127	4,875,857	-	-	4,764,127	4,875,857
Community Development	1,477,412	1,474,100	-	-	1,477,412	1,474,100
Parks and Recreation	5,180,568	5,614,862	-	-	5,180,568	5,614,862
Waterworks and sewerage	-	-	9,602,029	9,814,772	9,602,029	9,814,772
Interest on long-term debt	1,332,567	1,204,735	-	-	1,332,567	1,204,735
Total expenses	<u>26,396,904</u>	<u>26,991,246</u>	<u>9,602,029</u>	<u>9,814,772</u>	<u>35,998,933</u>	<u>36,806,018</u>
Change in net position before transfers	3,377,793	261,814	965,128	869,773	4,342,921	1,131,587
Transfers	(16,165)	-	16,165	-	-	-
Change in Net Position	<u>3,361,628</u>	<u>261,814</u>	<u>981,293</u>	<u>869,773</u>	<u>4,342,921</u>	<u>1,131,587</u>
Net Position, July 1	52,751,355	56,185,960	20,358,443	21,233,416	73,109,798	77,419,376
Prior period adjustment	72,977	-	(106,320)	-	(33,343)	-
Net Position, Beg. of yr, as restated	<u>52,824,332</u>	<u>56,185,960</u>	<u>20,252,123</u>	<u>21,233,416</u>	<u>73,076,455</u>	<u>77,419,376</u>
Net Position, June 30	<u>\$ 56,185,960</u>	<u>\$ 56,447,774</u>	<u>\$ 21,233,416</u>	<u>\$ 22,103,189</u>	<u>\$ 77,419,376</u>	<u>\$ 78,550,963</u>

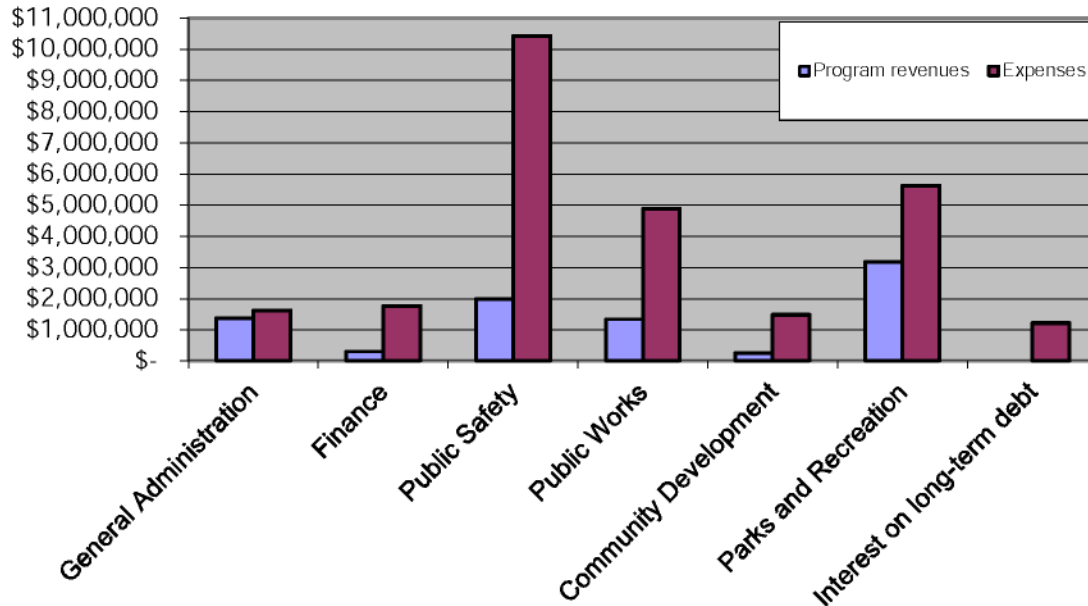
The City's net position increased by \$1,131,587 for the fiscal year ended June 30, 2019. In comparison, the City's net position increased by \$4,342,921 for the fiscal year ended June 30, 2018.

To determine the functional cost of the City, the Statement of Activities demonstrates the net cost of each major activity of the City. The purpose of this statement is to measure the gross expenses of \$36,806,108 (including depreciation charges), against charges for services and grants and contributions of \$19,034,948. The end result is a net cost of \$17,771,160 to the taxpayers. In 2019, property taxes funded \$3,595,644 of these costs; sales tax funded \$9,543,702 of these costs, while other taxes, interest earnings, and other miscellaneous revenues and transfers totaling \$5,763,291 covered the remaining costs.

Governmental Activities Governmental activities increased the City's net position by \$261,814. This change is due in large part to the increase in charges for services revenue in Parks and Recreation Senior Program.

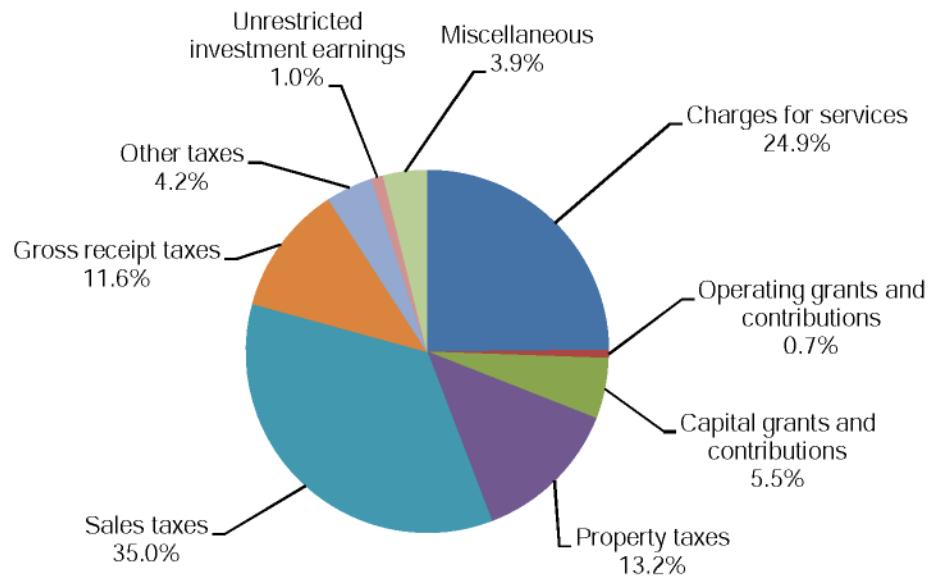
The following chart compares FY19 expenses with program revenues for the various governmental activities of the City. This comparison also highlights the fact that the City provides considerable services such as public safety as well as city road and storm water infrastructure that are not funded by service charges.

Expenses and Program Revenues - Governmental Activities

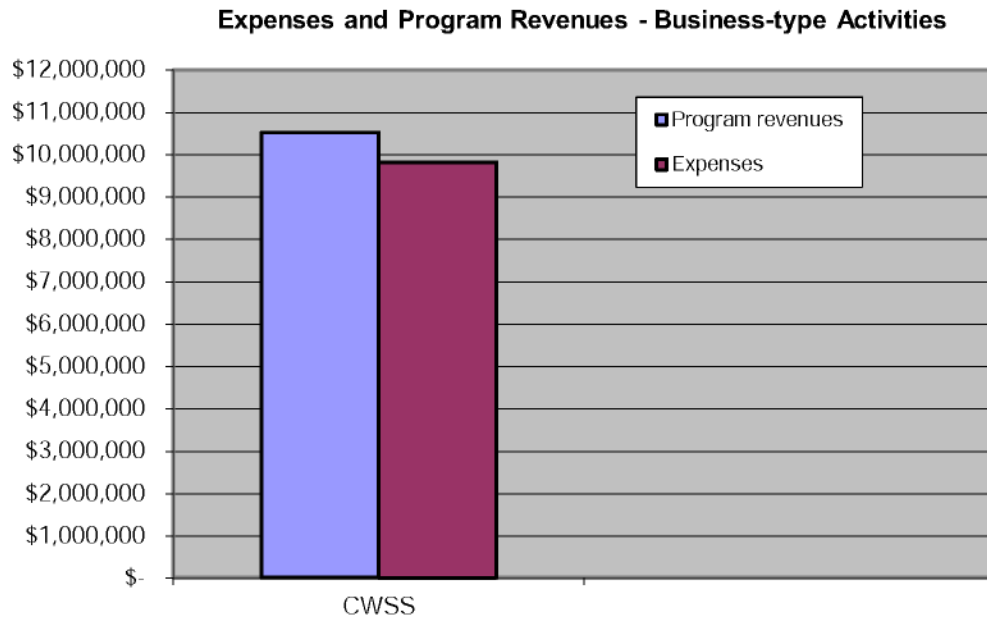


The following graph shows the composition of 2019 revenues for the governmental activities.

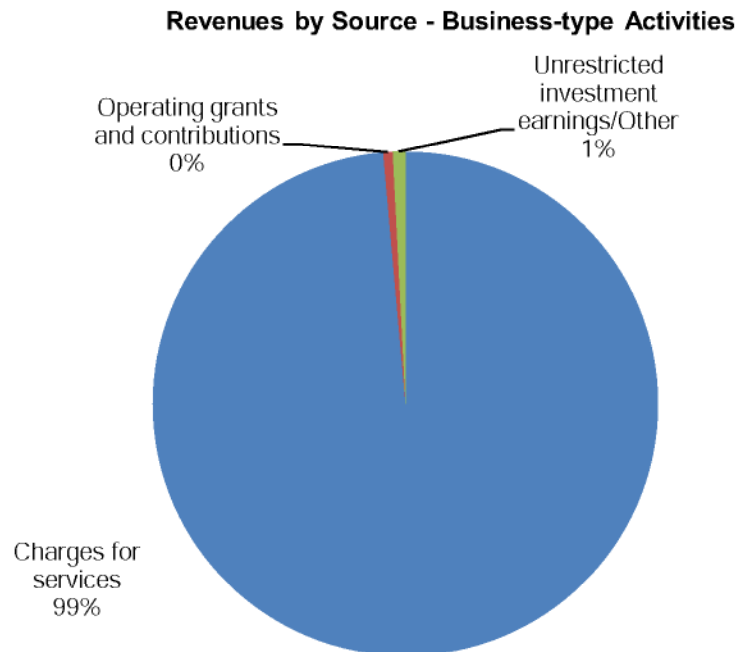
Revenues by Source - Governmental Activities



Business-type Activities Business-type activities increased the City's net position by \$869,773 primarily due to an adjustment in water and sewer charges. This increase is \$111,520 less than the increase in FY18. This chart shows that the services of CWSS are funded completely by program revenues.



The following graph shows the composition of 2019 revenues for the business-type activities.



Financial Analysis of the City's Major Funds

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

Governmental Funds. The focus of the City of Gladstone's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Gladstone's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund. The general fund is the chief operating fund of the City of Gladstone. Total revenue increased \$25,535 over the previous year as sales and property tax continue to show increases offset by decreases in wireless and telecom franchise taxes. Increases in charges for services offset the decline in fines and forfeitures. Expenses have increased mainly due to increases in personnel costs and the drawdown of lease purchase funds. At the end of the current fiscal year, total fund balance of the General Fund was \$6,023,257, a decrease of \$291,327 from the beginning balance of \$6,314,584. The unassigned general fund balance at year-end was \$5,817,091 or 97% of the total fund balance of \$6,023,257.

Community Center Park Tax Fund. This fund is the chief operating fund of the Community Center. Sales tax, charges for services and interest revenue all increased over the previous year while other revenue decreased due to an insurance settlement. Expenses have decreased over prior year due to the spenddown of lease purchase funds. At the end of the current fiscal year, total fund balance of the Community Center Park Tax Fund was \$1,599,448, a decrease of \$295,949 over the beginning balance of \$1,895,397. The restricted fund balance at year-end was \$1,599,488 or 100% of the total fund balance.

Transportation Sales Tax. Revenue for the Transportation Sales Tax fund increased due to the receipt of grant funds for the Pleasant Valley Road, Old Pike, and Shoal Creek Trail projects. Expenses had a corresponding increase. The fund balance of the Transportation Sales Tax Fund had a net decrease of \$512,443. The decrease is primarily due to the spenddown of lease purchase funds.

As of the close of the current fiscal year, the City of Gladstone's governmental funds reported combined ending fund balances of \$11,468,740 a decrease of \$4,165,192 in comparison with the prior year. The decrease is primarily due to the spenddown of lease purchase funds as well as the investment in the downtown district.

Proprietary Fund. The City of Gladstone's proprietary fund statements provide the same type of information found in the government-wide statements but in more detail. The City's proprietary fund is the Combined Waterworks and Sewerage System Fund. The increase in revenue is due to an increase in sewer rates. Expenses continue to increase mainly due to the increases in the cost of sewer treatment charges. Total net position of the Combined Waterworks and Sewerage System Fund at the end of the fiscal year amounted to \$22,103,189. The waterworks and sewerage system increased net position by \$869,773. This was primarily due to water main replacement projects not completed during the fiscal year that will carry into the fiscal year ending June 30, 2020.

General Fund Budgetary Highlights

Each fiscal year, the City formally adopts its budget prior to the beginning of the fiscal year. A mid-year review is performed after six months to re-appropriate unspent funds that are needed and evaluate the existing budget. This results in the re-appropriated budget being amended to a final budget taking into account mid-year adjustments.

On a budgetary basis, which can be found in the Required Supplementary Information, the actual revenues and other sources over actual expenditures and other uses resulted in a negative balance of \$291,905. The FY 2019 final budget for expenditures is \$561,715 greater than the FY 2019 original budget. The largest component of this increase is for Parks and Recreation.

In comparing FY19 final budget to actual revenues and expenses there was an overall negative variance of \$296,100. Revenues and other financing sources were under final budget by \$488,160 and expenditures and other financing uses came in under budget by \$192,060 resulting in a net negative variance of \$296,100. The variance is primarily due to lower than budgeted transfers into the general fund.

Capital Asset and Debt Administration

Capital assets. The amount invested in capital assets for the City at June 30, 2019, is \$103,619,075 net of accumulated depreciation. This amount includes all infrastructure assets acquired during 2019 and prior years. Major capital asset additions during the year include construction in progress for projects consisting of street, storm water, and water and sewer projects. Additional information on the City's capital assets can be found in Note 7 to the Basic Financial Statements.

The following table breaks down the City's capital asset balance into the various categories of assets.

City of Gladstone's Capital Assets (Net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Land and land rights	\$ 9,008,851	\$ 9,774,142	\$ 412,258	\$ 412,258	\$ 9,421,109	\$ 10,186,400
Buildings	23,216,349	24,723,173	1,933,233	1,841,350	25,149,582	26,564,523
Improvements	6,338,618	6,043,123	-	-	6,338,618	6,043,123
Machinery and equipment	2,874,984	2,236,828	586,833	582,828	3,461,817	2,819,656
Infrastructure	28,910,056	27,963,942	19,556,771	19,547,144	48,466,827	47,511,086
Construction in progress	8,757,618	10,471,274	339,030	23,013	9,096,648	10,494,287
Total	\$ 79,106,476	\$ 81,212,482	\$ 22,828,125	\$ 22,406,593	\$ 101,934,601	\$ 103,619,075

Long-term Debt. As of June 30, 2019, the City of Gladstone had outstanding debt obligations of \$44,409,532, a decrease of \$4,035,889 from the previous year-end.

City of Gladstone's Outstanding Debt Obligations

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Capitalized leases	\$ 15,053,972	\$ 14,011,398	\$ 1,130,999	\$ 1,006,500	\$ 16,184,971	\$ 15,017,898
General obligation bonds	1,000,000	800,000	-	-	1,000,000	800,000
Certificates of Participation	21,502,475	20,016,242	1,479,172	1,246,734	22,981,647	21,262,976
Compensated absences	2,837,470	2,790,737	154,008	138,815	2,991,478	2,929,552
LAGERS liability	-	-	60,123	22,626	60,123	22,626
OPEB liability	506,571	324,249	142,879	76,058	649,450	400,307
Revenue bonds	-	-	2,800,000	2,275,000	2,800,000	2,275,000
DNR loan payable	456,375	379,796	-	-	456,375	379,796
Bank loans payable	1,321,377	1,321,377	-	-	1,321,377	1,321,377
Total	\$ 42,678,240	\$ 39,643,799	\$ 5,767,181	\$ 4,765,733	\$ 48,445,421	\$ 44,409,532

The City of Gladstone received an AA and AA- bond rating for the three most recent bond issues assigned by Standard & Poor's. These ratings were reaffirmed by Standard & Poor's in a follow up review. This is a clear indication of the sound financial condition of the City of Gladstone. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

Missouri statutes limit the amount of general obligation debt that a unit of government can issue up to twenty percent of the total assessed value of taxable property located within the City's boundaries. The legal debt margin for City of Gladstone is \$72,768,000. The City currently has \$800,000 of general obligation debt outstanding as of June 30, 2019. Additional information regarding the City of Gladstone's long-term debt can be found in Note 8 to the Basic Financial Statements.

Economic Factors and Next Year's Budget and Rates

The City, utilizing the theme "Progress Through People," is working through the community to create and implement economic and community development plans that include avenues for both commercial growth, continued stability, sustainability, and integrity in residential neighborhoods.

Gladstone was awarded the 2008 All-American City award. City Management also received additional awards such as the ICMA Strategic Governance Award for Creative Leadership and Planning Strategies, the 2012 Jay T Bell Award, and the 2014 Rick Noll Award for Leadership. In 2016, the City received the gold level for Communities for All Ages, recognizing steps taken to become a more vibrant, healthy and prosperous community. In 2018, Gladstone received the Keystone Award by the Clay County Economic Development Council recognizing the City's significant contribution to Clay County's economy and quality of life. These awards demonstrate the advanced level of strategic planning for the community and positively influence the future of the City of Gladstone.

After achieving many of the key goals from Gladstone on the Move, the City was ready to re-engage Gladstone residents to develop a new strategic plan that would build upon the accomplishments of Gladstone on the Move. With the assistance of the National Civic League, Shaping our Future was created. Throughout the process, Gladstone residents led the way defining the vision, establishing goals and balancing competing priorities. In 2017, with the support of the National Civic League and City staff, the group decided to focus on two key areas: Public Health and Safety and Quality of Life and Economic Development.

Since receiving the Shaping our Future report, City staff and Shaping our Future have begun to make the vision a reality. To address both public health and safety and quality of life and economic development, one of the top priorities is to construct a new police station or a significant addition and renovation to City Hall. Total estimated cost of this project is \$12 million. Another goal from the Shaping Our Future initiative is to renovate and expand Fire Station #2. This \$2 million project will consist of improvements to the living quarters, upgrades to the HVAC and electrical systems, and corrections to other maintenance issues.

In April of 2019, a ½ cent general fund sales tax was passed by an overwhelming majority of the Gladstone voters. The new revenue will generate approximately \$1.7 million per year. \$1 million of the sales tax will pay for the debt service on the construction of the police station and fire station. The remaining \$700,000 will be used to fund a recruitment and retention program for public safety and front line employees that will be implemented later in 2019.

Projects completed during the 2019 fiscal year include the mill and overlay of 10.3 lane miles of streets throughout the city. The City also replaced over 3,800 feet of water mains and 400 feet of sanitary sewer lines throughout the year. Construction is complete on the Realignment of Pleasant Valley Road. This multi-year, multi-million dollar project is a joint venture between the City of Gladstone and Kansas City Missouri with funding assistance through the Department of Transportation. Another joint venture between Gladstone and Kansas City with funding assistance from the Department of Transportation is the Shoal Creek Trail. This project will be completed during the 2020 fiscal year. Additional projects where City staff has been able to leverage federal funding are the Old Pike Road and 76th Street projects. Other projects in various stages of design include the Rock Creek Greenway Trail - Phase 2, approximately \$1M in water main replacements, and various parks projects across the City.

New additions to the downtown landscape include two new restaurants and entrepreneurial workspaces. Summit Grill opened in the retail space of the Heights at Linden Square. The Gladstone location is the company's newest and largest establishment. Stone Canyon Pizza relocated from Zona Rosa to downtown Gladstone in July of 2019. iWerx and DesignWerx are entrepreneurial development centers offering private office space and a collaborative environment for entrepreneurs and contractors. iWerx has completed their renovation on a 30,000 square foot, 40 year old downtown building during the 2019 fiscal year. One of the newest projects in the downtown district is the groundbreaking on a Fairfield Inn & Suites by Marriot. The 67,000 square foot 110 room hotel is scheduled to open in 2021 giving visitors a place to stay while in the area.

The above listed projects and awards suggest stable economic forecasts for Gladstone throughout the next decade. The City will continue to investigate methods of expanding the economic base for the community as well as exploring economic and community development programs that will benefit the City.

Tax collections for FY20 are budgeted at \$18,237,050, compared to FY19 budget of \$16,786,800, for a projected increase of \$1,450,250. The FY20 budget takes into consideration the additional ½ cent general sales tax passed in April. This will generate an additional expected \$1,300,000 in sales tax revenue collected over a 9 month period. Sales tax collections have rebounded to pre-recession levels. Property tax valuations have been on the increase and delinquency collections continue to decrease with the improving economy. Gross receipts are expected to decrease based on trends in telecommunications as subscribers switch from land lines to mobile and from talk to texting. The City's 2019 property tax rates effective for FY20 are set per \$100 assessed valuation. Levy rates for residential real property are set at \$.8650 and commercial real property at \$.8670. Agricultural real property and personal property are set at \$.9290.

Capital outlays budgeted in governmental funds total \$3,533,439 and capital outlays budgeted in the proprietary fund total \$1,022,500. These capital additions indicate an ongoing commitment to fund capital requirements and quality of life for Gladstone citizens.

In the business-type activities, the sewer rate will continue to increase annually due to the reliance on Kansas City, Missouri to process the City's sewerage and the ongoing costs related to EPA mandates. In FY20 sewer rates increased \$0.55 per 1000 gallons based on water usage and the administrative fee increased \$.80 per month. The water rate and administrative fee was unchanged at \$4.75 per 1,000 gallons and \$9.27 per billing.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Gladstone, 7010 North Holmes, Gladstone, Missouri 64118 or by calling 816-436-2200 or by visiting the City's website at www.Gladstone.mo.us.

CITY OF GLADSTONE, MISSOURI

STATEMENT OF NET POSITION

June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Special Road District #3
Assets:				
Cash and investments	\$ 8,590,629	\$ 3,604,407	\$ 12,195,036	\$ 209,829
Receivables, net of allowance for uncollectibles:				
Accounts	692,059	902,056	1,594,115	1,894
Unbilled services	-	838,598	838,598	-
Taxes	2,320,083	-	2,320,083	-
Accrued interest	20,793	6,930	27,723	-
Inventory	122,119	14,691	136,810	-
Prepaid items	89,905	2,346	92,251	-
Due from component unit	61,983	-	61,983	-
Interlocal agreement:				
Due within one year	360,973	-	360,973	-
Due in more than one year	2,622,891	-	2,622,891	-
Restricted assets:				
Cash and investments	2,600,190	1,095,660	3,695,850	-
Net pension asset	2,147,097	-	2,147,097	-
Capital assets:				
Land, other assets and construction in progress, non-depreciable	20,245,416	435,271	20,680,687	-
Other capital assets, net of depreciation	60,967,066	21,971,322	82,938,388	-
Total assets	100,841,204	28,871,281	129,712,485	211,723
Deferred outflows of resources:				
Deferred outflows - pension	887,647	116,929	1,004,576	-
Deferred outflows - OPEB	15,644	3,670	19,314	-
Total deferred outflows of resources	903,291	120,599	1,023,890	-
Liabilities:				
Accounts payable	769,996	1,046,690	1,816,686	-
Contracts payable	18,793	1,304	20,097	-
Accrued liabilities	876,852	60,854	937,706	-
Accrued interest	120,916	47,243	168,159	-
Deposits	241,852	678,275	920,127	-
Due to other governments	4,926	-	4,926	-
Due to primary government	-	-	-	61,983
Unearned revenue	1,116,602	-	1,116,602	-
Noncurrent liabilities:				
Due within one year	4,882,146	981,439	5,863,585	-
Due in more than one year	34,761,653	3,784,294	38,545,947	-
Total liabilities	42,793,736	6,600,099	49,393,835	61,983
Deferred inflows of resources:				
Deferred inflows - pension	2,369,175	257,204	2,626,379	-
Deferred inflows - OPEB	133,810	31,388	165,198	-
Total deferred inflows of resources	2,502,985	288,592	2,791,577	-
Net position:				
Net investment in capital assets	46,993,069	17,925,744	64,918,813	-
Restricted for:				
Debt service	-	417,385	417,385	-
Net pension asset	2,147,097	-	2,147,097	-
Capital improvements	1,030,472	-	1,030,472	-
Transportation and public safety	975,977	-	975,977	-
Parks and recreation	1,109,631	-	1,109,631	-
Unrestricted	4,191,528	3,760,060	7,951,588	149,740
Total net position	\$ 56,447,774	\$ 22,103,189	\$ 78,550,963	\$ 149,740

See accompanying notes to basic financial statements.

CITY OF GLADSTONE, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								Special Road District #3
Governmental activities:								
General administration	\$ 1,627,689	\$ 1,378,278	\$ 899	\$ -	\$ (248,512)	\$ -	\$ (248,512)	\$ -
Finance	1,760,928	292,405	-	-	(1,468,523)	-	(1,468,523)	-
Public safety	10,433,075	1,815,461	186,267	-	(8,431,347)	-	(8,431,347)	-
Public works	4,875,857	209,431	-	1,129,137	(3,537,289)	-	(3,537,289)	-
Community development	1,474,100	254,729	999	-	(1,218,372)	-	(1,218,372)	-
Parks and recreation	5,614,862	2,827,774	-	361,061	(2,426,027)	-	(2,426,027)	-
Interest on long-term debt	1,204,735	-	-	-	(1,204,735)	-	(1,204,735)	-
Total governmental activities	26,991,246	6,778,078	188,165	1,490,198	(18,534,805)	-	(18,534,805)	-
Business-type activities:								
Combined waterworks and sewerage system	9,814,772	10,524,964	53,543	-	-	763,735	763,735	-
Total business-type activities	9,814,772	10,524,964	53,543	-	-	763,735	763,735	-
Total primary government	\$ 36,806,018	\$ 17,303,042	\$ 241,708	\$ 1,490,198	(18,534,805)	763,735	(17,771,070)	-
Component unit:								
Special Road District #3	\$ 380,043	\$ -	\$ 382,675	\$ -	-	-	-	2,632
General revenues:								
Taxes:								
Property taxes					3,595,664	-	3,595,664	-
Sales taxes					9,543,702	-	9,543,702	-
Franchise taxes					3,153,189	-	3,153,189	-
Cigarette taxes					128,986	-	128,986	-
Intergovernmental revenue not restricted to specific programs					1,018,014	-	1,018,014	-
Unrestricted investment earnings					285,137	75,613	360,750	1,451
Gain on disposal of capital assets					-	21,250	21,250	
Miscellaneous					1,071,927	9,175	1,081,102	15,894
Total general revenues and transfers					18,796,619	106,038	18,902,657	17,345
Change in net position					261,814	889,773	1,131,587	19,977
Net position, beginning of year					56,185,960	21,233,416	77,419,376	129,763
Net position, end of year					\$ 56,447,774	\$ 22,103,189	\$ 78,550,963	\$ 149,740

See accompanying notes to basic financial statements.

CITY OF GLADSTONE, MISSOURI

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

	Major Funds				
	General	Community Center and Parks Tax	Transportation Sales Tax	Nonmajor Funds	Total Governmental
Assets:					
Cash and investments	\$ 5,505,734	\$ 1,478,159	\$ 504,462	\$ 1,102,274	\$ 8,590,629
Due from component unit	61,983	-	-	-	61,983
Receivables, net of allowance for uncollectibles:					
Accounts	397,454	48,743	245,636	226	692,059
Taxes	1,456,201	133,380	266,771	463,731	2,320,083
Accrued interest	11,089	4,158	1,109	4,437	20,793
Inventory	116,661	5,458	-	-	122,119
Prepaid items	89,505	-	-	400	89,905
Interlocal agreement	-	2,983,864	-	-	2,983,864
Restricted assets:					
Cash and investments	122,655	242,710	1,850,310	384,515	2,600,190
Total assets	\$ 7,761,282	\$ 4,896,472	\$ 2,868,288	\$ 1,955,583	\$ 17,481,625
Liabilities:					
Accounts payable	\$ 308,832	\$ 52,840	\$ 221,133	\$ 187,191	\$ 769,996
Contracts payable	-	-	1,496	17,297	18,793
Accrued liabilities	770,531	88,694	-	17,627	876,852
Deposits	182,951	17,017	41,884	-	241,852
Due to other governments	4,926	-	-	-	4,926
Unearned revenue	470,785	154,609	-	491,208	1,116,602
Total liabilities	1,738,025	313,160	264,513	713,323	3,029,021
Deferred inflows of resources:					
Unavailable revenue - interlocal agreement	-	2,983,864	-	-	2,983,864
Total deferred inflows of resources	-	2,983,864	-	-	2,983,864
Fund balances:					
Nonspendable:					
Inventory	116,661	5,458	-	-	122,119
Prepaid items	89,505	-	-	400	89,905
Restricted:					
Community center operations	-	1,351,280	-	-	1,351,280
Capital improvements	-	242,710	-	841,846	1,084,556
Public safety - operations	-	-	-	222,512	222,512
Street projects	-	-	2,603,775	-	2,603,775
Land purchases	-	-	-	163,357	163,357
Committed:					
City parks and playgrounds	-	-	-	6,702	6,702
Assigned:					
Technology/equipment replacement	-	-	-	250,483	250,483
Unassigned	5,817,091	-	-	(243,040)	5,574,051
Total fund balances	6,023,257	1,599,448	2,603,775	1,242,260	11,468,740
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,761,282	\$ 4,896,472	\$ 2,868,288	\$ 1,955,583	\$ 17,481,625

See accompanying notes to basic financial statements.

CITY OF GLADSTONE, MISSOURI

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2019

Total fund balances in Governmental Funds Balance Sheet	\$ 11,468,740
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.	81,212,482
Long-term liabilities for items such as bonds payable and certificates of participation are not due and payable in the current period and, therefore, are not reported in the funds.	(39,764,715)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the governmental funds.	2,983,864
The net pension asset is not an available resource and, therefore, is not reported in the funds.	2,147,097
Other deferred outflows of resources related to the net pension asset and total OPEB liability do not increase net position until a future period.	903,291
Other deferred inflows of resources related to the net pension asset and total OPEB liability represent acquisitions of net position that apply to a future period.	<u>(2,502,985)</u>
Net position of governmental activities	<u>\$ 56,447,774</u>

See accompanying notes to basic financial statements.

CITY OF GLADSTONE, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2019

	Major Funds				
	General	Community Center and Parks Tax	Transportation Sales Tax	Nonmajor Funds	Total Governmental
Revenues:					
Taxes	\$ 10,864,876	\$ 858,104	\$ 1,716,225	\$ 2,982,336	\$ 16,421,541
Licenses and permits	593,705	-	-	-	593,705
Intergovernmental	1,387,131	700,000	780,906	349,230	3,217,267
Charges for services	3,797,228	1,505,772	-	325	5,303,325
Fines and forfeitures	700,656	-	-	-	700,656
Interest	123,035	47,973	10,130	103,999	285,137
Other	818,296	13,356	-	241,940	1,073,592
Total revenues	18,284,927	3,125,205	2,507,261	3,677,830	27,595,223
Expenditures:					
Current:					
General administration	1,259,288	-	-	-	1,259,288
Finance	1,408,991	-	-	-	1,408,991
Public safety	8,191,844	-	-	555,849	8,747,693
Public works	2,328,913	-	-	5,657	2,334,570
Community development	732,880	-	-	198,351	931,231
Parks and recreation	2,812,988	1,882,905	-	-	4,695,893
Nondepartmental	716,297	117,767	219,081	164,010	1,217,155
Capital outlay	580,081	31,937	2,238,803	4,294,385	7,145,206
Debt service:					
Principal	220,180	1,461,839	377,728	728,776	2,788,523
Interest and fiscal charges	97,466	676,206	184,092	274,101	1,231,865
Total expenditures	18,348,928	4,170,654	3,019,704	6,221,129	31,760,415
Excess (deficiency) of revenues over (under) expenditures	(64,001)	(1,045,449)	(512,443)	(2,543,299)	(4,165,192)
Other financing sources (uses):					
Transfers in	106,012	749,500	100,000	233,338	1,188,850
Transfers out	(333,338)	-	(100,000)	(755,512)	(1,188,850)
Total other financing sources (uses)	(227,326)	749,500	-	(522,174)	-
Net change in fund balances	(291,327)	(295,949)	(512,443)	(3,065,473)	(4,165,192)
Fund balances, beginning of year	6,314,584	1,895,397	3,116,218	4,307,733	15,633,932
Fund balances, end of year	\$ 6,023,257	\$ 1,599,448	\$ 2,603,775	\$ 1,242,260	\$ 11,468,740

See accompanying notes to basic financial statements.

CITY OF GLADSTONE, MISSOURI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds	\$ (4,165,192)
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.	2,106,006
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(342,162)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,788,523
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(125,361)</u>
Change in net position of governmental activities	<u>\$ 261,814</u>

See accompanying notes to basic financial statements.

CITY OF GLADSTONE, MISSOURI

STATEMENT OF NET POSITION PROPRIETARY FUND

June 30, 2019

	Combined Waterworks and Sewerage System
Assets:	
Current assets:	
Cash and investments	\$ 3,604,407
Receivables, net:	
Accounts	902,056
Unbilled services	838,598
Accrued interest	6,930
Inventory	14,691
Prepaid items	2,346
Restricted cash and investments	1,095,660
Total current assets	6,464,688
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	435,271
Other capital assets, net of depreciation	21,971,322
Total noncurrent assets	22,406,593
Total assets	28,871,281
Deferred outflows of resources:	
Deferred outflows - pension	116,929
Deferred outflows - OPEB	3,670
Total deferred outflows of resources	120,599
Liabilities:	
Current liabilities:	
Accounts payable	1,046,690
Contracts payable	1,304
Accrued liabilities	60,854
Accrued interest	47,243
Deposits	678,275
Compensated absences	86,626
Current portion of long-term debt	894,813
Total current liabilities	2,815,805
Noncurrent liabilities:	
Compensated absences	52,189
Total OPEB liability	76,058
LAGERS net pension liability	22,626
Long-term debt, net	3,633,421
Total noncurrent liabilities	3,784,294
Total liabilities	6,600,099
Deferred inflows of resources:	
Deferred inflows - pension	257,204
Deferred inflows - OPEB	31,388
Total deferred inflows of resources	288,592
Net position:	
Net investment in capital assets	17,925,744
Restricted for debt service	417,385
Unrestricted	3,760,060
Total net position	\$ 22,103,189

See accompanying notes to basic financial statements.

CITY OF GLADSTONE, MISSOURI

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND

Year Ended June 30, 2019

	Combined Waterworks and Sewerage System
Operating revenues:	
Charges for services	\$ 10,524,964
Intergovernmental	53,543
Other income	9,175
Total operating revenues	<u>10,587,682</u>
Operating expenses:	
Personnel services	1,334,881
Materials and supplies	415,686
Services operation and maintenance	2,100,040
Sewer treatment charges	4,783,875
Depreciation	1,015,121
Total operating expenses	<u>9,649,603</u>
Operating income	<u>938,079</u>
Nonoperating revenues (expenses):	
Interest income	75,613
Gain on sale of property	21,250
Interest expense and fiscal charges	(165,169)
Total nonoperating revenues (expenses)	<u>(68,306)</u>
Change in net position	869,773
Total net position, beginning of year	<u>21,233,416</u>
Total net position, end of year	<u><u>\$ 22,103,189</u></u>

See accompanying notes to basic financial statements.

CITY OF GLADSTONE, MISSOURI

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

Year Ended June 30, 2019

	Combined Waterworks and Sewerage System
Cash flows from operating activities:	
Receipts from customers	\$ 10,671,127
Payments to suppliers	(7,417,317)
Payments to employees	(1,298,352)
Other income	9,175
Net cash provided by operating activities	1,964,633
Cash flows from capital and related financing activities:	
Purchase of capital assets	(593,589)
Payments on long-term debt	(881,937)
Interest and fiscal charges paid	(173,661)
Proceeds from the sale of assets	21,250
Net cash used in capital and related financing activities	(1,627,937)
Cash flows from investing activities:	
Purchase of certificates of deposit	(1,887,126)
Maturity of certificates of deposit	1,365,709
Interest received	71,871
Net cash used in investing activities	(449,546)
Net decrease in cash and cash equivalents	(112,850)
Cash and cash equivalents, beginning of year	2,925,791
Cash and cash equivalents, end of year	\$ 2,812,941
Cash and investments:	
Cash and cash equivalents	\$ 2,812,941
Certificates of deposit	1,887,126
	\$ 4,700,067
Cash and investments reported on the statement of net position:	
Cash and investments	\$ 3,604,407
Restricted cash and investments	1,095,660
Total cash and investments	\$ 4,700,067

(Continued)

CITY OF GLADSTONE, MISSOURI

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 (Continued)

Year Ended June 30, 2019

	Combined Waterworks and Sewerage System
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 938,079
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,015,121
Changes in:	
Receivables	65,175
Inventory	947
Prepaid items	6,084
Net pension liability	(37,497)
Deferred outflows	71,658
Deferred inflows	80,136
Accounts and contracts payable	(124,747)
Accrued liabilities	4,246
Compensated absences	(15,193)
Deposits	27,445
Total OPEB liability	(66,821)
Net cash provided by operating activities	\$ 1,964,633

See accompanying notes to basic financial statements.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Gladstone, Missouri (the City) was incorporated in 1952 and covers an area of approximately nine square miles in Clay County, Missouri. The City operates under the Council-Manager form of government as a third-class city. The City Manager is the chief administrative officer of the City. The City provides services to approximately 25,410 residents (2010 Census), including law enforcement, fire protection, paramedic services, water and sewer services, community enrichment and development, and various social services. The North Kansas City School District No. 74, a separate governmental entity, provides educational services.

The accompanying basic financial statements present the City and the component unit over which the City is financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely Presented Component Unit. The Gladstone Special Road District No. 3 (the District) was incorporated October 9, 1959, following a vote of the people, which was certified by the Clay County Court. The District is located largely within the City, with a small area outside the municipality. The District provides street maintenance and repair functions in the City even though it is a separate legal entity. Management has determined that the District should be included as a discretely presented component unit due to the nature and significance of its relationship with the City and that the exclusion of the District would render the City's financial statements incomplete or misleading. The District is presented as a governmental fund type. The District does not issue any separate financial statements.

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 activities of the primary government and its component unit. Governmental activities, which normally are 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 the legally separate component unit for which the primary government is financially accountable.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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 properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are generally considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 60-day availability period is used for revenue recognition for all governmental funds revenues except property taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Property taxes, sales taxes, franchise taxes, interest associated with the current fiscal period, and certain state and federal grants and entitlements are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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. This fund accounts for the general operating transactions of the City including finance, public safety, public works, community development, and parks and recreation.

The community center and parks tax fund is a special revenue fund that accounts for the .25% City sales tax for the purpose of funding community center and park projects.

The transportation sales tax fund is a capital projects fund that accounts for the .5% City sales tax for the purpose of funding transportation capital improvement projects. This sales tax has been restricted for transportation projects.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major proprietary fund:

The combined waterworks and sewerage system fund accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration (utility director), operations, maintenance, financing and related debt service, and billings and collections.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's waterworks and sewerage functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the combined waterworks and sewerage system fund are charges to customers for sales and services and tower rental charges. Operating expenses for the combined waterworks and sewerage system fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pooled Cash and Investments

A majority of the cash and investments of the individual funds are combined to form a pool that is managed by the finance director. Each fund's equity in the pool is included in "cash and investments" in the financial statements. These pooled deposits and investments consist of cash on hand, amounts in demand deposits, certificates of deposits, and investments. Certificates of deposit and repurchase agreements are recorded at cost while other investments are recorded at fair value.

Cash Flows Statement

For purposes of the cash flow statement, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables and Payables

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds unearned revenue is reported as follows:

General fund licenses revenue	\$ 188,704
General fund senior activities revenue	163,712
General fund miscellaneous revenue	118,369
Community center and parks tax fund pool revenue	147,554
Community center and parks tax fund miscellaneous revenue	7,055
Nonmajor governmental funds - Pleasant Valley Road credits	491,208
	<hr/>
	\$ 1,116,602
	<hr/>

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Property Taxes

The City's property tax is levied each year on the assessed value of all real estate listed as of the prior January 1, the lien date. Assessed values are established by the Clay County Assessor subject to review by the County's Board of Equalization. The assessed value in August 2018 upon which the 2019 levy was based was \$ 367,838,426.

Property taxes are legally restricted for use in financing operations of the ensuing year. Accordingly, the City defers revenue recognition until the year for which they are to be used. Property taxes are levied on November 1 of each year. Property taxes become delinquent on January 1 of each fiscal year. The Clay County Collector is the tax collection agent for all taxing entities within the County. Property taxes levied in prior years that remain uncollected are recorded as receivables, net of estimated uncollectibles.

The City is permitted by Missouri State Statutes to levy taxes up to \$ 1.00 per \$ 100 of assessed valuation for general services other than the payment of principal and interest on long-term debt, and in unlimited amounts for the payment of principal and interest on long-term debt. The City's General Fund property tax levy per \$ 100 assessed valuation was \$.929 for residential real property, \$.928 for commercial real property, \$.929 for agricultural real property, and \$.929 for personal property for the year ended June 30, 2019.

Inventories and Prepaid Items

Inventories consist of de-icing salt, motor fuel and concession operation food in the General Fund and water purification supplies (e.g. lime, chlorine and carbon dioxide) in the enterprise funds. All inventories are valued at cost using the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g. roads, bridges, sidewalks and similar items) and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of greater than or equal to \$ 5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives.

Water and sewer lines and distribution reservoirs	50 years
Wells, storm sewers, buildings and swimming pools	30 years
Meters and hydrants	20 years
Pool equipment and furniture	15 years
Office furniture, equipment and reservoir improvements	10 years
Automobiles and miscellaneous equipment	5 years
Infrastructure – streets/curbs	20 years

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are the deferred outflows of resources related to the City's net pension liability and total OPEB liability. See Note 10 for more information on the deferred outflows for the pension and Note 11 for more information on the deferred outflows for OPEB.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. The first arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from an interlocal agreement. This amount is deferred and recognized as inflows of resources in the period that the amounts become available. The second deferred inflow of resources relates to the City's net pension liability and the third deferred inflow of resources relates to the City's total OPEB liability. See Note 10 for more information on the deferred inflows for the pension and Note 11 for more information on the deferred inflows for OPEB.

Compensated Absences

Under terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts, based upon length of service. Vacation leave for regular full-time employees will be accruable to a maximum of two times the amount earned in a year of employment. Any employee leaving the City's service will be compensated for all vacation leave that has accrued but not been used as of the date of his/her separation, provided that he/she has been with the City for at least six full months. A regular full-time employee may be compensated for unused sick leave in the following manner, provided that he/she has been with the City for at least six full months: five to ten years of service – one hour for five hours of unused sick leave, 10 to 20 years of service – one hour for three hours of unused sick leave and over 20 years of service – one hour for two hours of unused sick leave.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Continued)

Compensatory time is earned at the rate of one and one-half for each hour of overtime worked. Subject to the Fair Labor Standards Act, part of this time may be taken off in lieu of pay. Any time accruing to a nonexempt employee is paid at termination. Exempt employees are not paid at termination. Exempt employees are those whose job assignments meet the federal and state requirements for overtime exemption. Exempt employees are compensated on a salary basis and are not eligible for overtime pay. Generally, executive, administrative and professional employees are exempt.

All vacation, sick pay, and compensatory time is accrued when incurred in the government-wide and proprietary fund financial statements. In the governmental fund financial statements, a liability for these amounts is reported only when they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2019, fund balances for governmental funds are made up of the following:

Nonspendable fund balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed fund balance – includes amounts that can only be spent for specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally (ordinance).

Assigned fund balance – includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the City Council or (2) a body or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes, the City Manager as provided in the City’s Fund Balance Policy dated June 27, 2011.

Unassigned fund balance – is the residual classification for the general fund and includes all amounts not contained in other classifications. The general fund is the only fund that reports a positive unassigned fund balance amount. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Minimum Unassigned Fund Balance

It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund equal to 20% of operational expenditures. The City considers a balance of less than 20% to be cause for concern, barring unusual or deliberate circumstances. Proposed budgets, or budget revisions, will maintain an ending fund balance of at least 20% of the Fund's operational expenditures. If unassigned fund balance falls below the goal due to unforeseen revenue fluctuations, unanticipated expenditures, or any similar circumstances, the City will immediately develop a restoration plan to re-build and maintain the minimum 20% fund balance requirement.

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.

Pending Governmental Accounting Standards Board Statements

GASB Statement No. 84, *Fiduciary Activities*, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities, with the focus on the criteria on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund. The requirements of this statement are effective for periods beginning after December 15, 2018.

GASB Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for periods beginning after December 15, 2019.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities for items such as bonds payable and certificates of participation are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$ (39,764,715) difference are as follows:

Capital leases payable	\$ (14,011,398)
General obligation bonds payable	(800,000)
Certificates of participation	(19,813,892)
Plus: Issuance premiums	(202,350)
Compensated absences	(2,790,737)
Total OPEB liability	(324,249)
DNR loan payable	(379,796)
Bank loans payable	(1,321,377)
Accrued interest payable	(120,916)
	<hr/>
	\$ (39,764,715)
	<hr/>

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$ 2,106,006 difference are as follows:

Capital outlay	\$ 7,129,694
Depreciation expense	<u>(5,023,688)</u>
	<u><u>\$ 2,106,006</u></u>

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$ 2,788,523 difference are as follows:

Principal repayments:	
Capital leases	\$ 1,042,574
General obligation bonds	200,000
Certificates of participation	1,469,370
Loans payable	<u>76,579</u>
	<u><u>\$ 2,788,523</u></u>

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$ (125,361) difference are as follows:

Amortization of bond premiums	\$ 16,863
Compensated absences	46,733
Net pension liability	(268,555)
Total OPEB liability	69,331
Accrued interest	10,267
	<hr/>
	\$ (125,361)

3 - Stewardship, Compliance and Accountability

Budgetary Information

The City Council follows four procedures in establishing the budget.

- (1) Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means for financing the expenditures.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to July 1, the budget for all funds is legally enacted through passage of a resolution.
- (4) The City Manager is authorized to transfer budgeted amounts between departments within any fund and/or authorize departmental expenditures in excess of budgeted amounts. Any revision that alters the total expenditures of any fund must be approved by the City Council.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

The City's policy is to prepare the annual operating budget for governmental fund types on the modified accrual basis. Annual operating budgets are not required for the following governmental funds: Pleasant Valley Road Fund, N. Oak Land Lease fund, technology replacement fund, 2015 COP fund, 2011 COP fund, AMR COP fund, community center renovations fund, economic development fund, and animal control donations fund. The City amended the original published budgets for the general fund, community center and parks tax fund, transportation sales tax fund, public safety sales tax fund, capital improvement sales tax fund and equipment replacement fund.

Deficit Fund Balance

The Pleasant Valley Road fund had a deficit fund balance of \$ (243,040) at June 30, 2019. This fund will be closed into the Transportation Sales Tax fund when the project is completed.

4 - Deposits and Investments

At June 30, 2019, the carrying values of deposits and investments are summarized as follows:

Investments:

Short-term investments held in trust	\$ 242,710
Deposits and repurchase agreements	15,851,355
Petty cash	<u>6,650</u>
	<u><u>\$ 16,100,715</u></u>

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Deposits and Investments (Continued)

Deposits and investments of the City are reflected in the government-wide financial statements as follows:

	Government-Wide Statement of Net Position	Component Unit	Total
Pooled cash and investments	\$ 12,195,036	\$ 209,829	\$ 12,404,865
Restricted assets	3,695,850	-	3,695,850
	<u>\$ 15,890,886</u>	<u>\$ 209,829</u>	<u>\$ 16,100,715</u>

Investment Policy

Missouri state statutes authorize the City, with certain restrictions, to deposit or invest in open accounts, time deposits, U.S. Treasury notes, and certificates of deposit. Statutes also require that collateral pledged must have a fair value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the City or a disinterested third party and must be of the kind prescribed by state statutes and approved by the State of Missouri.

The City maintains a cash and investment pool, which is available for use by most funds. Substantially all excess cash is invested in repurchase agreements, certificates of deposit, brokered CD's and money market funds. Each fund's portion of this pool is displayed as pooled cash and investment balances. Only enterprise funds with overdrawn balances are charged for interest. Cash and investments are held separately by some of the City's funds. Additionally, certain restricted assets, related to bond ordinances and indentures and capital lease certificates, are held in escrow by financial institutions' trust departments.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Deposits and Investments (Continued)

Credit Risk

The credit risk for deposits and investments is the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. It is the City's policy to limit its investments to certificates of deposits, bonds or other obligations of the United States, and other debt securities given the highest available rating by Moody's Investor Service. At June 30, 2019, the City's investments were limited to short-term money market funds held by bond trustees in accordance with certain bond indentures and brokered CDs, which are not subject to such credit risks.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy is to collateralize all deposits and repurchase agreements with securities held by the financial institution's agent and in the City's name.

At June 30, 2019, the City's deposits and repurchase agreements were insured by federal depository insurance and uninsured deposits and repurchase obligations were fully collateralized by securities held in the City's name by their financial institution's agent. The City's securities were registered and held by the City's financial institution in the City's name. Accordingly, management has determined that none of the City's deposits or investments were exposed to custodial credit risk as of June 30, 2019.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City is not exposed to significant interest rate risk.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Deposits and Investments (Continued)

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. At June 30, 2019, the City's investments were limited to short-term money market funds held by bond trustees in accordance with certain bond indentures and certificates of deposit, which are not subject to such risks.

Investments

As of June 30, 2019, the City had the following investments:

Investment Type	Fair Value	Investment Maturity in Years			
		Less Than 1	1 - 5	6 - 10	More than 10
Brokered CDs	\$ 4,945,000	\$ 3,959,000	\$ 986,000	\$ -	\$ -

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. For the year ended June 30, 2019, the brokered certificates of deposit were valued using pricing of similar assets in markets that are not active (Level 2 input).

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Interlocal Agreement – North Kansas City School District

The City entered into a cooperation and use agreement with the North Kansas City School District (the District) related to mutual use of the natatorium facility included in the City's community center. The agreement requires that the District pay the City an annual user fee of \$ 525,000 beginning February 1, 2007 and continuing through February 1, 2026. These funds will be used by the City for portions of the debt service requirements of the 2006-A certificates of participation (see Note 8) used to construct the facility. In 2016, the City refunded the 2006-A certificates of participation with proceeds from the 2015 certificates of participation; therefore, future funds received from the District will be used by the City for portions of the debt service requirements of the 2015 certificates of participation. The agreement provides that the District has the option to receive, at no additional charge, a one-fourth ownership interest in the natatorium on the fifth anniversary of the agreement, and a one-half ownership interest on the tenth anniversary of the agreement. The District has not yet exercised any ownership interest options. As of June 30, 2019, the total annual user fees due to the City through the agreement are receivable as follows:

Year Ending June 30,	Total
2020	\$ 525,000
2021	525,000
2022	525,000
2023	525,000
2024	525,000
2025 - 2026	1,050,000
	<hr/>
	3,675,000
Less interest	(691,136)
	<hr/>
Net present value	\$ 2,983,864
	<hr/>

The total present value of the agreement is recorded on the City's fund financial statements as Interlocal Agreement Receivable and Deferred Inflows – Unavailable Revenue in the Community Center and Parks Tax Fund.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Leases

The City has lease agreements with multiple wireless telecommunications providers for space on City-owned water towers, which provide for monthly lease payments. The estimated cost of the water towers is \$ 212,000. This amount is included in capital assets of the City, and the related capital assets have been fully depreciated. The following is a schedule of minimum future rentals on the cellular antenna leases.

Year Ending June 30,	Guaranteed	Lessees' Options	Total
2020	\$ 150,190	\$ 115,886	\$ 266,076
2021	-	274,133	274,133
2022	-	281,391	281,391
2023	-	288,904	288,904
2024	-	299,659	299,659
2025 - 2029	-	1,421,117	1,421,117
2030 - 2034	-	636,647	636,647
2035 - 2039	-	484,492	484,492
Total minimum future rentals	<u>\$ 150,190</u>	<u>\$ 3,802,229</u>	<u>\$ 3,952,419</u>

The City has a lease agreement with a local business for space in a City-owned building, which provides for monthly lease payments. The lease contains renewal options for three, five or seven years. The building has a cost of \$ 835,397 as of June 30, 2019, with \$ 111,386 of accumulated depreciation. The following is a schedule of minimum future rentals on the building.

Year Ending June 30,	Total
2020	\$ 37,400
2021	41,800
2022	45,100
2023	23,100
Total minimum future lease income	<u>\$ 147,400</u>

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and land rights	\$ 9,008,851	\$ 765,291	\$ -	\$ 9,774,142
Construction in progress	8,757,618	6,054,750	(4,341,094)	10,471,274
Total capital assets, not being depreciated	<u>17,766,469</u>	<u>6,820,041</u>	<u>(4,341,094)</u>	<u>20,245,416</u>
Capital assets, being depreciated:				
Buildings	33,836,324	2,858,489	-	36,694,813
Improvements	13,422,155	362,626	-	13,784,781
Machinery and equipment	11,309,300	277,716	-	11,587,016
Infrastructure	164,993,087	1,151,916	-	166,145,003
Total capital assets being depreciated	<u>223,560,866</u>	<u>4,650,747</u>	<u>-</u>	<u>228,211,613</u>
Less accumulated depreciation for:				
Buildings	10,619,975	1,351,665	-	11,971,640
Improvements	7,083,537	658,121	-	7,741,658
Machinery and equipment	8,434,316	915,872	-	9,350,188
Infrastructure	136,083,031	2,098,030	-	138,181,061
Total accumulated depreciation	<u>162,220,859</u>	<u>5,023,688</u>	<u>-</u>	<u>167,244,547</u>
Total capital assets being depreciated, net	<u>61,340,007</u>	<u>(372,941)</u>	<u>-</u>	<u>60,967,066</u>
Governmental activities capital assets, net	<u>\$ 79,106,476</u>	<u>\$ 6,447,100</u>	<u>\$ (4,341,094)</u>	<u>\$ 81,212,482</u>

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7 - Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land, water and sewer easements	\$ 412,258	\$ -	\$ -	\$ 412,258
Construction in progress	339,030	471,970	(787,987)	23,013
Total capital assets, not being depreciated	<u>751,288</u>	<u>471,970</u>	<u>(787,987)</u>	<u>435,271</u>
Capital assets, being depreciated:				
Buildings	5,589,851	-	-	5,589,851
Infrastructure	35,320,014	787,987	-	36,108,001
Machinery and equipment	2,326,501	121,619	(55,787)	2,392,333
Total capital assets being depreciated	<u>43,236,366</u>	<u>909,606</u>	<u>(55,787)</u>	<u>44,090,185</u>
Less accumulated depreciation for:				
Buildings	3,656,618	91,883	-	3,748,501
Infrastructure	15,763,243	797,614	-	16,560,857
Machinery and equipment	1,739,668	125,624	(55,787)	1,809,505
Total accumulated depreciation	<u>21,159,529</u>	<u>1,015,121</u>	<u>(55,787)</u>	<u>22,118,863</u>
Total capital assets being depreciated, net	<u>22,076,837</u>	<u>(105,515)</u>	<u>-</u>	<u>21,971,322</u>
Business-type activities capital assets, net	<u>\$ 22,828,125</u>	<u>\$ 366,455</u>	<u>\$ (787,987)</u>	<u>\$ 22,406,593</u>

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

Governmental activities:	
General administration	\$ 214,418
Finance	243,220
Public safety	982,580
Public works	2,416,374
Community development	475,577
Parks and recreation	<u>691,519</u>
Total depreciation expense for governmental activities	<u>\$ 5,023,688</u>
Business-type activities:	
Combined waterworks and sewerage system	<u>\$ 1,015,121</u>

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt

Change in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,000,000	\$ -	\$ 200,000	\$ 800,000	\$ 200,000
Certificates of participation	21,283,262	-	1,469,370	19,813,892	1,539,825
Plus (less):					
Premium on issuance	219,213	-	16,863	202,350	-
Compensated absences	2,837,470	870,961	917,694	2,790,737	917,694
Total OPEB liability	506,571	-	182,322	324,249	-
Direct borrowings and placements:					
Capital leases	15,053,972	-	1,042,574	14,011,398	1,089,954
DNR loan payable	456,375	-	76,579	379,796	79,673
Bank loans payable	1,321,377	-	-	1,321,377	1,055,000
Governmental activities long-term liabilities	<u>\$ 42,678,240</u>	<u>\$ 870,961</u>	<u>\$ 3,905,402</u>	<u>\$ 39,643,799</u>	<u>\$ 4,882,146</u>
Business-type activities:					
Certificates of participation	\$ 1,479,172	\$ -	\$ 232,438	\$ 1,246,734	\$ 237,900
LAGERS net pension liability	60,123	-	37,497	22,626	-
Total OPEB liability	142,879	-	66,821	76,058	-
Compensated absences	154,008	71,433	86,626	138,815	86,626
Direct borrowings and placements:					
Revenue bonds	2,800,000	-	525,000	2,275,000	550,000
Capital leases	1,130,999	-	124,499	1,006,500	106,913
Business-type activities long-term liabilities	<u>\$ 5,767,181</u>	<u>\$ 71,433</u>	<u>\$ 1,072,881</u>	<u>\$ 4,765,733</u>	<u>\$ 981,439</u>

For the governmental activities, compensated absences, the LAGERS net pension liability and the total OPEB liability are generally liquidated by the General Fund.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

Governmental activities long-term debt is comprised of the following:

Certificates of participation:

\$ 196,154 2013 Certificates of Participation (tax-exempt) due in annual installments of \$ 19,370 to \$ 21,755 through July 15, 2023; interest - 2.35%	\$ 103,892
---	------------

\$ 23,510,000 2015 Certificates of Participation (tax-exempt) due in annual installments of \$ 1,450,000 to \$ 1,880,000 through June 1, 2031; interest - 2.00% to 3.625%	19,710,000
	19,813,892

Premium on issuance	202,350
	20,016,242

Total certificates of participation	20,016,242
-------------------------------------	------------

General obligation bonds:

\$ 2,000,000 2010 Taxable General Obligation Street Improvement Bonds, Build America Recovery Zone Economic Development Bonds - Direct Pay due in annual installments of \$ 200,000 through March 1, 2023; interest - 3.35% to 4.45%	800,000
--	---------

Capital leases	14,011,398
Compensated absences	2,790,737
Total OPEB liability	324,249
DNR loan payable	379,796
Bank loans payable	1,321,377
	1,321,377

Total governmental activities long-term debt	39,643,799
Less amounts due within one year	(4,882,146)
	34,761,653

Total governmental activities long-term debt due in more than one year	\$ 34,761,653
--	---------------

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

Business-type activities long-term debt is comprised of the following:

Revenue bonds:

\$ 5,000,000 - 2010A Taxable Combined Waterworks and Sewerage System Revenue Bonds, Build America Recovery Zone Economic Development Bonds - Direct Pay due in annual installments of \$ 500,000 to \$ 585,000 through June 1, 2023; interest - 3.25% to 4.75%	\$ 2,275,000
--	--------------

Certificates of participation:

\$ 2,353,846 2013 Certificates of Participation (tax-exempt) due in annual installments of \$ 232,438 to \$ 261,063 through July 15, 2023; interest - 2.35%	1,246,734
---	-----------

Capital leases	1,006,500
Compensated absences	138,815
Total OPEB liability	76,058
LAGERS net pension liability	22,626

Total business-type activities long-term debt	4,765,733
Less amounts due within one year	(981,439)

Total business-type activities due in more than one year	\$ 3,784,294
--	--------------

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8 - Long-Term Debt (Continued)

The annual debt service requirements to amortize all debt outstanding as of June 30, 2019 exclusive of compensated absences, bond issuance premium, the LAGERS net pension liability, and the total OPEB liability are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities		Total Primary Government	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 3,964,452	\$ 1,126,997	\$ 894,813	\$ 164,228	\$ 4,859,265	\$ 1,291,225
2021	3,258,002	1,009,139	917,999	132,400	4,176,001	1,141,539
2022	3,113,111	906,794	937,440	97,163	4,050,551	1,003,957
2023	3,036,949	822,723	890,950	61,256	3,927,899	883,979
2024	2,644,203	733,008	309,303	26,097	2,953,506	759,105
2025 - 2029	12,822,578	2,435,902	266,313	74,773	13,088,891	2,510,675
2030 - 2034	6,775,583	507,166	231,361	29,218	7,006,944	536,384
2035 - 2039	711,585	32,824	80,055	3,693	791,640	36,517
	<u>\$ 36,326,463</u>	<u>\$ 7,574,553</u>	<u>\$ 4,528,234</u>	<u>\$ 588,828</u>	<u>\$ 40,854,697</u>	<u>\$ 8,163,381</u>

The Missouri State Constitution permits a city, by vote of two-thirds of the voting electorate, to incur general obligation indebtedness for "city purposes" not to exceed 10% of the assessed value of taxable tangible property. State statutes permit a city to incur additional general obligation indebtedness not to exceed, in the aggregate, an additional 10% of the assessed value of taxable tangible property. The purposes of this debt may be for acquiring rights-of-way, construction, extending and improving streets and avenues, and/or sanitary or storm sewer systems, and purchasing or constructing waterworks, electric or other light plants. This is provided that the total general obligation indebtedness of the City does not exceed 20% of the assessed valuation of taxable property.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

Restricted Assets

The Combined Waterworks and Sewerage System Revenue Bond Series 2010 ordinance requires the Combined Waterworks and Sewerage System be accounted for in a separate enterprise fund. It also requires that after sufficient current assets have been set aside to operate the system, all remaining monies held in the Combined Waterworks and Sewerage System Fund be segregated and restricted in separate special reserves and accounts as follows:

<u>Account</u>	<u>Restriction</u>
Reserve	Portions of the bond proceeds used to make reserve equal to \$ 250,000.
Depreciation and replacement	Monthly transfer of \$ 5,000 until reserve reaches \$ 120,000.
Surplus	All remaining monies, after payment of monthly operating expenses.

In accordance with the trust indenture, the City has obtained a surety bond in lieu of maintaining reserve accounts for the 2015 Certificates of Participation.

The City's restricted assets at year-end are as follows:

	<u>General</u>	<u>Community Center and Parks Tax</u>	<u>Transportation Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Combined Waterworks and Sewerage System</u>	<u>Total</u>
Restricted cash	\$ 122,655	\$ 242,710	\$ 1,850,310	\$ 384,515	\$ 725,660	\$ 3,325,850
Revenue bond:						
Reserve fund	-	-	-	-	250,000	250,000
Depreciation/replacement	-	-	-	-	120,000	120,000
	<u>\$ 122,655</u>	<u>\$ 242,710</u>	<u>\$ 1,850,310</u>	<u>\$ 384,515</u>	<u>\$ 1,095,660</u>	<u>\$ 3,695,850</u>

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

Capital Leases

The City acquired nine pieces of equipment for governmental activities and two pieces of equipment for business-type activities under a capital lease. To account for the governmental activities portion of the financing lease, the City charges payments made during the fiscal period as debt service in the governmental fund financial statements. In the year that the assets are acquired, the City records the present value of future lease payments as a capital outlay expenditure and as an offsetting other-financing source in the governmental fund financial statements. The present value of payments due in the future periods is shown as a liability, and the gross amount of \$ 708,943 is recorded as a capital asset, net of accumulated depreciation of \$ 387,390 in the governmental activities column of the government-wide financial statements. For business-type activities, the gross amount of \$ 478,531 is recorded as a capital asset, net of accumulated depreciation of \$ 208,539 in the proprietary fund financial statements and the business-type activities column of the government-wide financial statements. Land acquired by capital leases in the amount of \$ 1,817,375 is recorded as a capital asset in the governmental activities column of the government-wide financial statements.

In 2018, the City entered into a master equipment lease purchase agreement in the amount of \$ 7,132,000 to fund park improvements, energy savings improvements and public works improvements. As of June 30, 2019, the City has expended \$ 4,058,846 on the energy savings project, \$ 200,942 on park improvements and \$ 1,041,519 on public works improvements. These assets are recorded in construction in progress.

In 2018, the City entered into a second master equipment lease purchase agreement in the amount of \$ 3,988,000 that refunded the Series 2011 Certificates of Participation, a portion of the proceeds of which were used to finance certain equipment. The City will purchase this refinanced equipment through the new capital lease. The refinanced equipment consists of an emergency services radio system and fire truck. Refinanced equipment in the amount of \$ 2,068,725 is recorded as a capital asset, net of accumulated depreciation of \$ 1,654,980 in the governmental activities column of the government-wide financial statements.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

Capital Leases (Continued)

As of June 30, 2019, the minimum obligations under the capital lease agreement are included in the government-wide financial statements of the annual debt service requirements as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2020	\$ 1,516,974	\$ 136,256
2021	1,516,780	136,263
2022	1,545,222	137,305
2023	1,399,689	72,220
2024	1,127,313	68,201
2025 - 2029	5,640,369	341,087
2030 - 2034	3,882,752	260,580
2035 - 2039	744,414	83,747
Less: interest	<u>(3,362,115)</u>	<u>(229,159)</u>
Total	<u>\$ 14,011,398</u>	<u>\$ 1,006,500</u>

DNR Loan Payable

The City entered into a loan agreement with the Missouri Department of Natural Resources in the amount of \$ 1,092,693 plus interest of 4.0% to finance building improvements at the Community Center. The agreement requires semi-annual payments of \$ 47,038 until August 1, 2023, which includes interest.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

Bank Loans Payable

The City restructured two previously short-term notes for the purpose of funding various capital improvement projects into long-term loans payable. The land loan is due June 30, 2020 and bears interest at 3%. The farm loan is due June 5, 2021 and bears interest at 2.75%.

	Balance at June 30, 2018	Additions	Retirements	Balance at June 30, 2019
Land loan note	\$ 1,055,000	\$ -	\$ -	\$ 1,055,000
Farm loan note	266,377	-	-	266,377
	<u>\$ 1,321,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,321,377</u>

Utility Revenues Pledged

The City has pledged future water and sewer customer revenues, net of specified operating expense, to repay \$ 5,725,000 in Combined Waterworks and Sewerage System Revenue bonds issued in December 2010. Proceeds from the bonds provided financing for the construction of certain extensions and improvements to the system. The bonds are payable solely from water and sewer customer net revenues and are payable through 2023. Principal and interest remaining to be paid on the bonds is \$ 2,545,412. Principal and interest paid for the current year and net available revenue were \$ 651,850 and \$ 869,774, respectively.

9 - Cooperative Agreement for Sewerage Service

In August 1964, the City entered into a cooperative agreement for sewer service with the City of Kansas City, Missouri (Kansas City), whereby the City was given the right to discharge its sewerage into the sewers of Kansas City. In addition, the City is to pay monthly commodity and service charges. A total of \$ 4,783,875 was expensed in 2019.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Employees' Retirement System

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Employees' Retirement System (Continued)

General Information about the Pension Plan (Continued)

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

	<u>February 28, 2019 Valuation</u>
Benefit program	L-6
Final average salary	Five years
Member contributions	4%

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

Employees covered by benefit terms. At June 30, 2019, the following employees were covered by the benefit terms:

	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	133
Inactive employees entitled to but not yet receiving benefits	86
Active employees	<u>167</u>
	<u><u>386</u></u>

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Employees' Retirement System (Continued)

General Information about the Pension Plan (Continued)

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer contribute 4% of their gross pay to the pension plan. Employer contribution rates are 12.3% (General), 11.6% (Police) and 10.5% (Fire) of annual covered payroll.

Net Pension Liability (Asset)

The employer's net pension liability (asset) was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of February 28, 2019.

Actuarial assumptions. The total pension liability in the February 28, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% price inflation
Salary increase	3.25% to 6.55% including inflation component
Investment rate of return	7.25%, net of investment expenses

Mortality rates were based on the RP-2014 mortality table for males and females adjusted for mortality improvement back to the observation period base year of 2006.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Employees' Retirement System (Continued)

Net Pension Liability (Asset) (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed Income	31.00%	1.41%
Real Assets/Return	36.00%	3.29%
Strategic	8.00%	5.25%
Cash	10.00%	0.00%
Leverage	-35.00%	-0.51%

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

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

10 - Employees' Retirement System (Continued)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 6/30/2018	\$ 58,153,243	\$ 59,579,645	\$ (1,426,402)
Changes for the year:			
Service cost	1,141,810	-	1,141,810
Interest	4,150,517	-	4,150,517
Difference between expected and actual experience	(797,387)	-	(797,387)
Contributions - employer	-	1,069,080	(1,069,080)
Contributions - employee	-	348,941	(348,941)
Net investment income	-	3,926,086	(3,926,086)
Benefit payments, including refunds	(2,983,480)	(2,983,480)	-
Administrative expense	-	(40,807)	40,807
Other changes	-	(110,291)	110,291
Net changes	1,511,460	2,209,529	(698,069)
Balances at 6/30/2019	\$ 59,664,703	\$ 61,789,174	\$ (2,124,471)

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Employees' Retirement System (Continued)

Changes in the Net Pension Liability (Asset) (Continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability (asset) would be using a discount rate that is 1 percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total pension liability	\$ 68,096,692	\$ 59,664,703	\$ 52,758,068
Plan fiduciary net position	61,789,174	61,789,174	61,789,174
Net pension liability (asset)	<u>\$ 6,307,518</u>	<u>\$ (2,124,471)</u>	<u>\$ (9,031,106)</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued LAGERS financial report.

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

For the year ended June 30, 2019, the City recognized pension expense of \$ 1,425,672. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 655,659	\$ (1,159,680)
Changes in assumptions	348,917	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>(1,466,699)</u>
Total	<u>\$ 1,004,576</u>	<u>\$ (2,626,379)</u>

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Employees' Retirement System (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)

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

Year Ending June 30,	Total
2020	\$ 55,946
2021	(893,904)
2022	(639,140)
2023	(44,573)
2024	(39,006)
Thereafter	(61,126)
Total	\$ (1,621,803)

11 - Post-Employment Benefits Other Than Pensions (OPEB)

Plan Description, Benefits Provided and Contributions. The City provides for a continuation of medical, prescription drug, hearing and vision insurance benefits to employees that retire from City employment and who participate in the Missouri Local Government Employees Retirement System (LAGERS). The City provides retiree healthcare benefits through the Midwest Public Risk of Missouri (MPR), which is a risk pool comprised of approximately 59 entity members. MPR functions as an agent multiple-employer plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The plan does not issue a stand-alone report.

The City requires the retirees to pay 135% of the premiums charged to active employees. Effective July 1, 2019, this rate was changed to 145%. The rates being paid by retirees for benefits are typically lower than those for individual health insurance policies. (The retiree insurance is guaranteed issue; no medical questionnaire is required.) The difference between these amounts is the implicit rate subsidy, which is considered other post-employment benefits (OPEB) under Governmental Accounting Standards Board (GASB) Statement No. 75.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

Retirees and spouses have the same benefits as active employees. However, all retiree coverage terminates upon Medicare entitlement or if payment is not received on a timely basis. When the retiree attains Medicare eligibility age, it may be a COBRA qualifying event for the spouse.

Funding Policy. GASB Statement 75 does not require funding of the total OPEB liability, and the City has chosen not to fund it. City policy dictates the payment of retiree claims as they become due.

Employees Covered by Benefit Terms. At June 30, 2019, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefit payments	18
Active employees	177
	<hr/>
	195
	<hr/> <hr/>

Total OPEB Liability. The City's total OPEB liability of \$ 400,307 was measured as of June 30, 2019 and was determined by an actuarial valuation performed as of July 1, 2017.

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

11 - Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

Actuarial Assumptions and Other Inputs. The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount rate	3.0% end of year and 3.30% beginning of year, based on the average of the S&P Municipal Bond 20 Year High Grade and Fidelity GO AA-20 Year published yields
Medical/Rx cost trend (and retiree contribution trend)	7.50% for 2018, decreasing 0.50% per year through 2021, then decreasing 0.25% per year to an ultimate rate of 5.00% for 2025 and later years
Salary scale	3%
Future retiree enrollment	Participation in coverage for future eligible retirees is assumed to differ based on age at retirement. Rates consider MPR plan experience and other plans in the region with similar cost-sharing provisions. 25% enrollment is assumed for those retiring before age 55. 35% enrollment is assumed for those retiring from age 55 to 59. 45% enrollment is assumed for those retiring from age 60 to 64. 50% of the listed rates are assumed to apply to those currently waiving health insurance coverage.
Medical plan elections	Based on a weighting of current plan elections, the average is valued for projected retirees.
Mortality	Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality table with MP-2019 Full Generational Improvement
Retirement due to disability	Assumed disability rates are based on rates used for the LAGERS pension actuarial valuation.
Future spousal participation	25% of future participating retirees are assumed to have a covered spouse. Actual spouse elections were valued for current retirees.
Spouse age difference	Males are assumed to be three years older than their female spouses for future retirees. Actual spouse age was valued for spouses of current retirees.
Actuarial cost method	Entry Age Normal - Level Percent-of-Pay

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

Changes in the Total OPEB Liability.

	Total OPEB Liability
Balance at June 30, 2018	\$ 649,450
Changes for the year:	
Service cost	43,360
Interest	22,170
Changes of benefit terms	(120,472)
Differences between expected and actual experience	(168,357)
Changes in assumptions and inputs	16,156
Employer contributions	(42,000)
Net changes	(249,143)
Balance at June 30, 2019	\$ 400,307

Several changes to assumptions are reflected above. The discount rate was changed from 3.4% to 3.3% and 3.0% for the beginning and end of year measurements, respectively. The actuarial cost method was changed from the Projected Unit Credit Method to Entry Age Normal – Level Percent-of-Pay Method as mandated by GASB 75. The assumed proportion of future employees electing retiree insurance coverage was lowered from 30% (retirement ages <55), 40% (retirement ages 55 to 59) and 50% (retirement ages 60 to 64) to 25%, 35%, and 45%, respectively.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.0%)	Discount Rate (3.0%)	1% Increase (4.0%)
Total OPEB liability	\$ 437,922	\$ 400,307	\$ 366,485

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following represents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.5% Grading to 4%)	Healthcare Cost Trend Rates (7.5% Grading to 5%)	1% Increase (8.5% Grading to 6%)
Total OPEB liability	\$ 362,192	\$ 400,307	\$ 444,841

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2019, the City recognized OPEB expense of \$ (67,893). At June 30, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (165,198)
Changes in assumptions	19,314	-
Total	<u>\$ 19,314</u>	<u>\$ (165,198)</u>

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

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

Year Ended June 30,	
2020	\$ (12,951)
2021	(12,951)
2022	(12,951)
2023	(12,951)
2024	(12,951)
Thereafter	(81,129)
	<u>\$ (145,884)</u>

12 - Interfund Activity

Interfund transfers for the year ended June 30, 2019 consisted of the following:

	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Funds:		
General	\$ 333,338	\$ 106,012
Community Center and Parks Tax	-	749,500
Transportation Sales Tax	100,000	100,000
Nonmajor governmental	755,512	233,338
	<u>\$ 1,188,850</u>	<u>\$ 1,188,850</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the fund paying debt service, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Interfund Activity (Continued)

The Combined Waterworks and Sewer System Fund reimbursed the General Fund for administrative services in the amount of \$ 1,085,000 during fiscal year 2019. The Capital Improvement Sales Tax Fund and the Transportation Sales Tax Fund reimbursed the General Fund for administrative services in the amount of \$ 100,000 each during fiscal year 2019. Any reimbursements within the governmental funds have been eliminated in the statement of activities.

13 - Commitments and Contingencies

Risk Management

The City is exposed to various risks of loss related to torts; damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits.

The City is a member of the Midwest Public Risk of Missouri (MPR), a not-for-profit corporation consisting of local governments and political subdivisions. MPR was formed as a public entity risk retention pool operating as a common risk management and insurance program to cover health and dental, workers' compensation, and property and casualty claims for its members. MPR has been established as assessable pools and accounting records are maintained for each line of coverage on a policy year basis. The City pays annual premiums to MPR for all coverage. The agreement with MPR provides that MPR will be self-sustaining through member premiums. MPR has the authority to assess members for any deficiencies of revenues under expense for any single plan year. Likewise, MPR has the authority to declare refunds to members for the excess of revenues over expense relating to any single plan year. Losses have not been in excess of premiums in any of the past three fiscal years for the workers compensation, property and casualty programs.

Construction Commitments

As of June 30, 2019, the City had construction commitments outstanding totaling approximately \$ 3,337,000.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

13 - Commitments and Contingencies (Continued)

Industrial Revenue Bonds

The City has issued industrial revenue bonds to finance the purchase of land and construction of facilities leased to local businesses. The lease agreements provide for rentals sufficient to service the related bonds. The debt service on these issues is paid solely from lease agreements; these issues do not constitute a debt of the City. The lessees have the option of purchasing the leased properties at any time during the lease periods for amounts sufficient to retire the related outstanding bonds. At the end of the lease periods, which conform to bond maturity schedules, the lessees may either purchase the property for a nominal amount or renew the leases annually at nominal amounts. As of June 30, 2019, the amount approved to be borrowed was \$ 60,370,000, of which \$ 56,958,796 had been drawn down.

14 - Municipal Court Traffic Violations, Fines and Costs

Missouri Senate Bill No. 5 replacing RSMo Section 302.341 became effective on August 28, 2015. The Statute requires municipalities to report total annual revenue; general operating revenue; total revenue from fines, bond forfeitures and court costs for minor traffic violations; and the percent of general operating revenue from fines, bond forfeitures and court costs for minor traffic violations as defined by section 479.350. Total revenue for the City for fiscal year 2019 totaled \$ 38,627,215. Total general operating revenue totaled \$ 18,235,814. Revenue from fines, bond forfeitures and court costs for minor traffic violations totaled \$ 382,918 or 2.1% of the operating revenues of the general fund.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

15 - Tax Abatements

The City of Gladstone, Missouri and Clay County, Missouri enter into property tax abatement agreements with local businesses for the purpose of attracting businesses within their jurisdictions. These agreements impact local municipalities, including the City. For the fiscal year ended June 30, 2019, abated property taxes that impacted the City totaled \$ 120,639, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A property tax abatement to a real estate development, construction, and property management company. The City's portion of the abatement amounted to \$ 47,322.
- A property tax abatement to a commercial real estate broker and property management company. The City's portion of the abatement amounted to \$ 20,474.
- A property tax abatement to a real estate development and property management company. The City's portion of the abatement amounted to \$ 52,843.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 10,958,050	\$ 11,163,050	\$ 10,864,876	\$ (298,174)
Licenses and permits	702,550	682,550	593,705	(88,845)
Intergovernmental	1,341,500	1,371,500	1,362,035	(9,465)
Charges for services	3,274,100	3,758,100	3,797,228	39,128
Fines and forfeitures	959,500	754,500	691,486	(63,014)
Interest and other	830,500	897,500	929,710	32,210
Total revenues	18,066,200	18,627,200	18,239,040	(388,160)
Expenditures:				
Current:				
General administration	1,366,603	1,398,603	1,259,288	139,315
Finance	1,529,243	1,568,783	1,462,817	105,966
Public safety	8,335,513	8,360,513	8,225,630	134,883
Public works	2,378,188	2,436,688	2,382,978	53,710
Community development	816,603	805,103	732,880	72,223
Parks, recreation and facilities	2,490,196	2,898,371	2,825,986	72,385
Nondepartmental	880,976	890,976	1,096,394	(205,418)
Debt service	339,980	339,980	317,646	22,334
Total expenditures subject to budget	18,137,302	18,699,017	18,303,619	395,398
Excess (deficiency) of revenues over (under) expenditures	(71,102)	(71,817)	(64,579)	7,238
Other financing sources (uses):				
Transfers in	206,012	206,012	106,012	(100,000)
Transfers out	(130,000)	(130,000)	(333,338)	(203,338)
Total other financing sources (uses)	76,012	76,012	(227,326)	(303,338)
Net change in fund balances	\$ 4,910	\$ 4,195	(291,905)	\$ (296,100)
Fund balances, beginning of year			6,300,832	
Fund balances, end of year - General Fund only			6,008,927	
Fund balances for non-budgeted funds included with the General Fund on GAAP basis financials:				
Assistance to Firefighters			419	
POST Training Funds			5,621	
Bullet Proof Vest			256	
Police County Grant			838	
Municipal Court Reimbursements			583	
Private Contributions			6,613	
			<u>\$ 6,023,257</u>	

Note to Required Supplementary Information:

GAAP is the budgetary basis used to prepare this schedule.

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

COMMUNITY CENTER AND PARKS TAX FUND

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 874,000	\$ 874,000	\$ 858,104	\$ (15,896)
Intergovernmental	700,000	700,000	700,000	-
Charges for services	1,312,325	1,304,825	1,505,772	200,947
Interest and other	309,700	305,700	61,329	(244,371)
Total revenues	<u>3,196,025</u>	<u>3,184,525</u>	<u>3,125,205</u>	<u>(59,320)</u>
Expenditures:				
Current:				
Parks and recreation	1,851,257	1,944,901	1,882,905	61,996
Nondepartmental	143,549	143,549	117,767	25,782
Capital outlay	-	-	31,937	(31,937)
Debt service	2,137,590	2,137,590	2,138,045	(455)
Total expenditures	<u>4,132,396</u>	<u>4,226,040</u>	<u>4,170,654</u>	<u>55,386</u>
Excess (deficiency) of revenues over (under) expenditures	(936,371)	(1,041,515)	(1,045,449)	(3,934)
Other financing sources:				
Transfers in	936,585	1,041,515	749,500	(292,015)
Net change in fund balances	<u>\$ 214</u>	<u>\$ -</u>	<u>(295,949)</u>	<u>\$ (295,949)</u>
Fund balances, beginning of year			<u>1,895,397</u>	
Fund balances, end of year			<u>\$ 1,599,448</u>	

Note to Required Supplementary Information:

GAAP is the budgetary basis used to prepare this schedule.

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

LAST 10 FISCAL YEARS

<u>Fiscal year ending June 30,</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability					
Service cost	\$ 1,141,810	\$ 1,120,840	\$ 1,135,205	\$ 1,130,300	\$ 1,194,042
Interest on the total pension liability	4,150,517	3,940,199	3,762,152	3,508,824	3,420,115
Benefit changes	-	-	-	-	(205,015)
Difference between expected and actual experience	(797,387)	609,418	207,596	99,819	(781,702)
Assumption changes	-	-	-	1,423,577	-
Benefit payments	(2,983,480)	(2,583,146)	(2,698,966)	(2,643,519)	(2,110,927)
Refunds	-	-	-	-	-
Net change in total pension liability	1,511,460	3,087,311	2,405,987	3,519,001	1,516,513
Total pension liability beginning	58,153,243	55,065,932	52,659,945	49,140,944	47,624,431
Total pension liability ending	<u>\$ 59,664,703</u>	<u>\$ 58,153,243</u>	<u>\$ 55,065,932</u>	<u>\$ 52,659,945</u>	<u>\$ 49,140,944</u>
Plan fiduciary net position					
Contributions-employer	\$ 1,069,080	\$ 1,027,899	\$ 943,117	\$ 960,661	\$ 1,173,376
Contributions-employee	348,941	351,038	341,893	352,610	358,742
Pension plan net investment income	3,926,086	6,531,803	5,854,999	(100,641)	1,067,162
Benefit payments	(2,983,480)	(2,583,146)	(2,698,966)	(2,643,519)	(2,110,927)
Refunds	-	-	-	-	-
Pension plan administrative expense	(40,807)	(27,914)	(26,886)	(26,162)	(28,800)
Other	(110,291)	(104,539)	(301,465)	300,878	(173,694)
Net change in plan fiduciary net position	2,209,529	5,195,141	4,112,692	(1,156,173)	285,859
Plan fiduciary net position beginning	59,579,645	54,384,504	50,271,812	51,427,985	51,142,126
Plan fiduciary net position ending	<u>\$ 61,789,174</u>	<u>\$ 59,579,645</u>	<u>\$ 54,384,504</u>	<u>\$ 50,271,812</u>	<u>\$ 51,427,985</u>
Employer net pension liability (asset)	<u>\$ (2,124,471)</u>	<u>\$ (1,426,402)</u>	<u>\$ 681,428</u>	<u>\$ 2,388,133</u>	<u>\$ (2,287,041)</u>
Plan fiduciary net position as a percentage of the total pension liability	103.56%	102.45%	98.76%	95.46%	104.65%
Covered payroll	\$ 8,440,679	\$ 8,938,358	\$ 8,402,538	\$ 8,724,094	\$ 8,673,804
Employer's net pension liability (asset) as a percentage of covered payroll	-25.17%	-15.96%	8.11%	27.37%	-26.37%

Note to Required Supplementary Information:

Data from fiscal year 2010 through fiscal year 2014 is unavailable.

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF CONTRIBUTIONS

PENSION PLAN

LAST 10 FISCAL YEARS

	2019	2018	2017
Actuarially determined contribution	\$ 1,066,219	\$ 1,028,238	\$ 943,053
Contributions in relation to the actuarially determined contribution	<u>1,066,181</u>	<u>1,019,461</u>	<u>943,052</u>
Contribution deficiency (excess)	<u>\$ 38</u>	<u>\$ 8,777</u>	<u>\$ 1</u>
Covered payroll	\$ 8,701,070	\$ 8,698,232	\$ 8,546,692
Contributions as a percentage of covered payroll	12.25%	11.72%	11.03%

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 960,730	\$ 1,197,337	\$ 1,267,715	\$ 1,299,311	\$ 1,128,523	\$ 1,175,968	\$ 799,805
<u>960,729</u>	<u>1,173,393</u>	<u>1,175,830</u>	<u>1,060,786</u>	<u>932,147</u>	<u>849,202</u>	<u>799,804</u>
<u>\$ 1</u>	<u>\$ 23,944</u>	<u>\$ 91,885</u>	<u>\$ 238,525</u>	<u>\$ 196,376</u>	<u>\$ 326,766</u>	<u>\$ 1</u>
\$ 8,815,888	\$ 8,968,735	\$ 9,064,676	\$ 8,852,298	\$ 8,495,651	\$ 8,487,339	\$ 8,877,498
10.90%	13.08%	12.97%	11.98%	10.97%	10.01%	9.01%

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Last Two Fiscal Years*

	2019	2018
Total OPEB liability:		
Service cost	\$ 43,360	\$ 49,710
Interest	22,170	26,067
Changes in benefit terms	(120,472)	(110,059)
Differences between actual and expected experience	(168,357)	(12,557)
Changes of assumptions	16,156	5,336
Employer contributions	(42,000)	(52,000)
Net change in total OPEB liability	(249,143)	(93,503)
Total OPEB liability, beginning	649,450	742,953
Total OPEB liability, ending	<u>\$ 400,307</u>	<u>\$ 649,450</u>
Covered payroll	\$ 8,241,207	\$ 8,689,809
City's total OPEB liability as a percentage of covered payroll	4.86%	7.47%

*GASB 75 requires the presentation of 10 years. Data was not available prior to fiscal year 2018. Therefore, 10 years of data is unavailable.

OTHER SUPPLEMENTARY INFORMATION

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

TRANSPORTATION SALES TAX FUND

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 1,710,000	\$ 1,710,000	\$ 1,716,225	\$ 6,225
Intergovernmental	308,000	308,000	780,906	472,906
Interest and other	10,000	10,000	10,130	130
Total revenues	<u>2,028,000</u>	<u>2,028,000</u>	<u>2,507,261</u>	<u>479,261</u>
Expenditures:				
Capital outlay	2,637,880	3,046,242	2,238,803	807,439
Debt service	556,900	556,900	561,820	(4,920)
Nondepartmental	100,000	100,000	219,081	(119,081)
Total expenditures	<u>3,294,780</u>	<u>3,703,142</u>	<u>3,019,704</u>	<u>683,438</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,266,780)</u>	<u>(1,675,142)</u>	<u>(512,443)</u>	<u>1,162,699</u>
Other financing sources (uses):				
Transfers in	100,000	200,000	100,000	(100,000)
Transfers out	(100,000)	(100,000)	(100,000)	-
Total other financing sources (uses)	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Net change in fund balances	<u>\$ (1,266,780)</u>	<u>\$ (1,575,142)</u>	<u>(512,443)</u>	<u>\$ 1,062,699</u>
Fund balances, beginning of year			<u>3,116,218</u>	
Fund balances, end of year			<u>\$ 2,603,775</u>	

CITY OF GLADSTONE, MISSOURI

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2019

	Special Revenue Funds					
	Special Park and Playground	Public Safety Sales Tax	N. Oak Land Lease	Pleasant Valley Road	Capital Improvement Sales Tax	Technology Replacement
Assets:						
Cash and investments	\$ 6,702	\$ 125,705	\$ 163,357	\$ 271,554	\$ 286,760	\$ 80,778
Receivables:						
Accounts	-	-	-	-	-	-
Taxes	-	133,377	-	-	266,771	-
Accrued interest	-	833	-	-	1,109	-
Prepaid items	-	400	-	-	-	-
Restricted assets:						
Cash and investments	-	-	-	-	217,441	-
Total assets	<u>\$ 6,702</u>	<u>\$ 260,315</u>	<u>\$ 163,357</u>	<u>\$ 271,554</u>	<u>\$ 772,081</u>	<u>\$ 80,778</u>
Liabilities and fund balances:						
Liabilities:						
Accounts payable	\$ -	\$ 19,776	\$ -	\$ 23,386	\$ 122,378	\$ -
Contracts payable	-	-	-	-	4,151	-
Accrued liabilities	-	17,627	-	-	-	-
Unearned revenue	-	-	-	491,208	-	-
Total liabilities	<u>-</u>	<u>37,403</u>	<u>-</u>	<u>514,594</u>	<u>126,529</u>	<u>-</u>
Fund balances:						
Nonspendable:						
Prepaid items	-	400	-	-	-	-
Restricted:						
Capital improvements	-	-	-	-	645,552	-
Public safety - operations	-	222,512	-	-	-	-
Land purchases	-	-	163,357	-	-	-
Committed:						
City parks and playgrounds	6,702	-	-	-	-	-
Assigned:						
Technology/equipment replacement	-	-	-	-	-	80,778
Unassigned	-	-	-	(243,040)	-	-
Total fund balances	<u>6,702</u>	<u>222,912</u>	<u>163,357</u>	<u>(243,040)</u>	<u>645,552</u>	<u>80,778</u>
Total liabilities and fund balances	<u>\$ 6,702</u>	<u>\$ 260,315</u>	<u>\$ 163,357</u>	<u>\$ 271,554</u>	<u>\$ 772,081</u>	<u>\$ 80,778</u>

Capital Projects Funds							
Equipment Replacement	2015 COP	2011 COP	AMR COP	Community Center Renovations	Economic Development	Animal Control Donation	Totals
\$ 103,627	\$ 43,656	\$ -	\$ -	\$ 6,124	\$ 14,011	\$ -	\$ 1,102,274
-	-	-	-	-	226	-	226
63,583	-	-	-	-	-	-	463,731
2,495	-	-	-	-	-	-	4,437
-	-	-	-	-	-	-	400
-	-	13,146	1,164	-	-	152,764	384,515
<u>\$ 169,705</u>	<u>\$ 43,656</u>	<u>\$ 13,146</u>	<u>\$ 1,164</u>	<u>\$ 6,124</u>	<u>\$ 14,237</u>	<u>\$ 152,764</u>	<u>\$ 1,955,583</u>
\$ -	\$ 7,414	\$ -	\$ -	\$ -	\$ 14,237	\$ -	\$ 187,191
-	-	13,146	-	-	-	-	17,297
-	-	-	-	-	-	-	17,627
-	-	-	-	-	-	-	491,208
-	7,414	13,146	-	-	14,237	-	713,323
-	-	-	-	-	-	-	400
-	36,242	-	1,164	6,124	-	152,764	841,846
-	-	-	-	-	-	-	222,512
-	-	-	-	-	-	-	163,357
-	-	-	-	-	-	-	6,702
169,705	-	-	-	-	-	-	250,483
-	-	-	-	-	-	-	(243,040)
<u>169,705</u>	<u>36,242</u>	<u>-</u>	<u>1,164</u>	<u>6,124</u>	<u>-</u>	<u>152,764</u>	<u>1,242,260</u>
<u>\$ 169,705</u>	<u>\$ 43,656</u>	<u>\$ 13,146</u>	<u>\$ 1,164</u>	<u>\$ 6,124</u>	<u>\$ 14,237</u>	<u>\$ 152,764</u>	<u>\$ 1,955,583</u>

CITY OF GLADSTONE, MISSOURI

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2019

	Special Revenue Funds					
	Special Park and Playground	Public Safety Sales Tax	N. Oak Land Lease	Pleasant Valley Road	Capital Improvement Sales Tax	Technology Replacement
Revenues:						
Taxes	\$ -	\$ 858,079	\$ -	\$ -	\$ 1,716,225	\$ -
Intergovernmental	-	-	-	348,231	-	-
Charges for services	250	-	-	-	75	-
Interest	-	9,368	-	-	60,351	-
Other	-	-	-	138,477	42,345	-
Total revenues	250	867,447	-	486,708	1,818,996	-
Expenditures:						
Current:						
Public safety	-	555,849	-	-	-	-
Public works	-	-	-	5,657	-	-
Community development	-	-	-	-	-	-
Nondepartmental	-	31,482	-	-	100,000	32,528
Capital outlay	-	96,800	-	540,827	691,278	-
Debt service:						
Principal	-	183,604	-	-	522,469	-
Interest and fiscal charges	-	22,508	-	-	248,703	-
Total expenditures	-	890,243	-	546,484	1,562,450	32,528
Excess (deficit) of revenues over (under) expenditures	250	(22,796)	-	(59,776)	256,546	(32,528)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(649,500)	(70,882)
Total other financing sources (uses)	-	-	-	-	(649,500)	(70,882)
Net changes in fund balances	250	(22,796)	-	(59,776)	(392,954)	(103,410)
Fund balances (deficit), beginning of year	6,452	245,708	163,357	(183,264)	1,038,506	184,188
Fund balances (deficit), end of year	\$ 6,702	\$ 222,912	\$ 163,357	\$ (243,040)	\$ 645,552	\$ 80,778

Capital Projects Funds							
Equipment Replacement	2015 COP	2011 COP	AMR COP	Community Center Renovations	Economic Development	Animal Control Donation	Totals
\$ 408,032	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,982,336
-	-	-	-	-	999	-	349,230
-	-	-	-	-	-	-	325
26,797	7,483	-	-	-	-	-	103,999
54,118	7,000	-	-	-	-	-	241,940
488,947	14,483	-	-	-	999	-	3,677,830
-	-	-	-	-	-	-	555,849
-	-	-	-	-	-	-	5,657
-	-	-	-	-	198,351	-	198,351
-	-	-	-	-	-	-	164,010
2,404,578	525,541	-	-	4,875	30,486	-	4,294,385
22,703	-	-	-	-	-	-	728,776
2,890	-	-	-	-	-	-	274,101
2,430,171	525,541	-	-	4,875	228,837	-	6,221,129
(1,941,224)	(511,058)	-	-	(4,875)	(227,838)	-	(2,543,299)
-	-	-	-	-	233,338	-	233,338
(35,130)	-	-	-	-	-	-	(755,512)
(35,130)	-	-	-	-	233,338	-	(522,174)
(1,976,354)	(511,058)	-	-	(4,875)	5,500	-	(3,065,473)
2,146,059	547,300	-	1,164	10,999	(5,500)	152,764	4,307,733
\$ 169,705	\$ 36,242	\$ -	\$ 1,164	\$ 6,124	\$ -	\$ 152,764	\$ 1,242,260

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

SPECIAL PARK AND PLAYGROUND FUND

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
Revenues:				
Lot fees	\$ 750	\$ 750	\$ 250	\$ (500)
Interest	15	15	-	(15)
Total revenues	765	765	250	(515)
Expenditures:				
Nondepartmental	-	-	-	-
Net change in fund balances	\$ 765	\$ 765	250	\$ (515)
Fund balances, beginning of year			6,452	
Fund balances, end of year			\$ 6,702	

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

PUBLIC SAFETY SALES TAX FUND

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 874,000	\$ 874,000	\$ 858,079	\$ (15,921)
Equity adjustment	44,086	71,686	-	(71,686)
Interest	4,500	4,500	9,368	4,868
Total revenues	<u>922,586</u>	<u>950,186</u>	<u>867,447</u>	<u>(82,739)</u>
Expenditures:				
Public safety	643,703	667,283	555,849	111,434
Nondepartmental	42,948	46,968	31,482	15,486
Capital outlay	-	-	96,800	(96,800)
Debt service	235,935	235,935	206,112	29,823
Total expenditures	<u>922,586</u>	<u>950,186</u>	<u>890,243</u>	<u>59,943</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(22,796)	<u>\$ (22,796)</u>
Fund balances, beginning of year			<u>245,708</u>	
Fund balances, end of year			<u>\$ 222,912</u>	

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

CAPITAL IMPROVEMENT SALES TAX FUND

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 1,710,000	\$ 1,710,000	\$ 1,716,225	\$ 6,225
Charges for services	-	-	75	75
Interest and other	8,000	8,000	102,696	94,696
Total revenues	<u>1,718,000</u>	<u>1,718,000</u>	<u>1,818,996</u>	<u>100,996</u>
Expenditures:				
Nondepartmental	100,000	100,000	100,000	-
Capital outlay	827,126	1,483,893	691,278	792,615
Debt service	741,205	741,205	771,172	(29,967)
Total expenditures	<u>1,668,331</u>	<u>2,325,098</u>	<u>1,562,450</u>	<u>762,648</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49,669</u>	<u>(607,098)</u>	<u>256,546</u>	<u>863,644</u>
Other financing sources (uses):				
Transfers in	400,000	400,000	-	(400,000)
Transfers out	(652,500)	(652,500)	(649,500)	3,000
Total other financing sources (uses)	<u>(252,500)</u>	<u>(252,500)</u>	<u>(649,500)</u>	<u>(397,000)</u>
Net change in fund balances	<u>\$ (202,831)</u>	<u>\$ (859,598)</u>	<u>(392,954)</u>	<u>\$ 466,644</u>
Fund balances, beginning of year			<u>1,038,506</u>	
Fund balances, end of year			<u>\$ 645,552</u>	

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

EQUIPMENT REPLACEMENT FUND

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 380,000	\$ 455,000	\$ 408,032	\$ (46,968)
Equity adjustment	-	1,520,000	-	(1,520,000)
Interest and other	78,000	100,500	80,915	(19,585)
Total revenues	<u>458,000</u>	<u>2,075,500</u>	<u>488,947</u>	<u>(1,586,553)</u>
Expenditures:				
Capital outlay	300,000	2,505,370	2,404,578	100,792
Debt service	29,815	29,815	25,593	4,222
Total expenditures	<u>329,815</u>	<u>2,535,185</u>	<u>2,430,171</u>	<u>105,014</u>
Excess (deficiency) of revenues over (under) expenditures	<u>128,185</u>	<u>(459,685)</u>	<u>(1,941,224)</u>	<u>(1,481,539)</u>
Other financing sources (uses):				
Transfers in	-	63,357	-	(63,357)
Transfers out	(313,500)	(35,130)	(35,130)	-
Total other financing sources (uses)	<u>(313,500)</u>	<u>28,227</u>	<u>(35,130)</u>	<u>(63,357)</u>
Net change in fund balances	<u>\$ (185,315)</u>	<u>\$ (431,458)</u>	<u>(1,976,354)</u>	<u>\$ (1,544,896)</u>
Fund balances, beginning of year			<u>2,146,059</u>	
Fund balances, end of year			<u>\$ 169,705</u>	

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
General administration:				
Personnel services	\$ 942,708	\$ 942,708	\$ 807,043	\$ 135,665
Supplies operation/maintenance	65,657	63,059	58,890	4,169
Services operation/maintenance	358,238	392,836	393,355	(519)
Total general administration	1,366,603	1,398,603	1,259,288	139,315
Finance:				
Personnel services	1,066,848	1,066,848	970,236	96,612
Supplies operation/maintenance	36,340	41,515	27,048	14,467
Services operation/maintenance	365,120	399,485	410,807	(11,322)
Capital	60,935	60,935	54,726	6,209
Total finance	1,529,243	1,568,783	1,462,817	105,966
Public safety:				
Personnel services	7,662,959	7,662,959	7,534,394	128,565
Supplies operation/maintenance	315,086	335,339	313,793	21,546
Services operation/maintenance	290,468	295,215	305,545	(10,330)
Capital	67,000	67,000	71,898	(4,898)
Total public safety	8,335,513	8,360,513	8,225,630	134,883
Public works:				
Personnel services	1,288,948	1,288,948	1,259,174	29,774
Supplies operation/maintenance	276,400	339,924	331,617	8,307
Services operation/maintenance	762,840	757,816	738,122	19,694
Capital	50,000	50,000	54,065	(4,065)
Total public works	2,378,188	2,436,688	2,382,978	53,710
Community development:				
Personnel services	644,179	644,179	655,384	(11,205)
Supplies operation/maintenance	15,314	14,869	13,667	1,202
Services operation/maintenance	157,110	146,055	63,829	82,226
Total community development	816,603	805,103	732,880	72,223
Parks, recreation and facilities:				
Personnel services	1,214,978	1,214,978	1,088,587	126,391
Supplies operation/maintenance	319,917	306,782	290,945	15,837
Services operation/maintenance	942,301	1,363,611	1,433,454	(69,843)
Capital	13,000	13,000	13,000	-
Total parks, recreation and facilities	2,490,196	2,898,371	2,825,986	72,385
Nondepartmental:				
Personnel services	21,248	21,248	-	21,248
Supplies operation/maintenance	19,395	19,395	14,318	5,077
Services operation/maintenance	840,333	850,333	701,984	148,349
Capital	-	-	380,092	(380,092)
Total nondepartmental	880,976	890,976	1,096,394	(205,418)
Debt service:				
Principal	220,135	220,135	220,180	(45)
Interest and fiscal charges	119,845	119,845	97,466	22,379
Total debt service	339,980	339,980	317,646	22,334
Total expenditures	\$ 18,137,302	\$ 18,699,017	\$ 18,303,619	\$ 395,398

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT

COMBINED WATERWORKS AND SEWERAGE SYSTEM FUND

Year Ended June 30, 2019

Water production:	
Personnel services	\$ 563,772
Materials and supplies	215,824
Services operation and maintenance	566,929
Depreciation	<u>124,358</u>
Total water production	<u>1,470,883</u>
Water operations and maintenance:	
Personnel services	550,883
Materials and supplies	175,428
Services operation and maintenance	66,597
Depreciation	<u>778,753</u>
Total water operations and maintenance	<u>1,571,661</u>
Sewer collection:	
Personnel services	220,226
Materials and supplies	24,434
Services operation and maintenance	140,967
Depreciation	<u>112,010</u>
Total sewer collection	<u>497,637</u>
Nondepartmental:	
Services operation and maintenance:	
Charges for administrative services	1,085,000
Other	240,547
Sewer treatment commodity charges:	
Sewer treatment commodity charges	3,189,355
Sewer treatment service charges	<u>1,594,520</u>
Total nondepartmental	<u>6,109,422</u>
Total operating expenses	<u><u>\$ 9,649,603</u></u>

CITY OF GLADSTONE, MISSOURI

BALANCE SHEET

DISCRETELY PRESENTED COMPONENT UNIT - SPECIAL ROAD DISTRICT #3

June 30, 2019

Assets:	
Cash and investments	\$ 209,829
Receivables:	
Accounts	<u>1,894</u>
Total assets	<u><u>\$ 211,723</u></u>
Liabilities:	
Due to primary government	\$ 61,983
Fund balances:	
Assigned	<u>149,740</u>
Total liabilities and fund balances	<u><u>\$ 211,723</u></u>

CITY OF GLADSTONE, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

DISCRETELY PRESENTED COMPONENT UNIT - SPECIAL ROAD DISTRICT #3

Year Ended June 30, 2019

Revenues:	
Interest	\$ 1,451
Intergovernmental	382,675
Miscellaneous	<u>15,894</u>
Total revenues	400,020
Expenditures:	
Public works	<u>380,043</u>
Net change in fund balances	19,977
Fund balances, beginning of year	<u>129,763</u>
Fund balances, end of year	<u><u>\$ 149,740</u></u>

STATISTICAL SECTION



STATISTICAL SECTION

This part of the City of Gladstone's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Table</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1-4
Revenue Capacity	
These schedules contain information to help the reader assess the City's two most significant local revenue sources: sales tax and property tax.	5-10
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	11-15
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	16-17
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	18-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1

CITY OF GLADSTONE, MISSOURI
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets										
Restricted	\$ 41,754,374	\$ 38,233,638	\$ 32,974,728	\$ 30,676,252	\$ 32,524,120	\$ 35,727,276	\$ 31,873,366	\$ 37,952,358	\$ 43,389,680	\$ 46,993,069
Unrestricted	4,941,594	11,621,582	8,556,628	4,972,781	6,503,334	4,520,774	8,363,510	4,027,631	5,033,822	5,263,177
Total governmental activities net position	12,576,880	5,747,164	10,051,980	12,191,985	8,295,637	12,243,367	11,716,946	10,771,366	7,762,458	4,191,528
	<u>\$ 59,272,848</u>	<u>\$ 55,602,484</u>	<u>\$ 51,583,336</u>	<u>\$ 47,841,018</u>	<u>\$ 47,323,091</u>	<u>\$ 52,491,417</u>	<u>\$ 51,953,822</u>	<u>\$ 52,751,355</u>	<u>\$ 56,185,960</u>	<u>\$ 56,447,774</u>
Business-type activities										
Net investment in capital assets										
Restricted	\$ 17,917,985	\$ 17,546,621	\$ 17,376,922	\$ 16,675,229	\$ 17,189,313	\$ 16,866,426	\$ 16,580,051	\$ 17,087,564	\$ 17,417,954	\$ 17,925,744
Unrestricted	624,000	385,821	617,651	370,000	370,000	370,000	370,000	370,000	548,449	417,385
Total business-type activities net position	812,067	1,737,742	2,140,725	3,120,025	2,615,834	2,882,662	3,067,786	2,900,879	3,267,013	3,760,060
	<u>\$ 19,354,052</u>	<u>\$ 19,670,184</u>	<u>\$ 20,135,298</u>	<u>\$ 20,165,254</u>	<u>\$ 20,175,147</u>	<u>\$ 20,119,088</u>	<u>\$ 20,017,837</u>	<u>\$ 20,358,443</u>	<u>\$ 21,233,416</u>	<u>\$ 22,103,189</u>
Primary government										
Net investment in capital assets										
Restricted	\$ 59,672,359	\$ 55,780,259	\$ 50,351,650	\$ 47,351,481	\$ 49,713,433	\$ 52,593,702	\$ 48,453,417	\$ 55,039,922	\$ 60,807,634	\$ 64,918,813
Unrestricted	5,565,594	12,007,503	9,174,279	5,342,781	6,873,334	4,890,774	8,733,510	4,397,631	5,582,271	5,680,562
Total primary government net position	13,388,947	7,484,906	12,192,705	15,312,010	10,911,471	15,126,029	14,784,732	13,672,245	11,029,471	7,951,588
	<u>\$ 78,626,900</u>	<u>\$ 75,272,668</u>	<u>\$ 71,718,634</u>	<u>\$ 68,006,272</u>	<u>\$ 67,498,238</u>	<u>\$ 72,610,505</u>	<u>\$ 71,971,659</u>	<u>\$ 73,109,798</u>	<u>\$ 77,419,376</u>	<u>\$ 78,550,963</u>

Table 2

CITY OF GLADSTONE, MISSOURI
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General administration	\$ 1,306,284	\$ 1,371,811	\$ 1,361,450	\$ 1,456,240	\$ 1,494,557	\$ 1,381,212	\$ 3,112,931	\$ 3,601,704	\$ 1,543,844	\$ 1,627,689
Finance	1,633,195	1,635,081	1,682,342	1,869,745	1,886,037	1,780,840	1,745,884	1,691,370	1,682,594	1,760,928
Public safety	8,330,546	8,699,634	9,677,646	9,254,469	9,829,948	9,707,806	8,608,897	8,811,892	10,415,792	10,433,075
Public works	9,302,787	9,528,841	9,576,133	8,520,439	4,365,424	4,586,811	4,595,908	4,464,708	4,764,127	4,875,857
Community development	1,985,669	3,095,114	2,801,123	1,941,859	1,932,188	1,557,093	1,360,449	1,759,592	1,477,412	1,474,100
Parks and recreation	4,132,732	4,258,868	4,405,182	4,514,642	4,895,716	4,725,326	5,201,436	5,203,180	5,180,568	5,614,862
Interest on long-term debt	1,534,003	1,436,455	1,612,218	1,518,858	2,090,518	1,529,352	1,636,132	1,135,567	1,332,567	1,204,735
Total governmental activities expenses	28,225,216	30,025,804	30,316,094	29,076,252	26,494,388	25,268,440	26,261,637	26,668,013	26,396,904	26,991,246
Business-type activities:										
Waterworks and sewerage	6,397,456	6,936,143	7,664,777	7,817,612	8,438,746	8,784,161	9,120,325	9,317,047	9,602,029	9,814,772
Total business-type activities expenses	6,397,456	6,936,143	7,664,777	7,817,612	8,438,746	8,784,161	9,120,325	9,317,047	9,602,029	9,814,772
Total primary government expenses	\$ 34,622,672	\$ 36,961,947	\$ 37,980,871	\$ 36,893,864	\$ 34,933,134	\$ 34,052,601	\$ 35,381,962	\$ 35,985,060	\$ 35,998,933	\$ 36,806,018
Program Revenues										
Governmental activities:										
Charges for services:										
General administration	\$ 939,804	\$ 959,596	\$ 942,389	\$ 939,518	\$ 1,135,430	\$ 1,256,892	\$ 1,265,527	\$ 1,274,444	\$ 1,375,849	\$ 1,378,278
Finance	388,810	311,671	214,643	234,198	254,020	268,392	264,935	276,505	305,938	292,405
Public safety	2,188,038	2,120,122	2,161,244	2,120,354	2,147,414	2,302,485	1,811,671	1,915,122	1,873,707	1,815,461
Public works	-	-	25,957	255,063	141,630	160,627	178,138	179,633	195,791	209,431
Community development	155,037	200,259	160,818	153,423	198,590	455,995	335,511	297,753	297,497	254,729
Parks and recreation	2,215,008	2,315,071	2,528,716	2,271,283	2,652,535	2,287,289	2,472,898	2,685,691	2,573,087	2,827,774
Operating grants and contributions	173,855	181,416	221,170	166,406	277,453	194,645	380,511	183,137	184,883	188,165
Capital grants and contributions	1,992,313	3,620,705	2,892,776	1,608,090	1,629,702	1,646,849	826,477	2,011,995	3,173,989	1,490,198
Total governmental activities program revenues	8,052,865	9,708,840	9,147,713	7,748,335	8,436,774	8,573,174	7,555,668	8,824,280	9,980,741	8,456,441
Business-type activities:										
Charges for services:										
Waterworks and sewerage	6,606,538	7,109,670	7,920,694	8,050,991	8,312,665	8,525,316	8,918,008	9,558,014	10,279,284	10,524,964
Operating grants and contributions	38,375	17,000	181,170	82,502	80,043	78,289	73,930	68,090	61,479	53,543
Total business-type activities program revenues	6,644,913	7,126,670	8,101,864	8,133,493	8,392,708	8,603,605	8,991,938	9,626,104	10,340,763	10,578,507
Total primary government program revenues	\$ 14,697,778	\$ 16,835,510	\$ 17,249,577	\$ 15,881,828	\$ 16,829,482	\$ 17,176,779	\$ 16,527,606	\$ 18,450,384	\$ 20,321,504	\$ 19,034,948
Net (expense)/revenue										
Governmental activities	\$ (20,172,351)	\$ (20,316,964)	\$ (21,168,381)	\$ (21,327,917)	\$ (18,057,614)	\$ (16,695,266)	\$ (18,725,969)	\$ (17,843,733)	\$ (16,416,163)	\$ (18,534,805)
Business-type activities	247,457	190,527	437,087	315,881	(46,038)	(180,556)	(128,387)	309,057	738,734	763,735
Total primary government net expense	\$ (19,924,894)	\$ (20,126,437)	\$ (20,731,294)	\$ (21,012,036)	\$ (18,103,652)	\$ (16,875,822)	\$ (18,854,356)	\$ (17,534,676)	\$ (15,677,429)	\$ (17,771,070)

Table 2
(Continued)

CITY OF GLADSTONE, MISSOURI
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 3,477,930	\$ 3,359,951	\$ 3,375,713	\$ 3,583,775	\$ 3,236,769	\$ 3,396,518	\$ 3,624,806	\$ 3,367,163	\$ 3,573,871	\$ 3,595,664
Sales and use taxes	6,742,189	7,778,326	8,018,984	8,528,516	8,605,559	8,786,483	9,156,733	9,658,272	9,532,703	9,543,702
Franchise taxes	4,575,974	2,934,275	3,543,502	3,539,407	3,561,864	3,413,977	3,285,930	3,363,743	3,352,646	3,153,189
Cigarette taxes	-	-	-	96,312	93,222	99,346	108,622	138,093	124,639	128,986
Intergovernmental revenue not restricted to specific programs	1,083,314	1,104,597	1,206,945	917,005	943,184	979,764	1,007,800	1,033,533	1,035,207	1,018,014
Gain on sale of capital assets	-	-	-	33,775	-	-	-	20,078	44,035	-
Investment earnings	466,718	387,826	354,454	327,679	306,560	287,134	39,061	80,815	203,202	285,137
Miscellaneous	531,330	1,081,625	649,635	559,130	792,529	774,743	965,422	979,769	1,927,653	1,071,927
Transfers	-	-	-	-	-	247,651	-	-	(16,165)	-
Total governmental activities	16,877,455	16,646,600	17,149,233	17,585,599	17,539,687	17,985,616	18,188,374	18,641,266	19,777,791	18,796,619
Business-type activities:										
Investment earnings	28,456	74,337	23,900	22,996	19,081	11,279	12,798	22,777	52,844	75,613
Gain on sale of capital assets	-	-	-	-	-	-	-	-	18,000	21,250
Miscellaneous	-	51,268	4,127	6,642	36,850	89,938	14,338	8,772	155,550	9,175
Transfers	-	-	-	-	-	(247,651)	-	-	16,165	-
Total business-type activities	28,456	125,605	28,027	29,638	55,931	(146,434)	27,136	31,549	242,559	106,038
Total primary government	16,905,911	16,772,205	17,177,260	17,615,237	17,595,618	17,839,182	18,215,510	18,672,815	20,020,350	18,902,657
Changes in Net Position										
Governmental activities	\$ (3,294,896)	\$ (3,670,364)	\$ (4,019,148)	\$ (3,742,318)	\$ (517,927)	\$ 1,290,350	\$ (537,595)	\$ 797,533	\$ 3,361,628	\$ 261,814
Business-type activities	275,913	316,132	465,114	345,519	9,893	(326,990)	(101,251)	340,606	981,293	869,773
Total primary government	\$ (3,018,983)	\$ (3,354,232)	\$ (3,554,034)	\$ (3,396,799)	\$ (508,034)	\$ 963,360	\$ (638,846)	\$ 1,138,139	\$ 4,342,921	\$ 1,131,587

Table 3

CITY OF GLADSTONE, MISSOURI
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable	\$ -	\$ 2,135,960	\$ 2,220,799	\$ 2,621,101	\$ 1,865,819	\$ 191,377	\$ 264,197	\$ 242,054	\$ 196,462	\$ 206,166
Restricted	-	-	-	20,650	62,809	-	-	-	-	-
Committed	-	653,678	667,500	-	-	-	-	-	-	-
Assigned	-	36,267	-	-	-	-	-	-	-	-
Unassigned	-	4,376,474	4,615,364	4,839,402	3,638,859	6,097,473	6,709,974	7,167,395	6,118,122	5,817,091
Reserved	2,268,575	-	-	-	-	-	-	-	-	-
Unreserved	4,895,315	-	-	-	-	-	-	-	-	-
Total General Fund	\$ 7,163,890	\$ 7,202,379	\$ 7,503,663	\$ 7,481,153	\$ 5,567,487	\$ 6,288,850	\$ 6,974,171	\$ 7,409,449	\$ 6,314,584	\$ 6,023,257
All other governmental funds										
Nonspendable	\$ -	\$ 6,190	\$ 14,235	\$ 5,897	\$ 4,846	\$ 18,895	\$ 5,604	\$ 7,765	\$ 6,713	\$ 5,858
Restricted	-	11,621,682	8,556,628	6,240,927	7,089,220	4,535,431	6,147,817	5,881,851	7,164,700	5,425,480
Committed	-	5,181	5,204	5,374	4,010	1,635	3,545	4,672	6,452	6,702
Assigned	-	2,620,901	3,066,784	2,727,128	1,982,501	1,477,311	1,260,113	1,872,091	2,330,247	250,483
Unassigned	-	-	-	(988,992)	-	(8,680)	-	(184,917)	(188,764)	(243,040)
Reserved	706,507	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	1,449,612	-	-	-	-	-	-	-	-	-
Capital project funds	4,363,212	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 6,519,331	\$ 14,253,954	\$ 11,642,851	\$ 7,990,334	\$ 9,080,577	\$ 6,024,592	\$ 7,417,079	\$ 7,581,462	\$ 9,319,348	\$ 5,445,483

Note: The City implemented GASB Statement No. 54 in 2011, which establishes new categories for reporting fund balances.

Table 4

CITY OF GLADSTONE, MISSOURI
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	\$ 14,039,781	\$ 14,961,238	\$ 15,016,687	\$ 15,775,415	\$ 15,664,961	\$ 15,801,412	\$ 16,176,103	\$ 16,527,272	\$ 16,583,859	\$ 16,421,541
Licenses and permits	420,222	448,022	411,235	423,423	495,241	769,588	645,140	615,258	647,065	593,705
Intergovernmental	3,638,472	5,107,732	4,463,000	3,168,156	2,967,638	3,197,028	2,281,325	3,660,019	4,874,226	3,217,267
Charges for services	4,017,921	4,161,800	4,420,778	4,249,519	4,648,533	4,595,390	4,539,167	4,980,843	4,986,569	5,303,325
Fines & forfeitures	1,181,369	1,194,167	1,201,755	1,071,513	1,269,055	1,234,565	994,055	886,430	823,733	700,656
Interest	466,718	387,826	354,454	327,679	306,561	287,134	39,059	80,815	203,202	285,137
Other	531,330	1,081,625	442,177	766,588	1,053,004	807,338	1,049,196	1,002,264	1,936,337	1,073,592
Total revenues	24,295,813	27,342,410	26,310,086	25,782,293	26,404,993	26,692,455	25,724,045	27,752,901	30,054,991	27,595,223
Expenditures										
General administration	1,102,344	1,107,508	1,125,271	1,164,477	1,271,679	1,222,497	1,243,713	1,183,013	1,232,829	1,259,288
Finance	1,398,660	1,446,237	1,408,685	1,565,764	1,602,819	1,512,446	1,473,261	1,445,795	1,369,264	1,408,991
Public safety	7,014,294	7,451,901	8,162,429	7,986,083	8,424,162	8,596,185	8,152,602	8,316,566	8,359,682	8,747,693
Public works	2,106,769	2,220,410	1,976,141	1,995,417	2,183,315	2,093,023	2,027,455	2,105,647	2,298,337	2,334,570
Community development	1,638,281	2,766,105	1,612,607	1,444,010	1,431,745	1,061,463	927,836	730,117	978,362	931,231
Parks and recreation	3,578,310	3,632,394	3,780,712	3,781,167	4,292,481	4,123,156	4,159,248	4,447,057	4,424,827	4,695,893
Nondepartmental	933,169	778,466	870,554	851,195	893,742	878,651	1,030,982	919,675	1,210,714	1,217,155
Capital outlay	4,143,890	3,366,990	6,611,757	7,690,346	6,518,436	8,806,993	5,899,264	6,047,391	12,062,789	7,145,206
Debt Service										
Principal	3,179,276	3,025,079	1,769,289	1,826,554	2,207,271	2,029,980	3,973,428	2,008,546	3,028,180	2,788,523
Interest	1,489,028	1,591,843	1,541,440	1,447,909	1,455,566	1,483,058	968,917	1,124,508	1,299,908	1,231,865
Bond issuance cost							305,894	-	-	-
Total expenditures	26,584,021	27,386,933	28,858,885	29,752,922	30,281,216	31,807,452	30,162,600	28,328,315	36,264,892	31,760,415
Excess of revenues over (under) expenditures	(2,288,208)	(44,523)	(2,548,799)	(3,970,629)	(3,876,223)	(5,114,997)	(4,438,555)	(575,414)	(6,209,901)	(4,165,192)
Other Financing Sources (Uses)										
Transfers in	1,213,800	650,379	790,000	1,490,001	2,595,741	2,423,556	2,514,870	1,351,761	3,594,023	1,188,850
Transfers out	(1,213,800)	(650,379)	(790,000)	(1,490,001)	(2,595,741)	(2,175,905)	(2,514,870)	(1,351,761)	(3,610,188)	(1,188,850)
Capital lease	-	-	-	-	-	708,943	4,166,054	1,155,000	10,604,501	-
Loan issuance	-	-	-	-	-	1,771,377	-	-	-	-
Issuance of debt	485,742	9,485,000	224,080	196,154	3,033,000	-	23,510,000	-	-	-
Premiums/Discounts on debt issued	-	(21,992)	-	-	-	-	269,802	-	-	-
Payment to refunded debt escrow agent	-	(1,645,373)	-	-	-	-	(21,473,908)	-	(3,786,385)	-
Sale of capital assets	-	-	14,900	99,448	19,800	52,404	44,415	20,075	50,971	-
Total other financing sources (uses)	485,742	7,817,635	238,980	295,602	3,052,800	2,780,375	6,516,363	1,175,075	6,852,922	-
Net change in fund balances	\$ (1,802,466)	\$ 7,773,112	\$ (2,309,819)	\$ (3,675,027)	\$ (823,423)	\$ (2,334,622)	\$ 2,077,808	\$ 599,661	\$ 643,021	\$ (4,165,192)
Debt service as a percentage of non capital expenditures	20.80%	19.22%	14.88%	14.84%	15.41%	15.27%	21.63%	14.06%	17.88%	16.33%

Table 5

CITY OF GLADSTONE, MISSOURI
Total City Taxable Sales by Category
Last Ten Calendar Years
(amounts expressed in thousands)

Sales by Retail Category:	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General merchandise	\$ 54,653	\$ 51,638	\$ 72,148	\$ 76,797	\$ 80,628	\$ 83,390	\$ 81,904	\$ 83,470	\$ 103,759	\$ 104,605
Grocery stores	45,930	44,021	41,926	44,985	48,991	53,007	50,723	55,318	52,647	56,160
Motor vehicle dealers	33,522	39,760	40,754	45,199	42,318	50,122	51,974	67,769	52,408	57,546
Hardware stores	23,502	26,104	24,389	25,343	26,229	27,501	30,121	33,251	32,768	34,377
Utilities	40,876	42,192	41,407	43,516	43,038	44,339	39,752	41,271	22,545	27,142
Eating and drinking places	15,197	11,534	9,249	11,437	11,171	13,759	14,280	13,656	20,285	14,083
Eating places only	16,776	11,963	14,099	22,900	21,245	22,681	21,266	22,260	16,199	24,656
Convenience stores	6,209	6,454	6,222	6,952	5,386	5,699	6,385	6,609	10,619	17,854
Drug stores and proprietary stores	6,240	4,000	4,768	6,101	5,950	5,868	5,157	5,883	2,127	4,010
All other outlets	51,221	69,098	60,769	43,222	44,654	44,657	48,813	53,535	39,108	17,951
Total	\$ 294,126	\$ 306,764	\$ 315,731	\$ 326,452	\$ 329,610	\$ 351,023	\$ 350,375	\$ 383,022	\$ 352,465	\$ 358,384

Note: Amounts for 2019 are not provided due to only receiving partial year figures.

Source: Missouri Department of Revenue

Table 6

CITY OF GLADSTONE, MISSOURI
Sales Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(in percent)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Direct Sales Tax Rate City of Gladstone										
General Fund	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Capital Improvements	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500
Transportation Improvements	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500
Public Safety-effective October 1, 2010	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Parks & Stormwater-effective July 1, 2006	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Total Direct Sales Tax Rate	2.250	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500
Total Sales Tax Rate										
State of Missouri	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000
Mo. State Conservation	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Mo. State Parks and Soil	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Clay County	0.875	0.875	0.875	0.875	0.875	0.875	0.875	0.875	1.125	1.125
Zoo Tax										
City of Gladstone	2.250	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500
Total Direct and Overlapping Sales Tax Rate	7.350	7.600	7.725	7.725	7.725	7.725	7.725	7.725	7.975	7.975

Source: Missouri Department of Revenue

Table 7

CITY OF GLADSTONE, MISSOURI
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Real Property Residential Property	Other Property		Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Market Value	Assessed Value as a Percentage of Actual Value
		Personal Property	Railroads & Utilities				
2010	\$ 300,966	\$ 51,683	\$ 6,773	\$ 359,421	0.9290	\$1,352,467	22.00%
2011	300,031	45,412	7,628	353,071	0.9290	1,625,249	20.96%
2012	290,600	49,032	10,696	350,328	0.9290	1,599,656	21.72%
2013	289,815	50,054	10,667	350,536	0.9290	1,598,803	21.90%
2014	273,629	52,441	11,204	337,274	0.9290	1,528,611	21.92%
2015	273,967	53,947	12,315	340,230	0.9290	1,538,261	22.06%
2016	279,533	58,468	12,467	350,468	0.9230	1,579,488	22.19%
2017	279,517	55,663	12,680	347,860	0.9290	1,571,651	22.13%
2018	289,052	65,277	13,713	368,042	0.9290	1,650,310	22.30%
2019	290,008	62,962	14,868	367,838	0.9290	1,651,637	22.27%

Note: The Clay County Assessor's Office does not break out the Real Property into Residential, Agricultural, and Commercial.

Note: The assessed value is set at 19% for residential property; 12% for agricultural property; and 32% for commercial property of the estimated fair market value.

Source: Clay County Assessor's Office

Table 8

CITY OF GLADSTONE, MISSOURI
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(rate per \$100 assessed value)

Fiscal Year	City Direct Rate	Overlapping Rates				Total Direct & Overlapping Rates
	Basic/General Rate	North Kansas City School District	Clay County	State	Other	
2010	0.929	5.890	0.505	0.030	0.647	8.001
2011	0.929	5.890	0.509	0.030	0.649	8.007
2012	0.929	5.890	0.479	0.030	0.650	7.978
2013	0.929	5.890	0.479	0.030	0.651	7.979
2014	0.929	5.890	0.469	0.030	0.650	7.968
2015	0.929	6.517	0.446	0.030	0.661	8.582
2016	0.929	6.433	0.426	0.030	0.646	8.464
2017	0.929	6.428	0.403	0.030	0.669	8.459
2018	0.929	6.428	0.411	0.030	0.664	8.462
2019	0.929	6.424	0.411	0.030	0.745	8.539

Notes: The tax rate for municipal operating purposes cannot exceed one dollar on the hundred dollar assessed valuation. This may be increased to a maximum of thirty cents on the hundred dollar assessed valuation for a period not to exceed four years by a two-thirds approval of the qualified electors voting at a special election.

Table 9

CITY OF GLADSTONE, MISSOURI
Principal Property Taxpayers
Current Year and Ten Years Ago
(amounts expressed in thousands)

	2019			2010		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wal-Mart Real Estate (retail)	\$ 2,649	1	0.72%	\$ 2,391	2	0.67%
CCRC of Gladstone, LLC (apartments)	2,467	2	0.67%			
Gladstone Investors LLC (retail)	2,090	3	0.57%			
Gladstone Meadows (apartments)	1,540	4	0.42%			
Intercontinental Investment Co. (apartments)	1,456	5	0.40%	1,510	5	0.42%
ECG-Kansas City-III, LLC (apartments)	1,291	6	0.35%			
Curry Investment Company (apartments)	1,255	7	0.34%	1,537	3	0.43%
Gladstone Senior Partners, LP (apartments)	1,227	8	0.33%	1,158	8	0.32%
Axiom (apartments)	1,120	9	0.30%			
Meadowbrook Village Shopping Center, LLC (retail)	1,056	10	0.29%			
Centro Bradley SPE3, LLC (retail)				2,616	1	0.73%
MBI, Inc. (commercial office)				1,512	4	0.42%
HD Development of Maryland, Inc (retail)				1,310	6	0.36%
Van Chevrolet-Cadillac, Inc. (auto dealer)				1,191	7	0.33%
FCSCD Properties, LLC (apartments)				1,082	10	0.30%
Lace Partnership (retail)				1,147	9	0.32%
Total	\$ 16,151		4.39%	\$ 15,454		4.30%

Source: Clay County Assessor's Office

Table 10

CITY OF GLADSTONE, MISSOURI
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for Fiscal Year	Collected within Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 3,374,382	\$ 3,067,389	90.90%	\$ 165,096	\$ 3,232,485	95.79%
2011	3,277,077	2,696,271	82.28%	268,487	2,964,758	90.47%
2012	3,202,498	3,046,938	95.14%	64,063	3,111,001	97.14%
2013	3,184,573	3,110,480	97.67%	27,336	3,137,816	98.53%
2014	3,128,547	3,041,162	97.21%	87,594	3,128,756	100.01%
2015	3,160,734	3,011,526	95.28%	79,199	3,090,725	97.79%
2016	3,241,997	3,125,385	96.40%	78,642	3,204,027	98.83%
2017	3,231,619	3,114,848	96.39%	74,057	3,188,905	98.68%
2018	3,418,503	3,285,320	96.10%	61,992	3,347,312	97.92%
2019	3,416,601	3,348,876	98.02%	-	3,348,876	98.02%

Table 11

CITY OF GLADSTONE, MISSOURI
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	GO Bonds	Promissory Notes	Development Agreements	Capital Leases	Bank Loans	Line of Credit	Certificates of Participation	Revenue Bonds	Promissory Notes	Capital Leases	Certificates of Participation		
2010	\$ -	\$ 1,203,293	\$ 58,800	\$ 740,799	\$ -	\$ -	\$ 27,968,000	\$ 1,100,000	\$ -	\$ 140,590	\$ -	4.37%	\$ 1,228
2011	2,000,000	915,329	40,008	145,476	-	-	31,780,000	5,725,000	301,707	92,995	255,000	5.77%	1,624
2012	2,000,000	857,292	33,325	298,304	-	-	30,140,000	5,725,000	-	-	240,000	5.32%	1,546
2013	2,000,000	796,910	20,561	149,896	-	-	29,140,900	5,280,856	-	-	2,572,491	5.37%	1,580
2014	1,800,000	734,088	7,797	75,811	-	2,835,400	27,627,431	4,800,000	-	-	2,552,627	5.41%	1,591
2015	1,600,000	668,728	-	708,943	1,771,377	2,676,796	26,073,756	4,325,000	-	420,073	2,324,931	5.22%	1,535
2016	1,400,000	600,728	-	4,744,431	1,521,377	-	28,101,971	3,825,000	-	805,645	2,087,210	5.26%	1,601
2017	1,200,000	529,981	-	5,575,120	1,521,377	-	26,674,705	3,325,000	-	726,238	1,845,460	4.85%	1,528
2018	1,000,000	456,375	-	15,053,972	1,321,377	-	21,283,262	2,800,000	-	1,130,999	1,479,172	4.81%	1,641
2019	800,000	379,796	-	14,011,398	1,321,377	-	19,813,892	2,275,000	-	1,006,500	1,246,734	4.42%	1,506

Notes: 1 See Table 16 for personal income and population data.

CITY OF GLADSTONE, MISSOURI
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Percentage of Est. Actual Taxable Value of Property (1)	Per Capita (2)
	General Obligation Bonds	Less Amounts Available in Debt Service	Total		
2010	\$ -	\$ -	\$ -	0.00%	-
2011	2,000,000	-	2,000,000	0.12%	79
2012	2,000,000	-	2,000,000	0.13%	79
2013	2,000,000	-	2,000,000	0.13%	79
2014	1,800,000	-	1,800,000	0.11%	79
2015	1,600,000	-	1,600,000	0.10%	63
2016	1,400,000	-	1,400,000	0.89%	52
2017	1,200,000	-	1,200,000	0.76%	44
2018	1,000,000	-	1,000,000	0.61%	37
2019	800,000	-	800,000	0.48%	29

Notes: (1) See Table 7 for property value data.
(2) See Table 16 for population data.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF GLADSTONE, MISSOURI
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Clay County	\$ 7,113,033	12.31%	\$ 875,614
North Kansas City School District #74	332,747,143	17.59%	<u>58,530,222</u>
Subtotal, overlapping debt			59,405,836
City direct debt			<u>36,326,463</u>
Total direct and overlapping debt			<u><u>\$ 95,732,299</u></u>

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

Source: The debt outstanding data and applicable percentages provided by each governmental entity.

Table 14

CITY OF GLADSTONE, MISSOURI
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit (1)	\$ 70,614	\$ 70,614	\$ 70,066	\$ 70,107	\$ 67,455	\$ 68,046	\$ 70,094	\$ 69,572	\$ 73,608	\$ 73,568
Total net debt applicable to limit	-	2,000	2,000	2,000	1,800	1,600	1,400	1,200	1,000	800
Legal Debt Margin	\$ 70,614	\$ 68,614	\$ 68,066	\$ 68,107	\$ 65,655	\$ 66,446	\$ 68,694	\$ 68,372	\$ 72,608	\$ 72,768

Total net debt applicable to the limit as a percentage of debt limit 0.000% 2.832% 2.854% 2.853% 2.668% 2.351% 1.997% 1.725% 1.359% 1.087%

Legal Debt Margin Calculation
for Fiscal Year 2019

Assessed Value	\$ 367,838
Debt Limit (20% of assessed value)	73,568
General obligation:	
City-Wide	800
Revenue Bonds	2,275
Total Bonded Debt	3,075
Less:	
Water Utility Bonds	2,275
Debt Service Fund Balance	-
Total net debt applicable to limit	800
Legal debt margin	\$ 72,768

Notes:

- (1) Article 6, Section 26(b) of the Missouri Constitution permits any county or city, by vote of four-sevenths of qualified electors voting thereon, to incur an indebtedness for city purposes not to exceed 5 percent of the value of the taxable tangible property therein, as shown by the last assessment.
- (1) Article 6, Section 26(c) of the Missouri Constitution permits any county or city, by vote of four-sevenths of qualified electors voting thereon, to incur additional indebtedness of city purposes not to exceed 5 percent of the value of the taxable tangible property therein, as shown by the last assessment.
- (1) Article 6, Section 26(d) & (e) of the Missouri Constitution provides that any city may become indebted not exceeding in the aggregate an additional 10 percent of the value of the taxable tangible property for the purpose of acquiring right-of-ways, constructing, extending and improving streets and avenues and/or sanitary or storm sewer systems and an additional 10 percent for purchasing or construction of waterworks, electric or other light plants provided the total general obligated indebtedness of the city does not exceed 20 percent of the assessed valuation.

CITY OF GLADSTONE, MISSOURI
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year				Debt Service		
Water / Sewer Bonds	Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2010	\$ 6,606,538	\$ 5,571,832	\$ 1,034,706	\$ 675,000	\$ 90,938	135.09%
2011	7,109,670	5,999,951	1,109,719	1,100,000	132,419	90.04%
2012	8,101,864	6,590,338	1,511,526	-	207,988	726.74%
2013	8,133,493	6,644,999	1,488,494	450,000	207,988	226.22%
2014	8,392,708	7,166,416	1,226,292	475,000	191,675	183.94%
2015	8,603,605	8,532,690	1,064,131	500,000	176,275	157.35%
2016	8,991,938	8,879,310	1,105,844	500,000	176,275	163.52%
2017	9,626,104	9,090,210	1,529,110	500,000	162,525	230.80%
2018	10,496,313	9,388,422	1,107,891	525,000	146,275	165.04%
2019	10,587,682	9,649,603	938,079	525,000	126,850	143.91%

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Table 16

CITY OF GLADSTONE, MISSOURI
Demographic and Economic Statistics
Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population</u>	<u>Average Household Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Total Personal Income</u>	<u>Median Age</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (5)</u>
2010	(1) 25,410	\$ 67,665	\$ 28,127	\$ 714,707,070	41.58	2,804	8.90%
2011	(4) 25,547	66,021	29,057	742,319,179	35.80	2,804	8.00%
2012	(4) 26,041	66,574	29,229	761,140,542	41.00	2,857	6.60%
2013	(4) 26,256	66,761	29,235	767,598,220	41.40	2,880	6.30%
2014	(4) 26,431	66,840	29,415	777,467,865	41.60	2,880	5.30%
2015	(4) 26,564	69,590	30,504	810,308,256	41.70	2,917	4.50%
2016	(4) 26,909	69,604	30,461	819,675,049	42.00	2,896	3.80%
2017	(4) 27,093	72,098	31,517	853,890,081	42.30	2,865	3.60%
2018	(4) 27,131	77,535	34,091	924,915,015	42.40	2,836	3.50%
2019	(6) 27,131	77,535	34,091	924,915,015	42.40	2,836	3.50%

Sources: (1) Information provided by Census Bureau.

(2) North Kansas City School District-Gladstone students.

(4) Information provided by DemographicsNow

(5) Bureau of Labor Statistics

(6) 2019 demographic and economic statistics not available.

CITY OF GLADSTONE, MISSOURI
Principal Employers
Last Ten Calendar Years

Employer	2019			2010		
	Employees	Rank	Percentage of Total City Employment (1)	Employees	Rank	Percentage of Total City Employment (1)
Hy-Vee	372	1	3.51%	244	2	1.57%
Wal-Mart	339	2	3.20%	363	1	1.92%
North Kansas City School District	284	3	2.68%	182	4	1.28%
City of Gladstone	193	4	1.82%	190	3	1.21%
Van Chevrolet	160	5	1.51%	147	5	0.84%
The Home Depot	150	6	1.41%	120	6	0.77%
Price Chopper	129	7	1.22%	78	8	0.49%
Gladstone Dodge	114	8	1.07%			
McDonalds	114	9	1.07%	88	7	0.54%
Northtowne Hyundai	103	10	0.97%			
Total	1,958		18.46%	1,412		8.62%

Notes:

(1) Percentage of total city employment has been estimated based upon estimated population over age 16 less estimated not in labor force.

Source: City of Gladstone Business Licenses, DemographicsNow

Table 18

CITY OF GLADSTONE, MISSOURI
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
City council	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
City clerk	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
City manager's office	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0	3.0
Legal	1.0	1.0	1.0	2.0	1.0	1.0	-	-	-	-
Human resources	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0
Finance-admin and accounting	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Municipal court	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Technology services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0
Public Safety										
Administration and support	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
Police Field Services	40.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0
Fire/emergency medical	38.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0
Public Works										
General Fund										
Administration	3.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Streets and stormwater	9.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Garage	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Engineering	3.0	3.0	4.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Combined Water/Wastewater System										
Water production	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Water operations	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	8.0	8.0
Sewer collections	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Community Development										
Community Development	8.0	8.0	8.0	9.0	10.0	10.0	9.0	8.0	8.0	9.0
Culture and Recreation										
Culture and Recreation	22.0	22.0	22.0	23.0	24.0	23.0	23.0	24.0	24.0	24.0
Total	<u>191.0</u>	<u>199.0</u>	<u>202.0</u>	<u>203.0</u>	<u>204.0</u>	<u>202.0</u>	<u>200.0</u>	<u>201.0</u>	<u>199.0</u>	<u>200.0</u>

Source: City of Gladstone Budget

Table 19

CITY OF GLADSTONE, MISSOURI
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police										
Police Incident Calls	23,515	23,802	29,508	27,599	31,218	32,678	29,714	32,487	30,230	30,716
Traffic Unit Citations Issued	10,484	10,880	14,337	12,996	10,980	8,837	7,986	6,650	6,206	4,816
Animal Control Service Calls	6,485	6,274	6,113	6,334	7,368	6,104	4,297	4,064	3,701	2,371
Fire/EMS										
Total Fire Alarms	592	573	602	589	582	545	545	587	669	637
Public Education Audience	603	2,427	2,514	2,429	2,903	1,230	1,230	6,426	4,278	3,956
Total EMS Alarms	2,437	2,457	2,314	2,401	2,877	2,901	2,901	3,133	3,160	3,200
Public Works										
Major Street Maintenance (miles)	12	13	13	6	4	4	4.50	4.00	2.90	5.15
Intermediate Street Maintenance (miles)	-	-	-	6	12	12	4	4	-	-
Culture and Recreation										
Park Shelter Reservations	229	265	375	369	259	259	335	446	440	511
Number of Pool Memberships	698	676	705	510	472	472	556	531	593	542
Active Community Center Members	4,297	4,215	4,346	4,478	4,056	4,056	4,318	4,456	4,574	4,861
Theatre in the Park attendance	15,000	16,000	12,000	16,000	16,000	16,000	14,200	17,000	14,000	15,000
Community Development										
Construction Permits Issued (Calendar year) (a)	971	1,120	1,006	1,029	2,035	1,236	1,396	1,593	1,373	1,152
Value of Construction (Calendar year) (a)	7,708,739	7,859,385	11,350,557	42,650,522	14,959,811	42,474,771	26,360,839	17,503,860	17,162,932	16,202,746
Combined Water and Waste Water System										
Number of customers	9,784	9,830	9,758	9,820	9,816	9,893	9,983	9,989	9,755	9,858
Water main breaks	81	115	115	117	100	96	89	70	101	118

Sources: Various City Departments

Notes:

(a) 2019 data is through November 15, 2019

Table 20

CITY OF GLADSTONE, MISSOURI
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Vehicles	21	21	28	27	29	29	29	30	30	30
Fire										
Fire Stations	2	2	2	2	2	2	2	2	2	2
Vehicles	10	10	12	12	12	12	12	11	12	12
Public Works										
Total area (square miles)	8	8	8	8	8	8	8	8	8	8
Paved miles	125	125	125	125	125	125	125	125	125	125
Culture and Recreation										
Park acreage	249.70	249.70	249.70	252.00	252.00	252.00	252.00	252.00	252.00	252.00
Parks	13	13	13	14	14	14	14	14	14	14
Community Centers	1	1	1	1	1	1	1	1	1	1
Ball Fields	8	8	8	8	8	8	8	8	8	8
Combined Water and Waste Water System										
Water mains (miles)	136	136	136	136	136	136	136	136	136	136
Fire hydrants	1,275	1,275	1,277	1,277	1,277	1,277	1,281	1,281	1,281	1,281
Maximum daily pumpage (millions of gallons)	8	8	8	8	8	8	8	8	8	8
Number of water treatment plants	1	1	1	1	1	1	1	1	1	1
Sewers mains (sanitary miles)	127	127	127	127	127	127	127	127	127	127
Sewers mains (storm sewer miles)	50	50	50	50	50	50	50	50	50	50

Sources: Various city departments

APPENDIX C

FORMS OF THE DOCUMENTS

DECLARATION OF TRUST

between

SECURITY BANK OF KANSAS CITY

AND

CITY OF GLADSTONE, MISSOURI

Dated as of November 1, 2020

**\$(Amount)
CITY OF GLADSTONE, MISSOURI
CERTIFICATES OF PARTICIPATION
SERIES 2020A**

TABLE OF CONTENTS

DECLARATION OF TRUST

(This Table of Contents is for convenience of
reference only and is not a part of this Declaration of Trust.)

	<u>PAGE</u>
Parties	1
Declaration Clauses	1

ARTICLE I

DEFINITIONS

Section 1.01.	Definitions.....	2
Section 1.02.	General Rules of Construction.....	4
Section 1.03.	Execution in Counterparts	5
Section 1.04.	Severability.....	5
Section 1.05.	Date of Declaration of Trust	5
Section 1.06.	Governing Law.....	5

ARTICLE II

COVENANT AS TO LEASE

Section 2.01.	Covenant as to Lease	5
---------------	----------------------------	---

ARTICLE III

THE CERTIFICATES

Section 3.01.	Title and Amount of Certificates	6
Section 3.02.	General Provisions Concerning the Certificates.....	6
Section 3.03.	Execution of Certificates	7
Section 3.04.	Transfer of Certificates.....	7
Section 3.05.	Exchange of Certificates.....	7
Section 3.06.	Registration Books	7
Section 3.07.	Certificates Mutilated, Lost, Destroyed or Stolen	7
Section 3.08.	Series 2020A Certificates	8
Section 3.09.	Additional Certificates.....	9
Section 3.10.	Book Entry Certificates; Securities Depository	10
Section 3.11.	Cancellation and Destruction of Certificates upon Payment	10

ARTICLE IV

PARTICULAR COVENANTS AND PROVISIONS

Section 4.01.	Covenant of Trustee as to Performance of Obligations.....	11
Section 4.02.	Covenant to Perform Undertakings.....	11

ARTICLE V

PREPAYMENT

Section 5.01.	General	11
Section 5.02.	Prepayment Provisions with Respect to the Series 2020A Certificates	11
Section 5.03.	Selection of Certificates for Prepayment; Notice to Trustee.....	12
Section 5.04.	Partial Prepayment of Certificate	12
Section 5.05.	Notice of Prepayment	12
Section 5.06.	Effect of Prepayment	13

ARTICLE VI

ISSUE OF CERTIFICATES; FUNDS; APPLICATION OF PROCEEDS AND OTHER MONEYS

Section 6.01.	Establishment of Funds	13
Section 6.02.	Application of Proceeds of Series 2020A Certificates and Other Moneys	13
Section 6.03.	Application of Lease Revenues	14
Section 6.04.	Disbursements from the Project Fund.....	14
Section 6.05.	Application of Moneys in the Lease Revenue Fund.....	14
Section 6.06.	[Reserved]	15
Section 6.07.	[Reserved]	15
Section 6.08.	Repayment to the City from the Lease Revenue Fund	15
Section 6.09.	Payments Due on Days Other than Business Days.....	15
Section 6.10.	Nonpresentment of Certificates.....	15
Section 6.11.	Separate Accounting of Funds Allocable to each Series of Certificates	15

ARTICLE VII

DEPOSITARIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 7.01.	Moneys to be Held in Trust	16
Section 7.02.	Investment of Moneys	16

ARTICLE VIII

AMENDMENT OF THE DECLARATION OF TRUST OR THE LEASE

Section 8.01.	Amendments Permitted	16
Section 8.02.	Effect of Amendments.....	18
Section 8.03.	Endorsement of Certificates; Preparation of New Certificates	18
Section 8.04.	Amendment of Particular Certificates.....	18
Section 8.05.	Opinion of Counsel.....	18

ARTICLE IX

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND OWNERS OF CERTIFICATES

Section 9.01.	Defaults	19
Section 9.02.	Acceleration	19
Section 9.03.	Other Remedies Upon an Event of Default.....	19
Section 9.04.	Rights of Certificate Owners	19
Section 9.05.	Application of Moneys	20
Section 9.06.	Remedies Vested in Trustee	21
Section 9.07.	Rights and Remedies of Certificate Owners	21
Section 9.08.	Termination of Proceedings.....	22
Section 9.09.	Waivers of Defaults.....	22
Section 9.10.	Notices of Defaults	22

ARTICLE X

DEFEASANCE

Section 10.01.	Discharge of Declaration of Trust.....	22
Section 10.02.	Deposit of Moneys or Securities.....	23

ARTICLE XI

THE TRUSTEE

Section 11.01.	Duties, Immunities and Liabilities of Trustee	24
Section 11.02.	Merger or Consolidation.....	27
Section 11.03.	Liability of Trustee; Indemnity	27
Section 11.04.	Right of Trustee to Rely on Documents.....	27
Section 11.05.	Preservation and Inspection of Documents.....	27
Section 11.06.	Compensation of the Trustee.....	28

ARTICLE XII

MISCELLANEOUS

Section 12.01.	Survival of Provisions.....	28
Section 12.02.	No Third Party Beneficiaries	28
Section 12.03.	Notices	28
Section 12.04.	Waiver of Personal Liability	29
Section 12.05.	Electronic Transaction	29
Section 12.06.	Declaration of Trust Binding Upon Trustee and Successors.....	29

Signatures.....	S-1
-----------------	-----

Exhibit A - Form of Certificate of Participation

Exhibit B - Form of Requisition Certificate

Exhibit C - Payment Schedule for Series 2020A Certificates

DECLARATION OF TRUST

THIS DECLARATION OF TRUST (the “**Declaration of Trust**”), dated as of November 1, 2020, is entered by and between **SECURITY BANK OF KANSAS CITY**, Kansas City, Kansas, a state banking corporation organized and existing under the laws of the State of Kansas, as trustee (the “**Trustee**”), and the **CITY OF GLADSTONE, MISSOURI**, a third-class city and political subdivision organized and existing under the laws of the State of Missouri (the “**City**”).

WITNESSETH:

WHEREAS, concurrently herewith the Trustee and the City have entered into a Lease Purchase Agreement dated as of November 1, 2020 (as the same may be amended or supplemented in accordance with its terms from time to time, the “**Lease**”), pursuant to which the Trustee will lease to the City the hereinafter defined Leased Property and will grant the City an option to purchase the Trustee’s interest in the Leased Property; and

WHEREAS, Certificates of Participation substantially in the form of **Exhibit A** (the “**Series 2020A Certificates**”), each such Certificate evidencing a proportionate interest of the Registered Owner thereof in rights under the Lease, will be executed and delivered hereunder, and the proceeds from the sale of the Series 2020A Certificates will be used to provide the funds to (1) pay the costs of acquiring and installing the Leased Property (defined herein) and certain other improvements for the City (collectively, the “**Project**”), and (2) pay certain costs connected to the execution and delivery of the Series 2020A Certificates; and

WHEREAS, the Trustee is obligated to pay the costs of the Project only from funds available from the sale of the Series 2020A Certificates; and

WHEREAS, the Trustee and the City are executing this Declaration of Trust to set forth the terms of the Series 2020A Certificates and Additional Certificates, as hereinafter defined and authorized (the Series 2020A Certificates and said Additional Certificates being referenced collectively as the “**Certificates**”), the security therefor and other provisions respecting the Certificates,

DECLARATION CLAUSES

NOW, THEREFORE, in order to secure the payment of the principal of, premium, if any, and interest on the Certificates, and to secure the performance and observance of all covenants and conditions therein and herein contained and to declare the terms and conditions upon, and subject to which the Certificates are intended to be sold, held, secured and enforced, and in consideration of the premises set forth herein and of the purchase and acceptance of the Certificates by the Owners thereof, the Trustee has executed and delivered this Declaration of Trust and does declare that it will hold all of the assets, property and interests received by it under the terms of this Declaration of Trust and the Lease and all agreements and instruments contemplated hereby or thereby (except any compensation, indemnification or other amounts which may be due directly to the Trustee hereunder or thereunder) (collectively, the “**Trust Estate**”), as trustee, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the Certificates, without privilege,

priority or distinction as to the lien or otherwise of any of the Certificates over any of the other Certificates;

PROVIDED, HOWEVER, that, except as otherwise hereinafter provided in this clause, if the principal of and premium, if any, and interest due or to become due with respect to the Certificates are paid or provision made therefor in accordance with **Article X**, at the times and in the manner mentioned in the Certificates according to the true intent and meaning thereof, and provision shall have also been made for paying all sums payable under the Lease by the City in accordance with **Article X**, then this Declaration of Trust and the rights hereby granted shall cease, determine and be void except as provided in **Article X**;

THIS DECLARATION OF TRUST FURTHER WITNESSETH, and it is expressly declared, that all Certificates are to be sold, executed and delivered and all said rights and interests are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Trustee has agreed and covenanted, and does hereby agree and covenant, with the respective Owners of the Certificates as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. In addition to words and terms defined in the Lease and elsewhere in this Declaration of Trust, the following words and terms used in this Declaration of Trust shall have the following meanings, unless some other meaning is plainly intended:

“Additional Certificates” means any Certificates executed and delivered pursuant to **Section 3.09**.

“Arbitrage Instructions” means the Arbitrage Investment Instructions included in the Tax Compliance Agreement.

“Authorized Representative” means the Mayor, City Manager or Finance Director of the City or any other person designated as an Authorized Representative by the Mayor, such designation being approved by the Mayor in writing that is filed with the Trustee.

“Cede & Co.” means Cede & Co., as nominee name of The Depository Trust Company, New York, New York.

“Certificate Payment” means the payments to be made to the Owners of the Certificates, whether representing Interest Portion only or Principal Portion and Interest Portion of Basic Rent under the Lease.

“Certificates” means the Series 2020A Certificates and any Additional Certificates.

“Directive” means an instrument in writing executed in one or more counterparts by the Owners of Certificates, as determined from the records of the Trustee kept pursuant to **Section 3.06**, or their

lawful attorneys-in-fact, representing no less than a majority of the aggregate unpaid Principal Portion represented by the then Outstanding Certificates.

“Event of Default” means an Event of Default as described in **Section 9.01**.

“Event of Lease Default” means an Event of Default under **Section 12.01** of the Lease.

“Funds” means, collectively, the Project Fund, the Lease Revenue Fund and all accounts therein.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended.

“Investment Securities” means and includes any of the following securities, if and to the extent the same are permitted by law:

- (a) Government Obligations;
- (b) other obligations issued by or on behalf of agencies or instrumentalities of the United States of America except for the Federal Farm Credit Bank;
- (c) negotiable certificates of deposit, demand deposits and other deposit arrangements, repurchase agreements, and investment agreements issued by banks or trust companies, including without limitation, the Trustee and its affiliates, continuously secured (to the extent not fully insured by the Federal Deposit Insurance Corporation), for the benefit of the Trustee by lodging with a bank or trust company (which may or may not be the bank or trust company issuing such negotiable certificates of deposit, repurchase agreement or investment agreement), as collateral security, Government Obligations having a market value at all times at least equal to the principal amount of such certificates of deposit, demand deposits and other deposit arrangements;
- (d) money market mutual funds rated in the highest rating category by a nationally recognized rating service consisting of Government Obligations or repurchase agreements for Government Obligations; and
- (e) any other investment permitted by law for the City.

“Lease Revenue Fund” means the fund by that name established pursuant to **Section 6.01**.

“Lease Revenues” means the Basic Rent Payments, Supplemental Rent Payments and all other amounts due and owing pursuant to or with respect to the Lease, including prepayments, insurance proceeds, condemnation proceeds, and any and all interest, profits or other income derived from the investment thereof in any fund or account established pursuant to this Declaration of Trust.

“Leased Property” has the meaning set forth in the Lease.

“Notice by Mail” or **“Notice”** of any action or condition **“by Mail”** means a written notice meeting the requirements of this Declaration of Trust mailed by first-class mail to the Owners of specified Certificates, at the addresses shown on the registration books maintained by the Registrar pursuant to **Section 3.06**.

“Opinion of Counsel” means a written opinion of counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the City.

“Outstanding” means, as of the date of determination, all Certificates theretofore executed and delivered pursuant to this Declaration of Trust except (i) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation, (ii) Certificates for the transfer or exchange of or in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to this Declaration of Trust, (iii) Certificates whose payment or prepayment has been provided for in accordance with **Article X**, and (iv) Certificates paid or deemed to be paid pursuant to **Article X**.

“Owner” or **“Registered Owner”** of a Certificate means the owner of such Certificate as shown on the register kept by the Registrar pursuant to **Section 3.06**.

“Prepayment Date” means any date set for prepayment of the Principal Portion of Basic Rent represented by Certificates.

“Prepayment Price” means, with respect to any Certificate (or portion thereof) the amount specified in **Section 5.02**.

“Proceeds” means the aggregate moneys initially paid to the Trustee for the Certificates.

“Project” has the meaning set forth in the Lease.

“Project Fund” means the fund by that name established pursuant to **Section 6.01**.

“Record Date” means the fifteenth day (whether or not a Business Day) of the month prior to the applicable Basic Rent Payment Date (whether or not a Business Day).

“Registrar” means the Trustee when acting in that capacity, or its successor as Registrar.

“Replacement Certificates” means Certificates issued to the beneficial owners of the Certificates in accordance with **Section 2.09(b)** hereof.

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

“Series 2020A Certificates” means the Certificates of Participation, Series 2020A, executed and delivered pursuant to this Declaration of Trust.

“Tax Compliance Agreement” means the Tax Compliance Agreement for the Series 2020A Certificates dated as of November 1, 2020, as from time to time amended in accordance with the provisions thereof.

“Trust Estate” means the assets, property and interests held by the Trustee pursuant to this Declaration of Trust and the Lease.

“Trustee” means Security Bank of Kansas City, Kansas City, Kansas, and its successor or successors and their respective assigns.

Section 1.02. General Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa, and words importing person shall include individuals, corporations, partnerships, joint ventures, associations, joint-stock companies, trusts, unincorporated organizations and governments and any agency or political subdivision thereof.

The words “herein,” “hereby,” “hereunder,” “hereof,” “hereto,” “hereinbefore,” “hereinafter” and other equivalent words refer to this Declaration of Trust and not solely to the particular article, section, paragraph or subparagraph hereof in which such word is used.

Reference herein to a particular article or a particular section, exhibit, schedule or appendix shall be construed to be a reference to the specified article or section hereof or exhibit, schedule or appendix hereto unless the context or use clearly indicates another or different meaning or intent.

Whenever an item or items are listed after the word “including,” such listing is not intended to be a listing that excludes items not listed.

The table of contents, captions and headings in this Declaration of Trust are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Declaration of Trust.

Section 1.03. Execution in Counterparts. This Declaration of Trust may be executed simultaneously in two or more counterparts, each of which shall be deemed to be an original, and all of which together shall constitute but one and the same instrument. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed 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 1.04. Severability. If any provision of this Declaration of Trust shall be held or deemed to be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or sections in this Declaration of Trust contained shall not affect the remaining portions of this Declaration of Trust, or any part thereof.

Section 1.05. Date of Declaration of Trust. The dating of this Declaration of Trust as of November 1, 2020, is intended as and for the convenient identification of this Declaration of Trust only and is not intended to indicate that this Declaration of Trust was executed and delivered on said date, this Declaration of Trust being executed and delivered and becoming effective simultaneously with the initial execution and delivery of the Certificates.

Section 1.06. Governing Law. This Declaration of Trust shall be governed by and construed in accordance with the laws of the State.

ARTICLE II

COVENANT AS TO LEASE

Section 2.01. Covenant as to Lease. The Trustee covenants and agrees that, except in accordance with the terms of this Declaration of Trust and the Lease, it will not take any action that would result in the occurrence of an Event of Default and that it will not agree to any abatement, reduction, abrogation, waiver, diminution or other modification in any manner or to any extent whatsoever of the obligations of the City under the Lease to pay Basic Rent and to meet its other obligations as provided in the Lease.

ARTICLE III

THE CERTIFICATES

Section 3.01. Title and Amount of Certificates. No Certificates may be executed and delivered under the Declaration of Trust except in accordance with this Article. The Certificates shall be designated and shall be in such aggregate amount as provided in **Section 3.08** hereof.

Section 3.02. General Provisions Concerning the Certificates.

(a) The Certificates and the form of assignment to appear thereon shall be in substantially the form set forth in **Exhibit A**, with necessary or appropriate variations, omissions and insertions as permitted or required hereby or by any Supplemental Declaration of Trust.

(b) The Certificates shall be fully registered Certificates without coupons, transferable to subsequent owners only on the books kept by the Registrar pursuant to **Section 3.06** as hereinafter provided. Each Certificate shall be in the denomination of \$5,000 and integral multiples thereof.

(c) Each of the Certificates shall represent the Interest Portion and Principal Portion of Basic Rent payable with respect thereto and shall be on a parity with the other Certificates as to the entire Trust Estate.

(d) Each series of Certificates shall be numbered from 1 upward, shall be dated and the Principal Portion shall be payable, subject to prior prepayment upon the terms and conditions hereinafter set forth, and shall represent Interest Portions of Basic Rent calculated at certain rates as set forth in this Declaration of Trust or any Supplemental Declaration of Trust authorizing such series of Certificates.

(e) The Interest Portion of the Basic Rent represented by each Certificate shall be payable from the date thereof or the most recent date to which said Interest Portion has been paid. The Interest Portion of the Basic Rent represented by the Certificates shall be paid on each March 1 and September 1, commencing on March 1, 2021.

(f) Payment of the Interest Portion of the Basic Rent represented by any Certificates shall be made to the person appearing on the registration books of the Registrar as the Owner thereof on the Record Date, such Interest Portion to be paid to such Owner by check or draft drawn on the Trustee and mailed to such Owner's address as it appears on the registration books of the Registrar on the Record

Date or in the case of such Interest Portion to any Owner of \$100,000 or more in aggregate principal amount of Certificates, by electronic transfer to such Owner upon written notice given to the Trustee by such Owner not less than 5 days prior to the Record Date for such Interest Portion, containing the electronic transfer instructions including the bank (which shall be in the continental United States), ABA routing number and account name and number to which such Owner wishes to have such transfer directed.

(g) The Interest Portion of the Basic Rent represented by any Certificates shall be computed with respect to such Certificates on the basis of a 360-day year of twelve 30-day months.

(h) The Principal Portion of the Basic Rent and prepayment premium, if any, represented by the Certificates shall be payable (whether at maturity or upon prepayment or acceleration) by check or draft to the Owners of such Certificates upon presentation and surrender of such Certificates at the payment office of the Trustee.

(i) Payment of Certificate Payments and of the Prepayment Price of Certificates shall be made in such coin or currency of the United States of America as, at the time of payment, shall be legal tender for public and private debts.

Section 3.03. Execution of Certificates. The Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized signatory of the Trustee.

Section 3.04. Transfer of Certificates. Any Certificate may be transferred upon the books required to be kept pursuant to the provisions of **Section 3.06**, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. The Trustee or the Securities Depository shall also require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. In the event any Owner fails to provide a correct taxpayer identification number to the Trustee, the Trustee may impose a charge against such Owner sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with Section 3406 of the Internal Revenue Code, such amount may be deducted by the Trustee from amounts otherwise payable to such Owner hereunder or under the Certificates.

Section 3.05. Exchange of Certificates. Certificates may be exchanged at the payment office of the Trustee for a like aggregate principal amount of Certificates of the same maturity, interest rate and tenor. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No exchange of any Certificate shall be required of the Trustee after such Certificate has been called for prepayment.

Section 3.06. Registration Books. The Registrar will keep or cause to be kept at its payment office, sufficient books for the registration and transfer of the Certificates, which shall at all reasonable times be open to inspection by the City, and, upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Certificates as hereinbefore provided.

The person in whose name any Certificate shall be registered on the registration books maintained by the Registrar on the Record Date shall be deemed the owner thereof for all purposes hereof, and payment of or on account of the Interest Portions and Principal Portions of Basic Rent, represented by

such Certificate shall be made only to or upon the order in writing of such Registered Owner, which payments shall be valid and effectual to satisfy and discharge the liability under the Lease as represented by such Certificate to the extent of the sum or sums so paid.

Section 3.07. Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like tenor, maturity, interest rate and number in exchange and substitution for the Certificate so mutilated (except that such number may be preceded by a distinguishing prefix), but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and indemnity of the Trustee and the City satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner of the Certificate, shall execute and deliver a new Certificate of like tenor, maturity, interest rate, and number as the Trustee shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Certificate executed and delivered under this Section and of the expenses that may be incurred by the Trustee under this Section. Any Certificate executed and delivered under this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Declaration of Trust with all other Certificates secured by this Declaration of Trust. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be Outstanding hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Certificate for a Certificate which has been mutilated, lost, destroyed or stolen and which has matured, is about to mature or has been selected for prepayment, the Trustee may make payment of such Certificate.

Section 3.08. Series 2020A Certificates. There shall be initially prepared, executed and delivered under this Declaration of Trust a series of Certificates in the aggregate principal amount of \$[Amount], to be known as "Certificates of Participation, Series 2020A" (the "**Series 2020A Certificates**"). The Series 2020A Certificates shall be dated their date of delivery, and shall be payable on the dates, in the principal amounts, and with the Interest Portions accruing at the rates set forth on **Exhibit C**.

Prior to or simultaneously with the execution of and delivery of the Series 2020A Certificates by the Trustee the following documents shall be filed with the Trustee:

- (a) A copy, certified by the City Clerk, of the Ordinance adopted by the City Council authorizing the execution of the Lease and the Declaration of Trust;
- (b) An original executed counterpart of this Declaration of Trust and the Lease;
- (c) An original executed counterpart of the Tax Compliance Agreement;
- (d) An Opinion of Special Counsel as to the validity of the Series 2020A Certificates and the exemption from federal income taxation of the Interest Portion of Basic Rent Payments represented by the Series 2020A Certificates;

- (e) An Opinion of Special Counsel stating that the Series 2020A Certificates are exempt from registration under the Securities Act of 1933, as amended and the Declaration of Trust is exempt from qualification under the Trust Indenture Act of 1939, as amended;
- (f) A request and authorization to the Trustee by the City to authenticate the Series 2020A Certificates and to deliver the Series 2020A Certificates to or upon the order of the purchaser thereof upon payment, for the account of the City, of the purchase price thereof. The Trustee shall be entitled to rely conclusively upon such request and authorization as to the name(s) of the purchaser(s) and the amount of such purchase price; and
- (h) Such other certificates, statements, receipts, opinions and documents required by this Declaration of Trust or the Lease, or as the Trustee may reasonably require for the delivery of the Series 2020A Certificates.

When the documents specified above have been filed with the Trustee, and when the Series 2020A Certificates have been executed as required by this Declaration of Trust, the Trustee shall deliver the Series 2020A Certificates to or upon the order of the purchaser thereof, but only upon payment to the Trustee of the purchase price of the Series 2020A Certificates. The net proceeds of the sale of the Series 2020A Certificates paid over to the Trustee shall be deposited and applied as provided in **Article VI**.

Section 3.09. Additional Certificates.

(a) Upon the execution and delivery of a Supplemental Lease that provides for an increase in the amount of Basic Rent payable under the Lease and so long as no Event of Default or Event of Nonappropriation exists, Additional Certificates evidencing the right of the Owners thereof to receive the Principal Portion and the Interest Portion of such additional Basic Rent may be executed and delivered under and equally and ratably secured by this Declaration of Trust on a parity with the Series 2020A Certificates and any other Additional Certificates, at any time and from time to time, upon compliance with the conditions provided in this Section to (a) refund the Certificates of any series, and (b) fund the costs of completing the Project or for additional projects for the City.

(b) Before any Additional Certificates may be executed and delivered under the provisions of this Section, the City will (1) adopt an ordinance authorizing the execution and delivery of such Additional Certificates, fixing the amount and terms thereof and describing the Certificates to be refunded, if any, (2) consent in writing to the Trustee's execution of a Supplemental Declaration of Trust for the purpose of executing and delivering such Additional Certificates, and (3) authorize the Trustee to enter into an amendment to the Lease with the City to provide for Basic Rent Payments at least sufficient to pay the Principal Portion, premium, if any, and Interest Portion of the Certificates then to be Outstanding (including the Additional Certificates to be executed and delivered) as the same become due, and for such other matters as are appropriate because of the execution and delivery of the Additional Certificates proposed to be delivered.

(c) The Additional Certificates will have the same designation as the Series 2020A Certificates, except for an identifying series letter or date and any other changes necessary to appropriately identify such Additional Certificates. The Principal Portion and the Interest Portion of Basic Rent represented by such Additional Certificates will be payable on the dates, in the amounts and (with respect to such Interest Portion) at the rates as may be provided by the Supplemental Declaration of Trust authorizing such Additional Certificates. **Exhibit C** will be amended by such Supplemental

Declaration of Trust to reflect separately the Principal Portion of Basic Rent allocable to each series of Certificates. Such Additional Certificates will be on a parity with and will be entitled to the same benefit and security of this Declaration of Trust as the Series 2020A Certificates and any other Additional Certificates.

(d) Such Additional Certificates will be executed substantially in the form and manner as provided in this Article, but prior to or simultaneously with the delivery of such Certificates by the Trustee, the following items will be on file with the Trustee:

(i) A copy, certified by the City Clerk, of the ordinance passed by the City Council authorizing such Supplemental Lease and authorizing the execution and delivery of the Additional Certificates, fixing the amount and terms thereof and describing the Certificates to be refunded, if any;

(ii) An original executed counterpart of the Supplemental Declaration of Trust authorizing such Additional Certificates;

(iii) An original executed counterpart of the Supplemental Lease;

(iv) An Opinion of Special Counsel to the effect that the execution and delivery of such Additional Certificates will not adversely affect the federal tax status of any Certificates Outstanding; and

(v) Such other certificates, statements, receipts, opinions and documents required by this Declaration of Trust or the Lease or as the Trustee may reasonably require for the delivery of the Additional Certificates.

(e) When the documents mentioned in subsection (d) of this Section have been filed with the Trustee, and when such Additional Certificates have been executed and registered as required by this Declaration of Trust, the Trustee will deliver such Additional Certificates to or upon the order of the purchaser named in the certificate purchase agreement relating to such Additional Certificates, but only upon payment of the purchase price of such Additional Certificates as specified in the certificate purchase agreement relating to such Additional Certificates. The Proceeds of Additional Certificates, including accrued interest, if any, paid to the Trustee will be deposited as provided in the Supplemental Declaration of Trust.

Section 3.10. Book-Entry Certificates; Securities Depository.

(a) The Certificates shall initially be registered to Cede & Co., the nominee for the Securities Depository, and no beneficial owner will receive certificates representing their respective interests in the Certificates, except in the event the Trustee delivers Replacement Certificates as provided in subsection (b) hereof. It is anticipated that during the term of the Certificates, the Securities Depository will make book-entry transfers among its Participants and receive and transmit payment of principal, premium, if any, and interest components with respect to the Certificates to the Participants until and unless the Trustee authenticates and delivers Replacement Certificates to the beneficial owners as described in subsection (b).

(b) (1) If the City determines (A) that the Securities Depository is unable to properly discharge its responsibilities, or (B) that the Securities Depository is no longer qualified to act as a

securities depository and registered clearing agency under the Securities Exchange Act of 1934, as amended, or (C) that the continuation of a book-entry system to the exclusion of any Certificates being delivered to any Owner other than Cede & Co. is no longer in the best interests of the beneficial owners of the Certificates, or (2) if the Trustee receives written notice from Participants having interests in not less than 50% of the Certificates Outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the continuation of a book-entry system to the exclusion of any Certificates being delivered to any Owner other than Cede & Co. is no longer in the best interests of the beneficial owners of the Certificates, then the Trustee shall notify the Owners of such determination of such notice and of the availability of certificates to Owners requesting the same, and the Trustee shall register in the name of and authenticate and deliver Replacement Certificates to the beneficial owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest and previous calls for redemption; provided, that in the case of a determination under (1)(A) or (1)(B) of this subsection (b), the City, with the consent of the Trustee, may select a successor securities depository in accordance with **Section 2.09(c)** to effect book-entry transfers. In such event, all references to the Securities Depository herein shall relate to the period of time when the Securities Depository is the registered owner of at least one Certificate. Upon the delivery of Replacement Certificates, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Trustee, to the extent applicable with respect to such Replacement Certificates. If the Securities Depository resigns and the City, the Trustee or the Owners are unable to locate a qualified successor of the Securities Depository in accordance with **Section 2.09(c)**, then the Trustee shall authenticate and cause delivery of Replacement Certificates to Owners, as provided herein. The Trustee may rely on information from the Securities Depository and its Participants as to the names and addresses of, and principal amounts held by, the beneficial owners of the Certificates. The cost of printing Replacement Certificates shall be paid for by the City.

(c) If the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Securities Exchange Act of 1934, as amended, the City may appoint a successor Securities Depository provided the Trustee receives written evidence satisfactory to the Trustee with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository which is a registered clearing agency under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Trustee upon its receipt of a Certificate or Certificates for cancellation shall cause the delivery of Certificates to the successor Securities Depository in appropriate denominations and form as provided herein.

Section 3.11. Cancellation and Destruction of Certificates upon Payment.

(a) All Certificates that have been paid or prepaid or which the Trustee has purchased or which have otherwise been surrendered to the Trustee under this Declaration of Trust, either at or before maturity, if not reissued in an exchange pursuant to **Section 3.05**, shall be canceled by the Trustee immediately upon the payment, prepayment or purchase of such Certificates and the surrender thereof to the Trustee. The Trustee shall execute a certificate describing the Certificates to be canceled, and shall file an executed counterpart of such certificate with the City.

(b) All Certificates canceled under any of the provisions of this Declaration of Trust shall be destroyed by the Trustee in accordance with then applicable record retention requirements.

ARTICLE IV

PARTICULAR COVENANTS AND PROVISIONS

Section 4.01. Covenant of Trustee as to Performance of Obligations. The Trustee covenants that it will promptly remit to the Owner of each Certificate its interest in each installment of Basic Rent to the extent received by the Trustee, at the places, on the dates and in the manner provided herein and in the Certificates.

Section 4.02. Covenant to Perform Undertakings. The Trustee covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Declaration of Trust, in any and every Certificate executed and delivered hereunder and in all proceedings of the Trustee pertaining thereto. The Trustee covenants that it is duly authorized to execute and deliver the Certificates and to enter into this Declaration of Trust and to perform its obligations hereunder.

ARTICLE V

PREPAYMENT

Section 5.01. General. The Certificates are subject to prepayment pursuant to this Article and any Supplemental Declaration of Trust to the extent that prepayments of Basic Rent are required, allowed or provided under the Lease.

Section 5.02. Prepayment Provisions with Respect to the Series 2020A Certificates.

(a) *Optional Prepayment.* At the option of the City, the Certificates will be subject to prepayment in whole or in part beginning on March 1, 2030, at a Prepayment Price equal to 100% of the Principal Portion being prepaid, plus the Interest Portion accrued to the Prepayment Date.

(b) *Extraordinary Optional Prepayment.* At the option of the City, the Certificates will be subject to prepayment, as a whole, at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent represented thereby plus the Interest Portion of Basic Rent accrued to the Prepayment Date, in the event of substantial damage to or destruction or condemnation (other than by the City or any entity controlled by or otherwise affiliated with the City), or as a result of changes in the Constitution of Missouri or legislative or administrative action by the State or the United States, the Lease Agreement becomes unenforceable.

(c) *Mandatory Sinking Fund Prepayment.* The Certificates shall be subject to mandatory prepayment prior to its stated maturity at a prepayment price of 100% of the principal amount so prepaid plus accrued interest thereon to the Prepayment Date, without premium, on March 1 in the years and in the following principal amounts:

Term Certificates Maturing March 1, 20__

March 1
Prepayment Date

Principal
Amount

*Final Maturity

Section 5.03. Selection of Certificates for Prepayment; Notice to Trustee. If less than all of the Outstanding Certificates are called for optional prepayment, Certificates shall be prepaid in such order of stated payment dates as is determined by the City. Within a stated payment date the Trustee shall select the Certificates or any given portion thereof to be prepaid in such equitable manner as the Trustee determines in principal amounts of \$5,000 or integral multiples thereof. In case of any optional prepayment, at the election of the City, the City shall, at least 45 days prior to the Prepayment Date (unless a shorter notice shall be satisfactory to the Trustee), give written notice to the Trustee directing the Trustee to call Certificates for prepayment and give notice of prepayment and specifying the Prepayment Date, the principal amount and maturities of Certificates to be called for prepayment, the applicable prepayment price and the provision or provisions of the Declaration of Trust pursuant to which such Certificates are to be called for prepayment.

Section 5.04. Partial Prepayment of Certificate. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the City, a new Certificate or Certificates of the same maturity, equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered.

Section 5.05. Notice of Prepayment. Unless otherwise provided herein, notice of prepayment shall be given by the Trustee, not less than 30 days prior to the Prepayment Date, to the City and the Owner of each Certificate affected at the address shown on the registration books of the Registrar on the date such notice is mailed. Each notice of prepayment shall state (a) the Prepayment Date, (b) the place of prepayment, (c) the Prepayment Price (d) if less than all, the identification number of the Certificates to be prepaid and (e) if a Certificate is being prepaid in part, the portion thereof being prepaid. Such notice shall also state that the Interest Portion of the Basic Rent represented by the Certificates designated for prepayment shall cease to accrue from and after such Prepayment Date and that on said date the Prepayment Price will become due and payable on each of said Certificates. The failure of the Owner of any Certificate to be so prepaid to receive notice of prepayment mailed as herein provided or any defect therein shall not affect or invalidate the validity of any proceedings for the prepayment of such Certificate.

The Trustee is also directed to comply with any mandatory standards then in effect for processing redemptions of municipal securities established by the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the prepayment of any Certificate to be prepaid.

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

Section 5.06. Effect of Prepayment. Notice of prepayment having been duly given as aforesaid, and upon funds for payment of the Prepayment Price of such Certificates (or portions thereof) being held by the Trustee, on the Prepayment Date designated in such notice, the Certificates (or portions thereof) so called for prepayment shall become due and payable at the Prepayment Price specified in such notice and the Interest Portion of Basic Rent represented by the Certificates so called for prepayment shall cease to accrue, said Certificates (or portions thereof) shall cease to be entitled to any benefit or security under this Declaration of Trust and the Owners of such Certificates shall have no rights in respect thereof except to receive payment of the Prepayment Price.

All Certificates prepaid pursuant to the provisions of this Article shall be cancelled upon surrender thereof and destroyed by the Trustee pursuant to **Section 3.11**.

ARTICLE VI

ISSUE OF CERTIFICATES; FUNDS; APPLICATION OF PROCEEDS AND OTHER MONEYS

Section 6.01. Establishment of Funds. There are hereby established the following funds and accounts:

- (a) Project Fund; and
- (b) Lease Revenue Fund.

Separate subaccounts shall be established for each series of Certificates or as otherwise required by this Declaration of Trust. All funds and accounts established pursuant to this Article shall be held by the Trustee in trust and for the benefit of the Certificate Owners. The money in all of the funds and the accounts shall be applied as hereinafter provided.

Section 6.02. Application of Proceeds of the Series 2020A Certificates and Other Moneys. The Proceeds of the Series 2020A Certificates paid to the Trustee shall be deposited as follows:

- (a) in the appropriate subaccounts of the Lease Revenue Fund, any accrued interest with respect to the Series 2020A Certificates (\$0.00); and
- (b) in the appropriate subaccounts of the Project Fund, the remainder of the proceeds of the Series 2020A Certificates (\$_____).

Section 6.03. Application of Lease Revenues. Lease Revenues shall be deposited, as received pursuant to the Lease, as follows:

- (a) The Basic Rent shall be deposited to the Lease Revenue Fund;

(b) Prepayments of the Principal Portion of Basic Rent (in amounts equal to the applicable Prepayment Price) shall be deposited to the Lease Revenue Fund; and

(c) Payments of Supplemental Rent pursuant to **Section 4.02** of the Lease shall be applied as provided in **Section 4.02** of the Lease.

(d) Payment to the Trustee of excess Net Proceeds as described in **Section 9.01** of the Lease shall be deposited in the Lease Revenue Fund.

Subject to Article IX, undesignated payments of Rent that are insufficient to discharge the full amount then due shall be applied first to the Interest Portion of Basic Rent, next to the Principal Portion of Basic Rent and finally to Supplemental Rent.

Section 6.04. Disbursements from the Project Fund.

(a) Moneys in the Project Fund shall be used to pay for Costs of the Project. Payment shall be made from moneys in the Project Fund upon receipt by the Trustee of a requisition certificate therefor signed by an Authorized Representative of the City, which requisition certificate shall contain the statements, representations and certificates set forth in the form thereof attached hereto as **Exhibit B** and shall be otherwise substantially in such form.

In making disbursements for Costs of the Project, the Trustee shall be entitled to conclusively rely upon each written requisition certificate executed by the Authorized Representative of the City without inquiry or investigation. It is understood that the Trustee shall *not* make any inspections of the Project nor any improvements thereon, make any provision to obtain completion bonds, mechanic's or materialmen's lien releases or otherwise supervise any phase of the acquisition or installation of the Project. The approval of each requisition certificate by the Authorized Representative of the City shall constitute unto the Trustee an irrevocable determination that all conditions precedent to the payment of the specified amounts from the Project Fund have been completed. The Trustee shall make disbursements to pay Costs of the Project for which any such request is made within five Business Days of the receipt of a properly executed certificate with all necessary supporting information.

(b) The Completion Date of the acquisition and installation of the Project and the payment of all Costs of the Project (other than Costs of the Project for which sufficient amounts are retained in the Project Fund) shall be evidenced by the filing with the Trustee of the Completion Certificate pursuant to **Section 5.03** of the Lease. As soon as practicable thereafter any balance remaining in the Project Fund shall be transferred and deposited without further authorization as provided in **Section 5.03** of the Lease.

(c) In the event of the acceleration of all of the Certificates pursuant to **Section 9.02**, any moneys then remaining in the Project Fund shall be transferred and deposited to the credit of the Lease Revenue Fund.

Section 6.05. Application of Moneys in the Lease Revenue Fund. Except as otherwise provided herein, all amounts in the Lease Revenue Fund shall be used and withdrawn by the Trustee solely to pay Basic Rent represented by the Certificates when due and payable (including principal and accrued interest with respect to any Certificates paid prior to maturity pursuant to this Declaration of Trust).

Section 6.06. [Reserved].

Section 6.07. [Reserved].

Section 6.08. Repayment to the City from the Lease Revenue Fund. After payment in full of all Rent Payments through the maximum Lease Term or the earlier purchase of the Trustee's interest in the Leased Property pursuant to **Section 10.01** of the Lease, all amounts remaining in the Funds shall be paid to the City.

Section 6.09. Payments Due on Days Other than Business Days. In any case where the date of maturity of the Principal Portion or Interest Portion of Basic Rent represented by the Certificates, or premium related thereto, or the date fixed for prepayment of any Certificates shall not be a Business Day, then payment of Principal Portion or Interest Portion of Basic Rent represented by the Certificates, or premium related thereto need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for prepayment, and no interest shall accrue for the period after such date.

Section 6.10. Nonpresentment of Certificates. If any Certificate shall not be presented for payment when the Principal Portion of Basic Rent represented by the Certificates becomes due, either at maturity or otherwise, or at the date fixed for prepayment thereof, if funds sufficient to pay such Certificate shall have been made available to the Trustee, all liability of the Trustee and the City to the Owner thereof for the payment of such Certificate shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the Owner of such Certificate, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature under this Declaration of Trust or on, or with respect to, said Certificate. If any Certificate shall not be presented for payment within one year following the date when such Certificate becomes due, whether by maturity or otherwise, the Trustee shall repay, without liability for interest thereon, to the City the funds theretofore held by the Trustee for payment of such Certificate, and such Certificate shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the City, and the Registered Owner thereof shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid, and the City shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Section 6.11. Separate Accounting of Funds Allocable to each Series of Certificates. The Trustee will maintain separate accounts for funds and securities attributable to each series of Certificates in the Funds held by the Trustee hereunder so that the calculations for each series of Certificates can be made separately for such series. Any transfer of funds or securities or earnings thereon from one fund or account to another will be made to the appropriate account or subaccount of the same series of Certificates to which such funds or securities are attributed. If, at any time, a payment is made to any such fund that is less than the amount due and payable to such fund, the amount payable will be credited *pro rata* to each such separate account within such fund, based on the amount owed to each such account.

ARTICLE VII

DEPOSITARIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 7.01. Moneys to be Held in Trust. All moneys deposited with or paid to the Trustee for account of the Funds under this Declaration of Trust shall be held by the Trustee in trust and shall be

applied only in accordance with this Declaration of Trust and the Lease and until used or applied as herein provided, shall constitute part of the Trust Estate and shall not be subject to any lien other than the lien of this Declaration of Trust. The Trustee shall not be under any liability for interest on any moneys received hereunder except such as provided herein.

Section 7.02. Investment of Moneys. Moneys held in the Funds shall, subject to the requirements of the Arbitrage Instructions and as hereinafter provided, be invested and reinvested by the Trustee, pursuant to written direction of the City, signed by an Authorized Representative of the City, in Investment Securities that mature or are subject to redemption by the holder prior to the date such funds will be needed. In the absence of such instructions, the Trustee is authorized to invest moneys in Investment Securities described in subparagraph (d) of the definition of Investment Securities in **Section 1.01**. The Trustee is specifically authorized to implement its automated cash investment system to assure that cash on hand is invested and to charge its normal cash management fees, which may be deducted from income earned on investments.

The Trustee shall sell and reduce to cash a sufficient amount of such Investment Securities held by the Trustee in any fund hereunder whenever the cash balance in such Fund is insufficient for the purpose of such Fund. Any such Investment Securities shall be held by or under the control of the Trustee and shall be deemed at all times a part of the Fund or Account in which such moneys are originally held, and the interest accruing thereon and any profit realized from such Investment Securities shall be credited to such Fund or Account, and any loss resulting from such Investment Securities shall be charged to such Fund or Account.

For purposes of determining the amount in any Fund or account, the value of any investments shall be computed at the market value thereof, the purchase price thereof or principal amount, whichever is lower. The Funds and accounts shall be valued on February 1 of each year.

The Trustee may, in making or disposing of any investment permitted by this Section, deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

ARTICLE VIII

AMENDMENT OF THE DECLARATION OF TRUST OR THE LEASE

Section 8.01. Amendments Permitted.

(a) This Declaration of Trust, the Lease and the rights and obligations of the City and of the Owners of the Certificates and of the Trustee may be modified or amended from time to time and at any time by an amendment or supplement hereto or thereto which the parties hereto or thereto may enter into when the written consent of the Trustee and the City, if not a party hereto or thereto, and the Owners of a majority in aggregate Principal Portion of Basic Rent Payments represented by the Certificates then Outstanding shall have been filed with the Trustee. No such modification or amendment shall (i) extend the stated maturity of any Certificate, or reduce the amount of principal represented thereby, or extend the time of payment or reduce the amount of any Prepayment Price provided in the Declaration of Trust for the payment of any Certificate, or reduce the rate of interest with respect thereto, or extend the time of payment of interest with respect thereto without the consent of the Owner of each Certificate so affected,

(ii) reduce the aforesaid percentage of Certificates the consent of the Owners of which is required to effect any such modification or amendment or, except in connection with the delivery of any Additional Certificates, permit the creation of any lien on the moneys in the Project Fund or the Lease Revenue Fund or deprive the Owners of the trust created by this Declaration of Trust with respect to the moneys in the Project Fund and the Lease Revenue Fund or (iii) create a preference or priority of any Certificate or Certificates over any other Certificate or Certificates without the consent of the Owners of all of the Certificates then Outstanding. Promptly after the execution by the Trustee of any amendment pursuant to this subsection (a), the Trustee shall give Notice by Mail, setting forth in general terms the substance of such amendment to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to **Section 3.06**. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment.

(b) Notwithstanding subsection (a), this Declaration of Trust and the Lease and the rights and obligations of the City, of the Trustee and of the Owners of the Certificates may also be modified or amended from time to time and at any time by an agreement which the parties hereto or thereto may enter into without the consent of any Certificate Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Trustee in this Declaration of Trust, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Certificates (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the City; provided, however, that no such covenant, agreement, pledge, assignment or surrender shall, in the sole judgment of the Trustee, materially adversely affect the interests of the Trustee or the security of the Owners of the Certificates;

(ii) to add to the covenants and agreements of the City in the Lease, other covenants and agreements thereafter to be observed or to surrender any right or power therein reserved to or conferred upon the Trustee or the City; provided, however, that no such covenant, agreement or surrender shall, in the sole judgment of the Trustee, materially adversely affect the security of the Owners of the Certificates;

(iii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Declaration of Trust, the Lease, or in regard to matters or questions arising under this Declaration of Trust, the Lease as the Trustee and the City may deem necessary or desirable and not inconsistent with said agreements, or as may be requested by the City or the Trustee and which shall not, in any such case, in the sole judgment of the Trustee, materially adversely affect the security of the Owners of the Certificates;

(iv) to modify, amend or supplement this Declaration of Trust in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not, in the sole judgment of the Trustee, materially adversely affect the security of the Owners of the Certificates;

(v) to provide for any additional procedures, covenants or agreements necessary to maintain the federal tax status of the Certificates Outstanding;

(vi) to provide for the execution and delivery of Additional Certificates; or

(vii) to make any other change that, in the sole judgment of the Trustee, does not have a materially adverse effect on the security of the Certificate Owners.

Section 8.02. Effect of Amendments. Upon the execution of any amendments hereto, pursuant to this **Article VIII**, this Declaration of Trust shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Declaration of Trust of the Trustee and all Owners of Certificates Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such amendment shall be deemed to be part of the terms and conditions of the Declaration of Trust for any and all purposes.

Section 8.03. Endorsement of Certificates; Preparation of New Certificates. Certificates delivered after the execution of any amendment pursuant to this **Article VIII** may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form determined by the Trustee as to any modification or amendment provided for in such amendment. In that case, upon presentation of a Certificate for such purpose at the payment office of the Trustee, a suitable notation shall be made on such Certificate. If the amendment shall so provide, new Certificates so modified as to conform, in the opinion of the Trustee, to any modification or amendment contained in such amendment, shall be prepared and executed by the Trustee, and upon demand of the Owners of any Certificates then Outstanding shall be exchanged at the payment office of the Trustee, without cost to any Certificate Owner, for Certificates then Outstanding, upon surrender for cancellation of such Certificates in equal aggregate principal amounts of the same maturity, interest rate and tenor.

Section 8.04. Amendment of Particular Certificates. The provisions of this Article shall not prevent any Certificate Owner from accepting any amendment as to the particular Certificates held by him, provided that due notation thereof is made on such Certificates.

Section 8.05. Opinion of Counsel. Anything to the contrary in this **Article VIII** notwithstanding, before the Trustee or the City consent to any modification or amendment of this Declaration of Trust or the Lease, there shall have been delivered to the Trustee an Opinion of Special Counsel to the effect that such amendment (1) is permitted by this Declaration of Trust and the instrument modified or amended (if other than this Declaration of Trust), (2) complies with their terms, (3) will, upon execution and delivery thereof, be valid and binding upon the City in accordance with the terms of the instrument modified or amended, and (4) will not adversely affect the federal tax status of any Certificates Outstanding. In any instance in which the Trustee may be required to determine that a modification or amendment will not materially adversely affect the interest of the Owners of the Certificates, prior to consenting to such modification or amendment, the Trustee shall be entitled to require that there be delivered to it an Opinion of Counsel to the effect that no such materially adverse affect would result from such modification or amendment. The Trustee shall be fully protected and shall incur no liability in relying upon such Opinion of Counsel in making such determination. The Trustee may, but shall not be obligated to enter into any such supplemental Declaration of Trust or Lease which affects the Trustee's own rights, duties or immunities under this Declaration of Trust or Lease or otherwise.

ARTICLE IX

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND OWNERS OF CERTIFICATES

Section 9.01. Defaults. The occurrence of any of the following events, subject to the provisions of **Section 9.09**, is hereby defined as an “Event of Default”:

- (a) Default in the due and punctual payment of any Interest Portion of Basic Rent represented by a Certificate; or
- (b) Default in the due and punctual payment of the Principal Portion of Basic Rent represented by a Certificate, whether at the stated payment date thereof or the Prepayment Date set therefor in accordance with the terms hereof; or
- (c) Any Event of Lease Default.

Section 9.02. Acceleration. Upon the occurrence of an Event of Default, the Trustee may, and upon receipt of a Directive shall, by notice in writing delivered to the City, declare the Principal Portion and Interest Portion of Basic Rent represented by all Certificates Outstanding to the end of the then current Fiscal Year immediately due and payable.

Section 9.03. Other Remedies Upon an Event of Default. Upon the occurrence of an Event of Lease Default or Event of Nonappropriation, the Trustee may exercise any remedies available under the Lease and, to the extent consistent therewith, may sell, lease or manage all or any portion of the Leased Property and apply the net proceeds thereof in accordance with **Section 9.05** and, whether or not it has done so, may pursue any other remedy available to it under the Lease or at law or in equity.

No remedy by the terms of this Declaration of Trust conferred upon or reserved to the Trustee or to the Certificate Owners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Certificate Owners hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default hereunder whether by the Trustee or by the Certificate Owners shall extend to or shall affect any subsequent default or shall impair any rights or remedies consequent thereon.

Section 9.04. Rights of Certificate Owners. If an Event of Default or Event of Nonappropriation shall have occurred and be continuing and if instructed to do so by a Directive and if indemnified as provided in **Section 9.07** and **Section 11.03**, the Trustee shall be obligated to exercise such one or more of the rights and the remedies conferred by this Article as the Trustee, upon the advice of counsel, shall deem to be in the interests of the Certificate Owners; provided that such Directive shall not be otherwise than in accordance with the provisions of law and of this Declaration of Trust, and provided further that the Trustee shall have the right to decline to follow any such Directive if the Trustee in good faith shall determine that the proceedings so directed would involve it in personal liability.

Any other provision herein to the contrary notwithstanding, the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding shall have the right, at any time, by a Directive, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of this Declaration of Trust, or for the appointment of a receiver or any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Declaration of Trust, and provided, further, that the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability.

Section 9.05. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited into the Lease Revenue Fund and all moneys in the Lease Revenue Fund shall be applied as follows:

(a) unless the Principal Portions of Basic Rent represented by all the Certificates shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST - To the payment to the persons entitled thereto of the Interest Portions of Basic Rent represented by the Certificates in the order of the maturity of the installments of such interest and, to the payment ratably, according to the amount due on such installments, to the persons entitled thereto, without any discrimination or privilege; and

SECOND - To the payment to the persons entitled thereto of the unpaid Principal Portions of Basic Rent represented by any Certificates that shall have become due (other than Principal Portions of Basic Rent represented by Certificates with respect to the payment of which moneys are held pursuant to the provisions of this Declaration of Trust) in the order of such due dates, with interest from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full the Principal Portions of Basic Rent represented by Certificates due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege except as to any difference in the respective rates of interest specified respecting the Certificates.

(b) If the Principal Portions of Basic Rent represented by all Certificates shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the Principal Portions and the Interest Portions of the Basic Rent then due and unpaid upon the Certificates without preference or priority of principal over the interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Certificate over any other Certificate, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege except as to any difference in the respective rates of interest specified respecting the certificates.

(c) If the Principal Portions of the Basic Rent represented by all Certificates shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then subject to the provisions of paragraph (b) of this Section in the event that the Principal Portions of Basic Rent represented by all the

Certificates shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to the provision of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for the application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be a Basic Rent Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the Owner of any Certificate until such Certificate shall be presented to the Trustee for appropriate endorsement or for cancellation if paid in full.

Whenever the Principal Portion and the Interest Portion of all Certificates have been paid under the provisions of this Section and all fees, expenses and charges of the Trustee have been paid, any balance remaining in the Funds shall be paid to the City.

Section 9.06. Remedies Vested in Trustee. All remedies and rights of action (including the right to file proof of claims) under this Declaration of Trust or under any of the Certificates may be enforced by the Trustee without the possession of any of the Certificates or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Owners of the Certificates. Any recovery of judgment or other amounts shall be for the equal benefit of the Owners of the Outstanding Certificates.

Section 9.07. Rights and Remedies of Certificate Owners. No Owner of any Certificates shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Lease or this Declaration of Trust, for the execution of any trust thereof, for the appointment of a receiver or to enforce any other remedy thereunder or hereunder, unless (a) an Event of Default or an Event of Nonappropriation has occurred; (b) the Owners shall have made by a Directive a written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) such Certificate Owners have provided to the Trustee indemnification satisfactory to the Trustee; and (d) the Trustee shall thereafter fail or shall refuse to exercise the powers hereinbefore granted or to institute such action suit or proceedings in its, his, her or their name or names. Such notification, request and indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and the trusts of this Declaration of Trust and to any action or cause of action for the enforcement of this Declaration of Trust or for the appointment of a receiver or for any other right or remedy hereunder. No one or more Owners of the Certificates shall have any right in any manner whatsoever to affect, to disturb or to prejudice the lien of this Declaration of Trust by its, his, her or their action or to enforce any right or remedy hereunder except in the manner herein provided and all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Owners of all Certificates then Outstanding. Nothing in this Declaration of Trust contained shall, however, affect or impair the right of any Certificate Owner to enforce the payment of the Principal Portion of and the Interest Portion of the Basic Rent represented by any Certificate at and after the maturity or earlier mandatory prepayment thereof.

Section 9.08. Termination of Proceedings. If the Trustee shall have proceeded to enforce any right or remedy under the Lease or this Declaration of Trust by the appointment of a receiver, by entry or otherwise and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case, the City, the Owners and the Trustee shall be restored to their former respective positions and rights thereunder and hereunder and all rights remedies and powers of the Trustee shall continue as if no such proceeding had been taken.

Section 9.09. Waivers of Defaults. The Trustee shall waive any Event of Default and its consequences and rescind any declaration of maturity of principal upon the written request of the Owners of (a) a majority in aggregate principal amount of all Certificates then Outstanding with respect to which a default in the payment of Principal Portion of Basic Rent represented thereby exists; or (b) a majority in aggregate principal amount of all Certificates then Outstanding in the case of any other default; provided, however, that there shall not be waived (i) any Event of Default respecting the payment of the Principal Portion of Basic Rent represented by any Certificate at its maturity date, or (ii) any Event of Default respecting the payment of the Interest Portion of Basic Rent represented by any Certificate, unless prior to such waiver or rescission, all arrears of principal and interest when due, as the case may be, and all fees, charges and expenses of the Trustee in connection with such default shall have been paid or provided for and, in case any such waiver or rescission or in case any proceeding(s) taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Trustee, the City and the Certificate Owners shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default or impair any right consequent thereon.

Section 9.10. Notices of Defaults. Within 30 days after the occurrence of any default hereunder of which the Trustee is required to take notice or if notice of default has been given as provided in **Section 11.01(f)**, the Trustee shall give written notice thereof to the City and Notice by Mail to the Owners of all Certificates then Outstanding (unless such default has been cured or waived; provided, however, that, except in the case of a default in the payment of the Principal Portion or Interest Portion of Basic Rent Payments represented thereby, the Trustee shall be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of such Owners). For the purpose of this Section, the term “**default**” means any event which is an “Event of Default” as defined in **Section 9.01**.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Declaration of Trust.

(a) When (i) the obligations of the City under the Lease shall have been satisfied in connection with the exercise by the City of its option to purchase the Leased Property in accordance with **Article X** of the Lease by the irrevocable deposit in escrow of cash or Government Obligations (maturing as to principal and interest in such amounts and at such times as are necessary to make any required payments without reinvestment of any earnings thereon) or both cash and such Government Obligations, and (ii) the City shall have delivered to the Trustee, (x) an Opinion of Counsel to the effect that the conditions for such discharge contained herein and in **Section 10.02** have been satisfied or irrevocably provided for and (y) for an advance refunding, an accountant’s certificate verifying the sufficiency of cash or Government Obligations or both so deposited for the payment of the Principal Portion and Interest

Portion of the Certificates and any applicable Prepayment Price to be paid with respect to the Certificates and (iii) the City shall have deposited sufficient moneys to pay the fees, charges and expenses of the Trustee (or has made provision satisfactory to the Trustee for their payment), thereupon the obligations created by this Declaration of Trust shall cease, determine and become void except for the right of the Certificate Owners and the obligation of the Trustee to apply such moneys and Government Obligations to the payment of the Certificates as herein set forth; provided, however, that all provisions hereof relating to the compensation or indemnification of the Trustee shall survive the satisfaction and discharge of this Declaration of Trust.

(b) After all amounts owing to the Certificate Owners have been paid hereunder and under the Lease and all fees, expenses and charges of the Trustee have been paid, the Trustee shall turn over to the City any surplus in the Lease Revenue Fund and all balances remaining in any other funds or accounts other than moneys and Government Obligations held for the payment of the Certificates at maturity or on prepayment, which moneys and Government Obligations shall continue to be held by the Trustee in trust for the benefit of the Certificate Owners and shall be applied by the Trustee to the payment, when due, of the Principal Portions and any premium and Interest Portions of Basic Rent represented by the Certificates.

Section 10.02. Deposit of Moneys or Securities. If moneys or Government Obligations as hereinabove provided, are deposited with and held by the Trustee or other bank or trust company, the Trustee or other bank or trust company shall within 30 days after such Government Obligations shall have been deposited with it give Notice by Mail, to the Owners at the addresses listed on the registration books kept by the Registrar pursuant to **Section 3.06**, setting forth (i) the maturity date or Prepayment Date, as the case may be, of the Certificates, (ii) a description of the Government Obligations, if any, so held by it, and (iii) that this Declaration of Trust has been released in accordance with the provisions of this Section. Whenever in this Declaration of Trust or the Lease it is provided or permitted that there be deposited with or held in trust by the Trustee or other bank or trust company moneys or Government Obligations in the necessary amount to pay or prepay any Certificates, the money or Government Obligations so to be deposited or held may include money or Government Obligations held by the Trustee in the Funds established pursuant to this Declaration of Trust (exclusive of the Project Fund) the principal of and interest on which when due together with any moneys held by the Trustee or other bank or trust company for such purpose will provide moneys sufficient to pay the Principal Portions and Interest Portions of the Basic Rent represented by the Certificates as same becomes due, except that, in the case of Certificates which are to be prepaid prior to maturity and in respect of which irrevocable notice of such prepayment shall have been given as in **Article V** provided or irrevocable provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the Prepayment Price with respect to such Certificates and all unpaid interest to the Prepayment Date.

ARTICLE XI

THE TRUSTEE

Section 11.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default or Event of Nonappropriation, and after the curing of all Events of Default or Events of Nonappropriation that may have occurred, perform only such duties as are specifically set forth in this Declaration of Trust. The Trustee will have no implied duties. The permissive right or power to take any action may not be construed as a duty to take action under any circumstances, and the Trustee will not be liable except in the event of its negligence or willful misconduct. The Trustee shall, during the existence of any Event of Default or Event of Nonappropriation, exercise such of the rights and powers vested in it by this Declaration of Trust, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee will not be obligated to risk its own funds in the administration of the Trust Estate. Notwithstanding any provision herein to the contrary, the Trustee need not take any action under this Declaration of Trust which may involve it in any expense or liability until indemnified to its satisfaction for any expense or liability, including liability related to environmental contamination, it reasonably believes it may incur.

(c) The Trustee is not responsible for any recitals contained in this Declaration of Trust or in the Certificates, or for the recording, filing, rerecording or refiling of the Declaration of Trust or security agreements (excluding the continuation of Uniform Commercial Code financing statements) in connection therewith, or for the sufficiency of the security for the Certificates. The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the validity or sufficiency of this Declaration of Trust or of the Certificates. The Trustee shall not be accountable for the use or application by the City of any of the Certificates or the proceeds thereof or of any money paid to or upon the order of the City under any provision of this Declaration of Trust or the Lease.

(d) The Trustee will not be required to give any bond or surety or report to any court despite any statute, custom or rule to the contrary.

(e) The Trustee may execute any of the duties under this Declaration of Trust by or through agents, attorneys, trustees or receivers and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, attorney, trustee or receiver appointed with due care by it hereunder.

(f) The Trustee will not be required to take notice or be deemed to have notice of any default, or Event of Default or other fact or event under this Declaration of Trust other than the City's failure to pay Basic Rent Payments required by **Section 4.01** of the Lease, unless the Trustee is specifically notified in writing of the default or Event of Default, fact or event by the City or the Owners of not less than 25% of the unpaid Principal Portion of Basic Rent Payments represented by the Certificates then Outstanding.

(g) The Trustee may consult legal counsel, may conclusively rely on the opinion or advice of such legal counsel and will not be liable for any act or omission taken or suffered pursuant to the opinion or advice of such counsel. The fees and expenses of the counsel will be deemed to be a proper expense of the Trustee.

(h) Unless specifically required by the terms of this Declaration of Trust, the Trustee need not take notice of or enforce any other document or relationship, including any contract, settlement, arrangement, plan, assignment, pledge, release, decree or the like, other than the Lease, but its duties will be solely as set out in this Declaration of Trust.

(i) The Trustee may be removed at any time by a Directive or shall resign at any time the Trustee shall cease to be eligible in accordance with subsection (l) of this Section, or shall become incapable of acting, or shall be adjudged as bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the property or affairs for the purpose of rehabilitation, conservation or liquidation, and thereupon a successor Trustee shall be appointed by a Directive. Written notice of any removal or resignation pursuant to this subsection (i) shall be given by the Trustee to the City.

(j) The Trustee may at any time resign by giving written notice of such resignation to the City and by giving the Certificate Owners Notice by Mail of such resignation at the addresses listed on the registration books kept by the Trustee pursuant to **Section 3.06**. Upon receiving such notice of resignation, a successor Trustee shall be appointed by a Directive.

(k) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Certificate Owner (on behalf of himself and all other Certificate Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Declaration of Trust shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee held by it as security for the Certificates, including its interest in the Lease, with like effect as if originally named Trustee herein and the duties and obligations of the predecessor Trustee hereunder shall thereafter cease and terminate; but, nevertheless at the request of the City or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Declaration of Trust and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee shall cause Notice by Mail of such acceptance to be given to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to **Section 3.06**.

(l) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a state or national trust company or bank having the powers of a trust company and being duly authorized to execute trust powers having its payment office in the State, in good standing in the State, having a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision and examination by federal or state authority. If such bank or trust company publishes a

report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (l), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(m) Notwithstanding anything elsewhere in this Declaration of Trust or the Lease contained, before taking any action under this Declaration of Trust, the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all reasonable fees, costs and expenses to which it may be put and to protect it against all liability which it may incur in or by reason of such action, including without limitation liability in connection with environmental contamination, and the cleanup thereof, except liability which is adjudicated to have resulted from its negligence or willful misconduct by reason of any action so taken.

(n) The Trustee may elect not to proceed in accordance with the directions of the Owners of the Certificates without incurring any liability to the Certificate Owners if in the opinion of the Trustee such direction may result in environmental or other liability to the Trustee, in its individual capacity, for which the Trustee has not received indemnity from the Certificate Owners, and the Trustee may rely upon an Opinion of Counsel addressed to the Trustee in determining whether any action directed by Certificate Owners may result in such liability.

(o) The Trustee may inform the Certificate Owners of environmental hazards that the Trustee has reason to believe exist, and the Trustee has the right to take no further action and, in such event no fiduciary duty exists which imposes any obligation for further action with respect to the Trust Estate or any portion thereof if the Trustee, in its individual capacity, determines that any such action would materially and adversely subject the Trustee to environmental or other liability for which the Trustee has not received indemnity pursuant to this Declaration of Trust.

(p) Notwithstanding any other provision of this Declaration of Trust to the contrary, any provision intended to provide authority to act, right to payment of fees and expenses, protection, immunity and indemnification to the Trustee shall be interpreted to include any action of the Trustee whether it is deemed to be in its capacity as Trustee, Registrar or Paying Agent.

(q) The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with **Section 7.02**.

(r) The Trustee shall not be responsible for the use of any Certificates executed and delivered hereunder.

(s) Any action taken by the Trustee pursuant to and in accordance with this Declaration of Trust upon the request or authority or consent of any person who, at the time of making such request or giving such authority or consent is the Owner of any Certificate shall be conclusive and binding upon all future Owners of the same Certificate and upon Certificates issued in exchange therefor or upon transfer or in place thereof.

(t) The Trustee shall have the right, but shall not be required, to demand, in respect of the execution of any Certificate, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Declaration of Trust, appraisals or other information, or corporate

action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee as are deemed desirable for the purpose of establishing the right of the City to any such action.

Section 11.02. Merger or Consolidation. Any entity into which the Trustee may be merged or converted or with which it may be consolidated or any entity resulting from any merger, conversion or consolidation to which it shall be a party or any entity to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under **Section 11.01(l)** shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 11.03. Liability of Trustee; Indemnity. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the owner of Certificates with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Certificate Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Certificates then Outstanding.

Before taking any action under this Declaration of Trust (except with respect to acceleration of the Certificates and payment of the Certificates upon such acceleration or any payments of the Certificates when due), the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all reasonable fees, costs and expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct by reason of any action so taken.

Section 11.04. Right of Trustee to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, ordinance, request, consent, order, certificate, report, opinion, Directive or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Any action taken by the Trustee upon the request, authority, or consent of any person who, at the time of making such request or giving such authority or consent is the Owner of any Certificate, shall be conclusive and binding upon all future Owners of the same Certificate and upon Certificates issued in exchange therefor or upon transfer or in place thereof. The Trustee may consult with counsel, who may be counsel of or to the City, with regard to legal questions or the interpretation of the provisions hereof, and the opinion or advice of such counsel may be conclusively relied upon by the Trustee and shall be full and complete authorization and protection in respect of any action taken, omitted or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of the trusts imposed upon it by this Declaration of Trust the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a statement of the Authorized Representative, and such statement shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Declaration of Trust in reliance upon such statement, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 11.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Declaration of Trust shall be retained in its possession until six months after payment in full of all Certificates and discharge of this Declaration of Trust and shall be

subject at all reasonable times to the inspection of the City and any Certificate Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 11.06. Compensation of the Trustee. The City shall, from time to time, upon the written request of the Trustee, (a) pay to the Trustee reasonable compensation for its services as agreed to by the City and the Trustee (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and (b) reimburse the Trustee for all reasonable advances, fees, costs and expenditures, including but not limited to, advances to and reasonable fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys or other experts employed by it in the exercise and performance of its powers and duties hereunder. Said compensation is to be paid as Supplemental Rent pursuant to the Lease. The Trustee will have a first lien against the Trust Estate for its reasonable costs, fees, expenses and advancements hereunder. In every instance in which this Declaration of Trust or the Lease provides for compensation, reimbursement or indemnification of the Trustee, such provision shall be deemed to provide for, whether or not expressly so stated, the payment of all related fees, costs, charges, advances and expenses of the Trustee (including without limitation, attorneys' fees and expenses), unless the context shall clearly indicate otherwise.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Survival of Provisions. The obligations of the Trustee with respect to matters arising before the termination of this Declaration of Trust shall survive the termination of this Declaration of Trust.

Section 12.02. No Third Party Beneficiaries. No persons other than the City, the Trustee, the Owners of Certificates and the successors and assigns of such persons, shall have any rights whatsoever under this Declaration of Trust.

Section 12.03. Notices. It shall be sufficient service of any notice, request, complaint, demand or other paper required by this Declaration of Trust or the Lease to be given or filed with the Trustee or the City if the same shall be duly mailed by registered or certified mail with postage prepaid (except as indicated in (a) below) addressed as follows:

- (a) To the Owners of the Certificates if the same shall be duly mailed by first class mail, postage prepaid, addressed to each of the Owners of Certificates at the time Outstanding at his address as shown by the register maintained pursuant to **Section 3.06**.
- (b) If to the City:

City of Gladstone, Missouri
7010 North Holmes
Gladstone, Missouri 64118
Attention: City Manager
- (c) If to the Trustee:

Security Bank of Kansas City
701 Minnesota Avenue, Suite 206
Kansas City, Kansas 66101
Attn: Corporate Trust Department

Notwithstanding the foregoing, notice to the Trustee shall only be effective upon actual receipt. A duplicate copy of each notice, certificate or other communication given hereunder, or pursuant to the Lease to any of the parties mentioned in this Section shall be given to all other parties mentioned in this Section (other than the Owners of the Certificates unless a copy is required to be furnished to them by other provisions of this Declaration of Trust). The Trustee or the City may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent to it. Notice to the Trustee shall be effective only upon receipt.

Section 12.04. Waiver of Personal Liability

(a) All obligations or liabilities under this Declaration of Trust on the part of the Trustee are solely obligations or liabilities of the Trustee in its capacity hereunder as a corporate trustee of the Trust Estate. To the extent permitted by law, the City hereby releases each and every director, officer, agent, attorney or employee of the Trustee from any personal or individual liability under this Declaration of Trust. No director, officer, agent, attorney or employee of the Trustee will at any time or under any circumstances be individually or personally liable under this Declaration of Trust for anything done or omitted to be done by the Trustee hereunder.

(b) All obligations or liabilities under this Declaration of Trust on the part of the City are solely obligations or liabilities of the City as a political subdivision. To the extent permitted by law, the Trustee hereby releases each and every official, member, employee or agent of the City from any personal or individual liability under this Declaration of Trust. No official, member, employee or agent of the City will at any time or under any circumstances be individually or personally liable under this Declaration of Trust for anything done or omitted to be done by the City hereunder.

Section 12.05. Electronic Transaction. The parties agree that the transaction described herein may be conducted and related documents may be stored by electronic means.

Section 12.06. Declaration of Trust Binding Upon Trustee and Successors. This Declaration of Trust will inure to the benefit of and will be binding upon the Trustee and its successors and assigns, subject to the limitations contained herein.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have caused this Declaration of Trust to be executed by their duly authorized officers, all as of the day and year indicated above.

SECURITY BANK OF KANSAS CITY,
as Trustee

By _____
Name:
Title:

CITY OF GLADSTONE, MISSOURI

(SEAL)

By _____

Name: Scott Wingerson

Title: City Manager

ATTEST:

Name: Ruth Bocchino

Title: City Clerk

Declaration of Trust

EXHIBIT A

TO DECLARATION OF TRUST

FORM OF CERTIFICATE OF PARTICIPATION

**UNITED STATES OF AMERICA
STATE OF MISSOURI**

No. _____

\$ _____

**CITY OF GLADSTONE, MISSOURI
CERTIFICATE OF PARTICIPATION
SERIES 2020A**

Interest Rate

Payment Date

Certificate Date

CUSIP

____ 1, 20__

_____, 2020

Registered Owner:

Principal Sum:

THIS IS TO CERTIFY that the Registered Owner identified above of this Certificate of Participation (the "Certificate") is the owner of the proportionate interest hereinafter stated in that certain Lease Purchase Agreement dated as of November 1, 2020 (the "Lease"), between Security Bank of Kansas City, a state banking corporation organized and existing under the laws of the State of Kansas (the "Trustee"), and the City of Gladstone, Missouri, a third-class city and political subdivision of the state of Missouri (the "City"), including payments of Basic Rent to be made thereunder (the "Basic Rent Payments"). The City is authorized to enter into the Lease pursuant to applicable laws, including the constitution and statutes of the State of Missouri and an ordinance of the City. This Certificate is subject to the Declaration of Trust dated as of November 1, 2020, between the Trustee and the City, as amended or supplemented from time to time (the "Declaration of Trust"), which is on file at the corporate trust office of the Trustee located in Kansas City, Kansas. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Declaration of Trust.

THE REGISTERED OWNER of this Certificate is entitled to receive, subject to the terms of the Lease and the Declaration of Trust, on the payment date specified above (the "Certificate Payment Date"), or if selected for prepayment, on the Prepayment Date, the principal sum specified above, representing a portion of the Basic Rent Payment designated as principal coming due on the Certificate Payment Date, and to receive the Registered Owner's proportionate share of Basic Rent Payments designated as interest each March 1 and September 1, commencing on March 1, 2021, to and including the Certificate Payment Date or the Prepayment Date, whichever is earlier. Said proportionate share of the Basic Rent Payments designated as interest is computed on the principal sum specified above from the Dated Date, or the most recent date to which such interest has been paid, at the interest rate specified above on the basis of a 360-day year of twelve 30-day months.

SAID AMOUNTS are payable in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts. The amounts representing principal and prepayment premium, if any, are payable by check or draft at the payment office of the Trustee upon the presentation and surrender of this Certificate and the amounts representing interest are payable to the person in whose name this Certificate is registered in the register maintained by the Trustee at the close of business on the fifteenth day (whether or not a Business Day) of the calendar month next preceding each interest payment date (a "Record Date") by check or draft mailed to said Registered Owner at their address as it appears in said register or in the case of an amount representing interest to be paid to any Registered Owner of Certificates representing an aggregate amount of principal of \$100,000 or more, by electronic transfer to such Registered Owner upon written notice given to the Trustee by such Registered Owner not less than 5 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), ABA routing number and account name and number to which such Registered Owner wishes to have such transfer directed.

BASIC RENT PAYMENTS are payable solely from Available Revenues which includes, for any Fiscal Year, any balances of the City from previous Fiscal Years encumbered to pay Rent under the Lease, amounts budgeted or appropriated out of the income and revenue of the City for such Fiscal Year plus any unencumbered balances of the City from previous Fiscal Years that are legally available to pay Rent during such Fiscal Year and all moneys and investments, including earnings thereon, held by the Trustee pursuant to the Declaration of Trust.

NEITHER THE BASIC RENT PAYMENTS NOR ANY OTHER AMOUNTS DUE UNDER THE LEASE CONSTITUTE A DEBT, A GENERAL OBLIGATION OR, EXCEPT FROM AVAILABLE REVENUES, A LIABILITY OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. THE CITY SHALL NOT BE OBLIGATED TO PAY THE SAME EXCEPT FROM AVAILABLE REVENUES. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE BASIC RENT PAYMENTS OR ANY OTHER AMOUNTS DUE UNDER THE LEASE. THE REGISTERED OWNER SHALL NOT HAVE THE RIGHT TO REQUIRE OR COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY FOR THE PAYMENT OF THE PRINCIPAL AND INTEREST UNDER THE LEASE REPRESENTED BY THIS CERTIFICATE OR THE MAKING OF ANY OTHER PAYMENTS PROVIDED FOR IN THE LEASE.

This Certificate is one of a duly authorized series of certificates of participation designated "Certificates of Participation, Series 2020A" (the "Certificates"), issued for the purpose of providing funds to (i) pay a portion of the costs of acquiring and installing the Project, and (ii) pay certain costs connected to the execution and delivery of the Certificates. The Certificates have been executed by the Trustee pursuant to and are governed by the terms of the Declaration of Trust. Copies of the Lease and the Declaration of Trust are on file at the office of the City and at the corporate trust office of the Trustee, and reference to the Lease and the Declaration of Trust and any and all amendments and supplements thereto is made for a description of the pledges and covenants of the City securing the Basic Rent Payments, the nature, extent and manner of enforcement of such pledges and covenants and the rights and the terms and conditions upon which the Certificates are delivered thereunder. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Declaration of Trust.

The Declaration of Trust permits certain amendments or supplements to the Declaration of Trust and the Lease not materially adverse to the security of the Owners to be made without the consent of or notice to the Owners, certain other amendments or supplements thereto to be made with the consent of the

Owners of not less than a majority in aggregate principal amount of the Certificates then outstanding and other amendments or supplements thereto to be made only with the consent of all Owners.

At the option of the City, the Certificates will be subject to prepayment in whole or in part at any time beginning March 1, 2030, at a Prepayment Price equal to 100% of the Principal Portion being prepaid, plus the Interest Portion accrued to the Prepayment Date.

At the option of the City, the Certificates will be subject to prepayment, as a whole, at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent represented thereby plus the Interest Portion of Basic Rent accrued to the Prepayment Date, in the event of substantial damage to or destruction or condemnation (other than by the City or any entity controlled by or otherwise affiliated with the City), or as a result of changes in the Constitution of Missouri or legislative or administrative action by the State or the United States, the Lease Agreement becomes unenforceable.

[The Certificates shall be subject to mandatory sinking fund prepayment at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent represented thereby plus the Interest Portion of Basic Rent accrued to the Prepayment Date, on the dates and in the amounts set forth in the Declaration of Trust.]

In the event any of the Certificates are to be prepaid, notice thereof identifying the Certificates to be prepaid will be given by first class mail, postage prepaid, mailed not less than 30 days prior to the Prepayment Date to each Registered Owner of Certificates to be prepaid. The failure of the Registered Owner of any Certificate to be so redeemed to receive notice of prepayment mailed as herein provided shall not affect or invalidate the prepayment of such Certificate. All Certificates for which notice of prepayment is given will cease to bear interest on the specified Prepayment Date, provided moneys or certain securities for their prepayment are on deposit at the place of payment at that time, shall cease to be entitled to any benefit or security under the Declaration of Trust and shall no longer be deemed to be outstanding under the Declaration of Trust.

This Certificate shall be transferable upon the Certificate register, which shall be kept for that purpose at the payment office of the Trustee, upon surrender and cancellation of this Certificate together with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner or his, her or its duly authorized attorney and upon payment of the charges provided in the Declaration of Trust. Upon such transfer a new fully registered Certificate or Certificates of the same maturity and aggregate principal amount will be issued to the transferee. The Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Trustee shall not be affected by any notice to the contrary.

The Certificate are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Indenture. One Bond certificate with respect to each date on which the Certificate are stated to mature or with respect to each form of Certificate, registered in the nominee name of the Securities Depository, is being issued and required to be deposited with the Securities Depository or the Trustee as its "FAST" agent and immobilized in its custody. The book-entry system will evidence positions held in the Certificate by the Securities Depository's participants, beneficial ownership of the Certificate in authorized denominations being evidenced in the records of such participants. Transfers of ownership shall be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants. The Board and the Trustee will recognize the Securities Depository nominee, while the registered owner of this Bond, as the owner of this Bond for all purposes, including (i) payments of principal of, and redemption premium, if any, and interest on, this Bond, (ii) notices and (iii) voting.

Transfer of principal, interest and any redemption premium payments to participants of the Securities Depository, and transfer of principal, interest and any redemption premium payments to beneficial owners of the Certificate by participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The Board and the Trustee will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository nominee, its participants or persons acting through such participants. While the Securities Depository nominee is the owner of this Bond, notwithstanding the provision hereinabove contained, payments of principal of, redemption premium, if any, and interest on this Bond shall be made in accordance with existing arrangements among the Board, the Trustee and the Securities Depository.

EXCEPT AS OTHERWISE PROVIDED IN THE DECLARATION OF TRUST, THIS GLOBAL CERTIFICATE MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

The Certificates may be delivered in the form of fully registered Certificates in the denomination of \$5,000 or any integral multiple thereof, subject to certain limitations and as otherwise provided in the Declaration of Trust. The Certificates, upon surrender thereof at the payment office of the Trustee with a written request for exchange satisfactory to the Trustee duly executed by the Registered Owner or his, her or its duly authorized attorney in writing, may be exchanged for an equal aggregate principal amount of fully registered Certificates of any authorized denomination of the same maturity. No service charge shall be made for any transfer or exchange of Certificates, but the Trustee may require payment of any tax or governmental charge in connection therewith.

THE TRUSTEE has no obligation or liability to the Registered Owners of the Certificates to make payments of principal or interest with respect to the Certificates. The Trustee's sole obligations are to administer, for the benefit of the Registered Owners thereof, the various funds and accounts established under the Declaration of Trust.

THE CITY has certified, recited and declared that all acts, conditions and things required by the constitution and statutes of the State of Missouri and the Lease to exist, to have happened and to have been performed precedent to the delivery of the Lease, exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the Trustee has caused this Certificate to be executed by an authorized signatory as of the date set forth above.

SECURITY BANK OF KANSAS CITY,
Trustee

By: _____
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____

Please Print or Typewrite Name, Address and
Employee Identification Number or Social Security Number of Transferee

the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints _____ agent to transfer the within Certificate on the register kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Certificate in every particular.

Signature Guaranteed By:

(Name of Eligible Guarantor Institution as defined by SEC Rule 17 Ad-15 (17 CFR 240.17 Ad-15))

By: _____
Title: _____

EXHIBIT B

TO DECLARATION OF TRUST

**FORM OF REQUISITION CERTIFICATE
FOR COSTS OF IMPROVEMENTS**

Request No. _____

Date: _____

**CITY OF GLADSTONE, MISSOURI
PROJECT FUND
WRITTEN REQUEST FOR DISBURSEMENT FOR
COSTS OF IMPROVEMENTS**

To: Security Bank of Kansas City
Attention: Corporate Trust Department

Ladies and Gentlemen:

Pursuant to **Section 5.02** of the Lease Purchase Agreement (the "Lease") dated as of November 1, 2020, between Security Bank of Kansas City (the "Trustee") and the City of Gladstone, Missouri (the "City"), and **Section 6.04** of the Declaration of Trust (the "Declaration of Trust"), the City hereby requests payment in accordance with this request and said sections of the Lease and the Declaration of Trust, and the City hereby states and certifies that (a) all terms of this request are used with the meanings used in the Lease and the Declaration of Trust, (b) the names of the persons, firms or corporations, if any, to whom the payments requested hereby are due, the amounts to be paid are as set forth on **Attachment I** hereto, (c) the amount hereby requested has been paid or is justly due and is hereby requested to be paid to contractors, subcontractors, materialmen, engineers, architects or other persons (which may include the City) (whose names and addresses are stated on **Attachment I** hereto) who have performed necessary and appropriate work or furnished necessary and appropriate materials in the acquisition and installation of the Project (a brief description of such work and materials and the several amounts so paid or due being set forth on **Attachment I** hereto), (d) no part of the several amounts paid or due, as stated in this certificate has been, is being or will be made the basis for the withdrawal of any moneys in any previous, pending or subsequently filed certificate, (e) the amount remaining to be paid from the Project Fund to pay the remaining Costs of the Project to be paid from the Series 2020A Certificates (as defined in the Declaration of Trust), together with other moneys set aside by the City to pay Costs of the Project, after payment of the amounts requested, will be sufficient to pay the cost of completing the Project in accordance with an estimate of cost of work not yet completed, it being understood that no moneys in the Project Fund may be disbursed to pay Costs of the Project unless after such expenditure the remaining moneys in the Project Fund, together with any other funds available and committed by the City, are sufficient to pay such remaining Costs of the Project to be paid from the Certificates (as defined in the Declaration of Trust), (f) this certificate contains no request for payment on account of any retained percentage which the City is at the date of such certificate entitled to retain, (g) there has not been filed with or served upon the City any notice of any lien, right to a lien or attachment upon or claim affecting the right of any person, firm or corporation to receive payment of the respective amounts stated in said certificate which has not been released or will not be released simultaneously with the payment of such obligation, and (h) invoices, statements, vouchers or bills for the amounts requested and lien waivers for

all services or materials furnished by subcontractors, except as to any retainage, related to amounts specified in this certificate are attached hereto.

Pursuant to **Section 5.02** of the Lease and **Section 6.04** of the Declaration of Trust, the City hereby states and certifies that (a) each of the City's representations contained in the Lease is true, correct and not misleading as though made as of the date hereof, and (b) no event exists that constitutes, or with the giving of notice of the passage of time or both would constitute, an Event of Default.

CITY OF GLADSTONE, MISSOURI

By _____
Authorized Representative

**ATTACHMENT I
TO WRITTEN REQUEST FOR DISBURSEMENT FROM
CITY OF GLADSTONE, MISSOURI
PROJECT FUND**

SCHEDULE OF PAYMENTS REQUESTED

<u>Payee and Address</u>	<u>Amount</u>	<u>Description</u>
--------------------------	---------------	--------------------

EXHIBIT C
TO DECLARATION OF TRUST
PAYMENT SCHEDULE FOR SERIES 2020A CERTIFICATES

<u>Payment Date</u>	<u>Principal Portion</u>	<u>Interest Rate on Principal Portion Due</u>
	\$	%

LEASE PURCHASE AGREEMENT

between

SECURITY BANK OF KANSAS CITY

and

THE CITY OF GLADSTONE, MISSOURI

Dated as of November 1, 2020

\$(Amount)

**CITY OF GLADSTONE, MISSOURI
CERTIFICATES OF PARTICIPATION
SERIES 2020A**

TABLE OF CONTENTS
LEASE PURCHASE AGREEMENT

PAGE

ARTICLE I

DEFINITIONS

Section 1.01.	Definitions	1
Section 1.02.	Rules of Construction	4
Section 1.03.	Execution of Counterparts	4
Section 1.04.	Severability	4
Section 1.05.	Governing Law	5

ARTICLE II

REPRESENTATIONS

Section 2.01.	Representations of the City	5
---------------	-----------------------------------	---

ARTICLE III

DEMISING OF THE PROPERTY; LEASE TERM

Section 3.01.	Lease of Leased Property	6
Section 3.02.	Lease Term	6
Section 3.03.	Continuation of Lease Term by the City	6
Section 3.04.	Nonappropriation	6
Section 3.05.	Enjoyment of Leased Property	7
Section 3.06.	Inspection	7

ARTICLE IV

RENT

Section 4.01.	Basic Rent	7
Section 4.02.	Supplemental Rent	7
Section 4.03.	Rent Payments to Constitute a Current Expense and Limited Obligation of the City	8
Section 4.04.	Advances	8
Section 4.05.	Credit against Basic Rent Payment Obligation	8
Section 4.06.	Net Lease; Rent Payments to be Unconditional	8
Section 4.07.	Compensation of the Trustee	9
Section 4.08.	Increased Basic Rent	9

ARTICLE V

ACQUISITION AND INSTALLATION OF THE PROJECT

Section 5.01.	Acquisition and Installation	9
Section 5.02.	Payment for the Project.....	10
Section 5.03.	Completion Date; Excess Funds	11
Section 5.04.	Warranties	11
Section 5.05.	DISCLAIMER OF WARRANTIES	11
Section 5.06.	Deficiency of Project Fund	11

ARTICLE VI

IMPOSITIONS

Section 6.01.	Impositions.....	12
Section 6.02.	Contest of Impositions	12

ARTICLE VII

INSURANCE; INDEMNITY

Section 7.01.	Insurance Required	12
Section 7.02.	Enforcement of Contract and Surety Bonds	13
Section 7.03.	Release and Indemnification.....	14

ARTICLE VIII

COVENANTS OF THE CITY

Section 8.01.	Maintenance and Modification of Leased Property by the City	14
Section 8.02.	Tax Covenants.....	15
Section 8.03.	The City's Continuing Existence	15

ARTICLE IX

CASUALTY AND CONDEMNATION

Section 9.01.	Damage, Destruction and Condemnation	15
Section 9.02.	Insufficiency of Net Proceeds	16
Section 9.03.	Eminent Domain	16

ARTICLE X

OPTION TO PURCHASE; PARTIAL PREPAYMENT

Section 10.01.	Purchase Option.....	16
Section 10.02.	Partial Prepayment.....	17
Section 10.03.	Determination of Fair Rent and Purchase Price.....	17

ARTICLE XI

ASSIGNMENT

Section 11.01.	Assignment and Subleasing by the City	17
----------------	---	----

ARTICLE XII

EVENTS OF DEFAULT

Section 12.01.	Events of Default Defined	18
Section 12.02.	Remedies on Default.....	18
Section 12.03.	No Remedy Exclusive	19

ARTICLE XIII

MISCELLANEOUS

Section 13.01.	Notices	19
Section 13.02.	Title to Leased Property	19
Section 13.03.	Personal Property	19
Section 13.04.	Binding Effect.....	20
Section 13.05.	Amendments, Changes and Modifications	20
Section 13.06.	Electronic Transaction	20

Signatures.....	S-1
-----------------	-----

Schedule 1 - Description of the Leased Property

Schedule 2 – Description of the Project

Exhibit A - Schedule of Basic Rent Payments and Purchase Price

LEASE PURCHASE AGREEMENT

THIS LEASE PURCHASE AGREEMENT (the “**Lease**”), dated as of November 1, 2020, is entered into between **SECURITY BANK OF KANSAS CITY**, a state banking corporation organized and existing under the laws of the State of Kansas, as trustee (the “**Trustee**”), and the **CITY OF GLADSTONE, MISSOURI**, a third class city and political subdivision organized and existing under the laws of the State of Missouri (the “**City**”).

WITNESSETH:

WHEREAS, concurrently herewith the Trustee and the City are entering into a Declaration of Trust (as hereinafter defined) pursuant to which the Trustee will initially execute and deliver a series of Certificates (as defined in the Declaration of Trust) the proceeds of which will be used to provide the funds to (1) pay the costs of the acquisition and installation of certain improvements and equipment (the “**Project**”) described on **Schedule 2**, and (2) pay certain costs connected to the execution and delivery of the Certificates; and

WHEREAS, the Trustee desires to lease a portion of the Project (the “**Leased Property**”) described on **Schedule 1** to the City, all subject to the terms and conditions and for the purposes set forth in this Lease; and

WHEREAS, the City is authorized under the constitution and laws of the State of Missouri to enter into this Lease for the purposes set forth herein.

NOW, THEREFORE, for and in consideration of the premises hereinafter contained, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. In addition to any words and terms defined elsewhere in this Lease, capitalized words and terms as used in this Lease shall have the meanings given to such words and terms in the Declaration of Trust granted by the Trustee, as trustee and the City. Unless the context otherwise specifically requires or indicates to the contrary, the following terms as used in this Lease shall have the following meanings:

“**Available Revenues**” means, for any Fiscal Year, any balances of the City from previous Fiscal Years encumbered to pay Rent, amounts budgeted or appropriated by the City for such Fiscal Year plus any unencumbered balances of the City from previous Fiscal Years that are legally available to pay Rent during such Fiscal Year, plus all moneys and investments, including earnings thereon, held by the Trustee pursuant to the Declaration of Trust.

“**Basic Rent**” means the Basic Rent Payments comprised of a Principal Portion and an Interest Portion as set forth on **Exhibit A**, as **Exhibit A** may be revised as provided in **Section 3.09** of the Declaration of Trust and **Section 4.08** herein.

“Basic Rent Payment” means a payment of Basic Rent.

“Basic Rent Payment Date” means each March 1, and September 1 during the Lease Term, commencing on March 1, 2021.

“Business Day” means a day other than (a) a Saturday or Sunday, or (b) a day on which banks located in any city in which the principal corporate trust office of the Trustee or any paying agent is located are required or authorized by law to remain closed.

“Certificates” means the Series 2020A Certificates and any Additional Certificates.

“City” means the City of Gladstone, Missouri, a third-class city and political subdivision duly created, organized and existing under and by virtue of the laws of the State of Missouri, and its successors.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“Completion Certificate” means the certificate of the City given in accordance with **Section 5.03**.

“Completion Date” means the date of completion of the installation of the Project as that date shall be certified as provided in **Section 5.03**.

“Contract” means one of any agreements between the City and various parties, if any, providing for the acquisition and installation of various portions of the Project.

“Costs of the Project” means all reasonable or necessary expenses related or incidental to the acquisition and installation of the Project, including the expenses of studies, engineering services, legal and other special services and all other necessary and incidental expenses, including without limitation costs related to the issuance of the Certificates.

“Declaration of Trust” means the Declaration of Trust dated as of November 1, 2020, entered into between the City and the Trustee, as the same may from time to time be amended or supplemented in accordance with its terms.

“Event of Default” means an Event of Default as described in **Section 12.01**.

“Event of Nonappropriation” means an Event of Nonappropriation as described in **Section 3.04**.

“Fiscal Year” means the fiscal year of the City, currently the twelve-month period beginning July 1.

“Funds” means the Funds as defined in the Declaration of Trust.

“Government Obligations” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are

fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, which obligations are rated in the highest rating category by a nationally recognized rating service and such obligations are held in a custodial account for the benefit of the City.

“Interest Portion” means the portion of each Basic Rent Payment that represents the payment of interest as set forth on **Exhibit A**.

“Lease” means this Lease Purchase Agreement, dated as of November 1, 2020, between the Trustee, as lessor, and the City, as lessee, as amended and supplemented from time to time in accordance with its terms.

“Lease Revenue Fund” means the Lease Revenue Fund as defined in the Declaration of Trust.

“Lease Term” means the Original Term and all Renewal Terms.

“Leased Property” means the improvements described on **Schedule 1**, including any modifications, additions, improvements, replacements or substitutions thereto or therefor.

“Net Proceeds” means the amount remaining from the gross proceeds of any insurance claim, condemnation award or sale under threat of condemnation after deducting all reasonable expenses, including attorneys’ fees, incurred in the collection thereof.

“Original Term” means the period from the delivery of this Lease until the end of the Fiscal Year then in effect.

“Principal Portion” means the principal portion of the Basic Rent Payments as set forth in **Exhibit A**.

“Project” means the improvements described on **Schedule 2**, including any modifications, additions, improvements, replacements or substitutions thereto or therefor.

“Purchase Price” means the amount designated as such in **Article X** that the City shall pay to the Trustee to purchase the Trustee’s interest in the Leased Property.

“Purchaser” means _____, the original purchaser of the Certificates.

“Renewal Term” means each renewal term of this Lease, each having a duration of one year and a term coextensive with then current Fiscal Year as provided in **Section 3.02**, except that the last possible Renewal Term shall end on March 1, 2040.

“Rent” means, collectively, Basic Rent and Supplemental Rent.

“Rent Payment” means a payment of Rent.

“Special Counsel” means Armstrong Teasdale LLP, or any other attorney or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds or

other obligations issued by states and political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America.

“State” means the State of Missouri.

“Supplemental Declaration of Trust” means any amendment or supplement to the Declaration of Trust entered pursuant to **Article VIII** of the Declaration of Trust.

“Supplemental Lease” means any amendment or supplement to the Lease entered pursuant to **Section 13.05** herein.

“Supplemental Rent” means all amounts due hereunder other than Basic Rent.

“Supplemental Rent Payment” means a payment of Supplemental Rent.

Section 1.02. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words importing the singular number shall include the plural and vice versa, and words importing person shall include firms, associations and corporations, including public bodies, as well as natural persons.

The words “herein,” “hereby,” “hereunder,” “hereof,” “hereto,” “hereinbefore,” “hereinafter” and other equivalent words refer to this Lease and not solely to the particular article, section, paragraph or subparagraph hereof in which such word is used.

Reference herein to a particular article, section, exhibit, schedule or appendix shall be construed to be a reference to the specified article or section hereof or exhibit, schedule or appendix hereto unless the context or use clearly indicates another or different meaning or intent.

Whenever an item or items are listed after the words “including,” such listing is not intended to be a listing that excludes items not listed.

The section and article headings herein are for convenience only and in no way define, limit or describe the scope or intent of any of the provisions hereof.

Section 1.03. Execution of Counterparts. This Lease may be executed simultaneously in two or more counterparts, each of which shall be deemed to be an original, and all of which together shall constitute but one and the same instrument. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed 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 1.04. Severability. If any provision of this Lease shall be held or deemed to be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or sections in this Lease contained shall not affect the remaining portions of this Lease, or any part thereof.

Section 1.05. Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State.

ARTICLE II

REPRESENTATIONS

Section 2.01. Representations of the City. The City represents and warrants, as of the date of delivery hereof, as follows:

(a) The City is a third-class city and political subdivision duly created, organized and existing under and by virtue of the laws of the State with full power and authority to enter into this Lease and the transactions contemplated thereby and hereby and to perform all of its obligations thereunder and hereunder;

(b) The City has full power and authority to enter into the transactions contemplated by this Lease and has been duly authorized to execute and deliver this Lease by proper action by its governing body. This Lease is a valid, legal and binding obligation of the City enforceable in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws and equitable principles affecting creditor's rights generally;

(c) The lease of the Leased Property by the Trustee to the City, as provided in this Lease, is necessary, desirable, in the public interest and consistent with the permissible scope of the City's authority. The City hereby declares its current need for the Leased Property and its current expectation that it will continue to need and use the Leased Property for the maximum Lease Term;

(d) The City's financial statements that have been used in connection with any offering of the Certificates present fairly, in accordance with accounting principles generally accepted in the United States and applicable regulations consistently applied throughout the periods involved, the financial position of the City as at their respective dates and the revenues and expenses and changes in fund balances for the periods covered thereby;

(e) Neither the execution and delivery of this Lease, nor the fulfillment of or compliance with the terms and conditions thereof or hereof, nor the consummation of the transactions contemplated thereby or hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is a party or by which the City is bound;

(f) There is no proceeding pending or threatened in any court or before any governmental authority or arbitration board or tribunal challenging the validity of the proceedings of the governing body of the City authorizing this Lease or the power or authority of the City to enter into this Lease or the validity or enforceability of this Lease or which, if adversely

determined, would adversely affect the transactions contemplated by this Lease or the interest of the Trustee under this Lease;

(g) The City has not made, done, executed or suffered, and warrants that it will not make, do, execute or suffer, any act or thing whereby the City's interests in any property now or hereafter included in the Leased Property shall be or may be impaired, changed or encumbered in any manner whatsoever, except as contemplated by this Lease;

(h) No event or condition that constitutes, or with the giving of notice or the lapse of time or both would constitute, an Event of Default exists;

(i) Upon completion, the Project will be structurally sound and in compliance with all applicable building and design codes and the City's requirements; and

(j) The City has complied or will comply with any public bidding requirements that may be applicable to this Lease and the acquisition and installation of the Project.

ARTICLE III

DEMISING OF THE PROPERTY; LEASE TERM

Section 3.01. Lease of Leased Property. The Trustee hereby demises, leases and lets to the City, and the City rents, leases and hires from the Trustee, the Leased Property in accordance with this Lease for the Lease Term.

Section 3.02. Lease Term. The Original Term of this Lease shall terminate the last day of the current Fiscal Year. The Lease Term may be continued, solely at the option of the City, at the end of the Original Term or any Renewal Term for an additional one year, provided that the final Renewal Term shall not extend beyond March 1, 2040. At the end of the Original Term and at the end of each Renewal Term, unless the City has terminated this Lease pursuant to **Sections 3.04** or **10.01** and for no other reason, the City shall be deemed to have exercised its option to continue this Lease for the next Renewal Term. The terms and conditions during any Renewal Term shall be the same as the terms and conditions during the Original Term, except for any difference in the Rent as provided on **Exhibit A**.

Section 3.03. Continuation of Lease Term by the City. The City reasonably believes that legally available funds in an amount sufficient to make all payments of Rent during the Original Term and each of the Renewal Terms can be obtained. The City further covenants that its responsible financial officer shall do all things lawfully within his or her power to obtain and maintain funds from which the Rent may be paid, including making provision for such payments to the extent necessary in each proposed budget or appropriation request submitted for adoption in accordance with applicable provisions of law and to exhaust all available reviews and appeals in the event such portion of the budget or appropriation request is not approved. Notwithstanding the foregoing, the decision to budget and appropriate funds or to extend this Lease for any Renewal Term is to be made in accordance with the City's normal procedures for such decisions by then current governing body of the City.

Section 3.04. Nonappropriation. The City is obligated only to pay periodic payments under this Lease as may lawfully be made from Available Revenues. If an Event of Nonappropriation occurs, this Lease shall be deemed terminated at the end of then current Original Term or Renewal Term. An

Event of Nonappropriation shall be deemed to have occurred if the City fails to budget, appropriate or otherwise provide for sufficient funds to pay Basic Rent and any reasonably anticipated Supplemental Rent to come due during the immediately following Renewal Term. The City agrees to deliver notice to the Trustee of such termination at least 90 days prior to the end of then current Original Term or Renewal Term, but failure to give such notice shall not extend the term beyond such Original Term or Renewal Term. If this Lease is terminated in accordance with this Section, the City agrees peaceably to transfer and surrender possession of the Leased Property to the Trustee.

Section 3.05. Enjoyment of Leased Property. The Trustee shall provide the City during the Lease Term with quiet use and enjoyment of the Leased Property, and the City shall during the Lease Term peaceably and quietly have, hold and enjoy the Leased Property, without suit, trouble or hindrance from the Trustee, except as expressly set forth in this Lease. The City shall have the right to use the Leased Property for any essential governmental or proprietary purpose of the City, subject to the limitations contained in this Lease.

Notwithstanding any other provision in this Lease, the Trustee shall have no responsibility to cause the Leased Property to be acquired or installed or to maintain or repair the Leased Property. The City shall comply with all statutes, laws, ordinances, orders, judgments, decrees, regulations, directions and requirements of all federal, state, local and other governments or governmental authorities, now or hereafter applicable to the Leased Property, as to the manner and use or the condition of the Leased Property. The City shall also comply with the mandatory requirements, rules and regulations of all insurers under the policies required to be carried by the provisions of **Article VII**. The City shall pay all costs, expenses, claims, fines, penalties and damages that may in any manner arise out of, or be imposed as a result of, the failure of the City to comply with the provisions of this Section. Notwithstanding any provision contained in this Section, however, the City shall have the right, at its own cost and expense, to contest or review by legal or other appropriate procedures the validity or legality of any such governmental statute, law, ordinance, order, judgment, decree, regulation, direction or requirement, or any such requirement, rule or regulation of an insurer and during such contest or review, the City may refrain from complying therewith, if the City furnishes, on request, to the Trustee, at the City's expense, indemnity satisfactory to the Trustee.

Section 3.06. Inspection. The Trustee and its agents shall have the right at all reasonable times and with reasonable notice during business hours to enter into and upon the property on which the Leased Property is located for the purpose of inspecting the Leased Property.

ARTICLE IV

RENT

Section 4.01. Basic Rent. The City shall promptly pay all Basic Rent, subject to **Sections 3.04** and **4.03**, in lawful money of the United States of America on each Basic Rent Payment Date in such amounts as are described on **Exhibit A**. A portion of each Basic Rent Payment is paid as, and represents payment of, interest as set forth on **Exhibit A** (said interest to be attributable to the various principal components in accordance with the per annum rates set forth on **Exhibit A**).

To provide for the timely payment of Basic Rent, the City shall pay to the Trustee for deposit in the Lease Revenue Fund not less than five Business Days before each Basic Rent Payment Date, the amount due on such Basic Rent Payment Date.

The City will, in accordance with the requirements of law and its normal budgeting procedures, fully budget and appropriate sufficient funds for the current Fiscal Year to make the Rent Payments scheduled to come due during the Original Term, and to meet its other obligations for the Original Term, and such funds will not be expended for other purposes.

Section 4.02. Supplemental Rent. The City shall pay, subject to **Sections 3.04** and **4.03**, as Supplemental Rent (a) all Impositions (as defined in **Article VI**); (b) all amounts required under **Sections 4.04** or **4.06** and all other payments of whatever nature which the City has agreed to pay or assume under this Lease; (c) all expenses, including attorneys' fees and expenses to the extent permitted by law, incurred in connection with the enforcement of any rights under this Lease by the Trustee; (d) all fees, charges and expenses of the Trustee as further provided in **Section 4.07**; and (e) any payments required to be made pursuant to the Arbitrage Instructions. Amounts required to be paid under this Section shall be paid directly to the person or entity owed.

Section 4.03. Rent Payments to Constitute a Current Expense and Limited Obligation of the City. NOTWITHSTANDING ANY OTHER PROVISION HEREOF, THE TRUSTEE AND THE CITY UNDERSTAND AND INTEND THAT THE OBLIGATION OF THE CITY TO PAY RENT HEREUNDER BE LIMITED TO PAYMENT FROM AVAILABLE REVENUES AND SHALL CONSTITUTE A CURRENT EXPENSE OF THE CITY AND SHALL NOT IN ANY WAY BE CONSTRUED TO BE A DEBT OF THE CITY IN CONTRAVENTION OF ANY APPLICABLE CONSTITUTIONAL OR STATUTORY LIMITATION OR REQUIREMENT CONCERNING THE CREATION OF INDEBTEDNESS BY THE CITY, NOR SHALL ANYTHING CONTAINED HEREIN CONSTITUTE A PLEDGE OF THE GENERAL TAX REVENUES, FUNDS OR MONEYS OF THE CITY, AND ALL PROVISIONS OF THIS LEASE SHALL BE CONSTRUED SO AS TO GIVE EFFECT TO SUCH INTENT.

Section 4.04. Advances. In the event the City shall fail to keep the Leased Property in good repair, the Trustee may, but shall be under no obligation to, maintain and repair the Leased Property and pay the cost thereof. All amounts so advanced by the Trustee shall constitute Supplement Rent for the then current Original Term or Renewal Term, and the City covenants and agrees to pay such amounts so advanced by the Trustee with interest thereon from the due date until paid at the Trustee's current prime rate plus 2% per annum or the maximum amount permitted by law, whichever is less. In accordance with Section 427.120 of the Revised Statutes of Missouri, unless the City provides evidence of the insurance coverage required by this Lease, the Trustee may purchase insurance at the City's expense to protect the Trustee's interests hereunder. This insurance may, but need not, protect the City's interests. The coverage that the Trustee may purchase may not pay any claim that the City may make or any claim that may be made against the City in connection with the Leased Property. The City may later cancel any insurance purchased by the Trustee, but only after providing evidence that the City has obtained insurance as required by this Lease. If the Trustee purchases insurance for the Leased Property, the City will be responsible for the costs of that insurance, including the insurance premium, interest and any other charges the Trustee may impose in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance will be added as Supplemental Rent. The costs of the insurance may be more than the cost of insurance the City may be able to obtain on its own.

Section 4.05. Credit against Basic Rent Payment Obligation. The City shall receive credit against its obligation to pay the Interest Portion or Principal Portion of Basic Rent to the extent moneys

are on deposit in the Lease Revenue Fund and are available to pay the Interest Portion or the Principal Portion of Basic Rent represented by the Certificates.

Section 4.06. Net Lease; Rent Payments to be Unconditional. THIS LEASE IS INTENDED TO BE NET, NET, NET TO THE TRUSTEE, SUBJECT TO **SECTIONS 3.04, 4.03 AND 4.05**, AND THE OBLIGATIONS OF THE CITY TO MAKE PAYMENT OF THE RENT PAYMENTS AND TO PERFORM AND OBSERVE THE OTHER COVENANTS AND AGREEMENTS CONTAINED HEREIN SHALL BE ABSOLUTE AND UNCONDITIONAL IN ALL EVENTS WITHOUT ABATEMENT, DIMINUTION, DEDUCTION, SETOFF OR DEFENSE, FOR ANY REASON, INCLUDING ANY FAILURE OF THE PROJECT TO BE CONSTRUCTED OR INSTALLED, ANY DEFECTS, MALFUNCTIONS, BREAKDOWNS OR INFIRMITIES IN THE PROJECT OR ANY ACCIDENT, CONDEMNATION OR UNFORESEEN CIRCUMSTANCES.

Nothing in this Lease shall be construed as a waiver by the City of any rights or claims the City may have against the Trustee under this Lease or otherwise, but any recovery upon such rights and claims shall be from the Trustee separately, it being the intent of this Lease that the City shall be unconditionally and absolutely obligated to perform fully all of its obligations, agreements and covenants under this Lease, including its obligation to pay Basic Rent and Supplemental Rent. The City may, however, at its own cost and expense and in its own name or in the name of the Trustee, prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect its right of possession, occupancy and use hereunder, and in such event the Trustee hereby agrees, subject to receipt by the Trustee of satisfactory indemnity in accordance with **Section 11.03** of the Declaration of Trust, to cooperate fully with the City and to take all action necessary to effect the substitution of the City for the Trustee in any such action or proceeding if the City shall so request.

Section 4.07. Compensation of the Trustee. The City shall, from time to time, upon the written request of the Trustee, (a) pay to the Trustee reasonable compensation for its services as agreed to by the City and the Trustee from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and (b) reimburse the Trustee for all reasonable advances, fees, charges and expenditures, including but not limited to, advances to and reasonable fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys or other experts employed by it in the exercise and performance of its powers and duties hereunder. Compensation under this Section (except that the initial fee is to be paid on the delivery date of the Series 2020A Certificates) is to be paid as Supplemental Rent as set forth in **Section 4.02**. The Trustee will have a first lien against the Trust Estate for its reasonable costs, fees, expenses and advancements hereunder.

Section 4.08. Increased Basic Rent. Notwithstanding any other provision of this Lease, the Trustee and the City may enter into a Supplemental Lease or Supplemental Leases that increase the amount of Basic Rent payable by the City on any Basic Rent Payment Date in connection with any Additional Certificates issued under the Declaration of Trust, including any supplement thereto. Each such Supplemental Lease will include an amended **Exhibit A** reflecting separately the Principal Portion and the Interest Portion of Basic Rent allocable to the original Lease and to each Supplemental Lease due on each Basic Rent Payment Date as well as the total Basic Rent due on each Basic Rent Payment Date.

ARTICLE V
ACQUISITION AND INSTALLATION
OF THE PROJECT

Section 5.01. Acquisition and Installation. The City represents, warrants, covenants and agrees as follows:

(a) It has entered into or will enter into Contracts providing for the acquisition and installation of the Leased Property in accordance with the plans and specifications or will acquire and install the Leased Property with City employees in accordance with the plans and specifications;

(b) It will cause the acquisition and installation of the Project to be completed with all reasonable dispatch in accordance with the applicable provisions of this Lease;

(c) All Contracts entered into or to be entered into by the City relating to such work shall be in accordance with all applicable requirements of the laws of the State and shall have the performance bonds required by **Section 7.01(d)**;

(d) It has obtained or shall obtain all necessary or required permits, licenses, consents and approvals that are material for the purchase, installation, operation and maintenance of the Project and shall comply with all lawful requirements of any governmental body regarding the use or condition of the Project, whether existing or later enacted or foreseen or unforeseen or whether involving any change in governmental policy or requiring structural or other change to the Project and irrespective of the cost of so complying;

(e) It will pay all fees, costs and expenses incurred in completing the Project or, to the extent there are moneys in the Project Fund available therefor, will request the Trustee to make such payments from the Project Fund in the manner hereinafter and in the Declaration of Trust provided;

(f) It will ask, demand, sue for and use its best efforts to recover and receive such sums of money, debts or other demand to which it may be entitled under any contract, order, receipt, guaranty, warranty, writing or instruction in connection with the purchase and installation of the Project; and

(g) It will use its best efforts, to the extent economically reasonable, to enforce the provisions of any contract, agreement, obligation, bond or other security in connection therewith, and any such amounts received in connection with the foregoing, after deduction of expenses incurred in recovering such amounts, for payment to the Trustee for deposit in the Project Fund if the Completion Date has not occurred or for deposit in the Lease Revenue Fund if the Completion Date has occurred.

If the purchase and installation of the Project or any portion thereof is delayed or fails to occur for any reason, there shall be no diminution in or postponement of the payments to be made by the City hereunder.

The Trustee is not the agent or representative of the City, and the City is not the agent of the Trustee, and this Lease shall not be construed to make the Trustee liable to materialmen, contractors, subcontractors, craftsmen, laborers or others for goods or services delivered by them in connection with the Project, or for debts or claims accruing to the aforesaid parties against the City. This Lease shall not create any contractual relation either expressed or implied between the Trustee and any materialmen, contractors, subcontractors, craftsmen, laborers or any other person supplying any work, labor or materials in connection with the Project. Notwithstanding anything herein or in the Declaration of Trust to the contrary, during the Lease Term, the Trustee shall not be deemed to exercise control over or be an operator or owner of the Project and shall not be responsible or liable for the operation, use and maintenance of the Project.

Section 5.02. Payment for the Project. Costs and expenses of every nature incurred in the acquisition and installation of the Project that qualify as Costs of the Project shall be paid by the Trustee from the Project Fund upon receipt by the Trustee of a completed request of the City signed by the Authorized Representative of the City and containing the statements, representations and certifications set forth in the form of such request attached to the Declaration of Trust as **Exhibit B**.

In making disbursements for Costs of the Project, the Trustee shall be entitled to conclusively rely upon each written requisition certificate executed by the Authorized Representative of the City without inquiry or investigation. It is understood that the Trustee shall *not* make any inspections of the Project nor any improvements thereon, make any provision to obtain completion bonds, mechanic's or materialmen's lien releases or otherwise supervise any phase of the acquisition or installation of the Project. The approval of each requisition certificate by the Authorized Representative of the City shall constitute unto the Trustee an irrevocable determination that all conditions precedent to the payment of the specified amounts from the Project Fund have been completed.

Section 5.03. Completion Date; Excess Funds. The Completion Date shall be evidenced to Trustee upon receipt by the Trustee of a certificate signed by the Authorized Representative of the City (the "**Completion Certificate**") stating (a) the date on which the installation of the Project was substantially completed, (b) that all other facilities necessary in connection with the Project have been purchased and installed, (c) that the Project and such other facilities have been purchased and installed in accordance with the plans and specifications therefor and in conformance with all applicable zoning, planning, building, environmental and other similar governmental regulations, (d) that, except for Costs of the Project described in accordance with clause (e), all Costs of the Project have been paid, and (e) the amounts, if any, to be retained in the Project Fund for the payment of Costs of the Project, if any, not yet due or Costs of the Project whose liability the City is contesting, and amounts that otherwise should be retained and the reasons they should be retained. The Completion Certificate may state that it is given without prejudice to any rights of the City that then exist or may subsequently come into being against third parties. Any amounts remaining in the Project Fund that are not needed to pay any remaining Costs of the Project shall be transferred to the Lease Revenue Fund.

Section 5.04. Warranties. The Trustee hereby assigns to the City for and during the Lease Term, all of its interest in all warranties, guarantees or other contract rights against any architect, contractor, subcontractor or supplier, expressed or implied, issued on or applicable to the Project, and the Trustee hereby authorizes the City to obtain the customary services furnished in connection with such warranties, guarantees or other contract rights at the City's expense. The City's sole remedy for the breach of such warranties, guarantees or other contract rights shall be against any architect, contractor, subcontractor or supplier, and not against the Trustee, nor shall such matter have any effect whatsoever on the rights of the Trustee with respect to this Lease, including the right to receive full and timely Basic

Rent Payments and Supplemental Rent Payments. The City expressly acknowledges that the Trustee does not make nor has it made any representation or warranty whatsoever as to the existence or availability of such warranties, guarantees or other contract rights of the manufacturer or supplier of any portion of the Project.

Section 5.05. DISCLAIMER OF WARRANTIES. THE TRUSTEE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE PROJECT OR ANY PART THEREOF, OR WARRANTY WITH RESPECT THERETO. IN NO EVENT SHALL THE TRUSTEE BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGE IN CONNECTION WITH OR ARISING OUT OF THIS LEASE OR THE EXISTENCE, FURNISHING, FUNCTIONING OR THE CITY'S USE OF THE PROJECT OR ANY PART THEREOF.

Section 5.06. Deficiency of Project Fund. If the Project Fund shall be insufficient to pay fully all Costs of the Project and to complete fully the Project lien free, the City shall pay, in cash, the full amount of any such deficiency by making payments directly to the contractors and to the suppliers of materials and services as the same shall become due. The Trustee is not obligated to pay and shall not be responsible for any such deficiency, and the City shall save the Trustee whole and harmless from any obligation to pay such deficiency.

ARTICLE VI

IMPOSITIONS

Section 6.01. Impositions. The City shall bear, pay and discharge, before the delinquency thereof, as Supplemental Rent, all taxes and assessments, general and special, if any, which may be lawfully taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the Leased Property, including any taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and further including all water and sewer charges, assessments and other general governmental charges and impositions whatsoever, foreseen or unforeseen, which if not paid when due would impair the security of the Trustee or encumber the Leased Property (all of the foregoing being herein referred to as "**Impositions**").

Section 6.02. Contest of Impositions. The City shall have the right, in its own name or in the Trustee's name, to contest the validity or amount of any Imposition which the City is required to bear, pay and discharge pursuant to the terms of this Article by appropriate legal proceedings instituted at least ten days before the Imposition complained of becomes delinquent and may permit the Imposition so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Trustee shall notify the City that, in the opinion of counsel, by nonpayment of any such items the interest of the Trustee in the Leased Property will be endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Trustee with full security against any loss which may result from nonpayment in form satisfactory to the Trustee. The Trustee agrees to cooperate with the City in connection with any and all administrative or judicial proceedings related to Impositions. The City shall hold the Trustee whole and harmless from any costs and expenses the Trustee may incur with respect to any Imposition.

ARTICLE VII

INSURANCE; INDEMNITY

Section 7.01. Insurance Required. The City shall, during the Lease Term, cause the Leased Property to be kept continuously insured against such risks customarily insured against for facilities such as the Leased Property and shall pay (except as otherwise provided herein), as the same become due, all premiums in respect thereof, such insurance to include the following policies of insurance:

(a) Insurance insuring the Leased Property against loss or damage by fire, lightning and all other risks covered by the extended coverage insurance endorsement then in use in the State in an amount not less than the greater of the Principal Portion of the Certificates then Outstanding or the replacement value of the Leased Property and issued by such insurance company or companies authorized to do business in the State as may be selected by the City. The policy or policies of such insurance shall name the City and the Trustee as insureds, as their respective interests may appear. All proceeds from such policies of insurance shall be applied as provided in **Article IX**;

(b) Comprehensive general accident and public liability insurance (including coverage for all losses whatsoever arising from the ownership, maintenance, operation or use of any automobile, truck or other motor vehicle), under which the City and the Trustee are named as insureds, in amounts equal to the City's customary insurance practice for bodily injury (including death) but in no event less than the limitation on awards for liability in effect from time to time under Section 537.610, R.S.Mo., and for property damage arising out of or in any way relating to the condition or the operation of the Leased Property (subject to reasonable loss deductible clauses not to exceed \$25,000);

(c) Workers' compensation and unemployment coverages to the extent, if any, required by the laws of the State; and

(d) Performance and labor and material payment bonds with respect to the Contracts in the full amount of the Contracts from surety companies qualified to do business in the State.

Not less than 15 days prior to the expiration dates of the expiring policies, originals or copies of the policies required by this Section or certificates evidencing such insurance shall be delivered by the City to the Trustee. All policies of such insurance, and all renewals thereof, shall contain a provision that such insurance may not be cancelled by the issuer thereof without at least 30 days' written notice to the City and the Trustee.

Nothing in this Lease shall be construed as preventing the City from satisfying the insurance requirements herein set forth by using blanket policies of insurance or self-insurance provided each and all of the requirements and specifications of this Lease respecting insurance are complied with.

The City may elect to be self-insured for all or any part of the foregoing requirements of this **Section 7.01** if (i) the City annually obtains a written evaluation with respect to such self-insurance program from an individual or firm selected by the City and acceptable to the Trustee qualified to survey risks and to recommend insurance coverage for entities engaged in operations similar to those of the City and having a favorable reputation for skill and experience in making such surveys and recommendations (an "**Insurance Consultant**"), (ii) the evaluation is to the effect that the self-insurance program is sound,

(iii) unless the evaluation states that such reserves are not necessary, the City maintains adequate reserves for the self-insurance program, and (iv) in the case of workers' compensation, adequate reserves created by the City for such self-insurance program are maintained in such amount and manner as are acceptable to the State. The City will pay any fees and expenses of such Insurance Consultant in connection therewith.

Section 7.02. Enforcement of Contract and Surety Bonds. In the event of material default of any contractor or subcontractor under a Contract or any other contract made in connection with the acquisition and installation of the Project, or in the event of a material breach of warranty with respect to any materials, workmanship or performance, the City will promptly proceed, either separately or in conjunction with others, to pursue diligently the remedies of the City against the contractor or subcontractor in default and against each surety on a bond securing the performance of such contract. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing, after deduction of expenses incurred in such recovery and after reimbursement to the City of any amounts theretofore paid by the City not previously reimbursed to the City for correction or remedying of the default which gave rise to the proceedings against the contractor or subcontractor or surety, shall be paid to the Trustee for deposit in the Project Fund if received before the Completion Date and, if such funds are received after the Completion Date, for deposit in the Lease Revenue Fund to be used solely for the purpose of paying Basic Rent under this Lease.

Section 7.03. Release and Indemnification. To the extent permitted by law, the City shall indemnify, protect, hold harmless, save and keep the Trustee and its officials, officers, shareholders, employees, directors, attorneys and agents harmless from and against any and all liability, obligation, loss, claim, tax (other than income taxes or other taxes on or attributable to Rent Payments, if any, which are received by the Trustee in its individual capacity) and damage whatsoever and all expenses in connection therewith (including attorneys' fees and expenses) that are not caused by the negligence or willful misconduct of the Trustee, its agents or employees arising out of or as the result of (a) the entering into of this Lease and the Declaration of Trust, (b) the acquisition and installation of the Project, (c) injury, actual or claimed, of whatsoever kind or character, to property or persons, occurring or allegedly occurring in, on or about the Project during the Lease Term, and/or (d) the breach of any covenant by the City herein or any material misrepresentation by the City contained herein; provided that the City shall have the right to conduct the Trustee's defense through counsel designated by the City and approved by the Trustee, which approval shall not be unreasonably withheld. The indemnification arising under this Section shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease and the Declaration of Trust or the termination of this Lease for any reason.

ARTICLE VIII

COVENANTS OF THE CITY

Section 8.01. Maintenance and Modification of Leased Property by the City. The City will at its own expense (a) keep the Leased Property in a safe condition, (b) with respect to the Leased Property, comply with all applicable health and safety standards and all other industrial requirements or restrictions enacted or promulgated by the State, or any political subdivision or agency thereof, or by the government of the United States of America or any agency thereof, and (c) keep the Leased Property in good repair and in good operating condition and make from time to time all necessary repairs thereto and renewals and replacements thereof; provided, however, that the City will have no obligation to operate, maintain, preserve, repair, replace or renew any element or unit of the Leased Property the maintenance,

repair, replacement or renewal of which becomes uneconomical to the City because of damage, destruction or obsolescence, or change in economic or business conditions, or change in government standards and regulations. The City shall not permit or suffer others to commit a nuisance in or about the Leased Property or itself commit a nuisance in connection with its use or occupancy of the Leased Property. The City will pay all costs and expenses of operation of the Leased Property.

The City may, also at its own expense, make from time to time any additions, modifications or improvements to the Leased Property that it may deem desirable for its business purposes and that do not materially impair the structural strength or effective use, or materially decrease the value, of the Leased Property. All additions, modifications or improvements made by the City pursuant to the authority of this Section shall (a) be made in a workmanlike manner and in strict compliance with all laws and ordinances applicable thereto, (b) when commenced, be pursued to completion with due diligence and (c) when completed, be deemed a part of the Leased Property.

During the Lease Term, the Leased Property will be used by the City only for the purpose of performing essential governmental or proprietary functions of the City consistent with the permissible scope of the City's authority.

Section 8.02. Tax Covenants.

(a) The City covenants for the benefit of the purchasers and Owners of the Certificates from time to time Outstanding that so long as any of the Certificates remain Outstanding, it will not take any action or permit any action to be taken or omit to take any action or permit the omission of any action reasonably within its control which action or omission will cause any Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code, which will cause any Certificates to be subject to treatment under Section 141 of the Code as "private activity bonds."

(b) The City covenants and agrees that it will pay or provide for the payment from time to time of all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any Treasury Regulations applicable to the Certificates from time to time. The City specifically covenants to pay or cause to be paid to the United States the required rebate amounts at the times and in the amounts as determined by the Treasury Regulations and the Arbitrage Instructions. Notwithstanding anything to the contrary contained herein, the Arbitrage Instructions may be amended or replaced if, in the written opinion of Special Counsel, such amendments will not adversely affect the federal tax status of any Certificates Outstanding.

(c) The foregoing covenants shall remain in full force and effect notwithstanding the defeasance of the Certificates pursuant to **Article X** of the Declaration of Trust or any other provision of the Declaration of Trust, until the final maturity date of all Certificates Outstanding.

Section 8.03. The City's Continuing Existence. The City will do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a body corporate and politic.

ARTICLE IX

CASUALTY AND CONDEMNATION

Section 9.01. Damage, Destruction and Condemnation. The City shall bear the risk of loss with respect to the Leased Property during the Lease Term. If (a) the Leased Property or any portion thereof is destroyed, in whole or in part, or is damaged by fire or other casualty or (b) title to, or the temporary use of, the Leased Property or any part thereof shall be nonexistent or deficient or taken under the exercise or threat of the power of eminent domain by any governmental body or by any person, firm or corporation acting pursuant to governmental authority, the City will cause the Net Proceeds of any insurance claim, condemnation award or sale under threat of condemnation to be applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property, unless the City shall have exercised its option to purchase the Trustee's interest in the Leased Property by making payment of the Purchase Price as provided herein. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the Trustee who shall deposit such moneys as set forth in the Declaration of Trust.

If the City determines that the repair, restoration, modification or improvement of the Leased Property is not economically feasible or in the best interest of the City, then, in lieu of making such repair, restoration, modification or improvement and if permitted by law, the City shall promptly purchase the Trustee's interest in the Leased Property pursuant to **Section 10.01(c)** by paying the Purchase Price and such Net Proceeds shall be applied by the City to such payment to the extent required for such payment. Any balance of the Net Proceeds remaining after paying the Purchase Price shall belong to the City.

Section 9.02. Insufficiency of Net Proceeds. If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement referred to in **Section 9.01** and the City has not elected to purchase the Trustee's interest in the Leased Property pursuant to **Section 10.01(c)**, the City shall complete such replacement, repair, restoration, modification or improvement and pay any costs thereof in excess of the amount of the Net Proceeds and, if the City shall make any payments pursuant to this Section, the City shall not be entitled to any reimbursement therefor from the Trustee nor shall the City be entitled to any diminution of Rent.

Section 9.03. Eminent Domain.

(a) Under Missouri statutes, the City has the power to condemn property for its purposes, and the City acknowledges that condemnation of the Leased Property would adversely affect the Trustee. The City and the Trustee have reached agreement on the terms of the acquisition of the Leased Property, at City's option, and to the use of the Leased Property, all as set forth in this Lease. Any acquisition of the Trustee's interest in the Leased Property or rights to its use by the City (whether pursuant to the exercise of eminent domain powers or otherwise) shall be pursuant to and in accordance with the Lease, including payment of Rent Payments and the applicable Purchase Price. If the City allows the Lease to expire without exercising its option to purchase (whether by failure to exercise its option to extend the Lease for a Renewal Term, failure to exercise its option to purchase at the conclusion of the maximum Lease Term or failure to cure an Event of Default), that action shall constitute an irrevocable determination by the City that the Leased Property is not required by it for any public purpose for the term of this Lease.

The City hereby covenants and agrees, to the extent it may lawfully do so, that if for any reason it exercises the power of eminent domain with respect to the Leased Property, the appraisal value of the

Leased Property shall not be less than the Rent Payments then due plus the then applicable Purchase Price.

(b) In the event that title to all or a portion of the Leased Property is challenged or threatened by means of competent legal or equitable action, the City covenants that it shall cooperate with the Trustee and shall take all reasonable actions, including where appropriate the lawful exercise of the City's power of eminent domain, in order to quiet title to the Leased Property in the City.

ARTICLE X

OPTION TO PURCHASE; PARTIAL PREPAYMENT

Section 10.01. Purchase Option. The City shall have the option to purchase the Trustee's interest in the Leased Property, upon giving written notice to the Trustee at least 30 days before the date of purchase, at the following times and on the following terms:

(a) At any time on or after March 1, 2030, upon payment in full of Rent Payments then due hereunder plus a Purchase Price equal to the remaining Principal Portions of Basic Rent for the maximum Lease Term plus the Interest Portion of Basic Rent accrued to the prepayment date;

(b) On any date upon deposit of funds or Government Obligations or both with the Trustee in accordance with **Article X** of the Declaration of Trust in the amount necessary to provide for the Basic Rent Payments until and on the prepayment date, and the Purchase Price calculated as described in (a) above on the Certificates; or

(c) In the event of substantial damage to or destruction or condemnation (other than condemnation by the City or any entity controlled by or otherwise affiliated with the City) of, or loss of title to, substantially all of the Leased Property, or as a result of changes in the Constitution of Missouri or legislative or administrative action by the State or the United States, this Lease or the Declaration of Trust becomes unenforceable, on the date the City specifies as the purchase date in the City's notice to the Trustee of its exercise of the purchase option, upon payment in full of the Rent Payments then due hereunder plus then remaining Principal Portions of Basic Rent for the maximum Lease Term and the Interest Portion of Basic Rent to the purchase date.

Upon payment in full of all Rent Payments calculated as described above, the City shall be deemed to have purchased the Leased Property pursuant to this Section.

Section 10.02. Partial Prepayment. At the option of the City the Series 2020A Certificates will be subject to optional partial prepayment as described in the Declaration of Trust, at which time the Rental Payments hereunder may be partially prepaid in the same amounts.

Section 10.03. Determination of Fair Rent and Purchase Price. The City hereby agrees and determines that the Rent hereunder during the Original Term and any Renewal Term represents the fair value of the use of the Leased Property and that the Purchase Price required to exercise the City's option to purchase the Trustee's interest in the Leased Property pursuant to **Section 10.01** represents, as of the end of the Original Term or any Renewal Term, the fair Purchase Price of the Leased Property. The City

hereby determines that the Rent does not exceed a reasonable amount so as to place the City under an economic practical compulsion to renew this Lease or to exercise its option to purchase the Leased Property hereunder. In making such determinations, the City has given consideration to the Costs of the Project, the uses and purposes for which the Leased Property will be employed by the City, the benefit to the City by reason of the acquisition and installation of the Leased Property and the use and occupancy of the Leased Property pursuant to the terms and provisions of this Lease and the City's option to purchase the Leased Property. The City hereby determines and declares that the acquisition and installation of the Project and the leasing of the Leased Property pursuant to this Lease will result in a Project of comparable quality and meeting the same requirements and standards as would be necessary if the acquisition and installation of the Project were performed by the City other than pursuant to this Lease. The City hereby determines and declares that the maximum Lease Term does not exceed the useful life of the Leased Property.

ARTICLE XI

ASSIGNMENT

Section 11.01. Assignment and Subleasing by the City. Except as hereinafter expressly provided, none of the City's right, title and interest in, to and under this Lease and in the Leased Property may be assigned or encumbered by the City for any reason; except that the City may sublease any one or more parts of the Leased Property if the City obtains and delivers to the Trustee an Opinion of Special Counsel that such subleasing will not adversely affect the tax status of the Interest Portion of the Basic Rent Payments. Any such sublease of all or part of the Leased Property shall be subject to this Lease and the rights of the Trustee in, to and under this Lease and the Leased Property.

ARTICLE XII

EVENTS OF DEFAULT

Section 12.01. Events of Default Defined. Any of the following shall constitute an "Event of Default" under this Lease:

- (a) Failure by the City to make any deposits required by **Section 4.01** to pay Basic Rent in the Lease Revenue Fund at the time specified herein;
- (b) Failure by the City to make any Supplemental Rent Payment when due and the continuance of such failure for ten days after written notice specifying such failure and requesting that it be remedied is given to the City by the Trustee;
- (c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in subparagraph (a) or (b) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied is given to the City by the Trustee unless such party shall agree in writing to an extension of such time prior to its expiration; provided that, if the failure stated in the notice cannot be corrected within the applicable period, such party will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected;

(d) Any statement, representation or warranty made by the City in or pursuant to this Lease or the execution, delivery or performance of either of them shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made;

(e) Any provision of this Lease shall at any time for any reason cease to be valid and binding on the City, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the City or any governmental agency or authority if the loss of such provision would materially adversely affect the rights or security of the Trustee; or

(f) The City becomes insolvent or admits in writing its inability to pay its debts as they mature or applies for, consents to, or acquiesces in the appointment of a trustee, receiver or custodian for the City or a substantial part of its property; or in the absence of such application, consent or acquiescence, a trustee, receiver or custodian for the City or a substantial part of its property; or in the absence of such application, consent or acquiescence, a trustee, receiver or custodian is appointed by the City or a substantial part of its property and is not discharged within 60 days; or any bankruptcy, reorganization, debt arrangement, moratorium or any proceeding under bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is instituted by or against the City and, if instituted against the City, is consented to or acquiesced in by the City or is not dismissed within 60 days.

Section 12.02. Remedies on Default. Whenever any Event of Default exists, the Trustee shall have the right, without any further demand or notice, to take one or any combination of the following remedial steps:

(a) By written notice to the City, the Trustee may declare all Rent payable by the City hereunder to the end of then current Original Term or Renewal Term to be due;

(b) With or without terminating this Lease, the Trustee may take possession of the Leased Property (in which event the City shall take all actions necessary to authorize, execute and deliver to the Trustee for the remainder of the Trustee's leasehold term all documents necessary to vest in the Trustee all of the City's interest in the Leased Property), and sell the Leased Property or lease the Leased Property or, for the account of the City, sublease the Leased Property continuing to hold the City liable for the difference between (a) the Rent payable by the City hereunder for then current Original Term or Renewal Term, as the case may be, and (b) the net proceeds of any such sale, leasing or subleasing (after deducting all expenses of the Trustee in exercising its remedies under this Lease, including without limitation all expenses of taking possession, removing, storing, reconditioning, and selling or leasing or subleasing the Leased Property and all brokerage, auctioneers and attorneys' fees);

(c) The Trustee may terminate any rights the City may have in any funds held by the Trustee under the Declaration of Trust; and

(d) The Trustee may take whatever action at law or in equity necessary or desirable to enforce its rights in the Leased Property and under this Lease.

Section 12.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease now or hereafter existing at law or in equity. No delay or

omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Notices. All notices, certificates or other communications to be given or to be served upon any party in connection with this Lease shall be given in accordance with **Section 12.03** of the Declaration of Trust.

Section 13.02. Title to Leased Property. Title to the Leased Property shall vest in the City subject to Trustee's rights under this Lease; provided that title thereto shall thereafter immediately and without any action by the City vest in Trustee and the City shall immediately surrender possession thereof to Trustee upon (i) any termination of this Lease without the City exercising its option to purchase pursuant to **Section 10.01** or (ii) the occurrence of an Event of Default. It is the intent of the parties hereto that any transfer of title to Trustee pursuant to this Section shall occur automatically without the necessity of any deed, bill of sale, certificate of title or other instrument of conveyance. Nevertheless, the City shall execute and deliver any such instruments as the Trustee may request to evidence such transfer.

Section 13.03. Personal Property. The Trustee and the City agree that the Leased Property is and will remain personal property. The Leased Property will not be deemed to be affixed to or a part of the real estate on or under which it may be situated, notwithstanding that the Leased Property or any part thereof may be or hereafter become in any manner physically affixed to, buried in or otherwise attached to such real estate or any building thereon. Upon the request of the Trustee, the City will, at the City's expense, furnish a waiver of any interest in the Leased Property from any party having an interest in any such real estate or building.

To secure the payment of all of the City's obligations under this Lease, to the extent permitted by law, the Trustee retains a security interest in Leased Property and on all additions, attachments, accessions thereto, substitutions therefor and on any proceeds therefrom. The City shall execute all additional documents, including financing statements, affidavits, notices and similar instruments that are necessary or appropriate to establish and maintain such security interest. The City agrees that financing statements with respect to the Leased Property may be filed.

Section 13.04. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Trustee and the City and their respective successors and assigns.

Section 13.05. Amendments, Changes and Modifications. This Lease may not be effectively amended, changed, modified, altered or supplemented except with the written consent of the Trustee and the City and as provided in the Declaration of Trust.

Section 13.06. Electronic Transaction. The parties agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed 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.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Trustee and the City have caused this Lease to be executed in their names by their duly authorized representatives as of the date first above written.

SECURITY BANK OF KANSAS CITY, as Trustee

By: _____
Name:
Title:

CITY OF GLADSTONE, MISSOURI

(SEAL)

By _____
Name: Scott Wingerson
Title: City Manager

ATTEST:

Name: Ruth Bocchino
Title: City Clerk

SCHEDULE 1
TO LEASE PURCHASE AGREEMENT

DESCRIPTION OF LEASED PROPERTY

The Leased Property consists of the following:

Water mains acquired and installed with the proceeds of the Series 2020A Certificates.

SCHEDULE 2
TO LEASE PURCHASE AGREEMENT

DESCRIPTION OF PROJECT

The Project consists of the following:

Fire Station Project – Proceeds from the issue will be used for an addition to the station and renovation of the existing structure located at 6569 N. Prospect. The project will update and enhance the living conditions, provide new fixtures, and new equipment for the emergency personnel. The estimated total project cost is \$2,545,000.

Water Main Project – The water main project will give the city the ability to accelerate the water main replacement program over the course of 3 years. The project will replace 2.5 miles of water mains. The estimated total project cost is \$2,500,000.

Gladstone Community Center Project – Proceeds from the issue will be used make renovations to the outdoor municipal pool and Community Center. Pool renovations include a new entry way to the outdoor pool and updated restrooms. Renovations to the Gladstone Community Center include improvements to the indoor pool deck, painting of the natatorium, new carpeting, and fitness equipment. The total cost of this project is estimated to be \$930,000.

Downtown Parking Project – Proceeds for this project will fund a parking study and project implementation to increase the parking capacity for the Downtown Gladstone area. Total estimated project costs are \$500,000.

Mill & Overlay – Proceeds for this project will fund additional mill and overlay. The estimated cost of the project is \$500,000 and will replace 3.25 lane miles of curb, gutter and sidewalk.

Atkins-Johnson Farm Project - The project at the Atkins-Johnson Farm will fund the replacement of a barn at the historical site. The estimated cost of the project is \$200,000.

Fire Truck - The City anticipates the acquisition of a fire pumper truck and equipment needed to outfit the fire truck at a projected cost of \$570,000.

EXHIBIT A
SCHEDULE OF BASIC RENT PAYMENTS AND PURCHASE PRICE
SERIES 2020A CERTIFICATES

<u>Rental Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Option Purchase Price on Rental Payment Date through but excluding next Rental Payment Date*</u>
---	---------------------------------------	--------------------------------------	--

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

Dated as of November 1, 2020

of the

CITY OF GLADSTONE, MISSOURI

regarding

**\$(principal amount)
Certificates of Participation
Series 2020A**

CONTINUING DISCLOSURE UNDERTAKING

This CONTINUING DISCLOSURE UNDERTAKING dated as of November 1, 2020 (as may be amended and supplemented from time to time, this "*Continuing Disclosure Undertaking*"), is executed and delivered by the CITY OF GLADSTONE, MISSOURI, a third-class city organized and existing under the laws of the State of Missouri (the "*City*"). Capitalized terms used in this Continuing Disclosure Undertaking, unless the context clearly indicates otherwise, shall have the meanings given to them in the herein defined Declaration.

RECITALS

1. This Continuing Disclosure Undertaking is executed and delivered in connection with the execution and delivery of the Certificates of Participation, Series 2020A in the aggregate principal amount of \$[principal amount] (the "*Series 2020A Certificates*"), pursuant to an Declaration of Trust between the City and the Trustee named therein (the "*Declaration*").

2. The City is executing and delivering this Continuing Disclosure Undertaking for the benefit of the Beneficial Owners of the Series 2020A Certificates and in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the "*Rule*"). The City has determined that the City is the only "obligated person" with responsibility for continuing disclosure within the meaning of the Rule.

IN CONSIDERATION of the mutual covenants and agreements herein, the City covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Declaration, which apply to any capitalized term used in this Continuing Disclosure Undertaking unless otherwise defined in this Section or in this Continuing Disclosure Undertaking, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Section 2(a) of this Continuing Disclosure Undertaking.

"*Beneficial Owner*" means any Registered Owner of any Series 2020A Certificates 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 Series 2020A Certificates (including Persons holding Series 2020A Certificates through nominees, depositories, or other intermediaries), or (b) is treated as the owner of any Series 2020A Certificates for federal income tax purposes.

"*Bond Counsel*" means Armstrong Teasdale LLP or another attorney or firm of attorneys selected by the City and of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds or other obligations issued by states and political subdivisions.

"*Business Day*" means a day other than (a) a Saturday or Sunday, or (b) a day on which banks located in any city in which the principal corporate trust office of the Paying Agent is located are required or authorized by law to remain closed.

"*City*" means the City of Gladstone, Missouri, a third-class city organized and existing under the constitution and laws of the State.

“Disclosure Representative” means the City Clerk or Deputy City Clerk, on behalf of the City, or his or her successors or designees, or such other Person as the City shall designate in writing to the Paying Agent from time to time.

“Dissemination Agent” means on the date hereof, the City Administrator of the City, and thereafter, any other Person with whom the City contracts to assist in the carrying out of the City’s obligations under the Continuing Disclosure Undertaking pursuant to Section 5.

“Financial Obligation” means 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 debt obligation or derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation. The term *Financial Obligation* excludes municipal securities for which a final official statement has been provided to MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the City, currently the twelve-month period beginning July 1 and ending on June 30.

“Material Events” means any of the events listed in Section 3(a) of this Continuing Disclosure Undertaking.

“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.

“National Repository” means the MSRB’s Electronic Municipal Market Access system for municipal securities disclosures and any other repository for purposes of the Rule. The repository approved from time to time by the Securities and Exchange Commission is listed at <http://www.sec.gov/info/municipal/nrmsir.htm> and current is <http://www.emma.msrb.org>.

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

“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.

“Underwriter” means any of the original underwriter(s) of the Series 2020A Certificates required to comply with the Rule in connection with offering of the Bonds.

Section 2. Provision of Annual Reports.

(a) The City shall, or shall cause any Dissemination Agent to, not later than 210 days after the end of the City’s Fiscal Year, provide to the National Repository, the following financial information and operating data (the *“Annual Report”*):

- (i) Commencing with the Fiscal Year ending June 30, 2020, the audited financial statements of the City for the most recently ended Fiscal Year. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to this Section, the Annual Report shall contain unaudited financial statements in a format similar to the prior audited financial statements

of the City, and the audited financial statements shall be provided in the same manner as the Annual Report promptly after they become available.

- (ii) Commencing with the Fiscal Year ending June 30, 2020, financial information and operating data of the City updated for the prior Fiscal Year in substantially the scope and form contained in the final Official Statement relating to the Series 2020A Certificates in tables under the sections captioned:

SALES TAX INFORMATION CONCERNING THE CITY –

Sales Tax Collections

PROPERTY TAX INFORMATION CONCERNING THE CITY –

Tax Collection Record

Major Property Taxpayers

(b) Any or all of the items listed in subsection (a) 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 provided to the National Repository. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

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 filing of the Annual Report if they are not available by that date. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event under Section 3(d).

(c) Not later than the dates specified in subsection (a) above for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the MSRB or provide the Annual Report to the Dissemination Agent, with written instructions to file the Annual Report as specified in such subsection (a).

(d) If a Dissemination Agent is then acting on behalf of the City hereunder, and such Dissemination Agent has not received the Annual Report with filing instructions or a written notice from the City that it has provided an Annual Report to the MSRB by the date required in subsection (a) above, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached hereto as **Exhibit A**, and incorporated herein by reference.

(e) If a Dissemination Agent is then acting on behalf of the City hereunder, the Dissemination Agent shall (1) notify the City each year, not later than thirty (30) days prior to the date for providing the Annual Report to the MSRB, of the date on which its Annual Report must be provided to the Dissemination Agent or the MSRB, and (2) unless the City has provided such Annual Report to the MSRB, promptly following receipt of such Annual Report and instructions required in subsection (a), provide such Annual Report to the MSRB and file a report with the City certifying that such Annual Report has been provided pursuant to this Continuing Disclosure Undertaking, stating the date it was provided.

Section 3. Reporting of Material Events.

(a) Pursuant to the provisions of this Section, the City shall give, or cause to be given to the National Repository, notice of the occurrence of any of the following events with respect to the Series 2020A Certificates (each, a "*Material Event*") no later than ten (10) Business Days after the occurrence thereof:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) modifications to rights of security holders, if material;
- (4) Series 2020A Bond calls, if material, and tender offers;
- (5) defeasances;
- (6) rating changes;
- (7) 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 Series 2020A Certificates, or other material events affecting the tax-exempt status of the security;
- (8) unscheduled draws on debt service reserves reflecting financial difficulties;
- (9) unscheduled draws on credit enhancements reflecting financial difficulties;
- (10) substitution of credit or liquidity providers, or their failure to perform;
- (11) release, substitution or sale of property security repayment of the Series 2020A Certificates, if material;
- (12) bankruptcy, insolvency, receivership or similar event of the City;
- (13) the consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material;
- (15) incurrence of a Financial Obligation of the 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; and
- (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) If a Dissemination Agent is then acting on behalf of the City hereunder, the Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that it believes may constitute a Material Event, contact the Disclosure Representative of the City, inform such Person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (d) below. If in response to a request under this subsection (b), the City determines that such event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent whether or not to report the occurrence pursuant to such subsection (d).

(c) Whenever the City obtains knowledge of the occurrence of a Material Event, because of a notice from any Dissemination Agent pursuant to subsection (b) above or otherwise, the City shall

promptly report the occurrence pursuant to subsection (d) below, or cause its Dissemination Agent, if any, to promptly do so.

(d) The City or the Dissemination Agent, if a Dissemination Agent is then acting on behalf of the City, shall promptly file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Material Events described in clauses (8) and (9) of subsection (a) above 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 Series 2020A Certificates pursuant to the Declaration.

Section 4. Termination of Reporting Obligation. The City's obligations under this Continuing Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Series 2020A Certificates. If the City's obligations under this Continuing Disclosure Undertaking are assumed in full by some other Person, such Person shall be responsible for compliance with this Continuing Disclosure Undertaking in the same manner as if it were the City, and the City shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Series 2020A Certificates, the City shall give notice of such termination or substitution in the same manner as for a Material Event under Section 3(d).

Section 5. Dissemination Agent; Other Designated Agents. The City may, from time to time, appoint or designate one or more agents (each, a "designated agent") to submit Annual Reports, Material Event notices, and other notices or reports with the National Repository. The City may revoke this designation at any time upon written notice to the designated agent, and may designate one or more additional designated agents for purposes of this Section from time to time by written designation to the newly appointed designated agent.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Undertaking, the City may amend this Continuing Disclosure Undertaking and any provision of this Continuing Disclosure Undertaking may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the City with its written opinion that the undertaking of the City 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 Undertaking.

If a provision of this Continuing Disclosure Undertaking is amended or waived, 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 by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (a) notice of such change shall be given in the same manner as for a Material Event under Section 3(d); and (b) 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 Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Undertaking 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 Undertaking. 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 Undertaking, the City shall have no

obligation under this Continuing Disclosure Undertaking to update such information or include it in any future Annual Report, as the case may be, or notice of occurrence of a Material Event.

Section 8. Default. If there is a failure of the City to comply with any provision of this Continuing Disclosure Undertaking, the Paying Agent may (and, at the request of any Underwriter or the Registered Owners of at least 25% aggregate principal amount of Outstanding Series 2020A Certificates, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Continuing Disclosure Undertaking. A default under this Continuing Disclosure Undertaking shall not be deemed an event of default under the Declaration, and the sole remedy under this Continuing Disclosure Undertaking if there is any failure of the City to comply with this Continuing Disclosure Undertaking shall be an action to compel performance.

Section 9. Notices. Notices or communications concerning the resignation, revocation or designation of a dissemination agent pursuant to Section 5 of this Continuing Disclosure Undertaking, shall be duly mailed by first class mail, postage prepaid, or sent by electronic mail (email), facsimile or other similar communication, as follows:

If to the City: City of Gladstone, Missouri
7010 N. Holmes St.
Gladstone, MO 64118
Attn: Finance Director

Any Person may, by written notice to the other Persons listed above, designate a different address, telephone number, or facsimile number to which subsequent notices or communications should be sent.

Section 10. Beneficiaries. This Continuing Disclosure Undertaking shall inure solely to the benefit of the Beneficial Owners from time to time of the Series 2020A Certificates, and shall create no rights in any other Person.

Section 11. Severability. If any provision in this Continuing Disclosure Undertaking 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 12. Counterparts. This Continuing Disclosure Undertaking 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 13. Electronic Transactions. The measures and arrangements 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 14. Governing Law. This Continuing Disclosure Undertaking 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 Undertaking to be executed by its duly authorized officers or elected officials as of the date first above written.

CITY OF GLADSTONE, MISSOURI

By: _____
City Manager

[SEAL]

ATTEST:

By: _____
City Clerk

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Date of Issuance: November 5, 2020

Dated: _____, _____.

cc: City of Gladstone, Missouri

APPENDIX E

FORM OF APPROVING OPINION OF SPECIAL TAX COUNSEL

November __, 2020

City of Gladstone, Missouri
7010 N. Holmes
Gladstone, Missouri 64118

[Underwriter]

Security Bank of Kansas City
701 Minnesota Avenue, Suite 206
Kansas City, Kansas 66101

Re: \$_____ Certificates of Participation, Series 2020A

Ladies and Gentlemen,

We have acted as special tax counsel to the City of Gladstone, Missouri (the "*City*") in connection with the execution and delivery of \$_____ principal amount of its Certificates of Participation, Series 2020A (the "*Certificates*"). The Certificates are executed and delivered pursuant to an Declaration of Trust, dated as of November 1, 2020 (the "*Declaration*"), between Security Bank of Kansas City, as trustee (the "*Trustee*"), and the City and evidence interests of the Owners thereof in Basic Rent to be made by the City under a Lease Purchase Agreement dated as of November 1, 2020 (the "*Lease*") between the City and the Trustee. The Declaration and the Lease were approved by an ordinance of the City adopted on September 28, 2020 (the "*Ordinance*"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Declaration, unless the context requires otherwise.

We have examined the law and such certified proceedings and other materials as we deem necessary to enable us to render this opinion. As to questions of fact material to this opinion, we have relied upon representations of the City contained in the Ordinance and in other documents and certificates delivered in connection with the execution and delivery of the Certificates, and the certified proceedings and other certifications of the City and others furnished to us, in each case without undertaking to verify the same by independent investigation.

In making our examination of documents and except as provided in Paragraphs 1 and 2 below, we have assumed that the parties to such documents had the power to enter into and perform all obligations

thereunder; the due and valid authorization, execution and delivery of such documents; that such documents are valid and binding obligations of the parties thereto and 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. 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. In giving this opinion, we have relied upon such certificates with respect to the accuracy of factual matters contained therein, which were not independently established.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion that, under existing law:

1. The Lease and the Declaration have been duly authorized by the City, have been duly executed by the City, and constitute legal, valid and binding agreements of the City enforceable against the City in accordance with their respective terms, except that the Lease is enforceable only during each fiscal year for which sufficient funds have been appropriated.

2. The Certificates have been duly authorized, executed and delivered in accordance with the Declaration, are entitled to the benefits and security of the Declaration, and evidence an interest in the rights to receive Basic Rent under the Lease, which rights are enforceable against the City in accordance with the terms of the Certificates, the Declaration and the Lease. We express no opinion with respect to the perfection or priority of any lien or security interest created or purported to have been created by any documents related to the execution and delivery of the Certificates.

3. The Interest Component of the Basic Rent paid by the City under the Lease and distributed to the Registered Owners of the Certificates (collectively, the "*Interest Components*"), are excludable from gross income for federal and Missouri income tax purposes and are not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the City and the Trustee comply with all requirements of the Internal Revenue Code of 1986, as amended (the "*Code*"), that must be satisfied subsequent to the issuance of the Certificates in order that the Interest Components be, or continue to be, excludable from gross income for federal and Missouri income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with such requirements may cause the Interest Components to be included in gross income for federal and Missouri income tax purposes retroactive to the date of the issuance of the Certificates. The Certificates have been designated as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code.

4. We express no opinion regarding (a) 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 the Basic Rent or the Certificates except as set forth in Paragraph 3 above, (b) the treatment for federal or Missouri income tax purposes of any money received by owners of the Certificates subsequent to termination of the Lease by reason of an Event of Nonappropriation or an Event of Default, or (c) the title to or the description of the property subject to the Declaration or the Lease.

It is to be understood that the rights of the owners of the Certificates and the enforceability thereof and of the Declaration and the Lease 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. 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.

D. 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 Certificates 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 Certificates.

We have not been engaged or undertaken to review the accuracy, adequacy, completeness, or sufficiency of any offering material relating to the Certificates, 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.

Very truly yours,

NOTICE OF SALE

\$7,510,000*

CITY OF GLADSTONE, MISSOURI
CERTIFICATES OF PARTICIPATION
SERIES 2020A
(BOOK ENTRY ONLY)

Bids for the above-referenced obligations (the "Series 2020A Certificates") will be received by the City of Gladstone, Missouri (the "City") on October 22, 2020, (the "Sale Date") until 11:30 A.M., Central Time at (the "Sale Time") the offices of Baker Tilly Municipal Advisors, LLC ("Baker Tilly MA"), 380 Jackson Street, Suite 300, Saint Paul, Minnesota, after which time proposals will be opened and tabulated. Consideration for award of the Series 2020A Certificates will be by the City Council at its meeting commencing at 7:00 P.M., Central Time, of the same day.

SUBMISSION OF BIDS

Baker Tilly MA will assume no liability for the inability of a bidder or its bid to reach Baker Tilly MA prior to the Sale Time, and neither the City nor Baker Tilly MA shall be responsible for any failure, misdirection or error in the means of transmission selected by any bidder. All bidders are advised that each bid shall be deemed to constitute a contract between the bidder and the City to purchase the Series 2020A Certificates regardless of the manner by which the bid is submitted.

(a) **Sealed bidding.** Completed, signed bids may be submitted to Baker Tilly MA by email to bondservice@bakertilly.com or by fax (651) 223-3046, and must be received prior to the Sale Time.

OR

(b) **Electronic bidding.** Bids may also be received via PARITY[®]. For purposes of the electronic bidding process, the time as maintained by PARITY[®] shall constitute the official time with respect to all bids submitted to PARITY[®]. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY[®] for purposes of submitting its electronic bid in a timely manner and in compliance with the requirements of the Notice of Sale.* Neither the City, its agents nor PARITY[®] shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents nor PARITY[®] shall be responsible for a bidder's failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY[®]. The City is using the services of PARITY[®] solely as a communication mechanism to conduct the electronic bidding for the Series 2020A Certificates, and PARITY[®] is not an agent of the City.

If any provisions of this Notice of Sale conflict with information provided by PARITY[®], this Notice of Sale shall control. Further information about PARITY[®], including any fee charged, may be obtained from:

PARITY[®], 1359 Broadway, 2nd Floor, New York, New York 10018
Customer Support: (212) 849-5000

* Preliminary; subject to change.

DETAILS OF THE SERIES 2020A CERTIFICATES

The Series 2020A Certificates will be dated as of the date of delivery and will bear interest payable on March 1 and September 1 of each year, commencing March 1, 2021. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Series 2020A Certificates will mature March 1 in the years and amounts* as follows:

2021	\$1,240,000.00	2025	\$200,000.00	2029	\$360,000.00	2033	\$400,000.00	2037	\$270,000.00
2022	720,000.00	2026	205,000.00	2030	370,000.00	2034	260,000.00	2038	280,000.00
2023	745,000.00	2027	260,000.00	2031	380,000.00	2035	265,000.00	2039	285,000.00
2024	75,000.00	2028	350,000.00	2032	390,000.00	2036	265,000.00	2040	190,000.00

** The City reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Series 2020A Certificates or the amount of any maturity or maturities in multiples of \$5,000. In the event the amount of any maturity is modified, the aggregate purchase price will be adjusted to result in the same gross spread per \$1,000 of Series 2020A Certificates as that of the original proposal. Gross spread for this purpose is the differential between the price paid to the City for the new issue and the prices at which the bid indicates the securities are initially offered to the investing public. The successful bidder may not withdraw its bid or change the interest rates bid as a result of any changes made to the principal amount of the Series 2020A Certificates or principal of any maturity as described herein. If there is an increase or decrease in the final aggregate principal amount of the Series 2020A Certificates or the schedule of principal payments as described above, the City will notify the successful bidder by means of telephone and subsequently confirmed in writing, or email transmission, no later than 2:00 P.M., Central Time, on the sale date. The actual purchase price for the Series 2020A Certificates shall be calculated by applying the percentage of par value bid by the successful bidder against the final aggregate principal amount of the Series 2020A Certificates, as adjusted.*

Bids for the Series 2020A Certificates may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption and must conform to the maturity schedule set forth above. In order to designate term bonds, the bid must specify "Years of Term Maturities" in the spaces provided on the bid form.

BOOK ENTRY SYSTEM

The Series 2020A Certificates will be issued by means of a book entry system with no physical distribution of Series 2020A Certificates made to the public. The Series 2020A Certificates will be issued in fully registered form and one Series 2020A Certificate, representing the aggregate principal amount of the Series 2020A Certificates maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Series 2020A Certificates. Individual purchases of the Series 2020A Certificates may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Series 2020A Certificates. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The lowest bidder (the "Purchaser"), as a condition of delivery of the Series 2020A Certificates, will be required to deposit the Series 2020A Certificates with DTC.

PAYING AGENT AND REGISTRAR

Security Bank of Kansas City, Kansas City, Kansas will serve as trustee, paying agent and registrar for the Series 2020A Certificates and the City will pay for the services of the trustee, paying agent and registrar.

OPTIONAL REDEMPTION

At the option of the City, the Series 2020A Certificates may be called for redemption and payment prior to maturity on March 1, 2030 and thereafter, in whole or in part at any time at the redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date. Series 2020A Certificates shall be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. When less than all of the outstanding Series 2020A Certificates are to be redeemed, such Series 2020A Certificates shall be redeemed from the stated maturities selected by the City, and Series 2020A Certificates of less than a full stated maturity shall be selected by the Paying Agent in \$5,000 units of principal amount by lot or in such other equitable manner as the Paying Agent may determine.

SECURITY AND PURPOSE

Each Series 2020A Certificate evidences the undivided interest of the Owner thereof in the right to receive Basic Rent) to be made by the City under the Lease Purchase Agreement between the Trustee and the City dated November 1, 2020 (the "Lease"). The Series 2020A Certificates are payable solely out of the Basic Rent and other money and investments held by the Trustee under the Declaration of Trust between the Trustee and the City dated November 1, 2020 (the "Declaration").

The City's obligation to make Basic Rent and other payments under the Lease is subject to annual appropriation by the City and will not constitute a debt or liability of the City, the State of Missouri or any political subdivision thereof, or an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The execution and delivery of the Lease and the Series 2020A Certificates will not obligate the City to levy any form of taxation therefor or to make any appropriation for their payment in any fiscal year subsequent to a fiscal year in which the Lease is in effect.

Under the terms of the Lease, if the City elects to renew the Lease at the end of the initial term or any renewal term, it is obligated to budget, appropriate and set aside a portion of its revenues derived from user fees and other sources, which appropriation must be sufficient to make the Basic Rent coming due during the ensuing fiscal year. The City is obligated to make Basic Rent to the Trustee on the 15th of each month preceding each Payment Date, which payments will be distributable as principal and interest with respect to the Certificates (but only if the City elects to renew the Lease for each Renewal Term).

There can be no assurance that the City will appropriate funds for Basic Rent or renew the Lease after the initial term. The City is not legally required to budget or appropriate money for any subsequent fiscal year beyond the current fiscal year. The Lease does not convey any interest in real property.

Capitalized terms used in this section and not otherwise defined have the meaning set forth in the Lease.

TAX EXEMPTION OF INTEREST

The interest on the Series 2020A Certificates is excludable from gross income for federal and Missouri income tax purposes. The Series 2020A Certificates have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

BIDDING PARAMETERS

Bids shall be for not less than \$7,510,000 (Par) plus accrued interest, if any, on the total principal amount of the Series 2020A Certificates. No bid can be withdrawn or amended after the time set for receiving bids on the Sale Date unless the meeting of the City scheduled for award of the Series 2020A Certificates is adjourned, recessed, or continued to another date without award of the Series 2020A Certificates having been made. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the bid must be 98.0% or greater. Series 2020A Certificates of the same maturity shall bear a single rate from the date of the Series 2020A Certificates to the date of maturity. No conditional bids will be accepted.

GOOD FAITH DEPOSIT

To have its bid considered for award, the Purchaser is required to submit a good faith deposit via wire transfer to the City in the amount of \$150,200 (the "Deposit") no later than 2:00 P.M., Central Time on the Sale Date. The Purchaser shall be solely responsible for the timely delivery of its Deposit, and neither the City nor Baker Tilly MA have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the City may, at its sole discretion, reject the bid of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

A Deposit will be considered timely delivered to the City upon submission of a federal wire reference number by the specified time. Wire transfer instructions will be available from Baker Tilly MA following the receipt and tabulation of bids. The successful bidder must send an e-mail including the following information: (i) the federal reference number and time released; (ii) the amount of the wire transfer; and (iii) the issue to which it applies.

Once an award has been made, the Deposit received from the Purchaser will be retained by the City and no interest will accrue to the Purchaser. The amount of the Deposit will be deducted at settlement from the purchase price. In the event the Purchaser fails to comply with the accepted bid, said amount will be retained by the City.

AWARD

The Series 2020A Certificates will be awarded to the bidder offering the lowest interest rate to be determined on a true interest cost (TIC) basis. The City's computation of the interest rate of each bid, in accordance with customary practice, will be controlling.

The City will reserve the right to: (i) waive non-substantive informalities of any bid or of matters relating to the receipt of bids and award of the Series 2020A Certificates, (ii) reject all bids without cause, and (iii) reject any bid that the City determines to have failed to comply with the terms herein.

The Purchaser will be required to execute a standard "issue price" certificate at closing.

BOND INSURANCE AT PURCHASER'S OPTION

The City has not applied for or pre-approved a commitment for any policy of municipal bond insurance with respect to the Series 2020A Certificates. If the Series 2020A Certificates qualify for municipal bond insurance and a bidder desires to purchase a policy, such indication, the maturities to be insured, and the name of the desired insurer must be set forth on the bidder's Official Bid Form. The City specifically reserves the right to reject any bid specifying municipal bond insurance, even though such bid may result in the lowest TIC to the City. All costs associated with the issuance and administration of such policy and associated ratings and expenses (other than any independent rating requested by the City) shall be paid by the successful bidder. Failure of the municipal bond insurer to issue the policy after the award of the Series 2020A Certificates shall not constitute cause for failure or refusal by the successful bidder to accept delivery of the Series 2020A Certificates.

RATING

A rating has been requested from S&P Global Ratings for the Series 2020A Certificates. The rating is subject to withdrawal or modification at any time; withdrawal or modification of the rating may have an adverse effect on the marketability of the Series 2020A Certificates. For an explanation of the significance of the rating, an investor should communicate with the rating agency.

CUSIP NUMBERS

If the Series 2020A Certificates qualify for the assignment of CUSIP numbers such numbers will be printed on the Series 2020A Certificates; however, neither the failure to print such numbers on any Series 2020A Bond nor any error with respect thereto will constitute cause for failure or refusal by the

Purchaser to accept delivery of the Series 2020A Certificates. Baker Tilly MA will apply for CUSIP numbers pursuant to Rule G- 34 implemented by the Municipal Securities Rulemaking Board. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

SETTLEMENT

On or about November 5, 2020, the Series 2020A Certificates will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Armstrong Teasdale LLP, Kansas City, Missouri and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Series 2020A Certificates shall be made in federal, or equivalent, funds that shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Series 2020A Certificates has been made impossible by action of the City, or its agents, the Purchaser shall be liable to the City for any loss suffered by the City by reason of the Purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

In order to permit prospective bidders for the Series 2020A Certificates and other participating underwriters in the primary offering of the Series 2020A Certificates to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Series 2020A Certificates, in a Continuing Disclosure Undertaking, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as described in the Official Statement. The information to be provided on an annual basis, the events as to which notice is to be given, and other provisions of the Continuing Disclosure Undertaking, including termination, amendment and remedies, are summarized in the Official Statement.

OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Series 2020A Certificates and said Preliminary Official Statement has been deemed final by the City as of the date thereof within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For an electronic copy of the Preliminary Official Statement and the Official bid Form or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, Baker Tilly Municipal Advisors, LLC, by telephone (651) 223-3000, or by email bondservice@bakertilly.com. The Preliminary Official Statement will also be made available at <https://go.bakertilly.com/bond-sales-calendar>.

A Final Official Statement (as that term is defined in Rule 15c2-12) will be prepared, specifying the maturity dates, principal amounts and interest rates of the Series 2020A Certificates, together with any other information required by law. By awarding the Series 2020A Certificates to the Purchaser, the City agrees that, no more than seven business days after the date of such award, it shall provide to the Purchaser an electronic copy of the Final Official Statement. The City designates the Purchaser as its agent for purposes of distributing the Final Official Statement to each syndicate member, if applicable. Such Underwriter agrees that if its bid is accepted by the City, (i) it shall accept designation and (ii) it shall enter into a contractual relationship with its syndicate members for purposes of assuring the receipt of the Final Official Statement by each such syndicate member.

Dated: September 30, 2020

BY ORDER OF THE CITY OF GLADSTONE, MISSOURI

/s/ Scott Wingerson
City Manager

City of Gladstone, Missouri
\$7,510,000* Certificates of Participation, Series 2020A

For the Series 2020A Certificates of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of \$_____ (which may not be less than \$_____) plus accrued interest, if any, to the date of delivery.

<u>Year</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Dollar Price</u>	<u>Year</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Dollar Price</u>
2021	_____ %	_____ %	_____ %	2031	_____ %	_____ %	_____ %
2022	_____ %	_____ %	_____ %	2032	_____ %	_____ %	_____ %
2023	_____ %	_____ %	_____ %	2033	_____ %	_____ %	_____ %
2024	_____ %	_____ %	_____ %	2034	_____ %	_____ %	_____ %
2025	_____ %	_____ %	_____ %	2035	_____ %	_____ %	_____ %
2026	_____ %	_____ %	_____ %	2036	_____ %	_____ %	_____ %
2027	_____ %	_____ %	_____ %	2037	_____ %	_____ %	_____ %
2028	_____ %	_____ %	_____ %	2038	_____ %	_____ %	_____ %
2029	_____ %	_____ %	_____ %	2039	_____ %	_____ %	_____ %
2030	_____ %	_____ %	_____ %	2040	_____ %	_____ %	_____ %

Designation of Term Maturities

Years of Term Maturities

In making this offer on the sale date of October 22, 2020 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated September 30, 2020 including the City's right to modify the principal amount of the Series 2020A Certificates. (See "Terms of Proposal" herein.) In the event of failure to deliver these Series 2020A Certificates in accordance with said Terms of Proposal, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

By submitting this proposal, we confirm that we have an established industry reputation for underwriting municipal bonds such as the Series 2020A Certificates.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$

TRUE INTEREST RATE: %

The Bidder _____ will not _____ will purchase municipal bond insurance from _____.

Account Members

Account Manager

By: _____

Phone: _____

The foregoing proposal has been accepted by the City.

Attest: _____

Date: _____

* Preliminary; subject to change.

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
BOOK ENTRY ONLY**

S&P RATING: AA-

In the opinion of Armstrong Teasdale LLP, Special Tax Counsel, under existing law and assuming, among other matters, continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the Interest Portion of Basic Rent (the "Interest Portion") paid by the City under the Lease (defined herein) and distributed to the owners of the Series 2020A Certificates is excludable from gross income for federal and Missouri income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The Series 2020A Certificates have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS" in this Official Statement.

OFFICIAL STATEMENT

\$7,740,000

CITY OF GLADSTONE, MISSOURI CERTIFICATES OF PARTICIPATION SERIES 2020A

**Due: March 1, as shown
on the inside cover page**

Dated: Date of Delivery

The Series 2020A Certificates represent undivided, proportionate interests in Basic Rent (the "**Basic Rent**") to be paid by the City of Gladstone, Missouri (the "**City**"), and are being delivered pursuant to an Declaration of Trust dated as of November 1, 2020 (the "**Declaration**"), executed by Security Bank of Kansas City, Kansas City, Kansas, as trustee (the "**Trustee**"). The Basic Rent are payable by the City under an annually renewable Lease Purchase Agreement dated as of November 1, 2020 (the "**Lease**") between the City and the Trustee.

The Series 2020A Certificates will be delivered in fully registered form without coupons in the denomination of \$5,000 or any integral multiple thereof, and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"). Individual purchases of interests in the Series 2020A Certificates will be made in book-entry form only. Purchasers of such interests (the "**Beneficial Owners**") will not receive certificates representing their interests in the Series 2020A Certificates. So long as Cede & Co., as nominee of DTC, is the owner of the Series 2020A Certificates, references herein to the owners or registered owners mean Cede & Co., as aforesaid, and do not mean the Beneficial Owners of the Series 2020A Certificates.

Principal and interest distributable with respect to the Series 2020A Certificates are payable by the Trustee. So long as DTC or its nominee, Cede & Co., is the owner, such payments will be made directly to such owner. Upon receipt of payments of principal and interest, DTC will in turn remit such principal and interest to DTC's participants for subsequent disbursement to the Beneficial Owners of the Series 2020A Certificates. Principal and prepayment premium, if any, will be payable annually on March 1, beginning on March 1, 2021. Interest will be payable semiannually on March 1 and September 1, beginning on March 1, 2021, by check or draft mailed (or by wire transfer in certain circumstances described herein) to the persons who are the registered owners of the Certificates as of the close of business on the 15th day of the month preceding the applicable interest payment date.

The Series 2020A Certificates will be payable solely from the Basic Rent under the Lease and certain money held by the Trustee under the Declaration. See the caption "**SECURITY FOR THE CERTIFICATES**" herein. The City will agree to pay the total Basic Rent due under the Lease for each fiscal year, but only if the governing body of the City annually appropriates sufficient money specifically designated to pay the Basic Rent coming due during each succeeding fiscal year. **The obligation to make payments will not create a general obligation or other indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction. The delivery of the Series 2020A Certificates will not obligate the City to levy any form of taxation therefore or to make any appropriation for their payment in any year subsequent to a year in which the Lease is in effect.**

The Series 2020A Certificates are subject to prepayment prior to their stated payment dates under certain conditions. See the caption "**THE SERIES 2020A CERTIFICATES — Prepayment Provisions**" herein.

The Series 2020A Certificates are subject to certain risks. Prospective purchasers of the Series 2020A Certificates should be able to evaluate the risks and merits of an investment in the Series 2020A Certificates before considering a purchase of the Series 2020A Certificates. See "**RISK FACTORS AND INVESTMENT CONSIDERATIONS**" herein.

The Series 2020A Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approval of legality by Armstrong Teasdale LLP, Kansas City, Missouri, Special Tax Counsel, and certain other conditions. It is expected that the Series 2020A Certificates will be available for delivery through The Depository Trust Company in New York, New York, on or about November 5, 2020.



The date of this Official Statement is October 22, 2020.

\$7,740,000
CITY OF GLADSTONE, MISSOURI
CERTIFICATES OF PARTICIPATION
SERIES 2020A

MATURITY SCHEDULE

Serial Certificates

<u>Due March 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u>
2021	\$1,255,000	2.000%	0.400%	100.514%	376609GK3
2022	\$750,000	2.000%	0.500%	101.974%	376609GL1
2023	\$765,000	2.000%	0.600%	103.223%	376609GM9
2024	\$95,000	2.000%	0.750%	104.093%	376609GN7
2025	\$215,000	2.000%	0.800%	105.087%	376609GP2
2026	\$220,000	2.000%	0.900%	105.703%	376609GQ0
2027	\$275,000	2.000%	1.000%	106.111%	376609GR8
2028	\$360,000	2.000%	1.100%	106.314%	376609GS6
2029	\$370,000	2.000%	1.200%	106.317%	376609GT4
2030	\$375,000	2.000%	1.300%	106.126%	376609GU1
2031	\$380,000	2.000%	1.500%	104.333%	376609GV9
2032	\$390,000	2.000%	1.600%	103.450%	376609GW7
2033	\$400,000	2.000%	1.700%	102.575%	376609GX5
2034	\$270,000	2.000%	1.850%	101.277%	376609GY3
2035	\$275,000	2.000%	2.000%	100.000%	376609GZ0

Term Certificates

<u>Due March 1:</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u>
2040	\$1,345,000	2.250%	2.250%	100.000%	376609HE6

City of Gladstone, Missouri

7010 North Holmes
Gladstone, Missouri 64118
816-436-2200

CITY OFFICIALS

City Council

Jean Moore – Mayor
R.D. Mallams, Mayor Pro-Tem
Bill Garnos, Council Member
Tina Spallo, Council Member
Tom Frisby, Council Member

Administrative Officials

Scott Wingerson – City Manager
Bob Baer – Assistant City Manager
Dominic Accurso – Director of Finance

CERTIFIED PUBLIC ACCOUNTANTS

Berberich Trahan & Co. P.A.
Topeka, Kansas

SPECIAL TAX COUNSEL

Armstrong Teasdale LLP
Kansas City, Missouri

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Saint Paul, Minnesota & Kansas City, Missouri

UNDERWRITER

First Bankers' Banc Securities, Inc.
St. Louis, Missouri

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2020A CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2020A CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE DECLARATION BEEN QUALIFIED UNDER THE TRUST DECLARATION ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

The Underwriter and Municipal Advisor have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but neither the Underwriter nor the Municipal Advisor guarantee the accuracy or completeness of that information.

No dealer, broker, salesperson or other person has been authorized by the City, the Underwriter, or the Municipal Advisor to give any information or to make any representation with respect to the Series 2020A Certificates offered hereby other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Series 2020A Certificates offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City and from other sources believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter or the Municipal Advisor. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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

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. THESE FUTURE RISKS AND UNCERTAINTIES INCLUDE THOSE DISCUSSED IN THE “RISK FACTORS” SECTION OF THIS OFFICIAL STATEMENT. 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.

TABLE OF CONTENTS

INTRODUCTION	1	PLAN OF FINANCING	12
General.....	1	The Project	12
The City	1	Sources and Uses of Funds.....	12
Plan of Financing	1	FINANCIAL STATEMENTS	12
Limited Obligations	2	APPROVAL OF LEGALITY	12
Risk Factors	2	TAX MATTERS	12
Parity Obligations	2	Opinion of Special Tax Counsel	13
Continuing Disclosure Information.....	2	Other Tax Consequences.....	13
Definitions and Descriptions; Inspection of Documents	2	RATING	14
THE SERIES 2020A CERTIFICATES	3	ABSENCE OF LITIGATION	14
Description	3	UNDERWRITING	15
Prepayment Provisions.....	3	MUNICIPAL ADVISOR	15
Acceleration	4	CONTINUING DISCLOSURE	16
BOOK-ENTRY ONLY SYSTEM	5	MISCELLANEOUS	16
Transfer Outside Book-Entry Only System	6	Appendix A - City of Gladstone, Missouri	
SECURITY FOR THE CERTIFICATES	7	Appendix B -Independent Auditor's Report and the City's Audited Financial Statements	
Limited Obligations; Sources of Payment	7	Appendix C -Forms of the Documents	
Parity Obligations	8	Appendix D-Form of Continuing Disclosure Undertaking	
THE TRUSTEE	8	Appendix E - Proposed Form of Opinion of Special Tax Counsel	
RISK FACTORS AND INVESTMENT CONSIDERATIONS	8		
Limited Obligations	8		
No Reserve Fund.....	9		
Expiration or Termination of the Lease	9		
Delays in Exercising Remedies.....	10		
Damage or Destruction of the Leased Property	10		
Construction Risks	11		
Effect on Tax-Exemption of Termination of the Lease	11		
Amendment of the Declaration and Lease	11		
Other Factors.....	11		

OFFICIAL STATEMENT
\$7,740,000
CERTIFICATES OF PARTICIPATION
CITY OF GLADSTONE, MISSOURI
SERIES 2020A

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 the more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement.

General

The purpose of this Official Statement is to furnish information in connection with the offering and sale of Certificates of Participation City of Gladstone, Missouri, Series 2020A, in the aggregate principal amount of \$7,740,000 (the "**Series 2020A Certificates**"). The Series 2020A Certificates represent undivided interests in Basic Rent to be paid by the City of Gladstone, Missouri (the "**City**") pursuant to an annually renewable Lease Purchase Agreement dated as of November 1, 2020 (the "**Lease**"), between Security Bank of Kansas City, Kansas City, Kansas (the "**Trustee**"), as lessor, and the City, as lessee. The Trustee has agreed to execute and deliver the Series 2020A Certificates pursuant to a Declaration of Trust dated as of November 1, 2020 (the "**Declaration**"). The Basic Rent constitutes rent for use of certain personal property (the "**Leased Property**," as further described herein) pursuant to the Lease.

The City

The City is a third class city and political subdivision organized and existing under the constitution and laws of the State of Missouri.

Plan of Financing

Proceeds from the sale of the Series 2020A Certificates will be used (a) to provide for the financing of the costs related to construction of an addition to and renovation of an existing fire station, street improvements, parking improvements in the City's central business district, municipal pool improvements, museum improvements, construction of water mains, acquisition of a fire pumper truck and other capital projects (collectively, the "**Project**" as further described herein) and (b) to pay the costs of issuance of the Series 2020A Certificates. The "**Leased Property**" as referred to herein consists of certain personal property acquired in the completion of the Project, and includes approximately 2.5 miles of water mains. See "**PLAN OF FINANCING – The Project**" herein. **The Leased Property does not include any interest in real property.**

Simultaneously with the delivery of the Series 2020A Certificates, the Trustee, as lessor under the Lease, will lease the Leased Property to the City for an initial term ending June 30, 2021, with successive one-year renewal options (the "**Renewal Terms**"), with a final Renewal Term ending March 1, 2040. Each Renewal Term is subject to annual appropriation by the City Council.

A portion of each Base Rental will be used to pay interest distributable with respect to the Series 2020A Certificates, and a portion of each Base Rental will be used to pay principal and prepayment premium, if any, distributable with respect to the Series 2020A Certificates. See the caption "**PLAN OF FINANCING**" herein.

Limited Obligations

Under the Lease, the City has agreed to pay Basic Rent consisting of a Principal Portion and an Interest Portion (collectively, the "**Basic Rent**") that are distributable with respect to the Series 2020A Certificates, but only if and to the extent that the City annually appropriates sufficient money to pay the Basic Rent coming due during each succeeding Renewal Term.

Neither the Series 2020A Certificates, the Lease nor any payments required under the Lease will constitute a mandatory payment obligation of the City in any year beyond the year during which the City is a lessee under the Lease, or constitute or give rise to a general obligation or other indebtedness of the City. The City is not legally obligated to budget or appropriate money for any fiscal year beyond the current fiscal year or any subsequent fiscal year in which the Lease is in effect, and there can be no assurance that the City will appropriate funds to make Basic Rent or renew the Lease after the Initial Term or any Renewal Term of the Lease. The City may terminate its obligations under the Lease on an annual basis. The City will have the option to purchase the Trustee's interest in the Leased Property as provided in the Declaration and the Lease.

Neither the Series 2020A Certificates nor the Lease will constitute a debt or liability of the City, the State of Missouri or any political subdivision thereof, nor will they constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The execution and delivery of the Lease will not obligate the City to levy any form of taxation for the payments required thereunder or to make any appropriation for such payments in any fiscal year subsequent to a fiscal year in which the Lease is in effect.

Risk Factors

Payment of the principal and interest distributable with respect to the Series 2020A Certificates is subject to certain risks. See the caption "**RISK FACTORS AND INVESTMENT CONSIDERATIONS.**"

Parity Obligations

The Declaration provides for the future delivery of Additional Certificates, if delivered, to be secured on a parity with the Series 2020A Certificates and any other Additional Certificates then Outstanding under the Declaration. The Series 2020A Certificates, together with any Additional Certificates, are collectively the "Certificates." See the caption "**FORMS OF THE DOCUMENTS** " in *Appendix C* hereto.

Continuing Disclosure Information

The City will enter into an undertaking (the “Undertaking”) for the benefit of the beneficial owners of the Obligations to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access system (“EMMA”) pursuant to the requirements of SEC Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. The form of Undertaking is set forth in *Appendix D*, attached hereto and made a part hereof and entitled “CONTINUING DISCLOSURE UNDERTAKING.”

The City believes that it has timely filed required operating and financial data required by previous undertakings since the fiscal year ended June 30, 2015, other than the City did not file notices of defeasances, redemptions and rating changes, if any, which were available from other sources.

A failure by the City to comply with the Undertaking will not constitute a default under the respective authorizing resolutions (the “Resolutions”), and beneficial owners of the Obligations are limited to the remedies described in the Undertaking. A failure by the City to comply with the Undertaking must be reported in accordance with the Rule, and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Obligations in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Obligations and their market price.

Definitions and Descriptions; Inspection of Documents

All capitalized terms used in this Official Statement not defined in the text hereof are defined under the caption **"Definitions of Words and Terms"** set forth in *Appendix C* to this Official Statement. Brief descriptions of the Series 2020A Certificates, the Lease, the Declaration and certain other matters are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Lease and the Declaration are qualified in their entirety by reference to such documents, copies of which may be requested from Baker Tilly Municipal Advisors, LLC via the following email address: bondservice@bakertilly.com. All references to the Series 2020A Certificates are qualified in their entirety by the definitive terms thereof and the information with respect thereto included in the Lease and the Declaration.

THE SERIES 2020A CERTIFICATES

Description

The Series 2020A Certificates are dated the date set forth on the cover page hereof. The Principal Portion of Basic Rent distributable with respect to each Series 2020A Certificate will bear interest at specified rates as set forth on the inside cover page hereof. The Interest Portion of Basic Rent distributable with respect to the Series 2020A Certificates will be payable semiannually on March 1 and September 1 of each year beginning on March 1, 2021 (collectively the **"Payment Dates"**). The Principal Portion of Basic Rent distributable with respect to the Series 2020A Certificates is payable on March 1 of each year in the principal amounts set forth on the inside cover page of this Official Statement.

Interest distributable with respect to the Series 2020A Certificates is payable by (a) check or draft mailed by the Trustee to the person in whose name each Certificate is registered on the 15th day of the month next preceding each Payment Date at such person's address as it appears on the registration books kept by the Trustee under the Declaration (the **"Register"**), or (b) in the case of the payment of Interest Portions to the Securities Depository or any Registered Owner of \$500,000 or more in aggregate principal amount of Series 2020A Certificates, by electronic transfer to such Registered Owner upon written notice given to the Trustee by such Registered Owner not less than five days prior to the Record Date for such Interest Portions,

containing the electronic transfer instructions including the bank (which shall be in the continental United States), ABA routing number and account name and account number to which such Registered Owner wishes to have such transfer directed. Principal distributable with respect to the Certificates is payable upon presentation and surrender thereof at the principal corporate trust office of the Trustee.

Prepayment Provisions

Optional Prepayment. The Series 2020A Certificates or portions thereof with a stated maturity of March 1, 2031 and thereafter are subject to prepayment on March 1, 2030 and thereafter in whole or in part at any time at a prepayment price equal to 100% of the Principal Portion of Basic Rent represented thereby plus the Interest Portion of Basic Rent accrued thereon to the Prepayment Date.

Mandatory Sinking Fund Prepayment. The Series 2020A Certificates shall be subject to mandatory prepayment prior to stated maturity at a prepayment price of 100% of the principal amount so prepaid plus accrued interest thereon to the Prepayment Date, without premium, on March 1 in the following years and in the following principal amounts:

Term Certificates Maturing March 1, 2040

<u>March 1 Prepayment Date</u>	<u>Principal Amount</u>
2036	\$280,000
2037	\$285,000
2038	\$290,000
2039	\$300,000
2040*	\$190,000

*Final Maturity

Partial Prepayment of Certificates. Certificates will be prepaid only in the principal amount of \$5,000 each or integral multiples thereof. In the case of a partial prepayment of Certificates when Certificates of denominations greater than \$5,000 are then outstanding, each \$5,000 of principal amount will be treated as though it were a separate Certificate of the denomination of \$5,000.

Selection of Certificates. With respect to any partial prepayment of the Certificates and unless otherwise provided in the Declaration, the particular Certificates to be prepaid will be prepaid in such order of stated payment dates as the City determines and within each stated payment date by such equitable manner as the Trustee determines.

Notice of Prepayment. Official notice of any prepayment of Certificates is required to be given by the Trustee by mailing a copy of the notice at least 30 days prior to the prepayment date by first class mail to the Owner of the Certificate or Certificates to be prepaid, at the address shown on the Register on the date the notice is mailed, as more fully described in the Declaration.

Acceleration

If the Lease is terminated upon the occurrence of an Event of Nonappropriation or an Event of Default occurs under the Declaration or the Lease and in either case the terms and conditions of the Declaration are satisfied, the Principal Portion of Basic Rent then due and unpaid during the then current fiscal year with respect to the Certificates will be declared immediately due and payable. If sufficient money is not available to pay in full all interest and principal then due with respect to the Certificates, the Trustee will, after the payment of costs and expenses related to exercising remedies under the Declaration, apply all available money first to

the payment of all interest due with respect to the Certificates, *pro rata* if necessary, and second to the payment of the principal due with respect to the Certificates, *pro rata* if necessary. See "**RISK FACTORS AND INVESTMENT CONSIDERATIONS**" below and "**FORMS OF THE DOCUMENTS**" in *Appendix C* hereto.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2020A Certificates. The Series 2020A Certificates will be delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Series 2020A Certificates, each in the aggregate principal amount of such maturity.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2020A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020A Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020A Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2020A Certificates, except in the event that use of the book-entry system for the Series 2020A Certificates is discontinued.

To facilitate subsequent transfers, all Series 2020A Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2020A Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020A Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020A Certificates are

credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2020A Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2020A Certificates, such as prepayments, defaults, and proposed amendments to the related documents. For example, Beneficial Owners of Series 2020A Certificates may wish to ascertain that the nominee holding the Series 2020A Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the Series 2020A Certificates within an issue 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 Series 2020A Certificates unless authorized by a Direct Participant in accordance with DTC's 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 Series 2020A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal Portions and Interest Portions on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on each 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 nor its nominee, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2020A Certificates at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2020A Certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2020A Certificates will be printed and delivered.

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, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Transfer Outside Book-Entry Only System

If the Book-Entry Only System is discontinued the following provisions would apply. The Certificates are transferable only upon the Register upon presentation and surrender of the Certificates, together with instructions for transfer. Certificates may be exchanged for other Certificates of any denomination authorized by the Declaration in the same aggregate principal amount, series, payment date and interest rate, upon presentation to the Trustee, subject to the terms, conditions and limitations and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, exchange or transfer.

SECURITY FOR THE CERTIFICATES

Limited Obligations; Sources of Payment

Each Certificate evidences the undivided interest of the Owner thereof in the right to receive Basic Rent to be made by the City under the Lease. The Series 2020A Certificates are payable solely out of the Basic Rent and other money and investments held by the Trustee under the Declaration.

The City's obligation to make Basic Rent and other payments under the Lease is subject to annual appropriation by the City and will not constitute a debt or liability of the City, the State of Missouri or any political subdivision thereof, or an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The execution and delivery of the Lease and the Certificates will not obligate the City to levy any form of taxation therefor or to make any appropriation for their payment in any fiscal year subsequent to a fiscal year in which the Lease is in effect.

Under the terms of the Lease, if the City elects to renew the Lease at the end of the Initial Term or any Renewal Term, it is obligated to budget, appropriate and set aside a portion of its general revenues derived from user fees and other sources, which appropriation must be sufficient to make the Basic Rent coming due during the ensuing fiscal year. The City is obligated to make Basic Rent to the Trustee on the 15th of each month preceding each Payment Date, which payments will be distributable as principal and interest with respect to the Certificates (but only if the City elects to renew the Lease for each Renewal Term). **There can be no assurance that the City will appropriate funds for Basic Rent or renew the Lease after the initial term. The City is not legally required to budget or appropriate money for any subsequent fiscal year beyond the current fiscal year.**

Parity Obligations

Additional Certificates may be delivered without the consent of the Owners of the Certificates to (a) refund the Certificates of any series, and (b) fund the costs of completing the Project or for additional projects for the City.

All Additional Certificates will be secured by the lien of the Declaration and will rank on a parity with the Series 2020A Certificates and any Additional Certificates. Unless provided otherwise in a supplement to the Declaration, any Additional Certificates will be in substantially the same form as the Series 2020A Certificates, but will bear such date or dates, bear such interest rate or rates, have such payment date or dates, prepayment dates and prepayment premiums, and be issued at such prices as are approved in writing by the City, subject to the requirements of the Declaration.

THE TRUSTEE

Security Bank of Kansas City, Kansas City, Kansas, a Kansas state banking corporation, will be the Trustee under the Declaration and a party to the Lease. The Trustee may consult with counsel, and the opinion of such counsel will be full and complete authorization and protection with respect to any action taken or suffered by the Trustee in good faith in accordance with such opinion. The Trustee may execute any trusts or powers or perform the duties required by the Declaration or the Lease by or through attorneys, agents or receivers and will not be answerable for the default or misconduct of any such attorney, agent or receiver selected by it in good faith.

The Series 2020A Certificates are executed by the Trustee, not individually or personally but solely as Trustee under the Declaration, in the exercise of the power and authority conferred upon and invested in it as such Trustee. Except for its negligence or willful misconduct, nothing contained in the Declaration or the Lease is to be construed as creating any liability on the Trustee, individually or personally, to perform any covenant either express or implied in the Certificates, the Declaration or the Lease, all such liability, if any, being expressly waived by the Owners of the Certificates by the acceptance thereof and by each and every person now or hereafter claiming by, through or under the Trustee or the Owners of the Certificates. Insofar as the City is concerned, the Trustee and the Owner of any Certificate and any person claiming by, through or under the Trustee or the Owner of any Certificate may look solely to the Trust Estate described in the Declaration for payment of the interests evidenced by the Certificates.

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

RISK FACTORS AND INVESTMENT CONSIDERATIONS

The purchase of the Series 2020A Certificates involves certain investment risks that are discussed throughout this Official Statement. Each prospective purchaser of the Series 2020A Certificates should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. Certain risk factors relating to the Series 2020A Certificates are described below.

Limited Obligations

The Series 2020A Certificates represent an interest in the right to receive amounts due under the Lease, which constitute currently budgeted expenditures of the City, payable only if the City appropriates sufficient money to extend the term of the Lease for each successive fiscal year. The Initial Term of the Lease expires on June 30, 2021. The Lease is thereafter subject to successive one-year Renewal Terms commencing on July 1 of each year, and a final renewal term ending March 1, 2040. The City's obligations under the Lease do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Although the City intends to satisfy its obligations to pay Basic Rent out of the revenues generated from various sources, none of those revenues are pledged to the payment of the Certificates.

The City has declared its current intention and expectation that the Lease will be renewed annually until the City exercises its option to acquire the Trustee's interest in the Leased Property. However, such a declaration may not be construed as contractually obligating or otherwise binding the City. Accordingly, the likelihood that the City will renew the Lease for all Renewal Terms and continue to pay the Basic Rent thereunder for distribution by the Trustee with respect to the Series 2020A Certificates is dependent upon certain factors which are beyond the control of the Owners, including (1) the availability of funds from the Series 2020A Certificates or other sources in an amount sufficient to complete the Project, (2) the City's

continuing need for the Leased Property, (3) the demographic conditions within the City, (4) the City's ability to generate sufficient funds from various sources to pay its obligations under the Lease and its other obligations, and (5) the value of the Leased Property if assigned or subleased in proceedings instituted by the Trustee if the term of the Lease is terminated as a result of an Event of Default or Event of Nonappropriation.

No Reserve Fund

No debt service reserve fund is being established for the Series 2020A Certificates.

Expiration or Termination of the Lease

The Lease will expire by its terms on June 30 during each year from 2021 through 2039 (with a final term ending March 1, 2040), unless the City in its sole discretion exercises the option provided in the Lease to extend its term for each next succeeding Renewal Term. If the City does not extend in any year the term of the Lease, the City's obligation to make payments will terminate on the June 30 occurring at the end of the Initial Term or the then current Renewal Term. Upon (1) the expiration of the Initial Term or any Renewal Term during which an Event of Nonappropriation occurs or (2) a default under the Lease and an election by the Trustee to terminate the City's possessory interest under the Lease, the City's right of possession of the Leased Property under the Lease will expire or be terminated, as appropriate. See **"FORMS OF THE DOCUMENTS"** in *Appendix C* hereto.

If the City's right of possession of the Leased Property under the Lease expires or is terminated for either of the reasons described in the preceding paragraph, the City's obligation to make payments thereunder will continue through the Initial Term or the Renewal Term then in effect, but not thereafter, and the Series 2020A Certificates will be payable from, among other sources, such money as may be available by way of recovery from the City of the Basic Rent that are due through the Initial Term or the Renewal Term then in effect. If the Lease expires at the end of the Initial Term or a Renewal Term without any extension for the next succeeding Renewal Term or if an event occurs as described above pursuant to which the Trustee terminates the City's right of possession of the Leased Property under the Lease, the Trustee may take possession of or sell its interest in the Leased Property as provided in the Lease and the Declaration. The net proceeds of any sale or assignment of the Trustee's interest in the Leased Property, together with certain other money then held by the Trustee under the Declaration, are required to be used to pay the Certificates to the extent of such money.

Due to the nature of the Leased Property, no assurance can be given that the Trustee could sell or assign its interest in the Leased Property for the amount necessary (after taking into account money legally available from other sources) to pay in full the Principal and Interest Portions of Basic Rent then due with respect to the Certificates. The Leased Property consists of water mains. The Leased Property does not include any interest in real property. Furthermore, no assurance can be given that the amount, if any, realized upon any sale or assignment of the Trustee's interest in the Leased Property will be available to provide for the payment of the Certificates on a timely basis. The insured value of the Leased Property is less than the principal amount of the Certificates.

Delays in Exercising Remedies

A termination of the City's right of possession of the Leased Property under the Lease as a result of an Event of Default or an Event of Nonappropriation or expiration of the term of the Lease at the end of the Initial Term or any Renewal Term without an extension for the next succeeding Renewal Term will give the Trustee the right to possession of, and the right to sell or assign its interest in, the Leased Property in accordance with the provisions of the Lease and the Declaration. However, the enforceability of the Declaration is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, the exercise of judicial authority by the State of Missouri or federal courts and the exercise by the United States of America of the powers delegated to it by the U.S. Constitution.

Further, the Leased Property is used by the City for the performance of its governmental functions. Due to the governmental use of the Leased Property and the delays inherent in obtaining possession of the Leased Property and other judicial remedies, no assurance can be given that (1) a court, in the exercise of judicial discretion, would enforce these remedies in a timely manner, or (2) any money realized by the Trustee upon an exercise of any remedies would be sufficient to pay in full the principal and Interest Portions of Basic Rent with respect to the Certificates. The legal opinions to be delivered with the delivery of the Series 2020A Certificates will be qualified as they relate to the enforceability of the various legal instruments by reference to the limitations on enforceability of those instruments under (1) applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights, (2) general principles of equity, and (3) the exercise of judicial discretion in appropriate cases. If such money is insufficient to pay all outstanding Certificates in full, the Certificates would be paid in part on a *pro rata* basis. Any delays in the ability of the Trustee to obtain possession of the Leased Property will, of necessity, result in delays in any payment of principal and Interest Portions of Basic Rent with respect to the Certificates.

Damage or Destruction of the Leased Property

The Lease requires the Leased Property to be insured as described in "**FORMS OF THE DOCUMENTS**" in *Appendix C* hereto. If the Leased Property is damaged or destroyed, the City is nevertheless required to continue to make payments under the Lease, subject to the exercise of its option to extend the term of the Lease for each next succeeding Renewal Term and to the application of Net Proceeds from insurance and certain other sources to repair, restore, modify, improve or replace the affected portion of the Leased Property. If the Net Proceeds from insurance and such other sources are sufficient to repair, restore, modify, improve or replace the affected portion of the Leased Property, such proceeds are to be so applied. If the Net Proceeds are insufficient for such purpose, (1) the City is obligated to commence and thereafter complete the work and pay any cost in excess of such net proceeds, but only from Supplemental Rent appropriated by the City, in order for the affected portion of the Leased Property to be repaired, restored and replaced, (2) if the failure to repair or restore does not materially detract from the value of the Leased Property, such net proceeds may be deposited into the Certificate Payment Fund or (3) the City may apply net proceeds to the payment of all or a portion of the Option Price applicable on the next available Optional Payment Date.

There can be no assurance either as to the adequacy of or timely payment under property damage insurance in effect at that time or that the City will elect to extend the term of the Lease for the next Renewal Term succeeding such damage or destruction. See "**FORMS OF THE DOCUMENTS**" in *Appendix C* hereto.

Construction Risks

Weather, labor disputes, availability of materials and supplies, casualty damages, unanticipated subsoil conditions, unanticipated construction difficulties and other "force majeure" occurrences or events or financial failure or failure to perform by a contractor, subcontractor or supplier may affect the timely construction of certain portions of the Project. No assurance can be given that the Project will be completed on schedule, within budget or without material errors and defects. Any such failure could affect the City's decision to continue appropriations and the Trustee's ability to sell or assign its interest in the Leased Property.

Effect on Tax-Exemption of Termination of the Lease

Special Tax Counsel is not rendering an opinion with respect to the tax-exempt status of the Interest Portion of the Basic Rent distributable to owners of the Series 2020A Certificates subsequent to the termination of the Lease for any reason (including an Event of Default or an Event of Nonappropriation under the Lease). If the Lease is terminated while Series 2020A Certificates are outstanding, there is no assurance

that payments made to Series 2020A Certificate owners after such termination with respect to interest will be excluded from gross income of the owners thereof for federal or Missouri income tax purposes.

Amendment of the Declaration and Lease

Certain amendments to the Declaration and the Lease may be made with consent of the owners of not less than a majority in principal amount of the Certificates (including any Additional Certificates which may be hereafter delivered) then outstanding affected by such supplemental Declarations or supplemental leases. Such amendments may adversely affect the security of the owners of the Certificates.

Potential Risks Relating to COVID-19

In December 2019, a novel strain of coronavirus (which leads to the disease known as “**COVID-19**”), was discovered in Wuhan, China. Since that date, the virus has spread throughout the world and has been characterized by the World Health Organization as a pandemic. The impact of the COVID-19 pandemic on the U.S. economy is expected to be broad based and to negatively impact national, state and local economies.

In response to such expectations, the President of the United States on March 13, 2020, declared a “national emergency,” which, among other effects, allows the executive branch to disburse disaster relief funds to address the COVID-19 pandemic and related economic dislocation. On March 13, 2020, the Governor of the State signed an Executive Order declaring a state of emergency in the State in response to COVID-19. On April 24, 2020, the Governor signed another Executive Order extending the state of emergency in the State through June 15, 2020. On June 11, 2020, the Governor signed another Executive Order extending the state of emergency in the State through December 30, 2020. The stated purpose of the Executive Orders is to allow more flexibility in utilizing resources and deploying them around the State where they are most appropriate, including allowing the Governor to waive certain State laws and regulations where necessary.

On April 3, 2020, the Governor issued a “stay at home order,” which began on April 6, 2020, and ended on May 4, 2020, requiring all Missourians to avoid leaving their residences unless necessary and to practice social distancing when travel outside their residences was necessary. On April 27, 2020, the Missouri Department of Health and Senior Services (“**DHS**”) issued the “Show Me Strong Recovery Order,” which went into effect on May 4, 2020 and ended on May 31, 2020. On May 28, 2020, DHS issued the “Economic Reopening Order,” which went into effect on June 1, 2020 and ended on June 15, 2020. Both DHS orders provide guidelines for individuals and businesses in the State to gradually reopen economic and social activity. The DHS orders expired on June 16, 2020, and the State is not currently under a statewide public health order. Despite the expiration of statewide orders, the State remains under a “State of Emergency” through December 30, 2020 per Executive Order 20-12 and cities and counties have the ability, and continue, to impose local public health orders restricting economic activities within the State.

On July 19, 2020, Clay County (where the City is located) began requiring face masks and coverings to be worn in all indoor areas of public accommodation. According to the County’s web site [<https://www.clayhealth.com/292/Face-Masks-and-Coverings>] the decision was “made due to the rapid increase in the number of COVID-19 cases and hospitalizations of Clay County residents in recent weeks.” On August 21st, 2020, the order was amended to allow schools to open, granting certain exemptions for essential governmental functions as described in the order and providing that youth sports leagues may resume. The order continues until further notice.

In preparing for the COVID-19 pandemic for Fiscal Year 2020, the City staff expected to receive less than budgeted revenues in sales tax and charges for services associated with recreation and the Community Center. Sales tax for the fiscal year ending June 30, 2020 increased over 3% from the previous year. Use tax increased over 30% from the previous year (\$680,053 in fiscal year 2019 to \$950,190 in fiscal year 2020). Revenue shortfalls from charges for services were mitigated by postponing or canceling events and

temporarily closing the Community Center for a portion of the stay at home order. The economic affect to the General Fund has been minimal, however the Community Center's lost revenue is estimated to be \$250,000.

In May, 2020, Clay County distributed CARES Act funding to the municipalities of the County to assist with COVID-19 related expenses. The City received \$2,519,805 and is allowed to utilize funds for COVID-19 related expenses from March 1, 2020 through December 31, 2020. Qualifying expenses include but are not limited to personal protection equipment (PPE), sanitizing supplies and services, equipment to enable employees to work from home, and salaries and benefits for COVID related work. It is expected that the City has incurred and will draw down \$200,000 in COVID related expenses as of June 30, 2020.

In planning the 2021 fiscal year budget, staff was cognizant of the possibility that the COVID-19 virus would continue throughout the year and extend into the future. The City plans to mitigate losses from the pandemic by conservative planning and budgeting and using CARES Act funding. The economic effect of the 2021 fiscal year is expected to be similar to the 2020 fiscal year with minimal revenue shortfalls in most funds that can be offset by reductions in expenditures and an additional loss of \$250,000 in the Community Center Fund.

Other Factors

The City intends to satisfy its obligation to pay Basic Rent under the Lease out of various revenues of the City. Purchasers of the Certificates should be aware, however, that such revenues are not pledged to the payment of the Certificates. Additionally, one or more of the following factors or events could adversely affect the City's operations and financial performance to an extent that cannot be determined at this time:

1. *Changes in Management.* Changes in key management personnel could affect the capability of the management of the City.
2. *Future Economic Conditions.* Adverse economic conditions or changes in demographics in the City, including increased unemployment and inability to control expenses in periods of inflation, could adversely impact the City's financial condition.
3. *Insurance Claims.* Increases in the cost of general liability insurance coverage and the amounts paid in settlement of liability claims not covered by insurance could adversely impact the City's financial performance.
4. *Environmental Hazards.* The City has covenanted in the Lease to comply with all applicable environmental laws. The City is not aware of any environmental condition at the Leased Property that requires any present remedial action. The discovery of such a condition may adversely affect the City's willingness to renew the Lease after the expiration of the Initial Term or any Renewal Term.
5. *Natural Disasters.* The occurrence of natural disasters, such as floods, droughts or earthquakes, could damage the facilities of the City, interrupt services or otherwise impair operations of the City.

PLAN OF FINANCING

The Project

The Project includes the following:

Fire Station Project – A portion of the proceeds of the Series 2020A Certificates will be used for an addition to the station and renovation of the existing structure located at 6569 N. Prospect. The project will

update and enhance the living conditions, provide new fixtures, and new equipment for the emergency personnel. The estimated total project cost is \$2,545,000.

Water Main Project – The water main project will give the City the ability to accelerate the water main replacement program over the course of 3 years. The project will replace 2.5 miles of water mains. The estimated total project cost is \$2,500,000.

Gladstone Community Center Project – A portion of the proceeds of the Series 2020A Certificates will be used make renovations to the outdoor municipal pool and Community Center. Pool renovations include a new entry way to the outdoor pool and updated restrooms Renovations to the Gladstone Community Center include improvements to the indoor pool deck, painting of the natatorium, new carpeting, and fitness equipment. The total cost of this project is estimated to be \$930,000.

Downtown Parking Project – Proceeds for this project will fund a parking study and project implementation to increase the parking capacity for the Downtown Gladstone area. Total estimated project costs are \$500,000

Mill & Overlay – Proceeds for this project will fund additional mill and overlay and will replace 3.25 lane miles of curb, gutter and sidewalk. The estimated cost of the project is \$500,000.

Atkins-Johnson Farm Project- The project at the Atkins-Johnson Farm will fund the replacement of a barn at the historical site. The estimated cost of the project is \$200,000.

Fire Truck - The City anticipates the acquisition of a fire pumper truck and equipment needed to outfit the fire truck at a projected cost of \$570,000.

Sources and Uses of Funds

The following table itemizes the estimated sources of funds, including the proceeds from the sale of the Series 2020A Certificates (excluding accrued interest) and how such funds are expected to be used:

Sources of Funds:

Par Amount of the Series 2020A Certificates.....	\$7,740,000.00
Original Issue Premium	<u>202,833.00</u>
Total.....	<u>\$7,942,833.00</u>

Uses of Funds:

Deposit to Project Fund	\$7,745,000.00
Costs of Issuance ⁽¹⁾	<u>197,833.00</u>
Total.....	<u>\$7,942,833.00</u>

⁽¹⁾Includes underwriters' discount.

FINANCIAL STATEMENTS

The City maintains its financial records on the basis of a fiscal year ending June 30. Set forth in *Appendix B* are the City's audited financial statements for the fiscal years ended June 30, 2019. (The City's audited financial statements for the fiscal year ended June 30, 2020 are not yet available.)

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance and sale of the Certificates are subject to the approving legal opinion of Armstrong Teasdale LLP, Kansas City, Missouri, Special Tax Counsel. A copy of the proposed form of the approving opinion of Special Tax Counsel is attached hereto as **Exhibit D**.

TAX MATTERS

The following is a summary of the material federal and State of Missouri income tax consequences of holding the Series 2020A Certificates. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not (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 Series 2020A Certificates in the secondary market.

Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2020A Certificates.

Federal Income Tax Consequences of Owning Series 2020A Certificates

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 Series 2020A Certificates in order for the Interest Portion of Basic Rent paid by the County under the Lease and distributed to the owners of the Series 2020A Certificates (the “Interest Portion”) to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements would cause the Interest Portion to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2020A Certificates. The City has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of interest of the Interest Portions from gross income for federal income tax purposes pursuant to Section 103 of the Code. Special Counsel assumes compliance with these requirements. In addition, the County has made certain representations and certifications in regards to the Series 2020A Certificates and the Lease. Special Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Special Counsel, under existing law and assuming compliance with the aforementioned covenants, and the accuracy of the aforementioned representations and certifications of the County, the Interest Portion is excludable from gross income for federal income tax purposes under Section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax. The Series 2020A Certificates have been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. Special 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 Series 2020A Certificates.

State Taxes

Special Counsel is also of the opinion that, under existing law and assuming that the Interest Portion is excluded from gross income for federal income tax purposes, the Interest Portion 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. Special Counsel expresses no opinion as to whether the Interest Portion 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 Series 2020A Certificates to be sold in the initial offering at a price greater than the principal amount thereof (hereinafter referred to as the “OIP Certificates”) 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 Certificate and the cost basis of such OIP Certificate to an owner thereof is “bond premium.” Under the Code, bond premium is amortized over the term of an OIP Certificate for federal income tax purposes. An owner of an OIP Certificate is required to decrease its basis in such OIP Certificate by the amount of the amortizable bond premium attributable to each taxable year (or portion thereof) it owns the OIP Certificate. 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 Certificate 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 Certificates (including purchasers of OIP Certificates 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 Certificates and with respect to the state and local consequences of owning and disposing of such OIP Certificates.

Other Federal Tax Matters

Ownership of the Series 2020A Certificates 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 Series 2020A Certificates.

Interest paid on tax-exempt obligations such as the Lease (the proportionate ownership of which is represented by the Series 2020A Certificates) 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 Portion paid with respect to the Series 2020A Certificates 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.

Special 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 Series 2020A Certificates, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

THE FOREGOING DISCUSSION IN “**TAX MATTERS**” WAS NOT INTENDED OR WRITTEN BY SPECIAL COUNSEL TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON AN OWNER OF THE SERIES 2020A CERTIFICATES. THE FOREGOING DISCUSSION IN “TAX MATTERS” WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SERIES 2020A CERTIFICATES. EACH PROSPECTIVE PURCHASER OF THE SERIES 2020A CERTIFICATES SHOULD SEEK ADVICE BASED ON THE PROSPECTIVE PURCHASER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

RATING

S&P Global Ratings ("S&P"), 55 Water Street, New York, New York, has assigned the Series 2020A Certificates the rating set forth on the cover page hereof. Such rating reflects only the opinion of S&P. Any explanation of the significance of the rating may be obtained only from S&P.

There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Series 2020A Certificates.

ABSENCE OF LITIGATION

There is not now pending or, to the City's knowledge, threatened, any litigation seeking to restrain or enjoin or in any way limit the approval or the delivery of this Official Statement or the Series 2020A Certificates or the proceedings or authority under which they are to be delivered. There is no litigation pending or, to the City's knowledge, threatened which in any manner challenges or threatens the City's powers to enter into or carry out the transactions contemplated by the Declaration, the Lease and this Official Statement, or which would materially and adversely affect the financial condition of the City.

UNDERWRITING

Based upon bids received by the City on October 22, 2020, the Series 2020A Certificates are being awarded to First Bankers' Banc Securities, Inc., St. Louis, Missouri (the "**Underwriter**"). The Series 2020A Certificates are being purchased for reoffering by the Underwriter. The Underwriter has agreed to purchase the Series 2020A Certificates at an aggregate purchase price of \$7,865,510.40 (the principal amount of the Series 2020A Certificates less an underwriter's discount of \$77,322.60 and plus original issue premium of \$202,833.00), plus accrued interest, if any. The Underwriter is purchasing the Series 2020A Certificates for resale in the normal course of the Underwriter's business activities. The Underwriter reserves the right to offer any of the Series 2020A Certificates to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter shall determine. The Underwriter is purchasing the Series 2020A Certificates from the City for resale in the normal course of the Underwriter's business activities. The Underwriter may sell certain of the Series 2020A Certificates at a price greater than such purchase price, as shown on the inside cover page hereof. The Underwriter reserves the right to offer any of the Series 2020A Certificates to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter, in its discretion, shall determine. The Underwriter reserves the right to join with dealers and other purchasers in offering the Series 2020A Certificates to the public. The Underwriter may offer and sell Series 2020A Certificates to certain dealers (including dealers depositing Series 2020A Certificates into investment trusts) at prices lower than the public offering prices.

MUNICIPAL ADVISOR

The City has retained Baker Tilly Municipal Advisors, LLC as municipal advisor in connection with certain aspects of the issuance of Bonds (the "Municipal Advisor" or "BTMA"). BTMA is a registered municipal advisor and a wholly-owned subsidiary of Baker Tilly US, LLP ("BTUS"), an accounting firm and has been retained by the City to provide certain financial advisory services including, among other things, review of the deemed "nearly final" Preliminary Official Statement and the Final Official Statement (the "Official Statements"). The information contained in the Official Statements has been compiled from records and other materials provided by City officials and other sources deemed to be reliable. The Municipal Advisor has not and will not independently verify the completeness and accuracy of the information contained in the

Official Statements. The Municipal Advisor's duties, responsibilities and fees arise solely as Municipal Advisor to the City and they have no secondary obligations or other responsibility.

Municipal Advisor Registration:

BTMA is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. As such, BTMA is providing certain specific municipal advisory services to the City, but is neither a placement agent to the City nor a broker/dealer and cannot participate in the underwriting of the Series 2020A Certificates.

The offer and sale of the Series 2020A Certificates shall be made by the City, in the sole discretion of the City, and under its control and supervision. The City has agreed that BTMA does not undertake to sell or attempt to sell the Series 2020A Certificates, and will take no part in the sale thereof.

Other Financial Industry Activities and Affiliations:

BTUS is an advisory, tax and assurance firm headquartered in Chicago, Illinois. BTUS and its affiliated entities, have operations in North America, South America, Europe, Asia and Australia. BTUS is an independent member of Baker Tilly International, a worldwide network of independent accounting and business advisory firms in 47 territories, with 33,600 professionals.

Baker Tilly Investment Services, LLC ("BTIS") is registered as an investment adviser with the Securities and Exchange Commission ("SEC") under the Federal Investment Advisers Act of 1940. BTIS provides discretionary and non-discretionary investment management services to government and municipal entities. BTIS may provide advisory services to the clients of BTMA.

Baker Tilly Capital, LLC ("BTC"), a wholly owned subsidiary of BTUS, is a limited purpose broker/dealer registered with the SEC and member of the Financial Industry Regulatory Authority ("FINRA"). BTC provides merger & acquisition, capital sourcing and corporate finance advisory services. BTC may provide transaction advisory services to clients of BTMA.

Baker Tilly Financial, LLC ("BTF"), a wholly owned subsidiary of BTUS, is an investment adviser registered with the SEC. BTF provides both discretionary and non-discretionary portfolio management, consulting and retirement plan management services to individuals and retirement plans. BTF may provide advisory services to the clients of BTMA.

BTMA has no other activities or arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, investment company, other investment adviser or financial planner, bank, law firm or other financial entity.

CONTINUING DISCLOSURE

The City and Security Bank of Kansas City, as dissemination agent, are entering into a Continuing Disclosure Agreement for the benefit of the owners and Beneficial Owners of the Series 2020A Certificates in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). The City is the only "obligated person" with responsibility for continuing disclosure.

Pursuant to the Continuing Disclosure Agreement, the City will, or will cause the Dissemination Agent to, not later than **210** days after the end of the City's fiscal year, file with the Municipal Securities Rulemaking Board via the Electronic Municipal Market Access system the following financial information and operating data (the "Annual Report"):

- (1) The audited financial statements of the City for the prior fiscal year. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in this Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report promptly after they become available.
- (2) Updates as of the end of the fiscal year of the financial information and operating data contained in the following sections of **Appendix A** of this Official Statement:

SALES TAX INFORMATION CONCERNING THE CITY –

Sales Tax Collections

PROPERTY TAX INFORMATION CONCERNING THE CITY –

Tax Collection Record

Major Property Taxpayers

Pursuant to the Continuing Disclosure Agreement, the City also will give, or cause the Dissemination Agent to give, notice of the occurrence of certain events with respect to the Series 2020A Certificates, if material (“Material Events”).

Notwithstanding any other provision of the Continuing Disclosure Agreement, the City and the Dissemination Agent may amend the Continuing Disclosure Agreement and any provision of the Continuing Disclosure Agreement may be waived, provided Co-Special Tax Counsel or other counsel experienced in federal securities law matters provides the Dissemination Agent with its opinion that the undertaking of the City, 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 the Continuing Disclosure Agreement.

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Dissemination Agent, the Underwriter or any owner or Beneficial Owner of the Series 2020A Certificates 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 the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement will not be deemed an event of default under the Declaration, the Lease or the Series 2020A Certificates, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement will be an action to compel performance.

MISCELLANEOUS

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

Any statements made in this Official Statement involving matters of opinion or of estimates, 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 will be realized.

The form of this Official Statement and its distribution and use by the Underwriter has been approved by the City; however, the City has made no warranty or representations regarding either the accuracy or sufficiency of any material contained herein. 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 City's financial condition or its ability to make payments required under the Lease and the Declaration.

CITY OF GLADSTONE, MISSOURI

By: /s/Scott Wingerson
City Manager

APPENDIX A

CITY OF GLADSTONE, MISSOURI

APPENDIX A

THE CITY OF GLADSTONE, MISSOURI GENERAL, ECONOMIC AND FINANCIAL INFORMATION

TABLE OF CONTENTS

	<u>Page</u>
GENERAL AND ECONOMIC INFORMATION CONCERNING THE CITY	A-1
Location and Size.....	A-1
Government and Organization	A-1
Municipal Services and Utilities	A-1
Transportation and Communication Facilities	A-1
Educational Institutions and Facilities	A-2
Medical and Health Facilities	A-2
Recreational, Cultural and Religious Facilities.....	A-2
Commerce and Industry	A-3
Employment.....	A-3
Financial and Banking Institutions.....	A-4
Housing	A-4
Building Construction.....	A-5
General Demographic Statistics	A-5
DEBT STRUCTURE OF THE CITY	A-5
Current Long-Term General Obligation Indebtedness	A-5
Lease Obligations	A-5
Other Long-Term Annual Appropriation Obligations of the City	A-7
Overlapping Indebtedness	A-7
Legal Debt Capacity	A-7
Other Long-Term Obligations of the City	A-7
Future Capital Needs	A-7
FINANCIAL INFORMATION CONCERNING THE CITY.....	A-8
General Description of Financial Practices and Recent Results of Operations	A-8
Employee Relations	A-9
Financial Statements.....	A-10
SALES TAX INFORMATION CONCERNING THE CITY.....	A-10
Sales Taxes.....	A-10
Sales Tax Collections.....	A-10
PROPERTY TAX INFORMATION CONCERNING THE CITY	A-11
Property Valuations	A-11
Property Tax Levies and Collections	A-11
Tax Rates.....	A-12
Tax Collection Record.....	A-13
Major Property Taxpayers	A-13

APPENDIX A

THE CITY OF GLADSTONE, MISSOURI GENERAL, ECONOMIC AND FINANCIAL INFORMATION

GENERAL AND ECONOMIC INFORMATION CONCERNING THE CITY

Note: Much of the economic and financial information in this Appendix A is historical in nature and generally predates the COVID-19 pandemic. It is not possible to predict whether any of the trends shown herein will continue in the future. See the caption “RISK FACTORS AND INVESTMENT CONSIDERATIONS – Potential Risks Relating to COVID-19” in the Official Statement.

Location and Size

The City is located in the southern part of Clay County and is in the northern part of the Kansas City Metropolitan area.

The City encompasses approximately 9 square miles and has a current estimated population of 27,317.

Government and Organization

The City was incorporated in 1952. It is incorporated as a third-class city under the Missouri statutes utilizing the City Manager form of government. In accordance with these statutes, the registered voters within the City elect five individuals at-large to serve alternating three-year terms as representatives on the City Council. Each year the City Council selects, from amongst themselves, a Mayor and a Mayor Pro Tem. The Council also appoints a City Manager to serve as the chief executive officer of the City.

The elected City officials as of the date of the Official Statement are as follows:

Jean Moore	Mayor
R.D. Mallams	Mayor Pro-Tem
Bill Garnos	Councilmember
Tom Frisby	Councilmember
Tina Spallo	Councilmember

Among the appointed officials of the City are the following:

Scott Wingerson	City Manager
Bob Baer	Assistant City Manager
Chris Williams	City Attorney
Dominic Accurso	Finance Director
Ruth Bocchino	City Clerk

Municipal Services and Utilities

Utility service in the City is mixed between public and private companies. Water and sewage utilities are provided by the Combined Waterworks and Sewerage System (the “System”) of the City. This System has the responsibility of providing water and sewerage service to the City. Water and sewerage rates are established to meet the total revenue requirements of the System. The City also provides law enforcement, fire protection, paramedic services, community enrichment and development and various social services. Natural gas is supplied by the Missouri Gas Energy Co. Electricity is supplied by Evergy.

Transportation and Communication Facilities

The City is ringed by U.S. Highway 169 on the western boundary, Missouri Highway 152 north of the City, Interstate 435 on the eastern boundary of the City and U.S. Highway 69 south of the City. These highways connect with Interstate Highways 29, 35, 435 and 635 and thereby give the City good access to the entire metropolitan Kansas City area. The City is approximately 10 miles from the Kansas City International Airport and approximately 8 miles from downtown Kansas City.

Telephone service in the area is supplied by AT&T and major cellular telephone providers.

The City is served by one daily newspaper, *The Kansas City Star*.

The four major commercial television networks, as well as public television and cable television, serve the City, and a number of AM and FM stations broadcast throughout the area.

Educational Institutions and Facilities

North Kansas City School District, the third largest school district in Missouri, serves the Gladstone community and has earned state and national accreditation. North Kansas City School District is comprised of 22 elementary schools, two sixth grade centers, four middle schools and four high schools. The District also offers optional pre-kindergarten and before/after school programs, gifted/honors programs, career and professional academies and adult and community education programs. The total enrollment of the District is 21,179. Oakhill Day School, located within the city limits, is a private, non-parochial independent day school with 365 students from 18 months through 8th grade. Northland Catholic Schools offers six schools in close proximity to the city serving students from pre-kindergarten through middle school. Maple Woods Community College is located just outside the City limits, and has an annual enrollment of more than 5,400. Northwest Missouri State University opened a Kansas City Campus at the Innovation Center in Gladstone. Annual enrollment of the university is about 100 students. The Mid-Continent Public Library has a branch location in Gladstone and the residents of the City have easy access to the Kansas City Metropolitan area's numerous colleges and universities, technical institutes and seminaries.

Medical and Health Facilities

The three-county hospital service area in which Gladstone is located is served by numerous hospitals and physicians. North Kansas City Hospital is located six miles to the south of the City's limits. North Kansas City Hospital is a 451 licensed-bed, 3,000 employee acute care facility located at I-35 and Armour Road East. St. Luke's North, located five miles west of the City at the intersection of I-29 and Barry Road is a 95-bed acute care facility offering more than 20 specialized health care services. Both hospitals provide a variety of medical services and community resources for the Kansas City area.

Recreational, Cultural and Religious Facilities

The City has 14 public parks covering 271 acres of park land, an outdoor amphitheater, 8 playgrounds, 7 tennis courts, 8 softball facilities, 11 soccer fields, 18 hole disk golf course, a municipal swimming pool and a community center with indoor competitive and recreation pools. The City offers many different recreational programs throughout the year ranging from basketball, soccer, tennis and aerobics to summer Theater in the Park. The City also hosts a number of special events including a fall festival (Gladfest) and a summer blues festival.

Smithville Lake is in a county recreational park near Gladstone and offers numerous activities such as boating, fishing, skiing and swimming. Worlds of Fun amusement park, Oceans of Fun water park, Hodge Park, Line Creek Park and Archaeological Preserve and the Missouri River are also within easy access to Gladstone citizens.

Other cultural and recreational activities are in the Kansas City metropolitan area and therefore within minutes of Gladstone. The Harry S Truman Sports Complex is home to the Kansas City Royals professional baseball team and the Kansas City Chiefs professional football team and Kemper Arena is home to a variety of

activities. Sprint Center is host to concerts, family shows, special events as well as professional, collegiate and amateur sporting events. There are various bowling, skating, golfing and movie facilities available in the community.

There are numerous churches located within the City.

Commerce and Industry

The concentration of employment and businesses in the City are in the Service and Retail Trade industries.

New additions to the downtown landscape include two new restaurants and entrepreneurial workspaces. In December of 2018, Summit Grill opened in the retail space of the Heights at Linden Square. The Gladstone location is the company's newest and largest establishment. Stone Canyon Pizza relocated from Zona Rosa to downtown Gladstone in July of 2019. iWerx and DesignWerx are entrepreneurial development centers offering private office space and a collaborative environment for entrepreneurs and contractors. iWerx has completed their renovation on a 30,000 square foot, 40 year old downtown building during the 2019 fiscal year. One of the newest projects in the downtown district is the groundbreaking on a Fairfield Inn & Suites by Marriot. The 67,000 square foot 110 room hotel is scheduled to open in 2021 giving visitors a place to stay while in the area.

Employment

Since the City is located in the northern portion of the Kansas City, Missouri metropolitan area, employment opportunities for residents of the City are available both in the City and throughout the Kansas City metropolitan area.

Listed below are the top ten employers located in the City:

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Hy-Vee	Grocery Store	372
Walmart	Retail	339
North Kansas City School District	Public Education	284
City of Gladstone	Government	193
Van Chevrolet	Automobile Dealership	160
The Home Depot	Home Improvement Store	150
Price Chopper	Grocery Store	129
Gladstone Dodge	Automobile Dealership	114
McDonalds	Restaurant	114
Northtowne Hyundai	Automobile Dealership	103

Source: City of Gladstone, Missouri, 2019 Financial Report

Listed below are ten of the major employers located in the Kansas City metropolitan area and the number employed by each:

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Federal Government	Government	20,846
Cerner Corporation	Healthcare IT solutions	14,178
The University of Kansas Health System	Healthcare	10,229
HCA Midwest Health	Healthcare	9,963
Saint Luke's Hospital of Kansas City	Healthcare	9,029

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Children's Mercy Hospital	Healthcare	8,614
Ford Motor Company	Motor Vehicle Manufacturing	6,640
Hallmark Cards, Inc.	Greeting Card Manufacturing	6,085
Sprint Corporation	Telecommunications	6,000
University of Kansas	Higher Education	5,570

Source: Kansas City Area Development Council

The following table sets forth unemployment figures for the last five years for the City, Clay County and the State of Missouri.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<i>City</i>					
Total Labor Force	13,993	13,962	14,003	14,446	15,105
Unemployed	1,114	877	930	862	674
Unemployment Rate	8.0%	6.3%	6.6%	6.0%	4.5%
<i>Clay County</i>					
Total Labor Force	125,628	126,160	126,538	130,479	139,808
Unemployed	9,304	7,730	7,693	6,995	5,534
Unemployment Rate	7.4%	6.1%	6.1%	5.4%	4.0%
<i>State of Missouri</i>					
Total Labor Force	3,049,016	3,018,211	3,015,888	3,058,118	3,117,422
Unemployed	258,745	210,415	202,049	186,901	117,030
Unemployment Rate	8.5%	7.0%	6.7%	6.1%	3.8%

Source: (MERIC) Missouri Economic Research and Information Center.

Financial and Banking Institutions

There are numerous financial institutions and credit unions located within the City.

Housing

The following table sets forth the owner/renter occupancy percentages in the City:

Total Units	12,109
Owner Occupied	7,083
Renter Occupied	4,047
Vacant	979
Total Occupied Units	11,130
% of Owner Occupied Units	63.6%
% of Renter Occupied Units	36.4%

Source: U.S. Census Bureau, 2018 American Community Survey

Building Construction

The following table indicates the number of building permits and total estimated valuation of these permits issued within the City over a five-year period. These numbers reflect permits issued for new construction.

<u>Fiscal Year Ended</u>	<u>Commercial Construction¹</u>		<u>Residential Construction¹</u>	
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>
2019	2	\$800,400	5	\$1,406,867
2018	1	342,421	30	3,002,931
2017	6	3,186,688	22	2,733,932
2016	2	1,580,673	36	3,680,018
2015	4	22,331,992	29	3,680,018

General Demographic Statistics

The following table shows the population of the City according to the U.S. Census for each of such years.

<u>Year</u>	<u>Population</u>
1960	14,502
1970	23,817
1980	25,127
1990	26,243
2000	26,365
2010	25,410
2019*	27,489

*Estimated

DEBT STRUCTURE OF THE CITY

Current Long-Term General Obligation Indebtedness

In December 2010, the City issued its Taxable General Obligation Street Improvement Bonds (Build America Recovery Zone Economic Development Bonds – Direct Pay), Series 2010 in the principal amount of \$2,000,000 for the purpose of constructing street improvements, which are outstanding as of June 30, 2020 in the amount of \$600,000.

In December 2010, the City issued its Taxable Combined Water and Sewerage System Revenue Bonds (Build America Recovery Zone Economic Development Bonds), Series 2010 in the principal amount of \$5,725,000 for the purpose of improving and extending the existing municipal water and wastewater system, which are outstanding as of June 30, 2020, in the amount of \$1,725,000.

Lease Obligations

Certificates of Participation.

In 2015, the City issued \$23,510,000 in Certificates of Participation with a final maturity of June 1, 2031 (the “Series 2015 Certificates”) to (a) fund improvements to the extent proceeds are available including (i)

¹ Based on building permits issued by the City; property values are estimates provided at time of permit issuance

improvements at Hobby Hill Park, including new access from Broadway Avenue, two shelters, restrooms, generational play structures, sled hill, wetland development, .25 mile paved trail around wetlands, clearing of primitive trails, and installation of drive lanes, parking and lighting (collectively, the “Hobby Hill Park Improvements”), (ii) improvements to the City’s outdoor pool, and (iii) construction of a senior center, (b) prepay \$20,540,000 outstanding principal amount of Certificates of Participation, Series 2006-A evidencing a proportionate interest in Basic Rent Payments to be made by the City of Gladstone, Missouri pursuant to an annually renewable Lease Purchase Agreement (the “Series 2006- A Certificates”), which were used to, among other things, (i) acquire, construct, furnish, equip and install a new community recreation center/natatorium, improvements to an existing outdoor swimming pool, improvements to City streets in the vicinity of the new community recreation center/natatorium and a computer aided dispatch system for the City’s public safety department and (ii) refund a prior series of certificates of participation that were used to, among other things, provide funds to acquire, construct, furnish, equip and install improvements to the City Hall and storm water improvements, and (c) pay certain expenses related to the delivery of the Series 2015 Certificates. As of June 30, 2020, the Series 2015 Certificates are outstanding in the amount of \$18,190,000.

In 2011, the City issued \$7,740,000 in Certificates of Participation with a final maturity of June 1, 2023 (the “Series 2011 Certificates”) in order to provide for costs related to certain improvements to City facilities. The Series 2011 Certificates are outstanding as of June 30, 2020, in the amount of \$2,075,000.

Capital Leases.

The State and Municipal Lease Purchase Agreement, made in June 2013 provides financing for an Automated Meter Reading System, copiers and phone system. The lease payments are intended to be made from the Combined Water and Wastewater System and the General Fund, but are not pledged toward repayment of the Lease.

The State and Municipal Lease Purchase Agreement made in September 2014 provides financing for large capital equipment for various public works functions. The lease payments are intended to be made from the Combined Water and Wastewater System and the General Fund, but are not pledged toward repayment of the lease.

The Certificates of Participation issued in 2015 provided financing for facility construction and related street improvements. The Certificate payments are intended to be made from the Community Center/Parks Sales Tax Fund, the Transportation Sales Tax Fund, and the Capital Improvements Sales Tax Fund, but are not pledged toward repayment of the Certificates.

The State and Municipal Lease Purchase Agreement made January 15, 2016 provides financing for economic development. The Lease payments are intended to be made from the Capital Improvement Sales Tax, Transportation Sales Tax and the Combined Water and Wastewater System Funds, but are not pledged toward repayment of the Lease.

The State and Municipal Lease Purchase Agreement made January 15, 2016 provides financing for large capital equipment for various public safety and public works functions. The Lease payments are intended to be made from the Public Safety Sales Tax and the General Fund, but are not pledged toward repayment of the Lease.

The Land Lease made January 1, 2017 provides financing for land purchases made to further development in the downtown area. The Lease payments are intended to be made from the Capital Improvement Sales Tax Fund, but are not pledged toward repayment of the lease.

The Lease Purchase Agreement made December 22, 2017 provides a refinancing of Certificates of Participation issued in 2011 which originally financed stormwater projects, facility construction and new equipment. The agreement provides additional financing for park improvements, energy saving improvements and public works improvements. The Lease payments are intended to be paid from the General Fund, the Public Safety Sales Tax Fund, the Community Center/Parks Sales Tax Fund, the Capital Improvements Sales Tax Fund,

the Transportation Sales Tax Fund, the Capital Equipment Replacement Fund and the Combined Water and Sewer System Fund, but are not pledged toward repayment of the Lease.

DNR Loan Payable. The City entered into a loan agreement with the Missouri Department of Natural Resources in the amount of \$1,092,693 at an interest rate of 4.0% to finance building improvements at the Community Center. The agreement requires semi-annual payments of \$47,038 until August 1, 2023, which includes interest.

Overlapping Indebtedness

The following table sets forth overlapping indebtedness (including both general obligation and lease-backed debt) of political subdivisions with boundaries overlapping the City as of June 30, 2019, and the percent attributable (on the basis of assessed valuation) to the City:

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Amount Applicable to the City
Clay County	\$ 7,113,033	12.31%	\$ 875,614
North Kansas City School District #74	332,747,143	17.59	58,530,222

Legal Debt Capacity

Under Article VI, Section 26(b) of the Constitution of Missouri, the City may incur indebtedness for authorized “city purposes” not to exceed 20% of the valuation of taxable tangible property in the City according to the last completed assessment upon the approval of four-sevenths of the qualified voters in the City voting on the proposition at any municipal, primary or general election or two-thirds voter approval on any other election date. Based on the assessed valuation of the City according to Clay County, Missouri, as of August, 2020, the current legal debt limit of the City is \$80,046,000. The City has \$600,000 of general obligation bonds outstanding as of June 30, 2020, leaving a remaining debt limit of \$79,446,000.

Other Long-Term Obligations of the City

Revenue Bonds. In December 2010, the City issued its Taxable Combined Waterworks and Sewerage System Revenue Bonds (Build America Recovery Zone Economic Development Bonds – Direct Pay), Series 2010A in the principal amount of \$5,000,000 for the purpose of constructing certain capital improvements to the water portion of the system, which has a current principal amount outstanding of \$4,325,000.

Redevelopment Agreement. The City entered into a Redevelopment Agreement with a developer to provide reimbursements for certain site and public improvement costs incurred by the developer for the project. Such site and public improvement costs eligible for reimbursement, subject to certain performance thresholds, totaled \$1,400,000. Under the agreement, the City will reimburse the developer up to 75% of the incremental sales taxes increase in years one through three and 50% of the incremental sales taxes increase in years four through fifteen, through fiscal year 2016. In addition, the agreement requires interest to be accrued on outstanding unreimbursed amounts at an annual interest rate of 7.5%. The City is not obligated to reimburse the developer if the incremental sales and property taxes are insufficient to do so.

Future Capital Needs

Subsequent to the issuance of the Series 2020A Certificates, during Fiscal Year 2021, the City anticipates the issuance of approximately \$13,000,000 in Certificates of Participation to fund additional public safety facilities. Other than the issuance of those certificates, the City does not as of the date of the Official Statement have any other plans for additional financing for capital improvements.

FINANCIAL INFORMATION CONCERNING THE CITY

General Description of Financial Practices and Recent Results of Operations

Accounting, Budgeting and Auditing Procedures. The various departments of the City submit their proposed budgets to the City Manager who presents the same to the City Council for approval by July 1 of each year.

The City has for a number of consecutive years received the following two awards for its financial records from the Government Finance Officers Association: Certificate of Achievement for Excellence in Financial Reporting every year since 1977 and Distinguished Budget Presentation Award every year since 1985.

The City follows a modified accrual basis system of accounting for all governmental and agency funds. The accrual basis system of accounting is followed for proprietary funds.

The City is required by law to prepare an annual budget of estimated receipts and disbursements for the coming fiscal year under the direction of the City Manager which is presented to the City Council in June for approval after a public hearing. The City's fiscal year is July 1 through June 30. The budget lists estimated receipts by fund and sources and estimated disbursements by fund and purposes and includes a statement of the rate of levy per hundred dollars of assessed valuation required to raise each amount shown on the budget as coming from City taxes.

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. The annual audit for the fiscal year ending June 30, 2019 was performed by Berberich Trahan & Co. P.A., Topeka, Kansas. Copies of the audit reports are on file in the Finance Department and are available for review. Attached as *Appendix B* to this Official Statement is the Independent Auditor's Report and General Purpose Financial Statements for the City for the fiscal year ended June 30, 2019.

Financial Summary. Total revenues for the last five fiscal years in the governmental fund types, which include general, special revenue, debt service, capital project and special assessment funds, are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Amount</u>	Percent of <u>Increase</u>
2019	\$37,960,906	2.5%
2018	37,033,200	3.5%
2017	35,776,000	2.8%
2016	34,813,647	-0.2%
2015	34,886,372	2.7%

Revenues in the Governmental Fund Types make up the major portion of the resources used to finance the City's activities. Operations in the enterprise funds are reported separately. The following table shows a comparison of major revenues sources for the last two fiscal years:

REVENUES - GOVERNMENTAL FUND TYPES

<u>Source</u>	<u>2019</u>	<u>2018</u>	<u>Increase or Decrease</u>	<u>Percent Increase/ Decrease</u>	<u>Percent Total 2019</u>	<u>Percent Total 2018</u>
Taxes	\$10,864,876	\$11,031,123	\$ (166,247)	(1.51)%	59.42%	60.41%
Licenses and permits	593,705	647,065	(53,360)	(8.25)	3.25	3.54
Intergovernmental	1,387,131	1,386,141	990	0.07	7.59	7.60
Charges for services	3,797,228	3,520,724	276,504	7.85	20.76	19.28
Fines & forfeitures	700,656	823,733	(123,077)	(14.94)	3.83	4.51
Interest	123,035	91,567	31,468	34.37	0.67	0.51
Other	<u>818,296</u>	<u>759,039</u>	<u>59,257</u>	<u>7.81</u>	<u>4.48</u>	<u>4.15</u>
Total revenues	\$18,284,927	\$18,259,392	\$25,535	2.42%	100.00%	100.00%

The following tables present comparative data for fiscal years 2019 and 2018 in the governmental fund types by program functions and major character:

EXPENDITURES BY PROGRAM FUNCTION - GOVERNMENTAL FUND TYPES

<u>Source</u>	<u>2019</u>	<u>2018</u>	<u>Increase or Decrease</u>	<u>Percent Increase/ Decrease</u>	<u>Percent Total 2019</u>	<u>Percent Total 2018</u>
General administration	\$1,259,288	\$1,232,829	\$26,459	2.15%	6.86%	7.03%
Finance	1,408,991	1,369,264	39,727	2.90	7.68	7.81
Public safety	8,191,844	7,857,207	334,637	4.26	44.64	44.80
Public works	2,328,913	2,298,337	30,576	1.33	12.69	13.10
Community development	732,880	757,702	(24,822)	(3.28)	3.99	4.32
Parks and recreation	2,812,988	2,619,493	193,495	7.39	15.33	14.94
Nondepartmental	716,297	749,833	(33,536)	(4.47)	3.90	4.28
Capital outlay	580,081	139,651	440,430	315.38	3.16	0.80
Debt Service						
Principal	220,180	444,680	(224,500)	(50.49)	1.20	2.54
Interest	<u>97,466</u>	<u>69,260</u>	<u>28,206</u>	<u>40.72</u>	<u>0.53</u>	<u>0.39</u>
Total expenditures	\$18,348,928	\$17,538,256	\$810,672	4.62%	100.00%	100.00%

Risk Management. The City is a member of the Midwest Public Risk of Missouri (MPR), a not-for-profit corporation consisting of local governments and political subdivisions. MPR was formed as a public entity risk retention pool operating as a common risk management and insurance program to cover health and dental, workers' compensation, and property and casualty claims for its members. MPR has been established as assessable pools and accounting records are maintained for each line of coverage on a policy year basis. The City pays annual premiums to MPR for all coverage. The agreement with MPR provides that MPR will be self-sustaining through member premiums. MPR has the authority to assess members for any deficiencies of revenues under expenses for any single plan year. Likewise, MPR has the authority to declare refunds to members for the excess of revenues over expenses relating to any single plan year. Losses have not been in excess of premiums in any of the past three fiscal years for the workers' compensation, property and casualty programs.

Employee Relations

The City has a total of 188 full-time personnel in the classified and unclassified service. The Classification Plan provides a grouping by class of all those positions in the City service which are sufficiently alike in duties and responsibilities to be called the same descriptive title, to be accorded the same pay range and require substantially the same qualifications. All employees are compensated in accordance with the rates set for the salary grade to which the position of their class is assigned by ordinance.

The City's firefighters and dispatchers are represented by the International Association of Fire Fighters, Local 3228; however, the members of Local 3228 do not have a separate negotiated work agreement. The City currently has 34 employees eligible to join Local 3228.

The City has 42 commissioned law enforcement officers. The Fraternal Order of Police, Regional Lodge 50 represents 33 of the 42 officers.

Financial Statements

Attached hereto as *Appendix B* is the Independent Auditor's Report and the General Purpose Financial Statements for the City for the fiscal year ended June 30, 2019.

SALES TAX INFORMATION CONCERNING THE CITY

Sales Taxes

The City collects six sales taxes that aggregate 3.0%, all of which were approved by the voters. Beginning in 1972, the City began collecting a 1% sales tax, the receipts of which are used for general operating purposes. Collection of a 0.5% capital improvement sales tax commenced in April 1988. The City began collecting a 0.5% transportation sales tax in April 1996, the receipts of which are used for transportation improvements, including street improvements. The City instituted a 0.25% Park Sales Tax effective July 1, 2006. The City began collecting a 0.25% public safety sales tax effective October 1, 2010.

In April, 2019 the voters of the City approved imposition of an additional 1/2% general sales tax to fund a compensation plan for front line employees, construction for an addition to City Hall for Public Safety, and the remodel of Fire Station #2. The City anticipates that a portion of the Series 2020A Certificates will be repaid from this tax, subject to annual appropriation by the City Council. The collection of this tax did not commence until Fiscal Year 2020, but is projected to generate 50% of what the City's 1% General Operating Sales Tax does.

The City's sales taxes do not have sunset provisions.

Sales Tax Collections

The following table sets forth the sales taxes collected by the City for the fiscal years noted.

Fiscal Year Ended <u>June 30</u>	1% General <u>Operating</u>	0.5% Capital <u>Improvement</u>	0.5% Transportation <u>Improvement</u>	.025% Public <u>Safety</u>	.025% Parks & <u>Stormwater</u>
2019	3,715,035	1,740,935	1,740,935	870,443	870,465
2018	3,678,142	1,679,756	1,679,756	839,854	839,877
2017	3,790,940	1,736,998	1,737,007	868,416	868,533
2016	3,640,830	1,701,542	1,701,543	850,576	850,769
2015	3,470,056	1,624,341	1,624,353	811,706	812,124

PROPERTY TAX INFORMATION CONCERNING THE CITY

Property Valuations

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

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

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

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

Current Assessed Valuation. The following table shows the total assessed valuation, by category, of all taxable tangible property situated in the City as of August, 2020 (per Clay County, Missouri):

		<u>Assessed</u>	<u>Assessment</u>	<u>Estimated</u>
		<u>Valuation</u>	<u>Rate</u>	<u>Actual</u>
				<u>Valuation</u>
Real Estate				
Commercial		\$ 269,432,490	32.00%	\$ 841,976,531
Agricultural		\$ 30,020	12.00%	\$ 250,167
Residential		\$ 55,524,270	19.00%	\$ 292,233,000
Total Real Estate		\$ 324,986,780		\$ 1,134,459,698
Personal Property		\$ 60,034,927	33.33%	\$ 180,122,793
Supplemental Personal				
Added Individual Personal				
Business Personal				
Supplemental Business Personal				
Added Business Personal				
Railroad & Utility (Local Real)		\$ 172,270	32.00%	\$ 538,344
(Local Personal)		\$ 137,341	33.33%	\$ 412,064
Railroad & Utility (State Real)		\$ 12,942,593	32.00%	\$ 40,445,603
(State Personal)		\$ 1,956,090	33.33%	\$ 5,868,857
Total Current Valuation		\$ 400,230,001		\$ 1,361,847,359

Source: Clay County Clerk

History of Property Valuations. The total assessed valuation of all taxable tangible property situated in the City according to the assessments of January 1 in each of the following years, has been as follows:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Percentage Change</u>
2019	\$367,838,000	(0.06%)
2018	368,042,000	5.8
2017	347,860,000	(0.74)
2016	350,468,000	3.01
2015	340,230,000	

Property Tax Levies and Collections

Tax Collection Procedures. Property taxes are levied and collected by the City.

The City is required by law to prepare an annual budget, which includes an estimate of the amount of revenues to be received from all sources for the budget year, including an estimate of the amount of money required to be raised from property taxes and the tax levy rates required to produce such amounts. The budget must also include proposed expenditures and must state the amount required for the payment of interest, amortization and redemption charges on the City's debt for the ensuing budget year. Such estimates are based on the assessed valuation figures provided by the County Clerk. If the assessed valuation of property in the City has increased by 10% or more over the prior year's valuation by action other than a general reassessment, the rates of levy must be reduced to the extent necessary to produce substantially the same amount of tax revenue as estimated in the City's budget. The City must fix its ad valorem property tax rates and certify them to the County Clerk not later than September first for entry in the tax books.

Taxes are due by December 31 and become delinquent if not paid to the City Collector by that time. All tracts of land and city lots on which delinquent taxes are due are charged with a penalty of fourteen percent of each year's delinquency. All lands and lots on which taxes are delinquent and unpaid are subject to sale at public auction in August of each year. Because of the tax collection procedure described above, the City receives the bulk of its money from local property taxes in the months of December, January and February.

Tax Rates

Operating Levy. The current operating levy of the City is \$.9290 per \$100 of assessed valuation. The operating levy does not require annual voter approval but the City Council cannot raise the rate above that approved in the last election.

Debt Service Levy. The City's current debt service levy is \$0.00 per \$100 of assessed valuation. Once indebtedness has been approved by the required majority of the voters voting therefor and bonds are issued, the City has the power at any time under Article VI, Section 26(f) of the Missouri Constitution to levy an annual tax on all taxable tangible property therein sufficient to pay the interest and principal of the indebtedness as they fall due and to retire the same within 20 years from the date of issue. The City Council may set the tax rate for debt service, without limitation as to rate or amount, at the level required to make such payments.

Tax Collection Record

The following table sets forth tax collection information for the City for the years noted.

Fiscal year Ended <u>June 30</u>	Total Taxes <u>Levy</u>	Total Taxes <u>Levied</u>	Current Taxes <u>Collected</u> <u>Amount</u> <u>%</u>	Current & Delinquent Taxes Collected <u>Amount</u> <u>%</u>
--	-------------------------------	---------------------------------	---	---

2019	\$0.9290	\$3,416,601	\$3,348,876	98.02%	\$3,348,876	98.02%
2018	0.9290	3,418,503	3,285,320	96.10	3,347,312	97.92
2017	0.9290	3,231,619	3,114,848	96.39	3,188,905	98.68
2016	0.9290	3,241,997	3,125,385	96.40	3,204,027	98.83
2015	0.9290	3,160,734	3,011,526	95.28	3,090,725	97.79

Major Property Taxpayers

The following table sets forth the ten largest property taxpayers in the City as of June 30,2020:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation¹</u>
1. Wal-Mart Real Estate	Retail	\$2,649,000	0.72%
2. CCRC of Gladstone, LLC	Apartments	2,467,000	0.67
3. Gladstone Investors, LLC	Retail	2,090,000	0.57
4. Gladstone Meadows	Apartments	1,540,000	0.42
5. Intercontinental Investment Co.	Apartments	1,456,000	0.40
6. ECG-Kansas City-III, LLC	Apartments	1,291,000	0.35
7. Curry Investment Company	Apartments	1,255,000	0.34
8. Gladstone Senior Partners, LP	Apartments	1,227,000	0.33
9. Axiom	Apartments	1,120,000	0.30
10. Meadowbrook Village	Retail	<u>1,056,000</u>	<u>0.29</u>
		<u>\$16,151,000</u>	<u>4.39%</u>

Source: City of Gladstone 2020 Annual Budget

¹ Does not include railroad and utilities.

APPENDIX B

INDEPENDENT AUDITOR'S REPORT

AND

THE CITY'S AUDITED FINANCIAL STATEMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



YEAR ENDED
JUNE 30, 2019

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**Prepared By:
Department of Finance
Director of Finance
Dominic Accurso**

**YEAR ENDED
June 30, 2019**

CITY OF GLADSTONE, MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION:	
Principal Officials	1
Organizational Chart	2
Transmittal Letter	3 - 7
Certificate of Achievement	8
FINANCIAL SECTION:	
Independent Auditors' Report	9 - 11
Management's Discussion and Analysis	12 - 24
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	25
Statement of Activities	26
Fund Financial Statements:	
Balance Sheet – Governmental Funds	27
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	28
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	30
Statement of Net Position – Proprietary Fund	31
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	32
Statement of Cash Flows – Proprietary Fund	33 - 34
Notes to Basic Financial Statements	35 - 79
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	80
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Community Center and Parks Tax Fund	81

CITY OF GLADSTONE, MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2019

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	82
Schedule of Contributions – Pension Plan	83 - 84
Schedule of Changes in the City’s Total OPEB Liability and Related Ratios	85
Other Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Transportation Sales Tax Fund	86
Combining Statements and Individual Fund Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	87 - 88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	89 - 90
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budgeted Nonmajor Funds:	
Special Park and Playground Fund	91
Public Safety Sales Tax Fund	92
Capital Improvement Sales Tax Fund	93
Equipment Replacement Fund	94
Schedule of Expenditures – Budget and Actual – General Fund	95
Schedule of Operating Expenses by Department – Combined Waterworks and Sewerage System Fund	96
Balance Sheet – Discretely Presented Component Unit – Special Road District #3	97
Statement of Revenues, Expenditures and Changes in Fund Balances – Discretely Presented Component Unit – Special Road District #3	98
STATISTICAL SECTION:	
Net Position by Component	100
Changes in Net Position	101 - 102
Fund Balances of Governmental Funds	103
Changes in Fund Balances of Governmental Funds	104
Total City Taxable Sales by Category	105
Sales Tax Rates Direct and Overlapping Governments	106
Assessed Value and Estimated Actual Value of Taxable Property	107
Property Tax Rates Direct and Overlapping Debt	108
Principal Property Taxpayers	109
Property Tax Levies and Collections	110
Ratios of Outstanding Debt by Type	111
Ratios of General Bonded Debt Outstanding	112
Direct and Overlapping Governmental Activities Debt	113
Legal Debt Margin Information	114

CITY OF GLADSTONE, MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2019

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
Pledged-Revenue Coverage	115
Demographic and Economic Statistics	116
Principal Employers	117
Full-time Equivalent City Government Employees by Function/Program	118
Operating Indicators by Function/Program	119
Capital Asset Statistics by Function/Program	120

INTRODUCTORY SECTION



CITY OF GLADSTONE, MISSOURI



PRINCIPAL OFFICIALS

CITY COUNCIL

Carol Suter, Mayor

Jean Moore, Mayor Pro-Tem

R.D. Mallams

Bill Garnos

Kyle Yarber

ADMINISTRATION

Scott Wingerson, City Manager

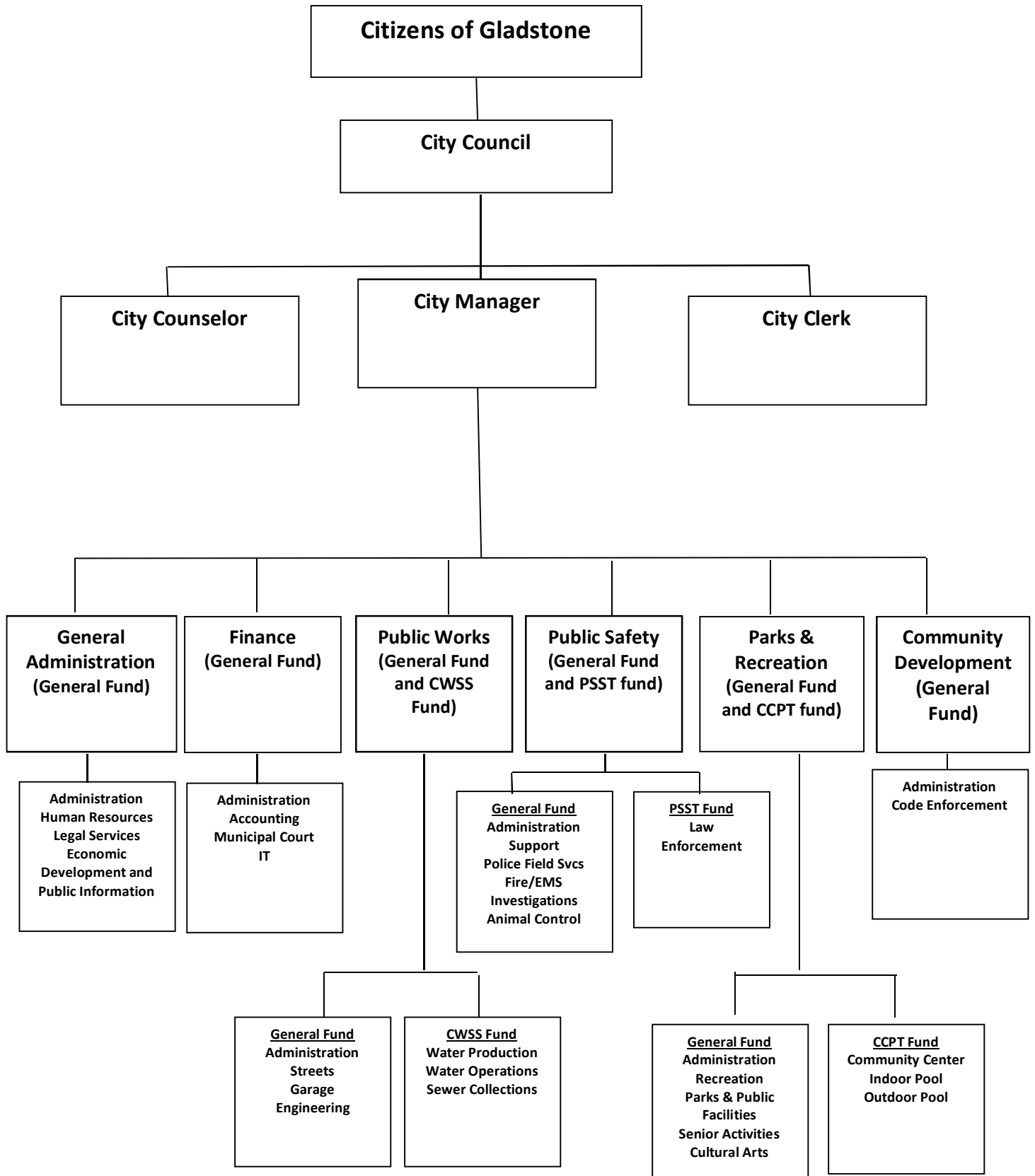
CITY COUNSELOR

Williams & Campo, P.C.

FINANCE DEPARTMENT

Dominic Accurso, Director of Finance

Organizational Chart





All-America City



December 5, 2019

The Honorable Mayor,
Members of the City Council
and the Citizens of Gladstone Missouri:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Gladstone (City) for the fiscal year ended June 30, 2019. This report has been prepared according to the reporting requirements as prescribed by Government Accounting Standards Board (GASB) Statement No. 34.

Generally Accepted Accounting Principles (GAAP) require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with MD&A. The City of Gladstone's MD&A can be found immediately following the Independent Auditors' Report.

The responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various activities of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

THE FINANCIAL REPORTING ENTITY

Primary Government - The City of Gladstone is a suburban community located in Clay County, Missouri, and within the northern sector of the Kansas City Metroplex. Incorporated in 1952, the population of Gladstone was 2,500. As of the 2010 Census, the population of Gladstone is 25,410. This population is located within the 9 square mile area that Gladstone encompasses, resulting in the City being approximately 97% developed.

Gladstone operates as a statutory third-class city with a Council-Manager form of government. Registered voters within the City elect five individuals at-large to serve staggered three-year terms as their representatives on the City Council. Each year the City Council selects a Mayor from among its members. The Council is responsible for appointing a City Manager to serve as the Chief Executive Officer of the City.

As required by accounting principles generally accepted in the United States of America, the only basic financial statements presented are the City's (the primary government). The City has one component unit that is discretely presented, the Gladstone Special Road District No. 3. It provides street maintenance and repair functions in the City even though it is a separate legal entity. For additional information please reference note 1 in the notes to the basic financial statements.

ECONOMIC CONDITION AND OUTLOOK

Gladstone has traditionally viewed itself as a bedroom community, offering convenient services, comfortable living conditions, and a variety of outstanding residential neighborhoods. These neighborhoods, when combined with an active community spirit, excellent school system, and a low crime rate, create a favorable standard of living for Gladstone citizens. The local government is cognizant of this fact and strives to maintain and enhance this standard of living enjoyed by its citizens. The mission statement of the City is “The City Council Boards, Commissions, and City Staff are dedicated to enhancing Gladstone’s quality of life and sense of community through effective leadership and citizen engagement.” Organizational goals include promoting Gladstone as a safe place, continuing the implementation of all master plans, commitment to downtown and commercial corridors through innovative strategies and partnerships and defining and pursuing opportunities for comprehensive community health.

Gladstone’s commercial base is located along two main corridors, North Oak Traffic way on the west and Antioch/Prospect Rd. on the east, and is comprised of service and retail businesses with few industrial businesses. The estimated average household income is \$77,535. Because of the concentration of population within the Gladstone City limits, Gladstone’s average income, and current re-development initiatives, the commercial sales tax base of the City has remained relatively stable. Total taxes increased 0.3% in the current fiscal year. This increase in total taxes resulted from the increase in real estate valuation.

Major Initiatives

Shaping our Future - In 2003, the National Civic League partnered with the City to facilitate conversations and meetings through which Gladstone residents identified key priorities and charted the community’s course for the next 15 years. The group, Gladstone on the Move, led the City and community partnering to design and build the Community Center, develop Linden Square and create the Gladstone Leadership Academy, along with many other changes.

In 2014, after achieving many of the key goals from the Gladstone on the Move, the City was ready to re-engage Gladstone residents again to develop a new strategic plan that would build upon the accomplishments of Gladstone on the Move. With the assistance of the National Civic League, Shaping our Future was created. Throughout the process, Gladstone residents led the way defining the vision, establishing goals and balancing competing priorities. In 2017, with the support of the National Civic League and City staff, the group decided to focus on two key areas: Public Health and Safety and Quality of Life and Economic Development.

Since receiving the Shaping our Future report, the City staff and Shaping our Future have begun to make the vision a reality. To address both public health and safety and quality of life and economic development, one of the top priorities is to construct a new police station or a significant addition and renovation to City Hall. Total estimated cost of this project is \$12 million. Another goal from the Shaping Our Future initiative is to renovate and expand Fire Station #2. This \$2 million project will consist of improvements to the living quarters, upgrades to the HVAC and electrical systems, and correct other maintenance issues.

In April of 2019, a ½ cent general fund sales tax was passed by an overwhelming majority of the Gladstone voters. The new revenue will generate approximately \$1.7 million per year. \$1 million of the sales tax will pay for the debt service on the construction of the police station and fire station. The remaining \$700,000 will be used to fund a recruitment and retention program that will be implemented in the 2020 fiscal year.

Downtown Gladstone - Gladstone began to develop a downtown with the completion of a new 81,000 sq. ft. Community Center that includes recreational as well as a competitive natatorium with seating for 1,800 spectators. The overwhelming support of the voters and the unique partnership with the North Kansas City School District (NKCSO) provided the City with the means necessary to plan, design and construct this Community Center and Natatorium, as well as totally renovate an existing outdoor pool located adjacent to the new facilities. The City received the MML Innovations Award for its cooperative partnership with NKCSO for construction of the natatorium.

The Linden Square Amphitheatre and Skating Rink projects were completed and resulted in numerous awards including the Urban Land Institute 2014 Development of Distinction, the Kansas City Business Journal Capstone Award for Community Impact, the Clay County Economic Development Commission Keystone Award, and finally the American Society of Landscape Architects Award for Land Use. The Heights at Linden Square is a mixed use development adjacent to Linden Square. It is a \$28 million luxury residence complex with 222 apartments and 10,000 sq. ft. of storefront retail space. The Heights at Linden Square has received local and national awards for progress in the reduction of environmental impacts and use of environmental efficiency practices as well as the Capstone Award for mixed-use.

Northland Innovation Center is part of the ongoing downtown development for Gladstone. The project itself provides for 150,000 square feet of Class A office space initially. This space is occupied by Northland CAPS (Center for Advanced Professional Studies), North Kansas City Schools SAGE (Students in Academically Gifted Education) program, class space for Northwestern Missouri State University and other educational components. The Northland Innovation Center received the Excellence in Design Award from Design-Build Institute of America's Mid-America Region.

New additions to the downtown landscape include two new restaurants and entrepreneurial workspaces. In December of 2018, Summit Grill opened in the retail space of the Heights at Linden Square. The Gladstone location is the company's newest and largest establishment. Stone Canyon Pizza relocated from Zona Rosa to downtown Gladstone in July of 2019. iWerx and DesignWerx are entrepreneurial development centers offering private office space and a collaborative environment for entrepreneurs and contractors. iWerx has completed their renovation on a 30,000 square foot, 40 year old downtown building during the 2019 fiscal year. One of the newest projects in the downtown district is the groundbreaking on a Fairfield Inn & Suites by Marriot. The 67,000 square foot 110 room hotel is scheduled to open in 2021 giving visitors a place to stay while in the area.

Capital Projects

Projects completed during the 2019 fiscal year include the mill and overlay of 10.3 lane miles of streets, Pleasant Valley Road Improvements in partnership with Kansas City, MO and the Missouri Department of Transportation, Hobby Hill Park, Meadowbrook Park Playground, Public Works Facility Improvements, and the start of construction on Old Pike Road and the Shoal Creek Trail from N. Antioch to N. Brighton.

Staff also began collecting easements and right of way to begin construction on the NE 76th Street project which is scheduled to begin in FY20. Other projects in various stages of design include the Rock Creek Greenway Trail - Phase 2, approximately \$1M in water main replacements, and various parks projects across the City.

The above listed projects and awards, in addition to the stabilizing economy overall, suggest stable economic forecasts for Gladstone throughout the next decade. The City will continue to investigate methods of expanding the economic base for the community as well as exploring economic and community development programs that will benefit the City.

FINANCIAL CONTROLS

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

Accounting records for the City's general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when measurable and available and expenditures being recorded when the liability is incurred. The City's accounting records for proprietary funds are maintained on the accrual basis.

The City maintains specific budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds, debt service fund, capital projects funds, and proprietary fund are included in the annual appropriated budget. The legal level of budgetary control, which cannot legally exceed the appropriated amount, is established at the fund total; however, equal transfers between line items within a fund may be approved by the City Manager.

The City maintains an encumbrance accounting system as a budgetary control technique. Encumbrances reserve appropriations, which have been obligated through purchase orders or contractual documents. Encumbered amounts lapse at year-end; however, they are generally re-appropriated as part of the following year's budget.

Single Audit – The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and compliance with legal requirements involving the administration of federal awards.

It is a priority of the City to maintain and improve existing infrastructure. A vital element for managing both of these priorities is the development and maintenance of the City's infrastructure through capital improvements. The management of the City's Capital Improvements Program is controlled through the use of a long-range plan approved in concept by the Mayor and City Council. The Capital Improvements Program projects the City's capital improvement needs for a five-year period and is reviewed and updated annually.

The management and accounting of this plan is controlled through the use of capital projects funds. The primary sources of financing these improvements include sales tax, certificates of participation bonds, City budgeted funds, and revenue from federal and state grants.

OTHER INFORMATION

Certificates of Achievement - The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for the CAFR for the fiscal year ended June 30, 2018. The City has been the recipient of this award since 1977.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. A certificate is valid for a period of one year. We believe our 2019 report continues to conform to Certificate of Achievement Program requirements, and we will submit this report to the GFOA to determine its eligibility for another certificate.

Acknowledgments - The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. In addition, I would like to recognize and thank the City's audit firm of Berberich Trahan & Co P.A. of Topeka, Kansas.

In closing, I would also like to thank the Mayor, Members of the City Council, and City Manager for their commitment to planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Dominic Accurso

Dominic Accurso
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Gladstone
Missouri**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION





BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
City of Gladstone, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gladstone, Missouri (the City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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. 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 auditors' 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.

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

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 activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, 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 management's discussion and analysis and the required supplementary information listed in the table of contents 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Berberich Trahan + Co., P.A.

December 5, 2019
Topeka, Kansas

City of Gladstone, Missouri
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019

This discussion and analysis of the City of Gladstone's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

Gladstone is a mature city with approximately 97% of the land developed. As a result, redevelopment remains a focus of the City. While economic factors slowed the rate of redevelopment after 2008, recent bond issues and the improved economy have revived reinvestment in Gladstone. Redevelopment continues to enhance the stability of the City and the services it provides. The City provides a full range of governmental and proprietary services, including streets, water, sewer treatment, police, fire, and emergency medical service. This results in a greater volume of transactions and values than other cities of comparable size.

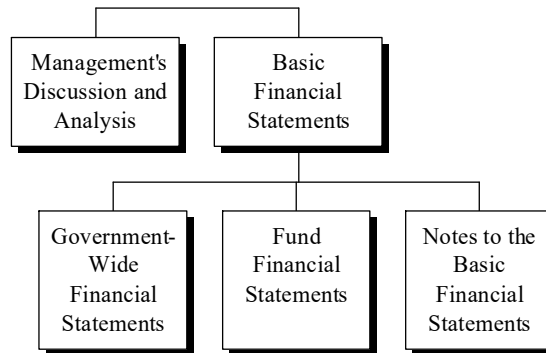
- Approximately 49% or \$5,574,051 of the combined governmental fund balances of \$11,468,740 is unassigned and available for meeting on-going general government expenditures.
- The assets and deferred outflows of resources of the City of Gladstone exceeded its liabilities and deferred inflows at the close of the fiscal year by \$78,550,963.
- The City's total net position increased by \$1,131,587 primarily due to the reduction of long term debt relative to capital assets.
- As of the close of the current fiscal year, the City of Gladstone's governmental funds reported combined ending fund balances of \$11,468,740 a decrease of \$4,165,192 in comparison with the prior year. The decrease in governmental funds consisted largely of the completion of Pleasant Valley Road and the draw down from lease purchase funds.
- General Fund revenues increased for FY19 due to an increase in charges for services. Compared to FY18, total FY19 revenues in the General Fund increased by \$25,535.

Overview of the Financial Statements

The City of Gladstone's basic financial statements are composed of three sections:

- Introductory section, which includes the transmittal letter and general information.
- Financial section, which includes the independent auditor's report, management's discussion and analysis, the basic financial statements, which include the government-wide and the fund financial statements, along with the notes to the basic financial statements, required supplementary information, and other supplementary information.
- Statistical information.

Required Components of Annual Financial Report
Figure 1



BASIC FINANCIAL STATEMENTS

The first two statements in the basic financial statements are the **Government Wide-Financial Statements**. The Government-Wide Financial Statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The Government-Wide Financial Statements provide short and long-term information about the City's financial status as a whole.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the Government-Wide Financial Statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the **Notes to the Basic Financial Statements**. The notes to the basic financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds.

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish between the City's functions that are mainly supported by taxes and intergovernmental revenues and other functions that are intended to recover all or a portion of their costs through user fees and charges. The governmental activities of the City of Gladstone include General Administration, Finance, Public Safety, Public Works, Community Development, and Parks & Recreation. The Combined Waterworks and Sewer System Fund is the only business-type activity.

Fund Financial Statements

The City uses two types of funds to manage its resources: governmental funds and proprietary funds. A fund is a fiscal entity with a set of self-balancing accounts recording financial resources, together with all related liabilities and residual equities and balances, and the changes therein. These accounting entities are separated for the purpose of carrying on specific activities or attaining certain objectives in accordance with regulations, restrictions, or limitations.

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 available for spending. These funds are reported using an accounting method called the modified accrual basis of 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationships or differences of activities reported in the Governmental Fund Financial Statement versus that reported in the Government-Wide Financial Statements are explained in the reconciliation schedules following the Governmental Fund Financial Statements.

Proprietary Funds – When the City charges customers for the services it provides to cover the cost of operations, these activities 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 Revenues, Expenses, and Changes in Net Position. In fact, the City's enterprise fund is the same as the business-type activities reported in the government-wide statements but provides more detail and additional information, such as cash flows, for proprietary funds.

Notes to the Basic Financial Statements – The notes provide additional information essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning budgetary comparison schedules and schedules of funding progress concerning the City's obligation to provide pension and other post-employment benefits to its employees.

Government-Wide Financial Analysis

Net position may serve over time as one useful indicator of a government's financial condition. For the City of Gladstone, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$78,550,963 as of June 30, 2019. Following is a condensed version of the government-wide statement of net position comparing fiscal year 2019 and 2018.

City of Gladstone's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Current and other assets	\$ 24,777,938	\$ 19,628,722	\$ 6,124,585	\$ 6,464,688	\$ 30,902,523	\$ 26,093,410
Capital assets	79,106,476	81,212,482	22,828,125	22,406,593	101,934,601	103,619,075
Total assets	103,884,414	100,841,204	28,952,710	28,871,281	132,837,124	129,712,485
Deferred outflows	1,421,520	903,291	192,257	120,599	1,613,777	1,023,890
Other liabilities	4,462,637	3,149,937	1,935,914	1,834,366	6,398,551	4,984,303
Long-term debt	42,678,240	39,643,799	5,767,181	4,765,733	48,445,421	44,409,532
Total liabilities	47,140,877	42,793,736	7,703,095	6,600,099	54,843,972	49,393,835
Deferred inflows	1,979,097	2,502,985	208,456	288,592	2,187,553	2,791,577
Net Position:						
Net investment in capital assets	43,389,680	46,993,069	17,417,954	17,925,744	60,807,634	64,918,813
Restricted	5,033,822	5,263,177	548,449	417,385	5,582,271	5,680,562
Unrestricted	7,762,458	4,191,528	3,267,013	3,760,060	11,029,471	7,951,588
Total net position	\$ 56,185,960	\$ 56,447,774	\$ 21,233,416	\$ 22,103,189	\$ 77,419,376	\$ 78,550,963

Total assets for the City as a whole are \$129,712,485. This includes \$100,841,204 for governmental activities and \$28,871,281 for business-type activities. Of these total assets, \$103,619,075 is capital assets and \$26,093,410 is classified as current and other assets. For governmental activities, \$81,212,482 is capital assets and other assets total \$19,628,722. The decrease in current and other assets and increase in capital assets is due to the purchase of property, building improvements, and spend down of existing lease purchase funds. Capital assets for business-type activities are \$22,406,593 and other assets are \$6,464,688. The increase in current and other assets is due to a majority of the water main replacement project will be completed early in the 2020 fiscal year. The decrease in capital assets is due to depreciation.

Total liabilities for the City as a whole are \$49,393,835. This includes \$42,793,736 for governmental activities and \$6,600,099 for business-type activities. Of these total liabilities, \$44,409,532 is long-term liabilities and \$4,984,303 is other liabilities. For governmental activities, \$39,643,799 long-term and \$3,149,937 is other liabilities. The decrease in other liabilities is due to the completion of Pleasant Valley Road and other capital projects during the fiscal year. Long-term liabilities for business-type activities are \$4,765,733 and other liabilities are \$1,834,366. The majority of the long-term liabilities are for debt issued for major capital projects.

Total net position for the City as a whole is \$78,550,963. This includes \$56,447,774 for governmental activities and \$22,103,189 for business-type activities. Of the total net position, \$7,951,588 is unrestricted net position, \$4,191,528 for governmental activities and \$3,760,060 for business-type activities. Net position invested in capital assets net of related debt is \$64,918,813. The majority of this capital investment is in governmental activities, which is expected given the large capital investment the City has in its infrastructure. For governmental activities, \$46,993,069 is invested in capital assets, net of related debt. For business-type activities, \$17,925,744 is invested in capital assets, net of related debt.

A large portion of the City of Gladstone's net position (83%) reflects the City's investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City of Gladstone uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Gladstone's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Gladstone's net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,951,588 or 10% is unrestricted.

City of Gladstone's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Revenues:						
Program revenues:						
Charges for services	\$ 6,621,869	\$ 6,778,078	\$ 10,279,284	\$ 10,524,964	\$ 16,901,153	\$ 17,303,042
Operating grants and contributions	184,883	188,165	61,479	53,543	246,362	241,708
Capital grants and contributions	3,173,989	1,490,198	-	-	3,173,989	1,490,198
General revenues:						
Property taxes	3,573,871	3,595,664	-	-	3,573,871	3,595,664
Sales tax	9,532,703	9,543,702	-	-	9,532,703	9,543,702
Franchise tax	3,352,646	3,153,189	-	-	3,352,646	3,153,189
Other taxes	1,159,846	1,147,000	-	-	1,159,846	1,147,000
Unrestricted investment earnings	203,202	285,137	52,844	75,613	256,046	360,750
Gain on sale of capital assets	44,035	-	18,000	21,250	62,035	21,250
Other taxes	1,927,653	1,071,927	155,550	9,175	2,083,203	1,081,102
Total revenues	<u>29,774,697</u>	<u>27,253,060</u>	<u>10,567,157</u>	<u>10,684,545</u>	<u>40,341,854</u>	<u>37,937,605</u>
Expenses:						
General Administration	1,543,844	1,627,689	-	-	1,543,844	1,627,689
Finance	1,682,594	1,760,928	-	-	1,682,594	1,760,928
Public Safety	10,415,792	10,433,075	-	-	10,415,792	10,433,075
Public Works	4,764,127	4,875,857	-	-	4,764,127	4,875,857
Community Development	1,477,412	1,474,100	-	-	1,477,412	1,474,100
Parks and Recreation	5,180,568	5,614,862	-	-	5,180,568	5,614,862
Waterworks and sewerage	-	-	9,602,029	9,814,772	9,602,029	9,814,772
Interest on long-term debt	1,332,567	1,204,735	-	-	1,332,567	1,204,735
Total expenses	<u>26,396,904</u>	<u>26,991,246</u>	<u>9,602,029</u>	<u>9,814,772</u>	<u>35,998,933</u>	<u>36,806,018</u>
Change in net position before transfers	3,377,793	261,814	965,128	869,773	4,342,921	1,131,587
Transfers	(16,165)	-	16,165	-	-	-
Change in Net Position	<u>3,361,628</u>	<u>261,814</u>	<u>981,293</u>	<u>869,773</u>	<u>4,342,921</u>	<u>1,131,587</u>
Net Position, July 1	52,751,355	56,185,960	20,358,443	21,233,416	73,109,798	77,419,376
Prior period adjustment	72,977	-	(106,320)	-	(33,343)	-
Net Position, Beg. of yr, as restated	<u>52,824,332</u>	<u>56,185,960</u>	<u>20,252,123</u>	<u>21,233,416</u>	<u>73,076,455</u>	<u>77,419,376</u>
Net Position, June 30	<u>\$ 56,185,960</u>	<u>\$ 56,447,774</u>	<u>\$ 21,233,416</u>	<u>\$ 22,103,189</u>	<u>\$ 77,419,376</u>	<u>\$ 78,550,963</u>

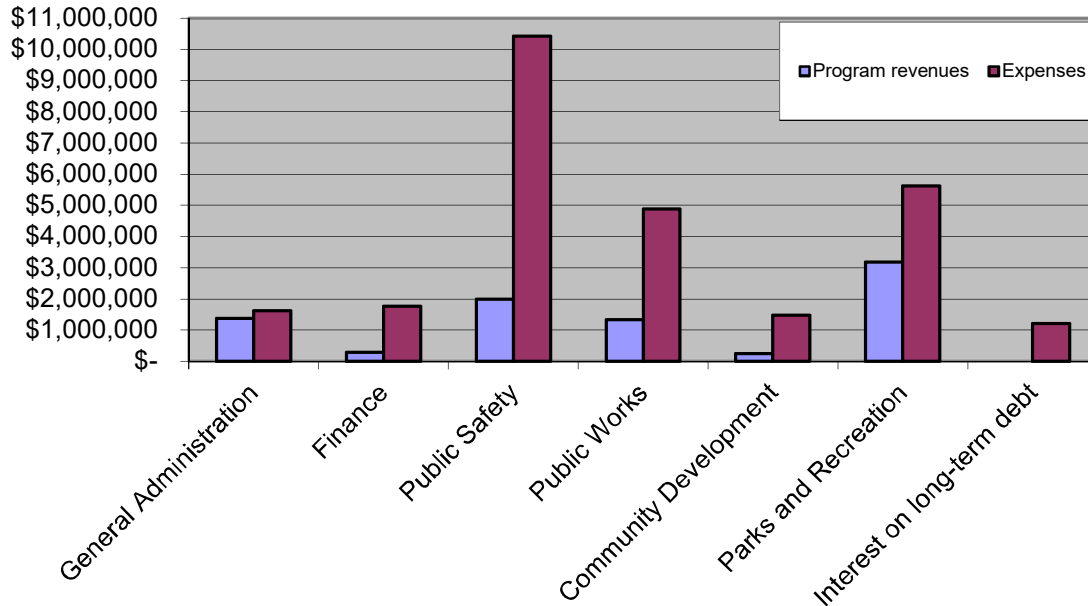
The City's net position increased by \$1,131,587 for the fiscal year ended June 30, 2019. In comparison, the City's net position increased by \$4,342,921 for the fiscal year ended June 30, 2018.

To determine the functional cost of the City, the Statement of Activities demonstrates the net cost of each major activity of the City. The purpose of this statement is to measure the gross expenses of \$36,806,108 (including depreciation charges), against charges for services and grants and contributions of \$19,034,948. The end result is a net cost of \$17,771,160 to the taxpayers. In 2019, property taxes funded \$3,595,644 of these costs; sales tax funded \$9,543,702 of these costs, while other taxes, interest earnings, and other miscellaneous revenues and transfers totaling \$5,763,291 covered the remaining costs.

Governmental Activities Governmental activities increased the City's net position by \$261,814. This change is due in large part to the increase in charges for services revenue in Parks and Recreation Senior Program.

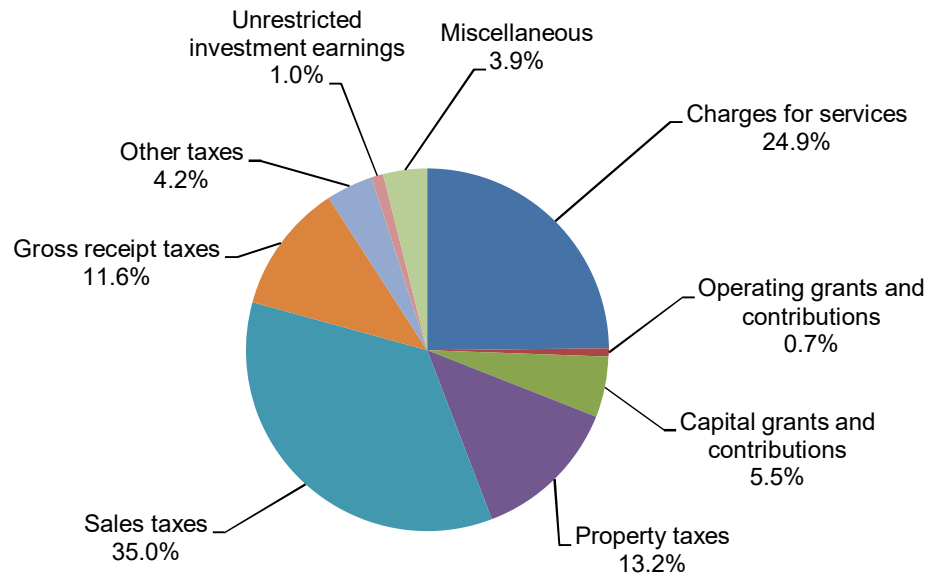
The following chart compares FY19 expenses with program revenues for the various governmental activities of the City. This comparison also highlights the fact that the City provides considerable services such as public safety as well as city road and storm water infrastructure that are not funded by service charges.

Expenses and Program Revenues - Governmental Activities

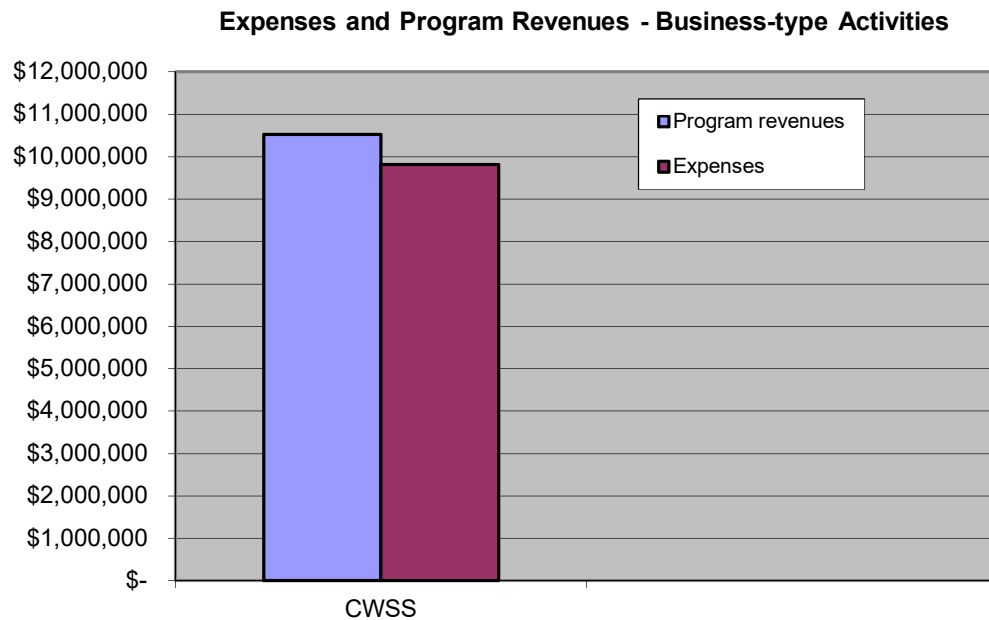


The following graph shows the composition of 2019 revenues for the governmental activities.

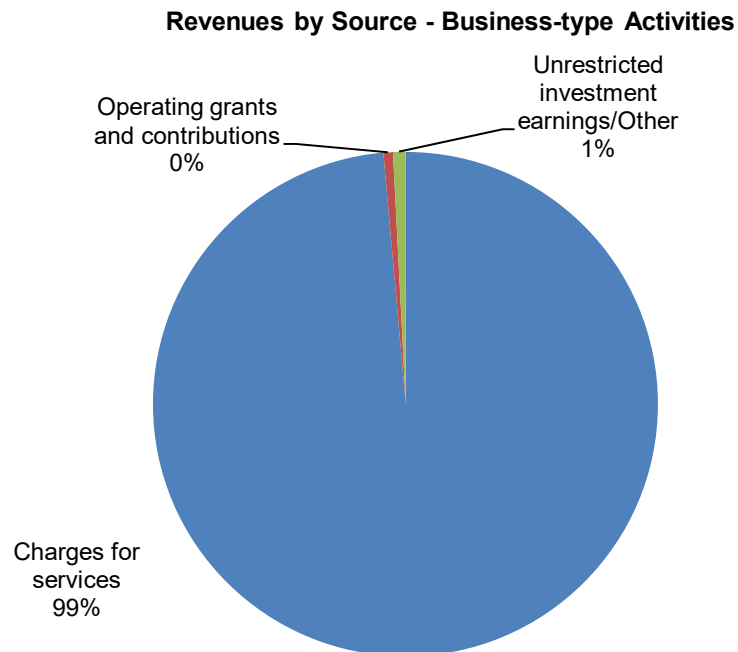
Revenues by Source - Governmental Activities



Business-type Activities Business-type activities increased the City's net position by \$869,773 primarily due to an adjustment in water and sewer charges. This increase is \$111,520 less than the increase in FY18. This chart shows that the services of CWSS are funded completely by program revenues.



The following graph shows the composition of 2019 revenues for the business-type activities.



Financial Analysis of the City's Major Funds

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

Governmental Funds. The focus of the City of Gladstone's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Gladstone's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund. The general fund is the chief operating fund of the City of Gladstone. Total revenue increased \$25,535 over the previous year as sales and property tax continue to show increases offset by decreases in wireless and telecom franchise taxes. Increases in charges for services offset the decline in fines and forfeitures. Expenses have increased mainly due to increases in personnel costs and the drawdown of lease purchase funds. At the end of the current fiscal year, total fund balance of the General Fund was \$6,023,257, a decrease of \$291,327 from the beginning balance of \$6,314,584. The unassigned general fund balance at year-end was \$5,817,091 or 97% of the total fund balance of \$6,023,257.

Community Center Park Tax Fund. This fund is the chief operating fund of the Community Center. Sales tax, charges for services and interest revenue all increased over the previous year while other revenue decreased due to an insurance settlement. Expenses have decreased over prior year due to the spenddown of lease purchase funds. At the end of the current fiscal year, total fund balance of the Community Center Park Tax Fund was \$1,599,448, a decrease of \$295,949 over the beginning balance of \$1,895,397. The restricted fund balance at year-end was \$1,599,488 or 100% of the total fund balance.

Transportation Sales Tax. Revenue for the Transportation Sales Tax fund increased due to the receipt of grant funds for the Pleasant Valley Road, Old Pike, and Shoal Creek Trail projects. Expenses had a corresponding increase. The fund balance of the Transportation Sales Tax Fund had a net decrease of \$512,443. The decrease is primarily due to the spenddown of lease purchase funds.

As of the close of the current fiscal year, the City of Gladstone's governmental funds reported combined ending fund balances of \$11,468,740 a decrease of \$4,165,192 in comparison with the prior year. The decrease is primarily due to the spenddown of lease purchase funds as well as the investment in the downtown district.

Proprietary Fund. The City of Gladstone's proprietary fund statements provide the same type of information found in the government-wide statements but in more detail. The City's proprietary fund is the Combined Waterworks and Sewerage System Fund. The increase in revenue is due to an increase in sewer rates. Expenses continue to increase mainly due to the increases in the cost of sewer treatment charges. Total net position of the Combined Waterworks and Sewerage System Fund at the end of the fiscal year amounted to \$22,103,189. The waterworks and sewerage system increased net position by \$869,773. This was primarily due to water main replacement projects not completed during the fiscal year that will carry into the fiscal year ending June 30, 2020.

General Fund Budgetary Highlights

Each fiscal year, the City formally adopts its budget prior to the beginning of the fiscal year. A mid-year review is performed after six months to re-appropriate unspent funds that are needed and evaluate the existing budget. This results in the re-appropriated budget being amended to a final budget taking into account mid-year adjustments.

On a budgetary basis, which can be found in the Required Supplementary Information, the actual revenues and other sources over actual expenditures and other uses resulted in a negative balance of \$291,905. The FY 2019 final budget for expenditures is \$561,715 greater than the FY 2019 original budget. The largest component of this increase is for Parks and Recreation.

In comparing FY19 final budget to actual revenues and expenses there was an overall negative variance of \$296,100. Revenues and other financing sources were under final budget by \$488,160 and expenditures and other financing uses came in under budget by \$192,060 resulting in a net negative variance of \$296,100. The variance is primarily due to lower than budgeted transfers into the general fund.

Capital Asset and Debt Administration

Capital assets. The amount invested in capital assets for the City at June 30, 2019, is \$103,619,075 net of accumulated depreciation. This amount includes all infrastructure assets acquired during 2019 and prior years. Major capital asset additions during the year include construction in progress for projects consisting of street, storm water, and water and sewer projects. Additional information on the City's capital assets can be found in Note 7 to the Basic Financial Statements.

The following table breaks down the City's capital asset balance into the various categories of assets.

City of Gladstone's Capital Assets (Net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Land and land rights	\$ 9,008,851	\$ 9,774,142	\$ 412,258	\$ 412,258	\$ 9,421,109	\$ 10,186,400
Buildings	23,216,349	24,723,173	1,933,233	1,841,350	25,149,582	26,564,523
Improvements	6,338,618	6,043,123	-	-	6,338,618	6,043,123
Machinery and equipment	2,874,984	2,236,828	586,833	582,828	3,461,817	2,819,656
Infrastructure	28,910,056	27,963,942	19,556,771	19,547,144	48,466,827	47,511,086
Construction in progress	8,757,618	10,471,274	339,030	23,013	9,096,648	10,494,287
Total	\$ 79,106,476	\$ 81,212,482	\$ 22,828,125	\$ 22,406,593	\$ 101,934,601	\$ 103,619,075

Long-term Debt. As of June 30, 2019, the City of Gladstone had outstanding debt obligations of \$44,409,532, a decrease of \$4,035,889 from the previous year-end.

City of Gladstone's Outstanding Debt Obligations

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
Capitalized leases	\$ 15,053,972	\$ 14,011,398	\$ 1,130,999	\$ 1,006,500	\$ 16,184,971	\$ 15,017,898
General obligation bonds	1,000,000	800,000	-	-	1,000,000	800,000
Certificates of Participation	21,502,475	20,016,242	1,479,172	1,246,734	22,981,647	21,262,976
Compensated absences	2,837,470	2,790,737	154,008	138,815	2,991,478	2,929,552
LAGERS liability	-	-	60,123	22,626	60,123	22,626
OPEB liability	506,571	324,249	142,879	76,058	649,450	400,307
Revenue bonds	-	-	2,800,000	2,275,000	2,800,000	2,275,000
DNR loan payable	456,375	379,796	-	-	456,375	379,796
Bank loans payable	1,321,377	1,321,377	-	-	1,321,377	1,321,377
Total	\$ 42,678,240	\$ 39,643,799	\$ 5,767,181	\$ 4,765,733	\$ 48,445,421	\$ 44,409,532

The City of Gladstone received an AA and AA- bond rating for the three most recent bond issues assigned by Standard & Poor's. These ratings were reaffirmed by Standard & Poor's in a follow up review. This is a clear indication of the sound financial condition of the City of Gladstone. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

Missouri statutes limit the amount of general obligation debt that a unit of government can issue up to twenty percent of the total assessed value of taxable property located within the City's boundaries. The legal debt margin for City of Gladstone is \$72,768,000. The City currently has \$800,000 of general obligation debt outstanding as of June 30, 2019. Additional information regarding the City of Gladstone's long-term debt can be found in Note 8 to the Basic Financial Statements.

Economic Factors and Next Year's Budget and Rates

The City, utilizing the theme "Progress Through People," is working through the community to create and implement economic and community development plans that include avenues for both commercial growth, continued stability, sustainability, and integrity in residential neighborhoods.

Gladstone was awarded the 2008 All-American City award. City Management also received additional awards such as the ICMA Strategic Governance Award for Creative Leadership and Planning Strategies, the 2012 Jay T Bell Award, and the 2014 Rick Noll Award for Leadership. In 2016, the City received the gold level for Communities for All Ages, recognizing steps taken to become a more vibrant, healthy and prosperous community. In 2018, Gladstone received the Keystone Award by the Clay County Economic Development Council recognizing the City's significant contribution to Clay County's economy and quality of life. These awards demonstrate the advanced level of strategic planning for the community and positively influence the future of the City of Gladstone.

After achieving many of the key goals from Gladstone on the Move, the City was ready to re-engage Gladstone residents to develop a new strategic plan that would build upon the accomplishments of Gladstone on the Move. With the assistance of the National Civic League, Shaping our Future was created. Throughout the process, Gladstone residents led the way defining the vision, establishing goals and balancing competing priorities. In 2017, with the support of the National Civic League and City staff, the group decided to focus on two key areas: Public Health and Safety and Quality of Life and Economic Development.

Since receiving the Shaping our Future report, City staff and Shaping our Future have begun to make the vision a reality. To address both public health and safety and quality of life and economic development, one of the top priorities is to construct a new police station or a significant addition and renovation to City Hall. Total estimated cost of this project is \$12 million. Another goal from the Shaping Our Future initiative is to renovate and expand Fire Station #2. This \$2 million project will consist of improvements to the living quarters, upgrades to the HVAC and electrical systems, and corrections to other maintenance issues.

In April of 2019, a ½ cent general fund sales tax was passed by an overwhelming majority of the Gladstone voters. The new revenue will generate approximately \$1.7 million per year. \$1 million of the sales tax will pay for the debt service on the construction of the police station and fire station. The remaining \$700,000 will be used to fund a recruitment and retention program for public safety and front line employees that will be implemented later in 2019.

Projects completed during the 2019 fiscal year include the mill and overlay of 10.3 lane miles of streets throughout the city. The City also replaced over 3,800 feet of water mains and 400 feet of sanitary sewer lines throughout the year. Construction is complete on the Realignment of Pleasant Valley Road. This multi-year, multi-million dollar project is a joint venture between the City of Gladstone and Kansas City Missouri with funding assistance through the Department of Transportation. Another joint venture between Gladstone and Kansas City with funding assistance from the Department of Transportation is the Shoal Creek Trail. This project will be completed during the 2020 fiscal year. Additional projects where City staff has been able to leverage federal funding are the Old Pike Road and 76th Street projects. Other projects in various stages of design include the Rock Creek Greenway Trail - Phase 2, approximately \$1M in water main replacements, and various parks projects across the City.

New additions to the downtown landscape include two new restaurants and entrepreneurial workspaces. Summit Grill opened in the retail space of the Heights at Linden Square. The Gladstone location is the company's newest and largest establishment. Stone Canyon Pizza relocated from Zona Rosa to downtown Gladstone in July of 2019. iWerx and DesignWerx are entrepreneurial development centers offering private office space and a collaborative environment for entrepreneurs and contractors. iWerx has completed their renovation on a 30,000 square foot, 40 year old downtown building during the 2019 fiscal year. One of the newest projects in the downtown district is the groundbreaking on a Fairfield Inn & Suites by Marriot. The 67,000 square foot 110 room hotel is scheduled to open in 2021 giving visitors a place to stay while in the area.

The above listed projects and awards suggest stable economic forecasts for Gladstone throughout the next decade. The City will continue to investigate methods of expanding the economic base for the community as well as exploring economic and community development programs that will benefit the City.

Tax collections for FY20 are budgeted at \$18,237,050, compared to FY19 budget of \$16,786,800, for a projected increase of \$1,450,250. The FY20 budget takes into consideration the additional ½ cent general sales tax passed in April. This will generate an additional expected \$1,300,000 in sales tax revenue collected over a 9 month period. Sales tax collections have rebounded to pre-recession levels. Property tax valuations have been on the increase and delinquency collections continue to decrease with the improving economy. Gross receipts are expected to decrease based on trends in telecommunications as subscribers switch from land lines to mobile and from talk to texting. The City's 2019 property tax rates effective for FY20 are set per \$100 assessed valuation. Levy rates for residential real property are set at \$.8650 and commercial real property at \$.8670. Agricultural real property and personal property are set at \$.9290.

Capital outlays budgeted in governmental funds total \$3,533,439 and capital outlays budgeted in the proprietary fund total \$1,022,500. These capital additions indicate an ongoing commitment to fund capital requirements and quality of life for Gladstone citizens.

In the business-type activities, the sewer rate will continue to increase annually due to the reliance on Kansas City, Missouri to process the City's sewerage and the ongoing costs related to EPA mandates. In FY20 sewer rates increased \$0.55 per 1000 gallons based on water usage and the administrative fee increased \$.80 per month. The water rate and administrative fee was unchanged at \$4.75 per 1,000 gallons and \$9.27 per billing.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Gladstone, 7010 North Holmes, Gladstone, Missouri 64118 or by calling 816-436-2200 or by visiting the City's website at www.Gladstone.mo.us.

CITY OF GLADSTONE, MISSOURI

STATEMENT OF NET POSITION

June 30, 2019

	Primary Government			Component Unit
	Governmental	Business-Type		Special Road
	Activities	Activities	Total	District #3
Assets:				
Cash and investments	\$ 8,590,629	\$ 3,604,407	\$ 12,195,036	\$ 209,829
Receivables, net of allowance for uncollectibles:				
Accounts	692,059	902,056	1,594,115	1,894
Unbilled services	-	838,598	838,598	-
Taxes	2,320,083	-	2,320,083	-
Accrued interest	20,793	6,930	27,723	-
Inventory	122,119	14,691	136,810	-
Prepaid items	89,905	2,346	92,251	-
Due from component unit	61,983	-	61,983	-
Interlocal agreement:				
Due within one year	360,973	-	360,973	-
Due in more than one year	2,622,891	-	2,622,891	-
Restricted assets:				
Cash and investments	2,600,190	1,095,660	3,695,850	-
Net pension asset	2,147,097	-	2,147,097	-
Capital assets:				
Land, other assets and construction in progress, non-depreciable	20,245,416	435,271	20,680,687	-
Other capital assets, net of depreciation	60,967,066	21,971,322	82,938,388	-
Total assets	100,841,204	28,871,281	129,712,485	211,723
Deferred outflows of resources:				
Deferred outflows - pension	887,647	116,929	1,004,576	-
Deferred outflows - OPEB	15,644	3,670	19,314	-
Total deferred outflows of resources	903,291	120,599	1,023,890	-
Liabilities:				
Accounts payable	769,996	1,046,690	1,816,686	-
Contracts payable	18,793	1,304	20,097	-
Accrued liabilities	876,852	60,854	937,706	-
Accrued interest	120,916	47,243	168,159	-
Deposits	241,852	678,275	920,127	-
Due to other governments	4,926	-	4,926	-
Due to primary government	-	-	-	61,983
Unearned revenue	1,116,602	-	1,116,602	-
Noncurrent liabilities:				
Due within one year	4,882,146	981,439	5,863,585	-
Due in more than one year	34,761,653	3,784,294	38,545,947	-
Total liabilities	42,793,736	6,600,099	49,393,835	61,983
Deferred inflows of resources:				
Deferred inflows - pension	2,369,175	257,204	2,626,379	-
Deferred inflows - OPEB	133,810	31,388	165,198	-
Total deferred inflows of resources	2,502,985	288,592	2,791,577	-
Net position:				
Net investment in capital assets	46,993,069	17,925,744	64,918,813	-
Restricted for:				
Debt service	-	417,385	417,385	-
Net pension asset	2,147,097	-	2,147,097	-
Capital improvements	1,030,472	-	1,030,472	-
Transportation and public safety	975,977	-	975,977	-
Parks and recreation	1,109,631	-	1,109,631	-
Unrestricted	4,191,528	3,760,060	7,951,588	149,740
Total net position	\$ 56,447,774	\$ 22,103,189	\$ 78,550,963	\$ 149,740

See accompanying notes to basic financial statements.

CITY OF GLADSTONE, MISSOURI

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	Special Road District #3
Primary government:								
Governmental activities:								
General administration	\$ 1,627,689	\$ 1,378,278	\$ 899	\$ -	\$ (248,512)	\$ -	\$ (248,512)	\$ -
Finance	1,760,928	292,405	-	-	(1,468,523)	-	(1,468,523)	-
Public safety	10,433,075	1,815,461	186,267	-	(8,431,347)	-	(8,431,347)	-
Public works	4,875,857	209,431	-	1,129,137	(3,537,289)	-	(3,537,289)	-
Community development	1,474,100	254,729	999	-	(1,218,372)	-	(1,218,372)	-
Parks and recreation	5,614,862	2,827,774	-	361,061	(2,426,027)	-	(2,426,027)	-
Interest on long-term debt	1,204,735	-	-	-	(1,204,735)	-	(1,204,735)	-
Total governmental activities	26,991,246	6,778,078	188,165	1,490,198	(18,534,805)	-	(18,534,805)	-
Business-type activities:								
Combined waterworks and sewerage system	9,814,772	10,524,964	53,543	-	-	763,735	763,735	-
Total business-type activities	9,814,772	10,524,964	53,543	-	-	763,735	763,735	-
Total primary government	\$ 36,806,018	\$ 17,303,042	\$ 241,708	\$ 1,490,198	(18,534,805)	763,735	(17,771,070)	-
Component unit:								
Special Road District #3	\$ 380,043	\$ -	\$ 382,675	\$ -	-	-	-	2,632
General revenues:								
Taxes:								
Property taxes					3,595,664	-	3,595,664	-
Sales taxes					9,543,702	-	9,543,702	-
Franchise taxes					3,153,189	-	3,153,189	-
Cigarette taxes					128,986	-	128,986	-
Intergovernmental revenue not restricted to specific programs					1,018,014	-	1,018,014	-
Unrestricted investment earnings					285,137	75,613	360,750	1,451
Gain on disposal of capital assets					-	21,250	21,250	-
Miscellaneous					1,071,927	9,175	1,081,102	15,894
Total general revenues and transfers					18,796,619	106,038	18,902,657	17,345
Change in net position					261,814	869,773	1,131,587	19,977
Net position, beginning of year					56,185,960	21,233,416	77,419,376	129,763
Net position, end of year					\$ 56,447,774	\$ 22,103,189	\$ 78,550,963	\$ 149,740

See accompanying notes to basic financial statements.

CITY OF GLADSTONE, MISSOURI

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

	Major Funds				
	Community		Transportation Sales Tax	Nonmajor Funds	Total Governmental
	General	Center and Parks Tax			
Assets:					
Cash and investments	\$ 5,505,734	\$ 1,478,159	\$ 504,462	\$ 1,102,274	\$ 8,590,629
Due from component unit	61,983	-	-	-	61,983
Receivables, net of allowance for uncollectibles:					
Accounts	397,454	48,743	245,636	226	692,059
Taxes	1,456,201	133,380	266,771	463,731	2,320,083
Accrued interest	11,089	4,158	1,109	4,437	20,793
Inventory	116,661	5,458	-	-	122,119
Prepaid items	89,505	-	-	400	89,905
Interlocal agreement	-	2,983,864	-	-	2,983,864
Restricted assets:					
Cash and investments	122,655	242,710	1,850,310	384,515	2,600,190
Total assets	<u>\$ 7,761,282</u>	<u>\$ 4,896,472</u>	<u>\$ 2,868,288</u>	<u>\$ 1,955,583</u>	<u>\$ 17,481,625</u>
Liabilities:					
Accounts payable	\$ 308,832	\$ 52,840	\$ 221,133	\$ 187,191	\$ 769,996
Contracts payable	-	-	1,496	17,297	18,793
Accrued liabilities	770,531	88,694	-	17,627	876,852
Deposits	182,951	17,017	41,884	-	241,852
Due to other governments	4,926	-	-	-	4,926
Unearned revenue	470,785	154,609	-	491,208	1,116,602
Total liabilities	<u>1,738,025</u>	<u>313,160</u>	<u>264,513</u>	<u>713,323</u>	<u>3,029,021</u>
Deferred inflows of resources:					
Unavailable revenue - interlocal agreement	-	2,983,864	-	-	2,983,864
Total deferred inflows of resources	<u>-</u>	<u>2,983,864</u>	<u>-</u>	<u>-</u>	<u>2,983,864</u>
Fund balances:					
Nonspendable:					
Inventory	116,661	5,458	-	-	122,119
Prepaid items	89,505	-	-	400	89,905
Restricted:					
Community center operations	-	1,351,280	-	-	1,351,280
Capital improvements	-	242,710	-	841,846	1,084,556
Public safety - operations	-	-	-	222,512	222,512
Street projects	-	-	2,603,775	-	2,603,775
Land purchases	-	-	-	163,357	163,357
Committed:					
City parks and playgrounds	-	-	-	6,702	6,702
Assigned:					
Technology/equipment replacement	-	-	-	250,483	250,483
Unassigned	5,817,091	-	-	(243,040)	5,574,051
Total fund balances	<u>6,023,257</u>	<u>1,599,448</u>	<u>2,603,775</u>	<u>1,242,260</u>	<u>11,468,740</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,761,282</u>	<u>\$ 4,896,472</u>	<u>\$ 2,868,288</u>	<u>\$ 1,955,583</u>	<u>\$ 17,481,625</u>

See accompanying notes to basic financial statements.

CITY OF GLADSTONE, MISSOURI

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2019

Total fund balances in Governmental Funds Balance Sheet	\$ 11,468,740
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.	81,212,482
Long-term liabilities for items such as bonds payable and certificates of participation are not due and payable in the current period and, therefore, are not reported in the funds.	(39,764,715)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the governmental funds.	2,983,864
The net pension asset is not an available resource and, therefore, is not reported in the funds.	2,147,097
Other deferred outflows of resources related to the net pension asset and total OPEB liability do not increase net position until a future period.	903,291
Other deferred inflows of resources related to the net pension asset and total OPEB liability represent acquisitions of net position that apply to a future period.	<u>(2,502,985)</u>
Net position of governmental activities	<u><u>\$ 56,447,774</u></u>

See accompanying notes to basic financial statements.

CITY OF GLADSTONE, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2019

	Major Funds				
		Community	Transportation	Nonmajor	Total
	General	Center and Parks Tax	Sales Tax	Funds	Governmental
Revenues:					
Taxes	\$ 10,864,876	\$ 858,104	\$ 1,716,225	\$ 2,982,336	\$ 16,421,541
Licenses and permits	593,705	-	-	-	593,705
Intergovernmental	1,387,131	700,000	780,906	349,230	3,217,267
Charges for services	3,797,228	1,505,772	-	325	5,303,325
Fines and forfeitures	700,656	-	-	-	700,656
Interest	123,035	47,973	10,130	103,999	285,137
Other	818,296	13,356	-	241,940	1,073,592
Total revenues	18,284,927	3,125,205	2,507,261	3,677,830	27,595,223
Expenditures:					
Current:					
General administration	1,259,288	-	-	-	1,259,288
Finance	1,408,991	-	-	-	1,408,991
Public safety	8,191,844	-	-	555,849	8,747,693
Public works	2,328,913	-	-	5,657	2,334,570
Community development	732,880	-	-	198,351	931,231
Parks and recreation	2,812,988	1,882,905	-	-	4,695,893
Nondepartmental	716,297	117,767	219,081	164,010	1,217,155
Capital outlay	580,081	31,937	2,238,803	4,294,385	7,145,206
Debt service:					
Principal	220,180	1,461,839	377,728	728,776	2,788,523
Interest and fiscal charges	97,466	676,206	184,092	274,101	1,231,865
Total expenditures	18,348,928	4,170,654	3,019,704	6,221,129	31,760,415
Excess (deficiency) of revenues over (under) expenditures	(64,001)	(1,045,449)	(512,443)	(2,543,299)	(4,165,192)
Other financing sources (uses):					
Transfers in	106,012	749,500	100,000	233,338	1,188,850
Transfers out	(333,338)	-	(100,000)	(755,512)	(1,188,850)
Total other financing sources (uses)	(227,326)	749,500	-	(522,174)	-
Net change in fund balances	(291,327)	(295,949)	(512,443)	(3,065,473)	(4,165,192)
Fund balances, beginning of year	6,314,584	1,895,397	3,116,218	4,307,733	15,633,932
Fund balances, end of year	\$ 6,023,257	\$ 1,599,448	\$ 2,603,775	\$ 1,242,260	\$ 11,468,740

See accompanying notes to basic financial statements.

CITY OF GLADSTONE, MISSOURI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds	\$ (4,165,192)
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.	2,106,006
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(342,162)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,788,523
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(125,361)</u>
Change in net position of governmental activities	<u>\$ 261,814</u>

See accompanying notes to basic financial statements.

CITY OF GLADSTONE, MISSOURI

STATEMENT OF NET POSITION PROPRIETARY FUND

June 30, 2019

	Combined Waterworks and Sewerage System
Assets:	
Current assets:	
Cash and investments	\$ 3,604,407
Receivables, net:	
Accounts	902,056
Unbilled services	838,598
Accrued interest	6,930
Inventory	14,691
Prepaid items	2,346
Restricted cash and investments	1,095,660
Total current assets	6,464,688
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	435,271
Other capital assets, net of depreciation	21,971,322
Total noncurrent assets	22,406,593
Total assets	28,871,281
Deferred outflows of resources:	
Deferred outflows - pension	116,929
Deferred outflows - OPEB	3,670
Total deferred outflows of resources	120,599
Liabilities:	
Current liabilities:	
Accounts payable	1,046,690
Contracts payable	1,304
Accrued liabilities	60,854
Accrued interest	47,243
Deposits	678,275
Compensated absences	86,626
Current portion of long-term debt	894,813
Total current liabilities	2,815,805
Noncurrent liabilities:	
Compensated absences	52,189
Total OPEB liability	76,058
LAGERS net pension liability	22,626
Long-term debt, net	3,633,421
Total noncurrent liabilities	3,784,294
Total liabilities	6,600,099
Deferred inflows of resources:	
Deferred inflows - pension	257,204
Deferred inflows - OPEB	31,388
Total deferred inflows of resources	288,592
Net position:	
Net investment in capital assets	17,925,744
Restricted for debt service	417,385
Unrestricted	3,760,060
Total net position	\$ 22,103,189

See accompanying notes to basic financial statements.

CITY OF GLADSTONE, MISSOURI

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND

Year Ended June 30, 2019

	Combined Waterworks and Sewerage System
Operating revenues:	
Charges for services	\$ 10,524,964
Intergovernmental	53,543
Other income	9,175
Total operating revenues	<u>10,587,682</u>
Operating expenses:	
Personnel services	1,334,881
Materials and supplies	415,686
Services operation and maintenance	2,100,040
Sewer treatment charges	4,783,875
Depreciation	1,015,121
Total operating expenses	<u>9,649,603</u>
Operating income	<u>938,079</u>
Nonoperating revenues (expenses):	
Interest income	75,613
Gain on sale of property	21,250
Interest expense and fiscal charges	(165,169)
Total nonoperating revenues (expenses)	<u>(68,306)</u>
Change in net position	869,773
Total net position, beginning of year	<u>21,233,416</u>
Total net position, end of year	<u><u>\$ 22,103,189</u></u>

See accompanying notes to basic financial statements.

CITY OF GLADSTONE, MISSOURI

STATEMENT OF CASH FLOWS PROPRIETARY FUND

Year Ended June 30, 2019

	Combined Waterworks and Sewerage System
Cash flows from operating activities:	
Receipts from customers	\$ 10,671,127
Payments to suppliers	(7,417,317)
Payments to employees	(1,298,352)
Other income	9,175
Net cash provided by operating activities	1,964,633
Cash flows from capital and related financing activities:	
Purchase of capital assets	(593,589)
Payments on long-term debt	(881,937)
Interest and fiscal charges paid	(173,661)
Proceeds from the sale of assets	21,250
Net cash used in capital and related financing activities	(1,627,937)
Cash flows from investing activities:	
Purchase of certificates of deposit	(1,887,126)
Maturity of certificates of deposit	1,365,709
Interest received	71,871
Net cash used in investing activities	(449,546)
Net decrease in cash and cash equivalents	(112,850)
Cash and cash equivalents, beginning of year	2,925,791
Cash and cash equivalents, end of year	\$ 2,812,941
Cash and investments:	
Cash and cash equivalents	\$ 2,812,941
Certificates of deposit	1,887,126
	\$ 4,700,067
Cash and investments reported on the statement of net position:	
Cash and investments	\$ 3,604,407
Restricted cash and investments	1,095,660
Total cash and investments	\$ 4,700,067

(Continued)

CITY OF GLADSTONE, MISSOURI

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 (Continued)

Year Ended June 30, 2019

	Combined Waterworks and Sewerage System
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 938,079
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,015,121
Changes in:	
Receivables	65,175
Inventory	947
Prepaid items	6,084
Net pension liability	(37,497)
Deferred outflows	71,658
Deferred inflows	80,136
Accounts and contracts payable	(124,747)
Accrued liabilities	4,246
Compensated absences	(15,193)
Deposits	27,445
Total OPEB liability	(66,821)
Net cash provided by operating activities	\$ 1,964,633

See accompanying notes to basic financial statements.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Gladstone, Missouri (the City) was incorporated in 1952 and covers an area of approximately nine square miles in Clay County, Missouri. The City operates under the Council-Manager form of government as a third-class city. The City Manager is the chief administrative officer of the City. The City provides services to approximately 25,410 residents (2010 Census), including law enforcement, fire protection, paramedic services, water and sewer services, community enrichment and development, and various social services. The North Kansas City School District No. 74, a separate governmental entity, provides educational services.

The accompanying basic financial statements present the City and the component unit over which the City is financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely Presented Component Unit. The Gladstone Special Road District No. 3 (the District) was incorporated October 9, 1959, following a vote of the people, which was certified by the Clay County Court. The District is located largely within the City, with a small area outside the municipality. The District provides street maintenance and repair functions in the City even though it is a separate legal entity. Management has determined that the District should be included as a discretely presented component unit due to the nature and significance of its relationship with the City and that the exclusion of the District would render the City's financial statements incomplete or misleading. The District is presented as a governmental fund type. The District does not issue any separate financial statements.

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 activities of the primary government and its component unit. Governmental activities, which normally are 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 the legally separate component unit for which the primary government is financially accountable.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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 properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are generally considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 60-day availability period is used for revenue recognition for all governmental funds revenues except property taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Property taxes, sales taxes, franchise taxes, interest associated with the current fiscal period, and certain state and federal grants and entitlements are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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. This fund accounts for the general operating transactions of the City including finance, public safety, public works, community development, and parks and recreation.

The community center and parks tax fund is a special revenue fund that accounts for the .25% City sales tax for the purpose of funding community center and park projects.

The transportation sales tax fund is a capital projects fund that accounts for the .5% City sales tax for the purpose of funding transportation capital improvement projects. This sales tax has been restricted for transportation projects.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major proprietary fund:

The combined waterworks and sewerage system fund accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration (utility director), operations, maintenance, financing and related debt service, and billings and collections.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's waterworks and sewerage functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the combined waterworks and sewerage system fund are charges to customers for sales and services and tower rental charges. Operating expenses for the combined waterworks and sewerage system fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pooled Cash and Investments

A majority of the cash and investments of the individual funds are combined to form a pool that is managed by the finance director. Each fund's equity in the pool is included in "cash and investments" in the financial statements. These pooled deposits and investments consist of cash on hand, amounts in demand deposits, certificates of deposits, and investments. Certificates of deposit and repurchase agreements are recorded at cost while other investments are recorded at fair value.

Cash Flows Statement

For purposes of the cash flow statement, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables and Payables

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds unearned revenue is reported as follows:

General fund licenses revenue	\$ 188,704
General fund senior activities revenue	163,712
General fund miscellaneous revenue	118,369
Community center and parks tax fund pool revenue	147,554
Community center and parks tax fund miscellaneous revenue	7,055
Nonmajor governmental funds - Pleasant Valley Road credits	<u>491,208</u>
	<u>\$ 1,116,602</u>

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Property Taxes

The City's property tax is levied each year on the assessed value of all real estate listed as of the prior January 1, the lien date. Assessed values are established by the Clay County Assessor subject to review by the County's Board of Equalization. The assessed value in August 2018 upon which the 2019 levy was based was \$ 367,838,426.

Property taxes are legally restricted for use in financing operations of the ensuing year. Accordingly, the City defers revenue recognition until the year for which they are to be used. Property taxes are levied on November 1 of each year. Property taxes become delinquent on January 1 of each fiscal year. The Clay County Collector is the tax collection agent for all taxing entities within the County. Property taxes levied in prior years that remain uncollected are recorded as receivables, net of estimated uncollectibles.

The City is permitted by Missouri State Statutes to levy taxes up to \$ 1.00 per \$ 100 of assessed valuation for general services other than the payment of principal and interest on long-term debt, and in unlimited amounts for the payment of principal and interest on long-term debt. The City's General Fund property tax levy per \$ 100 assessed valuation was \$.929 for residential real property, \$.928 for commercial real property, \$.929 for agricultural real property, and \$.929 for personal property for the year ended June 30, 2019.

Inventories and Prepaid Items

Inventories consist of de-icing salt, motor fuel and concession operation food in the General Fund and water purification supplies (e.g. lime, chlorine and carbon dioxide) in the enterprise funds. All inventories are valued at cost using the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g. roads, bridges, sidewalks and similar items) and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of greater than or equal to \$ 5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives.

Water and sewer lines and distribution reservoirs	50 years
Wells, storm sewers, buildings and swimming pools	30 years
Meters and hydrants	20 years
Pool equipment and furniture	15 years
Office furniture, equipment and reservoir improvements	10 years
Automobiles and miscellaneous equipment	5 years
Infrastructure – streets/curbs	20 years

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are the deferred outflows of resources related to the City's net pension liability and total OPEB liability. See Note 10 for more information on the deferred outflows for the pension and Note 11 for more information on the deferred outflows for OPEB.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. The first arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from an interlocal agreement. This amount is deferred and recognized as inflows of resources in the period that the amounts become available. The second deferred inflow of resources relates to the City's net pension liability and the third deferred inflow of resources relates to the City's total OPEB liability. See Note 10 for more information on the deferred inflows for the pension and Note 11 for more information on the deferred inflows for OPEB.

Compensated Absences

Under terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts, based upon length of service. Vacation leave for regular full-time employees will be accruable to a maximum of two times the amount earned in a year of employment. Any employee leaving the City's service will be compensated for all vacation leave that has accrued but not been used as of the date of his/her separation, provided that he/she has been with the City for at least six full months. A regular full-time employee may be compensated for unused sick leave in the following manner, provided that he/she has been with the City for at least six full months: five to ten years of service – one hour for five hours of unused sick leave, 10 to 20 years of service – one hour for three hours of unused sick leave and over 20 years of service – one hour for two hours of unused sick leave.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Continued)

Compensatory time is earned at the rate of one and one-half for each hour of overtime worked. Subject to the Fair Labor Standards Act, part of this time may be taken off in lieu of pay. Any time accruing to a nonexempt employee is paid at termination. Exempt employees are not paid at termination. Exempt employees are those whose job assignments meet the federal and state requirements for overtime exemption. Exempt employees are compensated on a salary basis and are not eligible for overtime pay. Generally, executive, administrative and professional employees are exempt.

All vacation, sick pay, and compensatory time is accrued when incurred in the government-wide and proprietary fund financial statements. In the governmental fund financial statements, a liability for these amounts is reported only when they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2019, fund balances for governmental funds are made up of the following:

Nonspendable fund balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed fund balance – includes amounts that can only be spent for specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally (ordinance).

Assigned fund balance – includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the City Council or (2) a body or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes, the City Manager as provided in the City’s Fund Balance Policy dated June 27, 2011.

Unassigned fund balance – is the residual classification for the general fund and includes all amounts not contained in other classifications. The general fund is the only fund that reports a positive unassigned fund balance amount. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Minimum Unassigned Fund Balance

It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund equal to 20% of operational expenditures. The City considers a balance of less than 20% to be cause for concern, barring unusual or deliberate circumstances. Proposed budgets, or budget revisions, will maintain an ending fund balance of at least 20% of the Fund's operational expenditures. If unassigned fund balance falls below the goal due to unforeseen revenue fluctuations, unanticipated expenditures, or any similar circumstances, the City will immediately develop a restoration plan to re-build and maintain the minimum 20% fund balance requirement.

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.

Pending Governmental Accounting Standards Board Statements

GASB Statement No. 84, *Fiduciary Activities*, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities, with the focus on the criteria on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund. The requirements of this statement are effective for periods beginning after December 15, 2018.

GASB Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for periods beginning after December 15, 2019.

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities for items such as bonds payable and certificates of participation are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$ (39,764,715) difference are as follows:

Capital leases payable	\$ (14,011,398)
General obligation bonds payable	(800,000)
Certificates of participation	(19,813,892)
Plus: Issuance premiums	(202,350)
Compensated absences	(2,790,737)
Total OPEB liability	(324,249)
DNR loan payable	(379,796)
Bank loans payable	(1,321,377)
Accrued interest payable	(120,916)
	<hr/>
	\$ (39,764,715)
	<hr/>

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$ 2,106,006 difference are as follows:

Capital outlay	\$ 7,129,694
Depreciation expense	(5,023,688)
	<u>\$ 2,106,006</u>

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$ 2,788,523 difference are as follows:

Principal repayments:	
Capital leases	\$ 1,042,574
General obligation bonds	200,000
Certificates of participation	1,469,370
Loans payable	76,579
	<u>\$ 2,788,523</u>

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$ (125,361) difference are as follows:

Amortization of bond premiums	\$ 16,863
Compensated absences	46,733
Net pension liability	(268,555)
Total OPEB liability	69,331
Accrued interest	10,267
	<hr/>
	\$ (125,361)

3 - Stewardship, Compliance and Accountability

Budgetary Information

The City Council follows four procedures in establishing the budget.

- (1) Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means for financing the expenditures.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to July 1, the budget for all funds is legally enacted through passage of a resolution.
- (4) The City Manager is authorized to transfer budgeted amounts between departments within any fund and/or authorize departmental expenditures in excess of budgeted amounts. Any revision that alters the total expenditures of any fund must be approved by the City Council.

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

The City's policy is to prepare the annual operating budget for governmental fund types on the modified accrual basis. Annual operating budgets are not required for the following governmental funds: Pleasant Valley Road Fund, N. Oak Land Lease fund, technology replacement fund, 2015 COP fund, 2011 COP fund, AMR COP fund, community center renovations fund, economic development fund, and animal control donations fund. The City amended the original published budgets for the general fund, community center and parks tax fund, transportation sales tax fund, public safety sales tax fund, capital improvement sales tax fund and equipment replacement fund.

Deficit Fund Balance

The Pleasant Valley Road fund had a deficit fund balance of \$ (243,040) at June 30, 2019. This fund will be closed into the Transportation Sales Tax fund when the project is completed.

4 - Deposits and Investments

At June 30, 2019, the carrying values of deposits and investments are summarized as follows:

Investments:

Short-term investments held in trust	\$ 242,710
Deposits and repurchase agreements	15,851,355
Petty cash	<u>6,650</u>
	<u>\$ 16,100,715</u>

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4 - Deposits and Investments (Continued)

Deposits and investments of the City are reflected in the government-wide financial statements as follows:

	Government-Wide Statement of Net Position	Component Unit	Total
Pooled cash and investments	\$ 12,195,036	\$ 209,829	\$ 12,404,865
Restricted assets	3,695,850	-	3,695,850
	<u>\$ 15,890,886</u>	<u>\$ 209,829</u>	<u>\$ 16,100,715</u>

Investment Policy

Missouri state statutes authorize the City, with certain restrictions, to deposit or invest in open accounts, time deposits, U.S. Treasury notes, and certificates of deposit. Statutes also require that collateral pledged must have a fair value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the City or a disinterested third party and must be of the kind prescribed by state statutes and approved by the State of Missouri.

The City maintains a cash and investment pool, which is available for use by most funds. Substantially all excess cash is invested in repurchase agreements, certificates of deposit, brokered CD's and money market funds. Each fund's portion of this pool is displayed as pooled cash and investment balances. Only enterprise funds with overdrawn balances are charged for interest. Cash and investments are held separately by some of the City's funds. Additionally, certain restricted assets, related to bond ordinances and indentures and capital lease certificates, are held in escrow by financial institutions' trust departments.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Deposits and Investments (Continued)

Credit Risk

The credit risk for deposits and investments is the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. It is the City's policy to limit its investments to certificates of deposits, bonds or other obligations of the United States, and other debt securities given the highest available rating by Moody's Investor Service. At June 30, 2019, the City's investments were limited to short-term money market funds held by bond trustees in accordance with certain bond indentures and brokered CDs, which are not subject to such credit risks.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy is to collateralize all deposits and repurchase agreements with securities held by the financial institution's agent and in the City's name.

At June 30, 2019, the City's deposits and repurchase agreements were insured by federal depository insurance and uninsured deposits and repurchase obligations were fully collateralized by securities held in the City's name by their financial institution's agent. The City's securities were registered and held by the City's financial institution in the City's name. Accordingly, management has determined that none of the City's deposits or investments were exposed to custodial credit risk as of June 30, 2019.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City is not exposed to significant interest rate risk.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Deposits and Investments (Continued)

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. At June 30, 2019, the City's investments were limited to short-term money market funds held by bond trustees in accordance with certain bond indentures and certificates of deposit, which are not subject to such risks.

Investments

As of June 30, 2019, the City had the following investments:

Investment Type	Fair Value	Investment Maturity in Years			
		Less Than 1	1 - 5	6 - 10	More than 10
Brokered CDs	\$ 4,945,000	\$ 3,959,000	\$ 986,000	\$ -	\$ -

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. For the year ended June 30, 2019, the brokered certificates of deposit were valued using pricing of similar assets in markets that are not active (Level 2 input).

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5 - Interlocal Agreement – North Kansas City School District

The City entered into a cooperation and use agreement with the North Kansas City School District (the District) related to mutual use of the natatorium facility included in the City's community center. The agreement requires that the District pay the City an annual user fee of \$ 525,000 beginning February 1, 2007 and continuing through February 1, 2026. These funds will be used by the City for portions of the debt service requirements of the 2006-A certificates of participation (see Note 8) used to construct the facility. In 2016, the City refunded the 2006-A certificates of participation with proceeds from the 2015 certificates of participation; therefore, future funds received from the District will be used by the City for portions of the debt service requirements of the 2015 certificates of participation. The agreement provides that the District has the option to receive, at no additional charge, a one-fourth ownership interest in the natatorium on the fifth anniversary of the agreement, and a one-half ownership interest on the tenth anniversary of the agreement. The District has not yet exercised any ownership interest options. As of June 30, 2019, the total annual user fees due to the City through the agreement are receivable as follows:

Year Ending June 30,	Total
2020	\$ 525,000
2021	525,000
2022	525,000
2023	525,000
2024	525,000
2025 - 2026	1,050,000
	<hr/>
	3,675,000
Less interest	(691,136)
	<hr/>
Net present value	\$ 2,983,864
	<hr/>

The total present value of the agreement is recorded on the City's fund financial statements as Interlocal Agreement Receivable and Deferred Inflows – Unavailable Revenue in the Community Center and Parks Tax Fund.

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Leases

The City has lease agreements with multiple wireless telecommunications providers for space on City-owned water towers, which provide for monthly lease payments. The estimated cost of the water towers is \$ 212,000. This amount is included in capital assets of the City, and the related capital assets have been fully depreciated. The following is a schedule of minimum future rentals on the cellular antenna leases.

Year Ending June 30,	Guaranteed	Lessees' Options	Total
2020	\$ 150,190	\$ 115,886	\$ 266,076
2021	-	274,133	274,133
2022	-	281,391	281,391
2023	-	288,904	288,904
2024	-	299,659	299,659
2025 - 2029	-	1,421,117	1,421,117
2030 - 2034	-	636,647	636,647
2035 - 2039	-	484,492	484,492
Total minimum future rentals	<u>\$ 150,190</u>	<u>\$ 3,802,229</u>	<u>\$ 3,952,419</u>

The City has a lease agreement with a local business for space in a City-owned building, which provides for monthly lease payments. The lease contains renewal options for three, five or seven years. The building has a cost of \$ 835,397 as of June 30, 2019, with \$ 111,386 of accumulated depreciation. The following is a schedule of minimum future rentals on the building.

Year Ending June 30,	Total
2020	\$ 37,400
2021	41,800
2022	45,100
2023	23,100
Total minimum future lease income	<u>\$ 147,400</u>

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

7 - Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and land rights	\$ 9,008,851	\$ 765,291	\$ -	\$ 9,774,142
Construction in progress	8,757,618	6,054,750	(4,341,094)	10,471,274
Total capital assets, not being depreciated	<u>17,766,469</u>	<u>6,820,041</u>	<u>(4,341,094)</u>	<u>20,245,416</u>
Capital assets, being depreciated:				
Buildings	33,836,324	2,858,489	-	36,694,813
Improvements	13,422,155	362,626	-	13,784,781
Machinery and equipment	11,309,300	277,716	-	11,587,016
Infrastructure	164,993,087	1,151,916	-	166,145,003
Total capital assets being depreciated	<u>223,560,866</u>	<u>4,650,747</u>	<u>-</u>	<u>228,211,613</u>
Less accumulated depreciation for:				
Buildings	10,619,975	1,351,665	-	11,971,640
Improvements	7,083,537	658,121	-	7,741,658
Machinery and equipment	8,434,316	915,872	-	9,350,188
Infrastructure	136,083,031	2,098,030	-	138,181,061
Total accumulated depreciation	<u>162,220,859</u>	<u>5,023,688</u>	<u>-</u>	<u>167,244,547</u>
Total capital assets being depreciated, net	<u>61,340,007</u>	<u>(372,941)</u>	<u>-</u>	<u>60,967,066</u>
Governmental activities capital assets, net	<u>\$ 79,106,476</u>	<u>\$ 6,447,100</u>	<u>\$ (4,341,094)</u>	<u>\$ 81,212,482</u>

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land, water and sewer easements	\$ 412,258	\$ -	\$ -	\$ 412,258
Construction in progress	339,030	471,970	(787,987)	23,013
Total capital assets, not being depreciated	<u>751,288</u>	<u>471,970</u>	<u>(787,987)</u>	<u>435,271</u>
Capital assets, being depreciated:				
Buildings	5,589,851	-	-	5,589,851
Infrastructure	35,320,014	787,987	-	36,108,001
Machinery and equipment	2,326,501	121,619	(55,787)	2,392,333
Total capital assets being depreciated	<u>43,236,366</u>	<u>909,606</u>	<u>(55,787)</u>	<u>44,090,185</u>
Less accumulated depreciation for:				
Buildings	3,656,618	91,883	-	3,748,501
Infrastructure	15,763,243	797,614	-	16,560,857
Machinery and equipment	1,739,668	125,624	(55,787)	1,809,505
Total accumulated depreciation	<u>21,159,529</u>	<u>1,015,121</u>	<u>(55,787)</u>	<u>22,118,863</u>
Total capital assets being depreciated, net	<u>22,076,837</u>	<u>(105,515)</u>	<u>-</u>	<u>21,971,322</u>
Business-type activities capital assets, net	<u>\$ 22,828,125</u>	<u>\$ 366,455</u>	<u>\$ (787,987)</u>	<u>\$ 22,406,593</u>

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

Governmental activities:	
General administration	\$ 214,418
Finance	243,220
Public safety	982,580
Public works	2,416,374
Community development	475,577
Parks and recreation	<u>691,519</u>
Total depreciation expense for governmental activities	<u>\$ 5,023,688</u>
Business-type activities:	
Combined waterworks and sewerage system	<u>\$ 1,015,121</u>

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt

Change in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,000,000	\$ -	\$ 200,000	\$ 800,000	\$ 200,000
Certificates of participation	21,283,262	-	1,469,370	19,813,892	1,539,825
Plus (less):					
Premium on issuance	219,213	-	16,863	202,350	-
Compensated absences	2,837,470	870,961	917,694	2,790,737	917,694
Total OPEB liability	506,571	-	182,322	324,249	-
Direct borrowings and placements:					
Capital leases	15,053,972	-	1,042,574	14,011,398	1,089,954
DNR loan payable	456,375	-	76,579	379,796	79,673
Bank loans payable	1,321,377	-	-	1,321,377	1,055,000
Governmental activities long-term liabilities	<u>\$ 42,678,240</u>	<u>\$ 870,961</u>	<u>\$ 3,905,402</u>	<u>\$ 39,643,799</u>	<u>\$ 4,882,146</u>
Business-type activities:					
Certificates of participation	\$ 1,479,172	\$ -	\$ 232,438	\$ 1,246,734	\$ 237,900
LAGERS net pension liability	60,123	-	37,497	22,626	-
Total OPEB liability	142,879	-	66,821	76,058	-
Compensated absences	154,008	71,433	86,626	138,815	86,626
Direct borrowings and placements:					
Revenue bonds	2,800,000	-	525,000	2,275,000	550,000
Capital leases	1,130,999	-	124,499	1,006,500	106,913
Business-type activities long-term liabilities	<u>\$ 5,767,181</u>	<u>\$ 71,433</u>	<u>\$ 1,072,881</u>	<u>\$ 4,765,733</u>	<u>\$ 981,439</u>

For the governmental activities, compensated absences, the LAGERS net pension liability and the total OPEB liability are generally liquidated by the General Fund.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

Governmental activities long-term debt is comprised of the following:

Certificates of participation:

\$ 196,154 2013 Certificates of Participation (tax-exempt) due in annual installments of \$ 19,370 to \$ 21,755 through July 15, 2023; interest - 2.35%	\$ 103,892
\$ 23,510,000 2015 Certificates of Participation (tax-exempt) due in annual installments of \$ 1,450,000 to \$ 1,880,000 through June 1, 2031; interest - 2.00% to 3.625%	19,710,000
	<u>19,813,892</u>
Premium on issuance	<u>202,350</u>
Total certificates of participation	20,016,242

General obligation bonds:

\$ 2,000,000 2010 Taxable General Obligation Street Improvement Bonds, Build America Recovery Zone Economic Development Bonds - Direct Pay due in annual installments of \$ 200,000 through March 1, 2023; interest - 3.35% to 4.45%	800,000
Capital leases	14,011,398
Compensated absences	2,790,737
Total OPEB liability	324,249
DNR loan payable	379,796
Bank loans payable	<u>1,321,377</u>
Total governmental activities long-term debt	39,643,799
Less amounts due within one year	<u>(4,882,146)</u>
Total governmental activities long-term debt due in more than one year	<u><u>\$ 34,761,653</u></u>

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

8 - Long-Term Debt (Continued)

Business-type activities long-term debt is comprised of the following:

Revenue bonds:

\$ 5,000,000 - 2010A Taxable Combined Waterworks and Sewerage System Revenue Bonds, Build America Recovery Zone Economic Development Bonds - Direct Pay due in annual installments of \$ 500,000 to \$ 585,000 through June 1, 2023; interest - 3.25% to 4.75%	\$ 2,275,000
--	--------------

Certificates of participation:

\$ 2,353,846 2013 Certificates of Participation (tax-exempt) due in annual installments of \$ 232,438 to \$ 261,063 through July 15, 2023; interest - 2.35%	1,246,734
---	-----------

Capital leases	1,006,500
Compensated absences	138,815
Total OPEB liability	76,058
LAGERS net pension liability	22,626

Total business-type activities long-term debt	4,765,733
Less amounts due within one year	(981,439)

Total business-type activities due in more than one year	\$ 3,784,294
--	--------------

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

The annual debt service requirements to amortize all debt outstanding as of June 30, 2019 exclusive of compensated absences, bond issuance premium, the LAGERS net pension liability, and the total OPEB liability are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities		Total Primary Government	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 3,964,452	\$ 1,126,997	\$ 894,813	\$ 164,228	\$ 4,859,265	\$ 1,291,225
2021	3,258,002	1,009,139	917,999	132,400	4,176,001	1,141,539
2022	3,113,111	906,794	937,440	97,163	4,050,551	1,003,957
2023	3,036,949	822,723	890,950	61,256	3,927,899	883,979
2024	2,644,203	733,008	309,303	26,097	2,953,506	759,105
2025 - 2029	12,822,578	2,435,902	266,313	74,773	13,088,891	2,510,675
2030 - 2034	6,775,583	507,166	231,361	29,218	7,006,944	536,384
2035 - 2039	711,585	32,824	80,055	3,693	791,640	36,517
	<u>\$ 36,326,463</u>	<u>\$ 7,574,553</u>	<u>\$ 4,528,234</u>	<u>\$ 588,828</u>	<u>\$ 40,854,697</u>	<u>\$ 8,163,381</u>

The Missouri State Constitution permits a city, by vote of two-thirds of the voting electorate, to incur general obligation indebtedness for “city purposes” not to exceed 10% of the assessed value of taxable tangible property. State statutes permit a city to incur additional general obligation indebtedness not to exceed, in the aggregate, an additional 10% of the assessed value of taxable tangible property. The purposes of this debt may be for acquiring rights-of-way, construction, extending and improving streets and avenues, and/or sanitary or storm sewer systems, and purchasing or constructing waterworks, electric or other light plants. This is provided that the total general obligation indebtedness of the City does not exceed 20% of the assessed valuation of taxable property.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

Restricted Assets

The Combined Waterworks and Sewerage System Revenue Bond Series 2010 ordinance requires the Combined Waterworks and Sewerage System be accounted for in a separate enterprise fund. It also requires that after sufficient current assets have been set aside to operate the system, all remaining monies held in the Combined Waterworks and Sewerage System Fund be segregated and restricted in separate special reserves and accounts as follows:

<u>Account</u>	<u>Restriction</u>
Reserve	Portions of the bond proceeds used to make reserve equal to \$ 250,000.
Depreciation and replacement	Monthly transfer of \$ 5,000 until reserve reaches \$ 120,000.
Surplus	All remaining monies, after payment of monthly operating expenses.

In accordance with the trust indenture, the City has obtained a surety bond in lieu of maintaining reserve accounts for the 2015 Certificates of Participation.

The City's restricted assets at year-end are as follows:

	<u>General</u>	<u>Community Center and Parks Tax</u>	<u>Transportation Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Combined Waterworks and Sewerage System</u>	<u>Total</u>
Restricted cash	\$ 122,655	\$ 242,710	\$ 1,850,310	\$ 384,515	\$ 725,660	\$ 3,325,850
Revenue bond:						
Reserve fund	-	-	-	-	250,000	250,000
Depreciation/replacement	-	-	-	-	120,000	120,000
	<u>\$ 122,655</u>	<u>\$ 242,710</u>	<u>\$ 1,850,310</u>	<u>\$ 384,515</u>	<u>\$ 1,095,660</u>	<u>\$ 3,695,850</u>

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

Capital Leases

The City acquired nine pieces of equipment for governmental activities and two pieces of equipment for business-type activities under a capital lease. To account for the governmental activities portion of the financing lease, the City charges payments made during the fiscal period as debt service in the governmental fund financial statements. In the year that the assets are acquired, the City records the present value of future lease payments as a capital outlay expenditure and as an offsetting other-financing source in the governmental fund financial statements. The present value of payments due in the future periods is shown as a liability, and the gross amount of \$ 708,943 is recorded as a capital asset, net of accumulated depreciation of \$ 387,390 in the governmental activities column of the government-wide financial statements. For business-type activities, the gross amount of \$ 478,531 is recorded as a capital asset, net of accumulated depreciation of \$ 208,539 in the proprietary fund financial statements and the business-type activities column of the government-wide financial statements. Land acquired by capital leases in the amount of \$ 1,817,375 is recorded as a capital asset in the governmental activities column of the government-wide financial statements.

In 2018, the City entered into a master equipment lease purchase agreement in the amount of \$ 7,132,000 to fund park improvements, energy savings improvements and public works improvements. As of June 30, 2019, the City has expended \$ 4,058,846 on the energy savings project, \$ 200,942 on park improvements and \$ 1,041,519 on public works improvements. These assets are recorded in construction in progress.

In 2018, the City entered into a second master equipment lease purchase agreement in the amount of \$ 3,988,000 that refunded the Series 2011 Certificates of Participation, a portion of the proceeds of which were used to finance certain equipment. The City will purchase this refinanced equipment through the new capital lease. The refinanced equipment consists of an emergency services radio system and fire truck. Refinanced equipment in the amount of \$ 2,068,725 is recorded as a capital asset, net of accumulated depreciation of \$ 1,654,980 in the governmental activities column of the government-wide financial statements.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

Capital Leases (Continued)

As of June 30, 2019, the minimum obligations under the capital lease agreement are included in the government-wide financial statements of the annual debt service requirements as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2020	\$ 1,516,974	\$ 136,256
2021	1,516,780	136,263
2022	1,545,222	137,305
2023	1,399,689	72,220
2024	1,127,313	68,201
2025 - 2029	5,640,369	341,087
2030 - 2034	3,882,752	260,580
2035 - 2039	744,414	83,747
Less: interest	<u>(3,362,115)</u>	<u>(229,159)</u>
Total	<u><u>\$ 14,011,398</u></u>	<u><u>\$ 1,006,500</u></u>

DNR Loan Payable

The City entered into a loan agreement with the Missouri Department of Natural Resources in the amount of \$ 1,092,693 plus interest of 4.0% to finance building improvements at the Community Center. The agreement requires semi-annual payments of \$ 47,038 until August 1, 2023, which includes interest.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Long-Term Debt (Continued)

Bank Loans Payable

The City restructured two previously short-term notes for the purpose of funding various capital improvement projects into long-term loans payable. The land loan is due June 30, 2020 and bears interest at 3%. The farm loan is due June 5, 2021 and bears interest at 2.75%.

	Balance at June 30, 2018	Additions	Retirements	Balance at June 30, 2019
Land loan note	\$ 1,055,000	\$ -	\$ -	\$ 1,055,000
Farm loan note	266,377	-	-	266,377
	<u>\$ 1,321,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,321,377</u>

Utility Revenues Pledged

The City has pledged future water and sewer customer revenues, net of specified operating expense, to repay \$ 5,725,000 in Combined Waterworks and Sewerage System Revenue bonds issued in December 2010. Proceeds from the bonds provided financing for the construction of certain extensions and improvements to the system. The bonds are payable solely from water and sewer customer net revenues and are payable through 2023. Principal and interest remaining to be paid on the bonds is \$ 2,545,412. Principal and interest paid for the current year and net available revenue were \$ 651,850 and \$ 869,774, respectively.

9 - Cooperative Agreement for Sewerage Service

In August 1964, the City entered into a cooperative agreement for sewer service with the City of Kansas City, Missouri (Kansas City), whereby the City was given the right to discharge its sewerage into the sewers of Kansas City. In addition, the City is to pay monthly commodity and service charges. A total of \$ 4,783,875 was expensed in 2019.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Employees' Retirement System

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Employees' Retirement System (Continued)

General Information about the Pension Plan (Continued)

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

	<u>February 28, 2019 Valuation</u>
Benefit program	L-6
Final average salary	Five years
Member contributions	4%

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

Employees covered by benefit terms. At June 30, 2019, the following employees were covered by the benefit terms:

	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	133
Inactive employees entitled to but not yet receiving benefits	86
Active employees	<u>167</u>
	<u><u>386</u></u>

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Employees' Retirement System (Continued)

General Information about the Pension Plan (Continued)

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer contribute 4% of their gross pay to the pension plan. Employer contribution rates are 12.3% (General), 11.6% (Police) and 10.5% (Fire) of annual covered payroll.

Net Pension Liability (Asset)

The employer's net pension liability (asset) was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of February 28, 2019.

Actuarial assumptions. The total pension liability in the February 28, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% price inflation
Salary increase	3.25% to 6.55% including inflation component
Investment rate of return	7.25%, net of investment expenses

Mortality rates were based on the RP-2014 mortality table for males and females adjusted for mortality improvement back to the observation period base year of 2006.

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Employees' Retirement System (Continued)

Net Pension Liability (Asset) (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed Income	31.00%	1.41%
Real Assets/Return	36.00%	3.29%
Strategic	8.00%	5.25%
Cash	10.00%	0.00%
Leverage	-35.00%	-0.51%

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

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Employees' Retirement System (Continued)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 6/30/2018	\$ 58,153,243	\$ 59,579,645	\$ (1,426,402)
Changes for the year:			
Service cost	1,141,810	-	1,141,810
Interest	4,150,517	-	4,150,517
Difference between expected and actual experience	(797,387)	-	(797,387)
Contributions - employer	-	1,069,080	(1,069,080)
Contributions - employee	-	348,941	(348,941)
Net investment income	-	3,926,086	(3,926,086)
Benefit payments, including refunds	(2,983,480)	(2,983,480)	-
Administrative expense	-	(40,807)	40,807
Other changes	-	(110,291)	110,291
Net changes	1,511,460	2,209,529	(698,069)
Balances at 6/30/2019	\$ 59,664,703	\$ 61,789,174	\$ (2,124,471)

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Employees' Retirement System (Continued)

Changes in the Net Pension Liability (Asset) (Continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability (asset) would be using a discount rate that is 1 percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total pension liability	\$ 68,096,692	\$ 59,664,703	\$ 52,758,068
Plan fiduciary net position	61,789,174	61,789,174	61,789,174
Net pension liability (asset)	<u>\$ 6,307,518</u>	<u>\$ (2,124,471)</u>	<u>\$ (9,031,106)</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued LAGERS financial report.

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

For the year ended June 30, 2019, the City recognized pension expense of \$ 1,425,672. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 655,659	\$ (1,159,680)
Changes in assumptions	348,917	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>(1,466,699)</u>
Total	<u>\$ 1,004,576</u>	<u>\$ (2,626,379)</u>

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Employees' Retirement System (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)

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

Year Ending June 30,	Total
2020	\$ 55,946
2021	(893,904)
2022	(639,140)
2023	(44,573)
2024	(39,006)
Thereafter	(61,126)
Total	<u>\$ (1,621,803)</u>

11 - Post-Employment Benefits Other Than Pensions (OPEB)

Plan Description, Benefits Provided and Contributions. The City provides for a continuation of medical, prescription drug, hearing and vision insurance benefits to employees that retire from City employment and who participate in the Missouri Local Government Employees Retirement System (LAGERS). The City provides retiree healthcare benefits through the Midwest Public Risk of Missouri (MPR), which is a risk pool comprised of approximately 59 entity members. MPR functions as an agent multiple-employer plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The plan does not issue a stand-alone report.

The City requires the retirees to pay 135% of the premiums charged to active employees. Effective July 1, 2019, this rate was changed to 145%. The rates being paid by retirees for benefits are typically lower than those for individual health insurance policies. (The retiree insurance is guaranteed issue; no medical questionnaire is required.) The difference between these amounts is the implicit rate subsidy, which is considered other post-employment benefits (OPEB) under Governmental Accounting Standards Board (GASB) Statement No. 75.

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

Retirees and spouses have the same benefits as active employees. However, all retiree coverage terminates upon Medicare entitlement or if payment is not received on a timely basis. When the retiree attains Medicare eligibility age, it may be a COBRA qualifying event for the spouse.

Funding Policy. GASB Statement 75 does not require funding of the total OPEB liability, and the City has chosen not to fund it. City policy dictates the payment of retiree claims as they become due.

Employees Covered by Benefit Terms. At June 30, 2019, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefit payments	18
Active employees	<u>177</u>
	<u><u>195</u></u>

Total OPEB Liability. The City's total OPEB liability of \$ 400,307 was measured as of June 30, 2019 and was determined by an actuarial valuation performed as of July 1, 2017.

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

11 - Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

Actuarial Assumptions and Other Inputs. The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Discount rate	3.0% end of year and 3.30% beginning of year, based on the average of the S&P Municipal Bond 20 Year High Grade and Fidelity GO AA-20 Year published yields
Medical/Rx cost trend (and retiree contribution trend)	7.50% for 2018, decreasing 0.50% per year through 2021, then decreasing 0.25% per year to an ultimate rate of 5.00% for 2025 and later years
Salary scale	3%
Future retiree enrollment	Participation in coverage for future eligible retirees is assumed to differ based on age at retirement. Rates consider MPR plan experience and other plans in the region with similar cost-sharing provisions. 25% enrollment is assumed for those retiring before age 55. 35% enrollment is assumed for those retiring from age 55 to 59. 45% enrollment is assumed for those retiring from age 60 to 64. 50% of the listed rates are assumed to apply to those currently waiving health insurance coverage.
Medical plan elections	Based on a weighting of current plan elections, the average is valued for projected retirees.
Mortality	Society of Actuaries RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted Mortality table with MP-2019 Full Generational Improvement
Retirement due to disability	Assumed disability rates are based on rates used for the LAGERS pension actuarial valuation.
Future spousal participation	25% of future participating retirees are assumed to have a covered spouse. Actual spouse elections were valued for current retirees.
Spouse age difference	Males are assumed to be three years older than their female spouses for future retirees. Actual spouse age was valued for spouses of current retirees.
Actuarial cost method	Entry Age Normal - Level Percent-of-Pay

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

Changes in the Total OPEB Liability.

	Total OPEB Liability
Balance at June 30, 2018	\$ 649,450
Changes for the year:	
Service cost	43,360
Interest	22,170
Changes of benefit terms	(120,472)
Differences between expected and actual experience	(168,357)
Changes in assumptions and inputs	16,156
Employer contributions	(42,000)
Net changes	(249,143)
Balance at June 30, 2019	\$ 400,307

Several changes to assumptions are reflected above. The discount rate was changed from 3.4% to 3.3% and 3.0% for the beginning and end of year measurements, respectively. The actuarial cost method was changed from the Projected Unit Credit Method to Entry Age Normal – Level Percent-of-Pay Method as mandated by GASB 75. The assumed proportion of future employees electing retiree insurance coverage was lowered from 30% (retirement ages <55), 40% (retirement ages 55 to 59) and 50% (retirement ages 60 to 64) to 25%, 35%, and 45%, respectively.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.0%)	Discount Rate (3.0%)	1% Increase (4.0%)
Total OPEB liability	\$ 437,922	\$ 400,307	\$ 366,485

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following represents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.5% Grading to 4%)	Healthcare Cost Trend Rates (7.5% Grading to 5%)	1% Increase (8.5% Grading to 6%)
Total OPEB liability	\$ 362,192	\$ 400,307	\$ 444,841

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2019, the City recognized OPEB expense of \$ (67,893). At June 30, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (165,198)
Changes in assumptions	19,314	-
Total	<u>\$ 19,314</u>	<u>\$ (165,198)</u>

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Post-Employment Benefits Other Than Pensions (OPEB) (Continued)

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

Year Ended June 30,	
<u> </u>	
2020	\$ (12,951)
2021	(12,951)
2022	(12,951)
2023	(12,951)
2024	(12,951)
Thereafter	<u>(81,129)</u>
	<u><u>\$ (145,884)</u></u>

12 - Interfund Activity

Interfund transfers for the year ended June 30, 2019 consisted of the following:

	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Funds:		
General	\$ 333,338	\$ 106,012
Community Center and Parks Tax	-	749,500
Transportation Sales Tax	100,000	100,000
Nonmajor governmental	<u>755,512</u>	<u>233,338</u>
	<u><u>\$ 1,188,850</u></u>	<u><u>\$ 1,188,850</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the fund paying debt service, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF GLADSTONE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12 - Interfund Activity (Continued)

The Combined Waterworks and Sewer System Fund reimbursed the General Fund for administrative services in the amount of \$ 1,085,000 during fiscal year 2019. The Capital Improvement Sales Tax Fund and the Transportation Sales Tax Fund reimbursed the General Fund for administrative services in the amount of \$ 100,000 each during fiscal year 2019. Any reimbursements within the governmental funds have been eliminated in the statement of activities.

13 - Commitments and Contingencies

Risk Management

The City is exposed to various risks of loss related to torts; damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits.

The City is a member of the Midwest Public Risk of Missouri (MPR), a not-for-profit corporation consisting of local governments and political subdivisions. MPR was formed as a public entity risk retention pool operating as a common risk management and insurance program to cover health and dental, workers' compensation, and property and casualty claims for its members. MPR has been established as assessable pools and accounting records are maintained for each line of coverage on a policy year basis. The City pays annual premiums to MPR for all coverage. The agreement with MPR provides that MPR will be self-sustaining through member premiums. MPR has the authority to assess members for any deficiencies of revenues under expense for any single plan year. Likewise, MPR has the authority to declare refunds to members for the excess of revenues over expense relating to any single plan year. Losses have not been in excess of premiums in any of the past three fiscal years for the workers compensation, property and casualty programs.

Construction Commitments

As of June 30, 2019, the City had construction commitments outstanding totaling approximately \$ 3,337,000.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

13 - Commitments and Contingencies (Continued)

Industrial Revenue Bonds

The City has issued industrial revenue bonds to finance the purchase of land and construction of facilities leased to local businesses. The lease agreements provide for rentals sufficient to service the related bonds. The debt service on these issues is paid solely from lease agreements; these issues do not constitute a debt of the City. The lessees have the option of purchasing the leased properties at any time during the lease periods for amounts sufficient to retire the related outstanding bonds. At the end of the lease periods, which conform to bond maturity schedules, the lessees may either purchase the property for a nominal amount or renew the leases annually at nominal amounts. As of June 30, 2019, the amount approved to be borrowed was \$ 60,370,000, of which \$ 56,958,796 had been drawn down.

14 - Municipal Court Traffic Violations, Fines and Costs

Missouri Senate Bill No. 5 replacing RSMo Section 302.341 became effective on August 28, 2015. The Statute requires municipalities to report total annual revenue; general operating revenue; total revenue from fines, bond forfeitures and court costs for minor traffic violations; and the percent of general operating revenue from fines, bond forfeitures and court costs for minor traffic violations as defined by section 479.350. Total revenue for the City for fiscal year 2019 totaled \$ 38,627,215. Total general operating revenue totaled \$ 18,235,814. Revenue from fines, bond forfeitures and court costs for minor traffic violations totaled \$ 382,918 or 2.1% of the operating revenues of the general fund.

CITY OF GLADSTONE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

15 - Tax Abatements

The City of Gladstone, Missouri and Clay County, Missouri enter into property tax abatement agreements with local businesses for the purpose of attracting businesses within their jurisdictions. These agreements impact local municipalities, including the City. For the fiscal year ended June 30, 2019, abated property taxes that impacted the City totaled \$ 120,639, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A property tax abatement to a real estate development, construction, and property management company. The City's portion of the abatement amounted to \$ 47,322.
- A property tax abatement to a commercial real estate broker and property management company. The City's portion of the abatement amounted to \$ 20,474.
- A property tax abatement to a real estate development and property management company. The City's portion of the abatement amounted to \$ 52,843.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 10,958,050	\$ 11,163,050	\$ 10,864,876	\$ (298,174)
Licenses and permits	702,550	682,550	593,705	(88,845)
Intergovernmental	1,341,500	1,371,500	1,362,035	(9,465)
Charges for services	3,274,100	3,758,100	3,797,228	39,128
Fines and forfeitures	959,500	754,500	691,486	(63,014)
Interest and other	830,500	897,500	929,710	32,210
Total revenues	18,066,200	18,627,200	18,239,040	(388,160)
Expenditures:				
Current:				
General administration	1,366,603	1,398,603	1,259,288	139,315
Finance	1,529,243	1,568,783	1,462,817	105,966
Public safety	8,335,513	8,360,513	8,225,630	134,883
Public works	2,378,188	2,436,688	2,382,978	53,710
Community development	816,603	805,103	732,880	72,223
Parks, recreation and facilities	2,490,196	2,898,371	2,825,986	72,385
Nondepartmental	880,976	890,976	1,096,394	(205,418)
Debt service	339,980	339,980	317,646	22,334
Total expenditures subject to budget	18,137,302	18,699,017	18,303,619	395,398
Excess (deficiency) of revenues over (under) expenditures	(71,102)	(71,817)	(64,579)	7,238
Other financing sources (uses):				
Transfers in	206,012	206,012	106,012	(100,000)
Transfers out	(130,000)	(130,000)	(333,338)	(203,338)
Total other financing sources (uses)	76,012	76,012	(227,326)	(303,338)
Net change in fund balances	\$ 4,910	\$ 4,195	(291,905)	\$ (296,100)
Fund balances, beginning of year			6,300,832	
Fund balances, end of year - General Fund only			6,008,927	
Fund balances for non-budgeted funds included with the General Fund on GAAP basis financials:				
Assistance to Firefighters			419	
POST Training Funds			5,621	
Bullet Proof Vest			256	
Police County Grant			838	
Municipal Court Reimbursements			583	
Private Contributions			6,613	
			\$ 6,023,257	

Note to Required Supplementary Information:

GAAP is the budgetary basis used to prepare this schedule.

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

COMMUNITY CENTER AND PARKS TAX FUND

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 874,000	\$ 874,000	\$ 858,104	\$ (15,896)
Intergovernmental	700,000	700,000	700,000	-
Charges for services	1,312,325	1,304,825	1,505,772	200,947
Interest and other	309,700	305,700	61,329	(244,371)
Total revenues	<u>3,196,025</u>	<u>3,184,525</u>	<u>3,125,205</u>	<u>(59,320)</u>
Expenditures:				
Current:				
Parks and recreation	1,851,257	1,944,901	1,882,905	61,996
Nondepartmental	143,549	143,549	117,767	25,782
Capital outlay	-	-	31,937	(31,937)
Debt service	2,137,590	2,137,590	2,138,045	(455)
Total expenditures	<u>4,132,396</u>	<u>4,226,040</u>	<u>4,170,654</u>	<u>55,386</u>
Excess (deficiency) of revenues over (under) expenditures	(936,371)	(1,041,515)	(1,045,449)	(3,934)
Other financing sources:				
Transfers in	<u>936,585</u>	<u>1,041,515</u>	<u>749,500</u>	<u>(292,015)</u>
Net change in fund balances	<u>\$ 214</u>	<u>\$ -</u>	<u>(295,949)</u>	<u>\$ (295,949)</u>
Fund balances, beginning of year			<u>1,895,397</u>	
Fund balances, end of year			<u>\$ 1,599,448</u>	

Note to Required Supplementary Information:

GAAP is the budgetary basis used to prepare this schedule.

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

LAST 10 FISCAL YEARS

<u>Fiscal year ending June 30,</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability					
Service cost	\$ 1,141,810	\$ 1,120,840	\$ 1,135,205	\$ 1,130,300	\$ 1,194,042
Interest on the total pension liability	4,150,517	3,940,199	3,762,152	3,508,824	3,420,115
Benefit changes	-	-	-	-	(205,015)
Difference between expected and actual experience	(797,387)	609,418	207,596	99,819	(781,702)
Assumption changes	-	-	-	1,423,577	-
Benefit payments	(2,983,480)	(2,583,146)	(2,698,966)	(2,643,519)	(2,110,927)
Refunds	-	-	-	-	-
Net change in total pension liability	1,511,460	3,087,311	2,405,987	3,519,001	1,516,513
Total pension liability beginning	58,153,243	55,065,932	52,659,945	49,140,944	47,624,431
Total pension liability ending	<u>\$ 59,664,703</u>	<u>\$ 58,153,243</u>	<u>\$ 55,065,932</u>	<u>\$ 52,659,945</u>	<u>\$ 49,140,944</u>
Plan fiduciary net position					
Contributions-employer	\$ 1,069,080	\$ 1,027,899	\$ 943,117	\$ 960,661	\$ 1,173,376
Contributions-employee	348,941	351,038	341,893	352,610	358,742
Pension plan net investment income	3,926,086	6,531,803	5,854,999	(100,641)	1,067,162
Benefit payments	(2,983,480)	(2,583,146)	(2,698,966)	(2,643,519)	(2,110,927)
Refunds	-	-	-	-	-
Pension plan administrative expense	(40,807)	(27,914)	(26,886)	(26,162)	(28,800)
Other	(110,291)	(104,539)	(301,465)	300,878	(173,694)
Net change in plan fiduciary net position	2,209,529	5,195,141	4,112,692	(1,156,173)	285,859
Plan fiduciary net position beginning	59,579,645	54,384,504	50,271,812	51,427,985	51,142,126
Plan fiduciary net position ending	<u>\$ 61,789,174</u>	<u>\$ 59,579,645</u>	<u>\$ 54,384,504</u>	<u>\$ 50,271,812</u>	<u>\$ 51,427,985</u>
Employer net pension liability (asset)	<u>\$ (2,124,471)</u>	<u>\$ (1,426,402)</u>	<u>\$ 681,428</u>	<u>\$ 2,388,133</u>	<u>\$ (2,287,041)</u>
Plan fiduciary net position as a percentage of the total pension liability	103.56%	102.45%	98.76%	95.46%	104.65%
Covered payroll	\$ 8,440,679	\$ 8,938,358	\$ 8,402,538	\$ 8,724,094	\$ 8,673,804
Employer's net pension liability (asset) as a percentage of covered payroll	-25.17%	-15.96%	8.11%	27.37%	-26.37%

Note to Required Supplementary Information:

Data from fiscal year 2010 through fiscal year 2014 is unavailable.

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF CONTRIBUTIONS

PENSION PLAN

LAST 10 FISCAL YEARS

	2019	2018	2017
Actuarially determined contribution	\$ 1,066,219	\$ 1,028,238	\$ 943,053
Contributions in relation to the actuarially determined contribution	<u>1,066,181</u>	<u>1,019,461</u>	<u>943,052</u>
Contribution deficiency (excess)	<u>\$ 38</u>	<u>\$ 8,777</u>	<u>\$ 1</u>
Covered payroll	\$ 8,701,070	\$ 8,698,232	\$ 8,546,692
Contributions as a percentage of covered payroll	12.25%	11.72%	11.03%

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 960,730	\$ 1,197,337	\$ 1,267,715	\$ 1,299,311	\$ 1,128,523	\$ 1,175,968	\$ 799,805
<u>960,729</u>	<u>1,173,393</u>	<u>1,175,830</u>	<u>1,060,786</u>	<u>932,147</u>	<u>849,202</u>	<u>799,804</u>
<u>\$ 1</u>	<u>\$ 23,944</u>	<u>\$ 91,885</u>	<u>\$ 238,525</u>	<u>\$ 196,376</u>	<u>\$ 326,766</u>	<u>\$ 1</u>
\$ 8,815,888	\$ 8,968,735	\$ 9,064,676	\$ 8,852,298	\$ 8,495,651	\$ 8,487,339	\$ 8,877,498
10.90%	13.08%	12.97%	11.98%	10.97%	10.01%	9.01%

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Last Two Fiscal Years*

	2019	2018
Total OPEB liability:		
Service cost	\$ 43,360	\$ 49,710
Interest	22,170	26,067
Changes in benefit terms	(120,472)	(110,059)
Differences between actual and expected experience	(168,357)	(12,557)
Changes of assumptions	16,156	5,336
Employer contributions	(42,000)	(52,000)
Net change in total OPEB liability	(249,143)	(93,503)
Total OPEB liability, beginning	649,450	742,953
Total OPEB liability, ending	<u>\$ 400,307</u>	<u>\$ 649,450</u>
Covered payroll	\$ 8,241,207	\$ 8,689,809
City's total OPEB liability as a percentage of covered payroll	4.86%	7.47%

*GASB 75 requires the presentation of 10 years. Data was not available prior to fiscal year 2018. Therefore, 10 years of data is unavailable.

OTHER SUPPLEMENTARY INFORMATION

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

TRANSPORTATION SALES TAX FUND

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 1,710,000	\$ 1,710,000	\$ 1,716,225	\$ 6,225
Intergovernmental	308,000	308,000	780,906	472,906
Interest and other	10,000	10,000	10,130	130
Total revenues	<u>2,028,000</u>	<u>2,028,000</u>	<u>2,507,261</u>	<u>479,261</u>
Expenditures:				
Capital outlay	2,637,880	3,046,242	2,238,803	807,439
Debt service	556,900	556,900	561,820	(4,920)
Nondepartmental	100,000	100,000	219,081	(119,081)
Total expenditures	<u>3,294,780</u>	<u>3,703,142</u>	<u>3,019,704</u>	<u>683,438</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,266,780)</u>	<u>(1,675,142)</u>	<u>(512,443)</u>	<u>1,162,699</u>
Other financing sources (uses):				
Transfers in	100,000	200,000	100,000	(100,000)
Transfers out	(100,000)	(100,000)	(100,000)	-
Total other financing sources (uses)	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Net change in fund balances	<u>\$ (1,266,780)</u>	<u>\$ (1,575,142)</u>	<u>(512,443)</u>	<u>\$ 1,062,699</u>
Fund balances, beginning of year			<u>3,116,218</u>	
Fund balances, end of year			<u>\$ 2,603,775</u>	

CITY OF GLADSTONE, MISSOURI

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2019

	Special Revenue Funds					
	Special Park and Playground	Public Safety Sales Tax	N. Oak Land Lease	Pleasant Valley Road	Capital Improvement Sales Tax	Technology Replacement
Assets:						
Cash and investments	\$ 6,702	\$ 125,705	\$ 163,357	\$ 271,554	\$ 286,760	\$ 80,778
Receivables:						
Accounts	-	-	-	-	-	-
Taxes	-	133,377	-	-	266,771	-
Accrued interest	-	833	-	-	1,109	-
Prepaid items	-	400	-	-	-	-
Restricted assets:						
Cash and investments	-	-	-	-	217,441	-
Total assets	<u>\$ 6,702</u>	<u>\$ 260,315</u>	<u>\$ 163,357</u>	<u>\$ 271,554</u>	<u>\$ 772,081</u>	<u>\$ 80,778</u>
Liabilities and fund balances:						
Liabilities:						
Accounts payable	\$ -	\$ 19,776	\$ -	\$ 23,386	\$ 122,378	\$ -
Contracts payable	-	-	-	-	4,151	-
Accrued liabilities	-	17,627	-	-	-	-
Unearned revenue	-	-	-	491,208	-	-
Total liabilities	<u>-</u>	<u>37,403</u>	<u>-</u>	<u>514,594</u>	<u>126,529</u>	<u>-</u>
Fund balances:						
Nonspendable:						
Prepaid items	-	400	-	-	-	-
Restricted:						
Capital improvements	-	-	-	-	645,552	-
Public safety - operations	-	222,512	-	-	-	-
Land purchases	-	-	163,357	-	-	-
Committed:						
City parks and playgrounds	6,702	-	-	-	-	-
Assigned:						
Technology/equipment replacement	-	-	-	-	-	80,778
Unassigned	-	-	-	(243,040)	-	-
Total fund balances	<u>6,702</u>	<u>222,912</u>	<u>163,357</u>	<u>(243,040)</u>	<u>645,552</u>	<u>80,778</u>
Total liabilities and fund balances	<u>\$ 6,702</u>	<u>\$ 260,315</u>	<u>\$ 163,357</u>	<u>\$ 271,554</u>	<u>\$ 772,081</u>	<u>\$ 80,778</u>

Capital Projects Funds							
Equipment Replacement	2015 COP	2011 COP	AMR COP	Community Center Renovations	Economic Development	Animal Control Donation	Totals
\$ 103,627	\$ 43,656	\$ -	\$ -	\$ 6,124	\$ 14,011	\$ -	\$ 1,102,274
-	-	-	-	-	226	-	226
63,583	-	-	-	-	-	-	463,731
2,495	-	-	-	-	-	-	4,437
-	-	-	-	-	-	-	400
-	-	13,146	1,164	-	-	152,764	384,515
<u>\$ 169,705</u>	<u>\$ 43,656</u>	<u>\$ 13,146</u>	<u>\$ 1,164</u>	<u>\$ 6,124</u>	<u>\$ 14,237</u>	<u>\$ 152,764</u>	<u>\$ 1,955,583</u>
\$ -	\$ 7,414	\$ -	\$ -	\$ -	\$ 14,237	\$ -	\$ 187,191
-	-	13,146	-	-	-	-	17,297
-	-	-	-	-	-	-	17,627
-	-	-	-	-	-	-	491,208
-	7,414	13,146	-	-	14,237	-	713,323
-	-	-	-	-	-	-	400
-	36,242	-	1,164	6,124	-	152,764	841,846
-	-	-	-	-	-	-	222,512
-	-	-	-	-	-	-	163,357
-	-	-	-	-	-	-	6,702
169,705	-	-	-	-	-	-	250,483
-	-	-	-	-	-	-	(243,040)
<u>169,705</u>	<u>36,242</u>	<u>-</u>	<u>1,164</u>	<u>6,124</u>	<u>-</u>	<u>152,764</u>	<u>1,242,260</u>
<u>\$ 169,705</u>	<u>\$ 43,656</u>	<u>\$ 13,146</u>	<u>\$ 1,164</u>	<u>\$ 6,124</u>	<u>\$ 14,237</u>	<u>\$ 152,764</u>	<u>\$ 1,955,583</u>

CITY OF GLADSTONE, MISSOURI

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2019

	Special Revenue Funds					
	Special Park and Playground	Public Safety Sales Tax	N. Oak Land Lease	Pleasant Valley Road	Capital Improvement Sales Tax	Technology Replacement
Revenues:						
Taxes	\$ -	\$ 858,079	\$ -	\$ -	\$ 1,716,225	\$ -
Intergovernmental	-	-	-	348,231	-	-
Charges for services	250	-	-	-	75	-
Interest	-	9,368	-	-	60,351	-
Other	-	-	-	138,477	42,345	-
Total revenues	250	867,447	-	486,708	1,818,996	-
Expenditures:						
Current:						
Public safety	-	555,849	-	-	-	-
Public works	-	-	-	5,657	-	-
Community development	-	-	-	-	-	-
Nondepartmental	-	31,482	-	-	100,000	32,528
Capital outlay	-	96,800	-	540,827	691,278	-
Debt service:						
Principal	-	183,604	-	-	522,469	-
Interest and fiscal charges	-	22,508	-	-	248,703	-
Total expenditures	-	890,243	-	546,484	1,562,450	32,528
Excess (deficit) of revenues over (under) expenditures	250	(22,796)	-	(59,776)	256,546	(32,528)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(649,500)	(70,882)
Total other financing sources (uses)	-	-	-	-	(649,500)	(70,882)
Net changes in fund balances	250	(22,796)	-	(59,776)	(392,954)	(103,410)
Fund balances (deficit), beginning of year	6,452	245,708	163,357	(183,264)	1,038,506	184,188
Fund balances (deficit), end of year	\$ 6,702	\$ 222,912	\$ 163,357	\$ (243,040)	\$ 645,552	\$ 80,778

Capital Projects Funds							
Equipment Replacement	2015 COP	2011 COP	AMR COP	Community Center Renovations	Economic Development	Animal Control Donation	Totals
\$ 408,032	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,982,336
-	-	-	-	-	999	-	349,230
-	-	-	-	-	-	-	325
26,797	7,483	-	-	-	-	-	103,999
54,118	7,000	-	-	-	-	-	241,940
488,947	14,483	-	-	-	999	-	3,677,830
-	-	-	-	-	-	-	555,849
-	-	-	-	-	-	-	5,657
-	-	-	-	-	198,351	-	198,351
-	-	-	-	-	-	-	164,010
2,404,578	525,541	-	-	4,875	30,486	-	4,294,385
22,703	-	-	-	-	-	-	728,776
2,890	-	-	-	-	-	-	274,101
2,430,171	525,541	-	-	4,875	228,837	-	6,221,129
(1,941,224)	(511,058)	-	-	(4,875)	(227,838)	-	(2,543,299)
-	-	-	-	-	233,338	-	233,338
(35,130)	-	-	-	-	-	-	(755,512)
(35,130)	-	-	-	-	233,338	-	(522,174)
(1,976,354)	(511,058)	-	-	(4,875)	5,500	-	(3,065,473)
2,146,059	547,300	-	1,164	10,999	(5,500)	152,764	4,307,733
\$ 169,705	\$ 36,242	\$ -	\$ 1,164	\$ 6,124	\$ -	\$ 152,764	\$ 1,242,260

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

SPECIAL PARK AND PLAYGROUND FUND

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
Revenues:				
Lot fees	\$ 750	\$ 750	\$ 250	\$ (500)
Interest	15	15	-	(15)
Total revenues	<u>765</u>	<u>765</u>	<u>250</u>	<u>(515)</u>
Expenditures:				
Nondepartmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 765</u>	<u>\$ 765</u>	<u>250</u>	<u>\$ (515)</u>
Fund balances, beginning of year			<u>6,452</u>	
Fund balances, end of year			<u>\$ 6,702</u>	

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

PUBLIC SAFETY SALES TAX FUND

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 874,000	\$ 874,000	\$ 858,079	\$ (15,921)
Equity adjustment	44,086	71,686	-	(71,686)
Interest	4,500	4,500	9,368	4,868
Total revenues	<u>922,586</u>	<u>950,186</u>	<u>867,447</u>	<u>(82,739)</u>
Expenditures:				
Public safety	643,703	667,283	555,849	111,434
Nondepartmental	42,948	46,968	31,482	15,486
Capital outlay	-	-	96,800	(96,800)
Debt service	235,935	235,935	206,112	29,823
Total expenditures	<u>922,586</u>	<u>950,186</u>	<u>890,243</u>	<u>59,943</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(22,796)	<u>\$ (22,796)</u>
Fund balances, beginning of year			<u>245,708</u>	
Fund balances, end of year			<u>\$ 222,912</u>	

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

CAPITAL IMPROVEMENT SALES TAX FUND

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 1,710,000	\$ 1,710,000	\$ 1,716,225	\$ 6,225
Charges for services	-	-	75	75
Interest and other	8,000	8,000	102,696	94,696
Total revenues	<u>1,718,000</u>	<u>1,718,000</u>	<u>1,818,996</u>	<u>100,996</u>
Expenditures:				
Nondepartmental	100,000	100,000	100,000	-
Capital outlay	827,126	1,483,893	691,278	792,615
Debt service	741,205	741,205	771,172	(29,967)
Total expenditures	<u>1,668,331</u>	<u>2,325,098</u>	<u>1,562,450</u>	<u>762,648</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49,669</u>	<u>(607,098)</u>	<u>256,546</u>	<u>863,644</u>
Other financing sources (uses):				
Transfers in	400,000	400,000	-	(400,000)
Transfers out	(652,500)	(652,500)	(649,500)	3,000
Total other financing sources (uses)	<u>(252,500)</u>	<u>(252,500)</u>	<u>(649,500)</u>	<u>(397,000)</u>
Net change in fund balances	<u>\$ (202,831)</u>	<u>\$ (859,598)</u>	<u>(392,954)</u>	<u>\$ 466,644</u>
Fund balances, beginning of year			<u>1,038,506</u>	
Fund balances, end of year			<u>\$ 645,552</u>	

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

EQUIPMENT REPLACEMENT FUND

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 380,000	\$ 455,000	\$ 408,032	\$ (46,968)
Equity adjustment	-	1,520,000	-	(1,520,000)
Interest and other	78,000	100,500	80,915	(19,585)
Total revenues	<u>458,000</u>	<u>2,075,500</u>	<u>488,947</u>	<u>(1,586,553)</u>
Expenditures:				
Capital outlay	300,000	2,505,370	2,404,578	100,792
Debt service	29,815	29,815	25,593	4,222
Total expenditures	<u>329,815</u>	<u>2,535,185</u>	<u>2,430,171</u>	<u>105,014</u>
Excess (deficiency) of revenues over (under) expenditures	<u>128,185</u>	<u>(459,685)</u>	<u>(1,941,224)</u>	<u>(1,481,539)</u>
Other financing sources (uses):				
Transfers in	-	63,357	-	(63,357)
Transfers out	(313,500)	(35,130)	(35,130)	-
Total other financing sources (uses)	<u>(313,500)</u>	<u>28,227</u>	<u>(35,130)</u>	<u>(63,357)</u>
Net change in fund balances	<u>\$ (185,315)</u>	<u>\$ (431,458)</u>	<u>(1,976,354)</u>	<u>\$ (1,544,896)</u>
Fund balances, beginning of year			<u>2,146,059</u>	
Fund balances, end of year			<u>\$ 169,705</u>	

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
General administration:				
Personnel services	\$ 942,708	\$ 942,708	\$ 807,043	\$ 135,665
Supplies operation/maintenance	65,657	63,059	58,890	4,169
Services operation/maintenance	358,238	392,836	393,355	(519)
Total general administration	1,366,603	1,398,603	1,259,288	139,315
Finance:				
Personnel services	1,066,848	1,066,848	970,236	96,612
Supplies operation/maintenance	36,340	41,515	27,048	14,467
Services operation/maintenance	365,120	399,485	410,807	(11,322)
Capital	60,935	60,935	54,726	6,209
Total finance	1,529,243	1,568,783	1,462,817	105,966
Public safety:				
Personnel services	7,662,959	7,662,959	7,534,394	128,565
Supplies operation/maintenance	315,086	335,339	313,793	21,546
Services operation/maintenance	290,468	295,215	305,545	(10,330)
Capital	67,000	67,000	71,898	(4,898)
Total public safety	8,335,513	8,360,513	8,225,630	134,883
Public works:				
Personnel services	1,288,948	1,288,948	1,259,174	29,774
Supplies operation/maintenance	276,400	339,924	331,617	8,307
Services operation/maintenance	762,840	757,816	738,122	19,694
Capital	50,000	50,000	54,065	(4,065)
Total public works	2,378,188	2,436,688	2,382,978	53,710
Community development:				
Personnel services	644,179	644,179	655,384	(11,205)
Supplies operation/maintenance	15,314	14,869	13,667	1,202
Services operation/maintenance	157,110	146,055	63,829	82,226
Total community development	816,603	805,103	732,880	72,223
Parks, recreation and facilities:				
Personnel services	1,214,978	1,214,978	1,088,587	126,391
Supplies operation/maintenance	319,917	306,782	290,945	15,837
Services operation/maintenance	942,301	1,363,611	1,433,454	(69,843)
Capital	13,000	13,000	13,000	-
Total parks, recreation and facilities	2,490,196	2,898,371	2,825,986	72,385
Nondepartmental:				
Personnel services	21,248	21,248	-	21,248
Supplies operation/maintenance	19,395	19,395	14,318	5,077
Services operation/maintenance	840,333	850,333	701,984	148,349
Capital	-	-	380,092	(380,092)
Total nondepartmental	880,976	890,976	1,096,394	(205,418)
Debt service:				
Principal	220,135	220,135	220,180	(45)
Interest and fiscal charges	119,845	119,845	97,466	22,379
Total debt service	339,980	339,980	317,646	22,334
Total expenditures	\$ 18,137,302	\$ 18,699,017	\$ 18,303,619	\$ 395,398

CITY OF GLADSTONE, MISSOURI

SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT

COMBINED WATERWORKS AND SEWERAGE SYSTEM FUND

Year Ended June 30, 2019

Water production:	
Personnel services	\$ 563,772
Materials and supplies	215,824
Services operation and maintenance	566,929
Depreciation	<u>124,358</u>
Total water production	<u>1,470,883</u>
Water operations and maintenance:	
Personnel services	550,883
Materials and supplies	175,428
Services operation and maintenance	66,597
Depreciation	<u>778,753</u>
Total water operations and maintenance	<u>1,571,661</u>
Sewer collection:	
Personnel services	220,226
Materials and supplies	24,434
Services operation and maintenance	140,967
Depreciation	<u>112,010</u>
Total sewer collection	<u>497,637</u>
Nondepartmental:	
Services operation and maintenance:	
Charges for administrative services	1,085,000
Other	240,547
Sewer treatment commodity charges:	
Sewer treatment commodity charges	3,189,355
Sewer treatment service charges	<u>1,594,520</u>
Total nondepartmental	<u>6,109,422</u>
Total operating expenses	<u><u>\$ 9,649,603</u></u>

CITY OF GLADSTONE, MISSOURI

BALANCE SHEET

DISCRETELY PRESENTED COMPONENT UNIT - SPECIAL ROAD DISTRICT #3

June 30, 2019

Assets:

Cash and investments	\$ 209,829
Receivables:	
Accounts	<u>1,894</u>
Total assets	<u>\$ 211,723</u>

Liabilities:

Due to primary government	\$ 61,983
---------------------------	-----------

Fund balances:

Assigned	<u>149,740</u>
Total liabilities and fund balances	<u>\$ 211,723</u>

CITY OF GLADSTONE, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

DISCRETELY PRESENTED COMPONENT UNIT - SPECIAL ROAD DISTRICT #3

Year Ended June 30, 2019

Revenues:	
Interest	\$ 1,451
Intergovernmental	382,675
Miscellaneous	<u>15,894</u>
Total revenues	400,020
Expenditures:	
Public works	<u>380,043</u>
Net change in fund balances	19,977
Fund balances, beginning of year	<u>129,763</u>
Fund balances, end of year	<u><u>\$ 149,740</u></u>

STATISTICAL SECTION



STATISTICAL SECTION

This part of the City of Gladstone's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Table
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1-4
Revenue Capacity	
These schedules contain information to help the reader assess the City's two most significant local revenue sources: sales tax and property tax.	5-10
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	11-15
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	16-17
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	18-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1

CITY OF GLADSTONE, MISSOURI
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 41,754,374	\$ 38,233,638	\$ 32,974,728	\$ 30,676,252	\$ 32,524,120	\$35,727,276	\$31,873,366	\$37,952,358	\$43,389,680	\$46,993,069
Restricted	4,941,594	11,621,682	8,556,628	4,972,781	6,503,334	4,520,774	8,363,510	4,027,631	5,033,822	5,263,177
Unrestricted	12,576,880	5,747,164	10,051,980	12,191,985	8,295,637	12,243,367	11,716,946	10,771,366	7,762,458	4,191,528
Total governmental activities net position	<u>\$ 59,272,848</u>	<u>\$ 55,602,484</u>	<u>\$ 51,583,336</u>	<u>\$ 47,841,018</u>	<u>\$ 47,323,091</u>	<u>\$52,491,417</u>	<u>\$51,953,822</u>	<u>\$52,751,355</u>	<u>\$56,185,960</u>	<u>\$56,447,774</u>
Business-type activities										
Net investment in capital assets	\$ 17,917,985	\$ 17,546,621	\$ 17,376,922	\$ 16,675,229	\$ 17,189,313	\$16,866,426	\$16,580,051	\$17,087,564	\$17,417,954	\$17,925,744
Restricted	624,000	385,821	617,651	370,000	370,000	370,000	370,000	370,000	548,449	417,385
Unrestricted	812,067	1,737,742	2,140,725	3,120,025	2,615,834	2,882,662	3,067,786	2,900,879	3,267,013	3,760,060
Total business-type activities net position	<u>\$ 19,354,052</u>	<u>\$ 19,670,184</u>	<u>\$ 20,135,298</u>	<u>\$ 20,165,254</u>	<u>\$ 20,175,147</u>	<u>\$20,119,088</u>	<u>\$20,017,837</u>	<u>\$20,358,443</u>	<u>\$21,233,416</u>	<u>\$22,103,189</u>
Primary government										
Net investment in capital assets	\$ 59,672,359	\$ 55,780,259	\$ 50,351,650	\$ 47,351,481	\$ 49,713,433	\$52,593,702	\$48,453,417	\$55,039,922	\$60,807,634	\$64,918,813
Restricted	5,565,594	12,007,503	9,174,279	5,342,781	6,873,334	4,890,774	8,733,510	4,397,631	5,582,271	5,680,562
Unrestricted	13,388,947	7,484,906	12,192,705	15,312,010	10,911,471	15,126,029	14,784,732	13,672,245	11,029,471	7,951,588
Total primary government net position	<u>\$ 78,626,900</u>	<u>\$ 75,272,668</u>	<u>\$ 71,718,634</u>	<u>\$ 68,006,272</u>	<u>\$ 67,498,238</u>	<u>\$72,610,505</u>	<u>\$71,971,659</u>	<u>\$73,109,798</u>	<u>\$77,419,376</u>	<u>\$78,550,963</u>

Table 2

CITY OF GLADSTONE, MISSOURI
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities:										
General administration	\$ 1,306,284	\$ 1,371,811	\$ 1,361,450	\$ 1,456,240	\$ 1,494,557	\$ 1,381,212	\$ 3,112,931	\$ 3,601,704	\$ 1,543,844	\$ 1,627,689
Finance	1,633,195	1,635,081	1,682,342	1,869,745	1,886,037	1,780,840	1,745,884	1,691,370	1,682,594	1,760,928
Public safety	8,330,546	8,699,634	9,677,646	9,254,469	9,829,948	9,707,806	8,608,897	8,811,892	10,415,792	10,433,075
Public works	9,302,787	9,528,841	9,576,133	8,520,439	4,365,424	4,586,811	4,595,908	4,464,708	4,764,127	4,875,857
Community development	1,985,669	3,095,114	2,001,123	1,941,859	1,932,188	1,557,093	1,360,449	1,759,592	1,477,412	1,474,100
Parks and recreation	4,132,732	4,258,868	4,405,182	4,514,642	4,895,716	4,725,326	5,201,436	5,203,180	5,180,568	5,614,862
Interest on long-term debt	1,534,003	1,436,455	1,612,218	1,518,858	2,090,518	1,529,352	1,636,132	1,135,567	1,332,567	1,204,735
Total governmental activities expenses	28,225,216	30,025,804	30,316,094	29,076,252	26,494,388	25,268,440	26,261,637	26,668,013	26,396,904	26,991,246
Business-type activities:										
Waterworks and sewerage	6,397,456	6,936,143	7,664,777	7,817,612	8,438,746	8,784,161	9,120,325	9,317,047	9,602,029	9,814,772
Total business-type activities expenses	6,397,456	6,936,143	7,664,777	7,817,612	8,438,746	8,784,161	9,120,325	9,317,047	9,602,029	9,814,772
Total primary government expenses	<u>\$ 34,622,672</u>	<u>\$ 36,961,947</u>	<u>\$ 37,980,871</u>	<u>\$ 36,893,864</u>	<u>\$ 34,933,134</u>	<u>\$ 34,052,601</u>	<u>\$ 35,381,962</u>	<u>\$ 35,985,060</u>	<u>\$ 35,998,933</u>	<u>\$ 36,806,018</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General administration	\$ 939,804	\$ 959,596	\$ 942,389	\$ 939,518	\$ 1,135,430	\$ 1,256,892	\$ 1,265,527	\$ 1,274,444	\$ 1,375,849	\$ 1,378,278
Finance	388,810	311,671	214,643	234,198	254,020	268,392	264,935	276,505	305,938	292,405
Public safety	2,188,038	2,120,122	2,161,244	2,120,354	2,147,414	2,302,485	1,811,671	1,915,122	1,873,707	1,815,461
Public works	-	-	25,957	255,063	141,630	160,627	178,138	179,633	195,791	209,431
Community development	155,037	200,259	160,818	153,423	198,590	455,995	335,511	297,753	297,497	254,729
Parks and recreation	2,215,008	2,315,071	2,528,716	2,271,283	2,652,535	2,287,289	2,472,898	2,685,691	2,573,087	2,827,774
Operating grants and contributions	173,855	181,416	221,170	166,406	277,453	194,645	380,511	183,137	184,883	188,165
Capital grants and contributions	1,992,313	3,620,705	2,892,776	1,608,090	1,629,702	1,646,849	826,477	2,011,995	3,173,989	1,490,198
Total governmental activities program revenues	8,052,865	9,708,840	9,147,713	7,748,335	8,436,774	8,573,174	7,535,668	8,824,280	9,980,741	8,456,441
Business-type activities:										
Charges for services:										
Waterworks and sewerage	6,606,538	7,109,670	7,920,694	8,050,991	8,312,665	8,525,316	8,918,008	9,558,014	10,279,284	10,524,964
Operating grants and contributions	38,375	17,000	181,170	82,502	80,043	78,289	73,930	68,090	61,479	53,543
Total business-type activities program revenues	6,644,913	7,126,670	8,101,864	8,133,493	8,392,708	8,603,605	8,991,938	9,626,104	10,340,763	10,578,507
Total primary government program revenues	<u>\$ 14,697,778</u>	<u>\$ 16,835,510</u>	<u>\$ 17,249,577</u>	<u>\$ 15,881,828</u>	<u>\$ 16,829,482</u>	<u>\$ 17,176,779</u>	<u>\$ 16,527,606</u>	<u>\$ 18,450,384</u>	<u>\$ 20,321,504</u>	<u>\$ 19,034,948</u>
Net (expense)/revenue										
Governmental activities	\$ (20,172,351)	\$ (20,316,964)	\$ (21,168,381)	\$ (21,327,917)	\$ (18,057,614)	\$ (16,695,266)	\$ (18,725,969)	\$ (17,843,733)	\$ (16,416,163)	\$ (18,534,805)
Business-type activities	247,457	190,527	437,087	315,881	(46,038)	(180,556)	(128,387)	309,057	738,734	763,735
Total primary government net expense	<u>\$ (19,924,894)</u>	<u>\$ (20,126,437)</u>	<u>\$ (20,731,294)</u>	<u>\$ (21,012,036)</u>	<u>\$ (18,103,652)</u>	<u>\$ (16,875,822)</u>	<u>\$ (18,854,356)</u>	<u>\$ (17,534,676)</u>	<u>\$ (15,677,429)</u>	<u>\$ (17,771,070)</u>

Table 2
(Continued)

CITY OF GLADSTONE, MISSOURI
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 3,477,930	\$ 3,359,951	\$ 3,375,713	\$ 3,583,775	\$ 3,236,769	\$ 3,396,518	\$ 3,624,806	\$ 3,367,163	\$ 3,573,871	\$ 3,595,664
Sales and use taxes	6,742,189	7,778,326	8,018,984	8,528,516	8,605,559	8,786,483	9,156,733	9,658,272	9,532,703	9,543,702
Franchise taxes	4,575,974	2,934,275	3,543,502	3,539,407	3,561,864	3,413,977	3,285,930	3,363,743	3,352,646	3,153,189
Cigarette taxes	-	-	-	96,312	93,222	99,346	108,622	138,093	124,639	128,986
Intergovernmental revenue not restricted to specific programs	1,083,314	1,104,597	1,206,945	917,005	943,184	979,764	1,007,800	1,033,333	1,035,207	1,018,014
Gain on sale of capital assets	-	-	-	33,775	-	-	-	20,078	44,035	-
Investment earnings	466,718	387,826	354,454	327,679	306,560	287,134	39,061	80,815	203,202	285,137
Miscellaneous	531,330	1,081,625	649,635	559,130	792,529	774,743	965,422	979,769	1,927,653	1,071,927
Transfers	-	-	-	-	-	247,651	-	-	(16,165)	-
Total governmental activities	<u>16,877,455</u>	<u>16,646,600</u>	<u>17,149,233</u>	<u>17,585,599</u>	<u>17,539,687</u>	<u>17,985,616</u>	<u>18,188,374</u>	<u>18,641,266</u>	<u>19,777,791</u>	<u>18,796,619</u>
Business-type activities:										
Investment earnings	28,456	74,337	23,900	22,996	19,081	11,279	12,798	22,777	52,844	75,613
Gain on sale of capital assets	-	-	-	-	-	-	-	-	18,000	21,250
Miscellaneous	-	51,268	4,127	6,642	36,850	89,938	14,338	8,772	155,550	9,175
Transfers	-	-	-	-	-	(247,651)	-	-	16,165	-
Total business-type activities	<u>28,456</u>	<u>125,605</u>	<u>28,027</u>	<u>29,638</u>	<u>55,931</u>	<u>(146,434)</u>	<u>27,136</u>	<u>31,549</u>	<u>242,559</u>	<u>106,038</u>
Total primary government	<u>\$ 16,905,911</u>	<u>\$ 16,772,205</u>	<u>\$ 17,177,260</u>	<u>\$ 17,615,237</u>	<u>\$ 17,595,618</u>	<u>\$ 17,839,182</u>	<u>\$ 18,215,510</u>	<u>\$ 18,672,815</u>	<u>\$ 20,020,350</u>	<u>\$ 18,902,657</u>
Changes in Net Position										
Governmental activities	\$ (3,294,896)	\$ (3,670,364)	\$ (4,019,148)	\$ (3,742,318)	\$ (517,927)	\$ 1,290,350	\$ (537,595)	\$ 797,533	\$ 3,361,628	\$ 261,814
Business-type activities	275,913	316,132	465,114	345,519	9,893	(326,990)	(101,251)	340,606	981,293	869,773
Total primary government	<u>\$ (3,018,983)</u>	<u>\$ (3,354,232)</u>	<u>\$ (3,554,034)</u>	<u>\$ (3,396,799)</u>	<u>\$ (508,034)</u>	<u>\$ 963,360</u>	<u>\$ (638,846)</u>	<u>\$ 1,138,139</u>	<u>\$ 4,342,921</u>	<u>\$ 1,131,587</u>

Table 3

CITY OF GLADSTONE, MISSOURI
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable	\$ -	\$ 2,135,960	\$ 2,220,799	\$ 2,621,101	\$ 1,865,819	\$ 191,377	\$ 264,197	\$ 242,054	\$ 196,462	\$ 206,166
Restricted	-	-	-	20,650	62,809	-	-	-	-	-
Committed	-	653,678	667,500	-	-	-	-	-	-	-
Assigned	-	36,267	-	-	-	-	-	-	-	-
Unassigned	-	4,376,474	4,615,364	4,839,402	3,638,859	6,097,473	6,709,974	7,167,395	6,118,122	5,817,091
Reserved	2,268,575	-	-	-	-	-	-	-	-	-
Unreserved	4,895,315	-	-	-	-	-	-	-	-	-
Total General Fund	\$ 7,163,890	\$ 7,202,379	\$ 7,503,663	\$ 7,481,153	\$ 5,567,487	\$ 6,288,850	\$ 6,974,171	\$ 7,409,449	\$ 6,314,584	\$ 6,023,257
All other governmental funds										
Nonspendable	\$ -	\$ 6,190	\$ 14,235	\$ 5,897	\$ 4,846	\$ 18,895	\$ 5,604	\$ 7,765	\$ 6,713	\$ 5,858
Restricted	-	11,621,682	8,556,628	6,240,927	7,089,220	4,535,431	6,147,817	5,881,851	7,164,700	5,425,480
Committed	-	5,181	5,204	5,374	4,010	1,635	3,545	4,672	6,452	6,702
Assigned	-	2,620,901	3,066,784	2,727,128	1,982,501	1,477,311	1,260,113	1,872,091	2,330,247	250,483
Unassigned	-	-	-	(988,992)	-	(8,680)	-	(184,917)	(188,764)	(243,040)
Reserved	706,507	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	1,449,612	-	-	-	-	-	-	-	-	-
Capital project funds	4,363,212	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 6,519,331	\$ 14,253,954	\$ 11,642,851	\$ 7,990,334	\$ 9,080,577	\$ 6,024,592	\$ 7,417,079	\$ 7,581,462	\$ 9,319,348	\$ 5,445,483

Note: The City implemented GASB Statement No. 54 in 2011, which establishes new categories for reporting fund balances.

Table 4

CITY OF GLADSTONE, MISSOURI
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	\$ 14,039,781	\$ 14,961,238	\$ 15,016,687	\$ 15,775,415	\$ 15,664,961	\$ 15,801,412	\$ 16,176,103	\$ 16,527,272	\$ 16,583,859	\$ 16,421,541
Licenses and permits	420,222	448,022	411,235	423,423	495,241	769,588	645,140	615,258	647,065	593,705
Intergovernmental	3,638,472	5,107,732	4,463,000	3,168,156	2,967,638	3,197,028	2,281,325	3,660,019	4,874,226	3,217,267
Charges for services	4,017,921	4,161,800	4,420,778	4,249,519	4,648,533	4,595,390	4,539,167	4,980,843	4,986,569	5,303,325
Fines & forfeitures	1,181,369	1,194,167	1,201,755	1,071,513	1,269,055	1,234,565	994,055	886,430	823,733	700,656
Interest	466,718	387,826	354,454	327,679	306,561	287,134	39,059	80,815	203,202	285,137
Other	531,330	1,081,625	442,177	766,588	1,053,004	807,338	1,049,196	1,002,264	1,936,337	1,073,592
Total revenues	24,295,813	27,342,410	26,310,086	25,782,293	26,404,993	26,692,455	25,724,045	27,752,901	30,054,991	27,595,223
Expenditures										
General administration	1,102,344	1,107,508	1,125,271	1,164,477	1,271,679	1,222,497	1,243,713	1,183,013	1,232,829	1,259,288
Finance	1,398,660	1,446,237	1,408,685	1,565,764	1,602,819	1,512,446	1,473,261	1,445,795	1,369,264	1,408,991
Public safety	7,014,294	7,451,901	8,162,429	7,986,083	8,424,162	8,596,185	8,152,602	8,316,566	8,359,682	8,747,693
Public works	2,106,769	2,220,410	1,976,141	1,995,417	2,183,315	2,093,023	2,027,455	2,105,647	2,298,337	2,334,570
Community development	1,638,281	2,766,105	1,612,607	1,444,010	1,431,745	1,061,463	927,836	730,117	978,362	931,231
Parks and recreation	3,578,310	3,632,394	3,780,712	3,781,167	4,292,481	4,123,156	4,159,248	4,447,057	4,424,827	4,695,893
Nondepartmental	933,169	778,466	870,554	851,195	893,742	878,651	1,030,982	919,675	1,210,714	1,217,155
Capital outlay	4,143,890	3,366,990	6,611,757	7,690,346	6,518,436	8,806,993	5,899,264	6,047,391	12,062,789	7,145,206
Debt Service										
Principal	3,179,276	3,025,079	1,769,289	1,826,554	2,207,271	2,029,980	3,973,428	2,008,546	3,028,180	2,788,523
Interest	1,489,028	1,591,843	1,541,440	1,447,909	1,455,566	1,483,058	968,917	1,124,508	1,299,908	1,231,865
Bond issuance cost	-	-	-	-	-	-	305,894	-	-	-
Total expenditures	26,584,021	27,386,933	28,858,885	29,752,922	30,281,216	31,807,452	30,162,600	28,328,315	36,264,892	31,760,415
Excess of revenues over (under) expenditures	(2,288,208)	(44,523)	(2,548,799)	(3,970,629)	(3,876,223)	(5,114,997)	(4,438,555)	(575,414)	(6,209,901)	(4,165,192)
Other Financing Sources (Uses)										
Transfers in	1,213,800	650,379	790,000	1,490,001	2,595,741	2,423,556	2,514,870	1,351,761	3,594,023	1,188,850
Transfers out	(1,213,800)	(650,379)	(790,000)	(1,490,001)	(2,595,741)	(2,175,905)	(2,514,870)	(1,351,761)	(3,610,188)	(1,188,850)
Capital lease	-	-	-	-	-	708,943	4,166,054	1,155,000	10,604,501	-
Loan issuance	-	-	-	-	-	1,771,377	-	-	-	-
Issuance of debt	485,742	9,485,000	224,080	196,154	3,033,000	-	23,510,000	-	-	-
Premiums/Discounts on debt issued	-	(21,992)	-	-	-	-	269,802	-	-	-
Payment to refunded debt escrow agent	-	(1,645,373)	-	-	-	-	(21,473,908)	-	(3,786,385)	-
Sale of capital assets	-	-	14,900	99,448	19,800	52,404	44,415	20,075	50,971	-
Total other financing sources (uses)	485,742	7,817,635	238,980	295,602	3,052,800	2,780,375	6,516,363	1,175,075	6,852,922	-
Net change in fund balances	\$ (1,802,466)	\$ 7,773,112	\$ (2,309,819)	\$ (3,675,027)	\$ (823,423)	\$ (2,334,622)	\$ 2,077,808	\$ 599,661	\$ 643,021	\$ (4,165,192)
Debt service as a percentage of non capital expenditures	20.80%	19.22%	14.88%	14.84%	15.41%	15.27%	21.63%	14.06%	17.88%	16.33%

Table 5

CITY OF GLADSTONE, MISSOURI
Total City Taxable Sales by Category
Last Ten Calendar Years
(amounts expressed in thousands)

Sales by Retail Category:	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General merchandise	\$ 54,653	\$ 51,638	\$ 72,148	\$ 76,797	\$ 80,628	\$ 83,390	\$ 81,904	\$ 83,470	\$ 103,759	\$ 104,605
Grocery stores	45,930	44,021	41,926	44,985	48,991	53,007	50,723	55,318	52,647	56,160
Motor vehicle dealers	33,522	39,760	40,754	45,199	42,318	50,122	51,974	67,769	52,408	57,546
Hardware stores	23,502	26,104	24,389	25,343	26,229	27,501	30,121	33,251	32,768	34,377
Utilities	40,876	42,192	41,407	43,516	43,038	44,339	39,752	41,271	22,545	27,142
Eating and drinking places	15,197	11,534	9,249	11,437	11,171	13,759	14,280	13,656	20,285	14,083
Eating places only	16,776	11,963	14,099	22,900	21,245	22,681	21,266	22,260	16,199	24,656
Convenience stores	6,209	6,454	6,222	6,952	5,386	5,699	6,385	6,609	10,619	17,854
Drug stores and proprietary stores	6,240	4,000	4,768	6,101	5,950	5,868	5,157	5,883	2,127	4,010
All other outlets	51,221	69,098	60,769	43,222	44,654	44,657	48,813	53,535	39,108	17,951
Total	\$ 294,126	\$ 306,764	\$ 315,731	\$ 326,452	\$ 329,610	\$ 351,023	\$ 350,375	\$ 383,022	\$ 352,465	\$ 358,384

Note: Amounts for 2019 are not provided due to only receiving partial year figures.

Source: Missouri Department of Revenue

Table 6

CITY OF GLADSTONE, MISSOURI
Sales Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(in percent)

Direct Sales Tax Rate City of Gladstone	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Capital Improvements	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500
Transportation Improvements	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500	0.500
Public Safety-effective October 1, 2010		0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Parks & Stormwater-effective July 1, 2006	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
Total Direct Sales Tax Rate	2.250	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500

Total Sales Tax Rate	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
State of Missouri	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000
Mo. State Conservation	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Mo. State Parks and Soil	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Clay County	0.875	0.875	0.875	0.875	0.875	0.875	0.875	0.875	1.125	1.125
Zoo Tax			0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
City of Gladstone	2.250	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500
Total Direct and Overlapping Sales Tax Rate	7.350	7.600	7.725	7.725	7.725	7.725	7.725	7.725	7.975	7.975

Source: Missouri Department of Revenue

Table 7

CITY OF GLADSTONE, MISSOURI
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Real Property Residential Property	Other Property Personal Property	Railroads & Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Market Value	Assessed Value as a Percentage of Actual Value
2010	\$ 300,966	\$ 51,683	\$ 6,773	\$ 359,421	0.9290	\$1,352,467	22.00%
2011	300,031	45,412	7,628	353,071	0.9290	1,625,249	20.96%
2012	290,600	49,032	10,696	350,328	0.9290	1,599,656	21.72%
2013	289,815	50,054	10,667	350,536	0.9290	1,598,803	21.90%
2014	273,629	52,441	11,204	337,274	0.9290	1,528,611	21.92%
2015	273,967	53,947	12,315	340,230	0.9290	1,538,261	22.06%
2016	279,533	58,468	12,467	350,468	0.9230	1,579,488	22.19%
2017	279,517	55,663	12,680	347,860	0.9290	1,571,651	22.13%
2018	289,052	65,277	13,713	368,042	0.9290	1,650,310	22.30%
2019	290,008	62,962	14,868	367,838	0.9290	1,651,637	22.27%

Note: The Clay County Assessor's Office does not break out the Real Property into Residential, Agricultural, and Commercial.

Note: The assessed value is set at 19% for residential property; 12% for agricultural property; and 32% for commercial property of the estimated fair market value.

Source: Clay County Assessor's Office

Table 8

CITY OF GLADSTONE, MISSOURI
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(rate per \$100 assessed value)

Fiscal Year	City Direct Rate	Overlapping Rates				Total Direct & Overlapping Rates
	Basic/General Rate	North Kansas City School District	Clay County	State	Other	
2010	0.929	5.890	0.505	0.030	0.647	8.001
2011	0.929	5.890	0.509	0.030	0.649	8.007
2012	0.929	5.890	0.479	0.030	0.650	7.978
2013	0.929	5.890	0.479	0.030	0.651	7.979
2014	0.929	5.890	0.469	0.030	0.650	7.968
2015	0.929	6.517	0.446	0.030	0.661	8.582
2016	0.929	6.433	0.426	0.030	0.646	8.464
2017	0.929	6.428	0.403	0.030	0.669	8.459
2018	0.929	6.428	0.411	0.030	0.664	8.462
2019	0.929	6.424	0.411	0.030	0.745	8.539

Notes: The tax rate for municipal operating purposes cannot exceed one dollar on the hundred dollar assessed valuation. This may be increased to a maximum of thirty cents on the hundred dollar assessed valuation for a period not to exceed four years by a two-thirds approval of the qualified electors voting at a special election.

Table 9

CITY OF GLADSTONE, MISSOURI
Principal Property Taxpayers
Current Year and Ten Years Ago
(amounts expressed in thousands)

Taxpayer	2019			2010		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wal-Mart Real Estate (retail)	\$ 2,649	1	0.72%	\$ 2,391	2	0.67%
CCRC of Gladstone, LLC (apartments)	2,467	2	0.67%			
Gladstone Investors LLC (retail)	2,090	3	0.57%			
Gladstone Meadows (apartments)	1,540	4	0.42%			
Intercontinental Investment Co. (apartments)	1,456	5	0.40%	1,510	5	0.42%
ECG-Kansas City-III, LLC (apartments)	1,291	6	0.35%			
Curry Investment Company (apartments)	1,255	7	0.34%	1,537	3	0.43%
Gladstone Senior Partners, LP (apartments)	1,227	8	0.33%	1,158	8	0.32%
Axiom (apartments)	1,120	9	0.30%			
Meadowbrook Village Shopping Center, LLC (retail)	1,056	10	0.29%			
Centro Bradley SPE3, LLC (retail)				2,616	1	0.73%
MBI, Inc. (commercial office)				1,512	4	0.42%
HD Development of Maryland, Inc (retail)				1,310	6	0.36%
Van Chevrolet-Cadillac, Inc. (auto dealer)				1,191	7	0.33%
FCSCD Properties, LLC (apartments)				1,082	10	0.30%
Lace Partnership (retail)				1,147	9	0.32%
Total	<u>\$ 16,151</u>		<u>4.39%</u>	<u>\$ 15,454</u>		<u>4.30%</u>

Source: Clay County Assessor's Office

Table 10

CITY OF GLADSTONE, MISSOURI
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for Fiscal Year	Collected within Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 3,374,382	\$ 3,067,389	90.90%	\$ 165,096	\$3,232,485	95.79%
2011	3,277,077	2,696,271	82.28%	268,487	2,964,758	90.47%
2012	3,202,498	3,046,938	95.14%	64,063	3,111,001	97.14%
2013	3,184,573	3,110,480	97.67%	27,336	3,137,816	98.53%
2014	3,128,547	3,041,162	97.21%	87,594	3,128,756	100.01%
2015	3,160,734	3,011,526	95.28%	79,199	3,090,725	97.79%
2016	3,241,997	3,125,385	96.40%	78,642	3,204,027	98.83%
2017	3,231,619	3,114,848	96.39%	74,057	3,188,905	98.68%
2018	3,418,503	3,285,320	96.10%	61,992	3,347,312	97.92%
2019	3,416,601	3,348,876	98.02%	-	3,348,876	98.02%

Table 11

CITY OF GLADSTONE, MISSOURI
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities							Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	GO Bonds	Promissory Notes	Development Agreements	Capital Leases	Bank Loans	Line of Credit	Certificates of Participation	Revenue Bonds	Promissory Notes	Capital Leases	Certificates of Participation			
2010	\$ -	\$ 1,203,293	\$ 58,800	\$ 740,799	\$ -	\$ -	\$ 27,968,000	\$ 1,100,000	\$ -	\$ 140,590	\$ -	\$ 31,211,482	4.37%	\$ 1,228
2011	2,000,000	915,329	40,008	145,476	-	-	31,780,000	5,725,000	301,707	92,995	255,000	41,255,515	5.77%	1,624
2012	2,000,000	857,292	33,325	298,304	-	-	30,140,000	5,725,000	-	-	240,000	39,293,921	5.32%	1,546
2013	2,000,000	796,910	20,561	149,896	-	-	29,140,900	5,280,856	-	-	2,572,491	39,961,614	5.37%	1,580
2014	1,800,000	734,088	7,797	75,811	-	2,835,400	27,627,431	4,800,000	-	-	2,552,627	40,433,154	5.41%	1,591
2015	1,600,000	668,728	-	708,943	1,771,377	2,676,796	26,073,756	4,325,000	-	420,073	2,324,951	40,569,624	5.22%	1,535
2016	1,400,000	600,728	-	4,744,431	1,521,377	-	28,101,971	3,825,000	-	805,645	2,087,210	43,086,362	5.26%	1,601
2017	1,200,000	529,981	-	5,575,120	1,521,377	-	26,674,705	3,325,000	-	726,238	1,845,460	41,397,881	4.85%	1,528
2018	1,000,000	456,375	-	15,053,972	1,321,377	-	21,283,262	2,800,000	-	1,130,999	1,479,172	44,525,157	4.81%	1,641
2019	800,000	379,796	-	14,011,398	1,321,377	-	19,813,892	2,275,000	-	1,006,500	1,246,734	40,854,697	4.42%	1,506

Notes: 1 See Table 16 for personal income and population data.

CITY OF GLADSTONE, MISSOURI
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Percentage of Est. Actual Taxable Value of Property (1)	Per Capita (2)
	General Obligation Bonds	Less Amounts Available in Debt Service	Total		
2010	\$ -	\$ -	\$ -	0.00%	-
2011	2,000,000	-	2,000,000	0.12%	79
2012	2,000,000	-	2,000,000	0.13%	79
2013	2,000,000	-	2,000,000	0.13%	79
2014	1,800,000	-	1,800,000	0.11%	79
2015	1,600,000	-	1,600,000	0.10%	63
2016	1,400,000	-	1,400,000	0.89%	52
2017	1,200,000	-	1,200,000	0.76%	44
2018	1,000,000	-	1,000,000	0.61%	37
2019	800,000	-	800,000	0.48%	29

Notes: (1) See Table 7 for property value data.
(2) See Table 16 for population data.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF GLADSTONE, MISSOURI
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Clay County	\$ 7,113,033	12.31%	\$ 875,614
North Kansas City School District #74	332,747,143	17.59%	<u>58,530,222</u>
Subtotal, overlapping debt			59,405,836
City direct debt			<u>36,326,463</u>
Total direct and overlapping debt			<u><u>\$ 95,732,299</u></u>

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

Source: The debt outstanding data and applicable percentages provided by each governmental entity.

Table 14

CITY OF GLADSTONE, MISSOURI
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit (1)	\$ 70,614	\$ 70,614	\$ 70,066	\$ 70,107	\$ 67,455	\$ 68,046	\$ 70,094	\$ 69,572	\$ 73,608	\$ 73,568
Total net debt applicable to limit	-	2,000	2,000	2,000	1,800	1,600	1,400	1,200	1,000	800
Legal Debt Margin	<u>\$ 70,614</u>	<u>\$ 68,614</u>	<u>\$ 68,066</u>	<u>\$ 68,107</u>	<u>\$ 65,655</u>	<u>\$ 66,446</u>	<u>\$ 68,694</u>	<u>\$ 68,372</u>	<u>\$ 72,608</u>	<u>\$ 72,768</u>
Total net debt applicable to the limit as a percentage of debt limit	0.000%	2.832%	2.854%	2.853%	2.668%	2.351%	1.997%	1.725%	1.359%	1.087%

**Legal Debt Margin Calculation
for Fiscal Year 2019**

Assessed Value	\$ 367,838
Debt Limit (20% of assessed value)	73,568
General obligation:	
City-Wide	800
Revenue Bonds	2,275
Total Bonded Debt	<u>3,075</u>
Less:	
Water Utility Bonds	2,275
Debt Service Fund Balance	-
Total net debt applicable to limit	<u>800</u>
Legal debt margin	<u>\$ 72,768</u>

Notes:

- (1) Article 6, Section 26(b) of the Missouri Constitution permits any county or city, by vote of four-sevenths of qualified electors voting thereon, to incur an indebtedness for city purposes not to exceed 5 percent of the value of the taxable tangible property therein, as shown by the last assessment.
- (1) Article 6, Section 26(c) of the Missouri Constitution permits any county or city, by vote of four-sevenths of qualified electors voting thereon, to incur additional indebtedness of city purposes not to exceed 5 percent of the value of the taxable tangible property therein, as shown by the last assessment.
- (1) Article 6, Section 26(d) & (e) of the Missouri Constitution provides that any city may become indebted not exceeding in the aggregate an additional 10 percent of the value of the taxable tangible property for the purpose of acquiring right-of-ways, constructing, extending and improving streets and avenues and/or sanitary or storm sewer systems and an additional 10 percent for purchasing or construction of waterworks, electric or other light plants provided the total general obligated indebtedness of the city does not exceed 20 percent of the assessed valuation.

CITY OF GLADSTONE, MISSOURI
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year				Debt Service		
Water / Sewer Bonds	Revenues	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2010	\$ 6,606,538	\$ 5,571,832	\$ 1,034,706	\$ 675,000	\$ 90,938	135.09%
2011	7,109,670	5,999,951	1,109,719	1,100,000	132,419	90.04%
2012	8,101,864	6,590,338	1,511,526	-	207,988	726.74%
2013	8,133,493	6,644,999	1,488,494	450,000	207,988	226.22%
2014	8,392,708	7,166,416	1,226,292	475,000	191,675	183.94%
2015	8,603,605	8,532,690	1,064,131	500,000	176,275	157.35%
2016	8,991,938	8,879,310	1,105,844	500,000	176,275	163.52%
2017	9,626,104	9,090,210	1,529,110	500,000	162,525	230.80%
2018	10,496,313	9,388,422	1,107,891	525,000	146,275	165.04%
2019	10,587,682	9,649,603	938,079	525,000	126,850	143.91%

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Table 16

CITY OF GLADSTONE, MISSOURI
Demographic and Economic Statistics
Last Ten Calendar Years

		Average Household Income		Per Capita	Total	Median	School	Unemployment
Calendar Year		Population	(thousands of dollars)	Personal Income	Personal Income	Age	Enrollment (2)	Rate (5)
2010	(1)	25,410	\$ 67,665	\$ 28,127	\$ 714,707,070	41.58	2,804	8.90%
2011	(4)	25,547	66,021	29,057	742,319,179	35.80	2,804	8.00%
2012	(4)	26,041	66,574	29,229	761,140,542	41.00	2,857	6.60%
2013	(4)	26,256	66,761	29,235	767,598,220	41.40	2,880	6.30%
2014	(4)	26,431	66,840	29,415	777,467,865	41.60	2,880	5.30%
2015	(4)	26,564	69,590	30,504	810,308,256	41.70	2,917	4.50%
2016	(4)	26,909	69,604	30,461	819,675,049	42.00	2,896	3.80%
2017	(4)	27,093	72,098	31,517	853,890,081	42.30	2,865	3.60%
2018	(4)	27,131	77,535	34,091	924,915,015	42.40	2,836	3.50%
2019	(6)	27,131	77,535	34,091	924,915,015	42.40	2,836	3.50%

Sources: (1) Information provided by Census Bureau.
(2) North Kansas City School District-Gladstone students.
(4) Information provided by DemographicsNow
(5) Bureau of Labor Statistics
(6) 2019 demographic and economic statistics not available.

CITY OF GLADSTONE, MISSOURI
Principal Employers
Last Ten Calendar Years

Employer	2019			2010		
	Employees	Rank	Percentage of Total City Employment (1)	Employees	Rank	Percentage of Total City Employment (1)
Hy-Vee	372	1	3.51%	244	2	1.57%
Wal-Mart	339	2	3.20%	363	1	1.92%
North Kansas City School District	284	3	2.68%	182	4	1.28%
City of Gladstone	193	4	1.82%	190	3	1.21%
Van Chevrolet	160	5	1.51%	147	5	0.84%
The Home Depot	150	6	1.41%	120	6	0.77%
Price Chopper	129	7	1.22%	78	8	0.49%
Gladstone Dodge	114	8	1.07%			
McDonalds	114	9	1.07%	88	7	0.54%
Northtowne Hyundai	103	10	0.97%			
Total	1,958		18.46%	1,412		8.62%

Notes:

- (1) Percentage of total city employment has been estimated based upon estimated population over age 16 less estimated not in labor force.

Source: City of Gladstone Business Licenses, DemographicsNow

Table 18

CITY OF GLADSTONE, MISSOURI
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
City council	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
City clerk	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
City manager's office	4.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0	3.0
Legal	1.0	1.0	1.0	2.0	1.0	1.0	-	-	-	-
Human resources	2.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0
Finance-admin and accounting	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Municipal court	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Technology services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0
Public Safety										
Administration and support	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
Police Field Services	40.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0	47.0
Fire/emergency medical	38.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0
Public Works										
General Fund										
Administration	3.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Streets and stormwater	9.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Garage	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Engineering	3.0	3.0	4.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Combined Water/Wastewater System										
Water production	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Water operations	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	8.0	8.0
Sewer collections	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Community Development	8.0	8.0	8.0	9.0	10.0	10.0	9.0	8.0	8.0	9.0
Culture and Recreation	22.0	22.0	22.0	23.0	24.0	23.0	23.0	24.0	24.0	24.0
Total	<u>191.0</u>	<u>199.0</u>	<u>202.0</u>	<u>203.0</u>	<u>204.0</u>	<u>202.0</u>	<u>200.0</u>	<u>201.0</u>	<u>199.0</u>	<u>200.0</u>

Source: City of Gladstone Budget

Table 19

CITY OF GLADSTONE, MISSOURI
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police										
Police Incident Calls	23,515	23,802	29,508	27,599	31,218	32,678	29,714	32,487	30,230	30,716
Traffic Unit Citations Issued	10,484	10,880	14,337	12,996	10,980	8,837	7,986	6,650	6,206	4,816
Animal Control Service Calls	6,485	6,274	6,113	6,334	7,368	6,104	4,297	4,064	3,701	2,371
Fire/EMS										
Total Fire Alarms	592	573	602	589	582	545	545	587	669	637
Public Education Audience	603	2,427	2,514	2,429	2,903	1,230	1,230	6,426	4,278	3,956
Total EMS Alarms	2,437	2,457	2,314	2,401	2,877	2,901	2,901	3,133	3,160	3,200
Public Works										
Major Street Maintenance (miles)	12	13	13	6	4	4	4.50	4.00	2.90	5.15
Intermediate Street Maintenance (miles)	-	-	-	6	12	12	4	4	-	-
Culture and Recreation										
Park Shelter Reservations	229	265	375	369	259	259	335	446	440	511
Number of Pool Memberships	698	676	705	510	472	472	556	531	593	542
Active Community Center Members	4,297	4,215	4,346	4,478	4,056	4,056	4,318	4,456	4,574	4,861
Theatre in the Park attendance	15,000	16,000	12,000	16,000	16,000	16,000	14,200	17,000	14,000	15,000
Community Development										
Construction Permits Issued (Calendar year) (a)	971	1,120	1,006	1,029	2,035	1,236	1,396	1,593	1,373	1,152
Value of Construction (Calendar year) (a)	7,708,739	7,859,385	11,350,557	42,650,522	14,959,811	42,474,771	26,360,839	17,503,860	17,162,932	16,202,746
Combined Water and Waste Water System										
Number of customers	9,784	9,830	9,758	9,820	9,816	9,893	9,983	9,989	9,755	9,858
Water main breaks	81	115	115	117	100	96	89	70	101	118

Sources: Various City Departments

Notes:

(a) 2019 data is through November 15, 2019

Table 20

CITY OF GLADSTONE, MISSOURI
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Vehicles	21	21	28	27	29	29	29	30	30	30
Fire										
Fire Stations	2	2	2	2	2	2	2	2	2	2
Vehicles	10	10	12	12	12	12	12	11	12	12
Public Works										
Total area (square miles)	8	8	8	8	8	8	8	8	8	8
Paved miles	125	125	125	125	125	125	125	125	125	125
Culture and Recreation										
Park acreage	249.70	249.70	249.70	252.00	252.00	252.00	252.00	252.00	252.00	252.00
Parks	13	13	13	14	14	14	14	14	14	14
Community Centers	1	1	1	1	1	1	1	1	1	1
Ball Fields	8	8	8	8	8	8	8	8	8	8
Combined Water and Waste Water System										
Water mains (miles)	136	136	136	136	136	136	136	136	136	136
Fire hydrants	1,275	1,275	1,277	1,277	1,277	1,277	1,281	1,281	1,281	1,281
Maximum daily pumpage (millions of gallons)	8	8	8	8	8	8	8	8	8	8
Number of water treatment plants	1	1	1	1	1	1	1	1	1	1
Sewers mains (sanitary miles)	127	127	127	127	127	127	127	127	127	127
Sewers mains (storm sewer miles)	50	50	50	50	50	50	50	50	50	50

Sources: Various city departments

APPENDIX C

FORMS OF THE DOCUMENTS

DECLARATION OF TRUST

between

SECURITY BANK OF KANSAS CITY

AND

CITY OF GLADSTONE, MISSOURI

Dated as of November 1, 2020

\$7,740,000
CITY OF GLADSTONE, MISSOURI
CERTIFICATES OF PARTICIPATION
SERIES 2020A

TABLE OF CONTENTS

DECLARATION OF TRUST

**(This Table of Contents is for convenience of
reference only and is not a part of this Declaration of Trust.)**

	<u>PAGE</u>
Parties	1
Declaration Clauses	1

ARTICLE I

DEFINITIONS

Section 1.01.	Definitions.....	2
Section 1.02.	General Rules of Construction.....	4
Section 1.03.	Execution in Counterparts	5
Section 1.04.	Severability.....	5
Section 1.05.	Date of Declaration of Trust	5
Section 1.06.	Governing Law.....	5

ARTICLE II

COVENANT AS TO LEASE

Section 2.01.	Covenant as to Lease	5
---------------	----------------------------	---

ARTICLE III

THE CERTIFICATES

Section 3.01.	Title and Amount of Certificates	6
Section 3.02.	General Provisions Concerning the Certificates.....	6
Section 3.03.	Execution of Certificates	7
Section 3.04.	Transfer of Certificates	7
Section 3.05.	Exchange of Certificates.....	7
Section 3.06.	Registration Books	7
Section 3.07.	Certificates Mutilated, Lost, Destroyed or Stolen	7
Section 3.08.	Series 2020A Certificates	8
Section 3.09.	Additional Certificates	9
Section 3.10.	Book Entry Certificates; Securities Depository	10
Section 3.11.	Cancellation and Destruction of Certificates upon Payment	10

ARTICLE IV

PARTICULAR COVENANTS AND PROVISIONS

Section 4.01.	Covenant of Trustee as to Performance of Obligations	11
Section 4.02.	Covenant to Perform Undertakings.....	11

ARTICLE V

PREPAYMENT

Section 5.01.	General	11
Section 5.02.	Prepayment Provisions with Respect to the Series 2020A Certificates	11
Section 5.03.	Selection of Certificates for Prepayment; Notice to Trustee.....	12
Section 5.04.	Partial Prepayment of Certificate	12
Section 5.05.	Notice of Prepayment	12
Section 5.06.	Effect of Prepayment.....	13

ARTICLE VI

ISSUE OF CERTIFICATES; FUNDS; APPLICATION OF PROCEEDS AND OTHER MONEYS

Section 6.01.	Establishment of Funds	13
Section 6.02.	Application of Proceeds of Series 2020A Certificates and Other Moneys	13
Section 6.03.	Application of Lease Revenues	14
Section 6.04.	Disbursements from the Project Fund.....	14
Section 6.05.	Application of Moneys in the Lease Revenue Fund.....	14
Section 6.06.	[Reserved]	15
Section 6.07.	[Reserved].....	15
Section 6.08.	Repayment to the City from the Lease Revenue Fund	15
Section 6.09.	Payments Due on Days Other than Business Days.....	15
Section 6.10.	Nonpresentment of Certificates.....	15
Section 6.11.	Separate Accounting of Funds Allocable to each Series of Certificates	15

ARTICLE VII

DEPOSITARIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 7.01.	Moneys to be Held in Trust	16
Section 7.02.	Investment of Moneys	16

ARTICLE VIII

AMENDMENT OF THE DECLARATION OF TRUST OR THE LEASE

Section 8.01.	Amendments Permitted	16
Section 8.02.	Effect of Amendments.....	18
Section 8.03.	Endorsement of Certificates; Preparation of New Certificates	18
Section 8.04.	Amendment of Particular Certificates.....	18
Section 8.05.	Opinion of Counsel.....	18

ARTICLE IX

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND OWNERS OF CERTIFICATES

Section 9.01.	Defaults	19
Section 9.02.	Acceleration	19
Section 9.03.	Other Remedies Upon an Event of Default.....	19
Section 9.04.	Rights of Certificate Owners	19
Section 9.05.	Application of Moneys	20
Section 9.06.	Remedies Vested in Trustee	21
Section 9.07.	Rights and Remedies of Certificate Owners	21
Section 9.08.	Termination of Proceedings.....	22
Section 9.09.	Waivers of Defaults.....	22
Section 9.10.	Notices of Defaults	22

ARTICLE X

DEFEASANCE

Section 10.01.	Discharge of Declaration of Trust.....	22
Section 10.02.	Deposit of Moneys or Securities	23

ARTICLE XI

THE TRUSTEE

Section 11.01.	Duties, Immunities and Liabilities of Trustee	24
Section 11.02.	Merger or Consolidation.....	27
Section 11.03.	Liability of Trustee; Indemnity	27
Section 11.04.	Right of Trustee to Rely on Documents.....	27
Section 11.05.	Preservation and Inspection of Documents	27
Section 11.06.	Compensation of the Trustee.....	28

ARTICLE XII

MISCELLANEOUS

Section 12.01.	Survival of Provisions.....	28
Section 12.02.	No Third Party Beneficiaries	28
Section 12.03.	Notices	28
Section 12.04.	Waiver of Personal Liability	29
Section 12.05.	Electronic Transaction	29
Section 12.06.	Declaration of Trust Binding Upon Trustee and Successors.....	29

Signatures.....	S-1
-----------------	-----

Exhibit A - Form of Certificate of Participation

Exhibit B - Form of Requisition Certificate

Exhibit C - Payment Schedule for Series 2020A Certificates

DECLARATION OF TRUST

THIS DECLARATION OF TRUST (the “**Declaration of Trust**”), dated as of November 1, 2020, is entered by and between **SECURITY BANK OF KANSAS CITY**, Kansas City, Kansas, a state banking corporation organized and existing under the laws of the State of Kansas, as trustee (the “**Trustee**”), and the **CITY OF GLADSTONE, MISSOURI**, a third-class city and political subdivision organized and existing under the laws of the State of Missouri (the “**City**”).

WITNESSETH:

WHEREAS, concurrently herewith the Trustee and the City have entered into a Lease Purchase Agreement dated as of November 1, 2020 (as the same may be amended or supplemented in accordance with its terms from time to time, the “**Lease**”), pursuant to which the Trustee will lease to the City the hereinafter defined Leased Property and will grant the City an option to purchase the Trustee’s interest in the Leased Property; and

WHEREAS, Certificates of Participation substantially in the form of **Exhibit A** (the “**Series 2020A Certificates**”), each such Certificate evidencing a proportionate interest of the Registered Owner thereof in rights under the Lease, will be executed and delivered hereunder, and the proceeds from the sale of the Series 2020A Certificates will be used to provide the funds to (1) pay the costs of acquiring and installing the Leased Property (defined herein) and certain other improvements for the City (collectively, the “**Project**”), and (2) pay certain costs connected to the execution and delivery of the Series 2020A Certificates; and

WHEREAS, the Trustee is obligated to pay the costs of the Project only from funds available from the sale of the Series 2020A Certificates; and

WHEREAS, the Trustee and the City are executing this Declaration of Trust to set forth the terms of the Series 2020A Certificates and Additional Certificates, as hereinafter defined and authorized (the Series 2020A Certificates and said Additional Certificates being referenced collectively as the “**Certificates**”), the security therefor and other provisions respecting the Certificates,

DECLARATION CLAUSES

NOW, THEREFORE, in order to secure the payment of the principal of, premium, if any, and interest on the Certificates, and to secure the performance and observance of all covenants and conditions therein and herein contained and to declare the terms and conditions upon, and subject to which the Certificates are intended to be sold, held, secured and enforced, and in consideration of the premises set forth herein and of the purchase and acceptance of the Certificates by the Owners thereof, the Trustee has executed and delivered this Declaration of Trust and does declare that it will hold all of the assets, property and interests received by it under the terms of this Declaration of Trust and the Lease and all agreements and instruments contemplated hereby or thereby (except any compensation, indemnification or other amounts which may be due directly to the Trustee hereunder or thereunder) (collectively, the “**Trust Estate**”), as trustee, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the Certificates, without privilege,

priority or distinction as to the lien or otherwise of any of the Certificates over any of the other Certificates;

PROVIDED, HOWEVER, that, except as otherwise hereinafter provided in this clause, if the principal of and premium, if any, and interest due or to become due with respect to the Certificates are paid or provision made therefor in accordance with **Article X**, at the times and in the manner mentioned in the Certificates according to the true intent and meaning thereof, and provision shall have also been made for paying all sums payable under the Lease by the City in accordance with **Article X**, then this Declaration of Trust and the rights hereby granted shall cease, determine and be void except as provided in **Article X**;

THIS DECLARATION OF TRUST FURTHER WITNESSETH, and it is expressly declared, that all Certificates are to be sold, executed and delivered and all said rights and interests are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Trustee has agreed and covenanted, and does hereby agree and covenant, with the respective Owners of the Certificates as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. In addition to words and terms defined in the Lease and elsewhere in this Declaration of Trust, the following words and terms used in this Declaration of Trust shall have the following meanings, unless some other meaning is plainly intended:

“Additional Certificates” means any Certificates executed and delivered pursuant to **Section 3.09**.

“Arbitrage Instructions” means the Arbitrage Investment Instructions included in the Tax Compliance Agreement.

“Authorized Representative” means the Mayor, City Manager or Finance Director of the City or any other person designated as an Authorized Representative by the Mayor, such designation being approved by the Mayor in writing that is filed with the Trustee.

“Cede & Co.” means Cede & Co., as nominee name of The Depository Trust Company, New York, New York.

“Certificate Payment” means the payments to be made to the Owners of the Certificates, whether representing Interest Portion only or Principal Portion and Interest Portion of Basic Rent under the Lease.

“Certificates” means the Series 2020A Certificates and any Additional Certificates.

“Directive” means an instrument in writing executed in one or more counterparts by the Owners of Certificates, as determined from the records of the Trustee kept pursuant to **Section 3.06**, or their

lawful attorneys-in-fact, representing no less than a majority of the aggregate unpaid Principal Portion represented by the then Outstanding Certificates.

“Event of Default” means an Event of Default as described in **Section 9.01**.

“Event of Lease Default” means an Event of Default under **Section 12.01** of the Lease.

“Funds” means, collectively, the Project Fund, the Lease Revenue Fund and all accounts therein.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended.

“Investment Securities” means and includes any of the following securities, if and to the extent the same are permitted by law:

- (a) Government Obligations;
- (b) other obligations issued by or on behalf of agencies or instrumentalities of the United States of America except for the Federal Farm Credit Bank;
- (c) negotiable certificates of deposit, demand deposits and other deposit arrangements, repurchase agreements, and investment agreements issued by banks or trust companies, including without limitation, the Trustee and its affiliates, continuously secured (to the extent not fully insured by the Federal Deposit Insurance Corporation), for the benefit of the Trustee by lodging with a bank or trust company (which may or may not be the bank or trust company issuing such negotiable certificates of deposit, repurchase agreement or investment agreement), as collateral security, Government Obligations having a market value at all times at least equal to the principal amount of such certificates of deposit, demand deposits and other deposit arrangements;
- (d) money market mutual funds rated in the highest rating category by a nationally recognized rating service consisting of Government Obligations or repurchase agreements for Government Obligations; and
- (e) any other investment permitted by law for the City.

“Lease Revenue Fund” means the fund by that name established pursuant to **Section 6.01**.

“Lease Revenues” means the Basic Rent Payments, Supplemental Rent Payments and all other amounts due and owing pursuant to or with respect to the Lease, including prepayments, insurance proceeds, condemnation proceeds, and any and all interest, profits or other income derived from the investment thereof in any fund or account established pursuant to this Declaration of Trust.

“Leased Property” has the meaning set forth in the Lease.

“Notice by Mail” or **“Notice”** of any action or condition **“by Mail”** means a written notice meeting the requirements of this Declaration of Trust mailed by first-class mail to the Owners of specified Certificates, at the addresses shown on the registration books maintained by the Registrar pursuant to **Section 3.06**.

“Opinion of Counsel” means a written opinion of counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to the City.

“Outstanding” means, as of the date of determination, all Certificates theretofore executed and delivered pursuant to this Declaration of Trust except (i) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation, (ii) Certificates for the transfer or exchange of or in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to this Declaration of Trust, (iii) Certificates whose payment or prepayment has been provided for in accordance with **Article X**, and (iv) Certificates paid or deemed to be paid pursuant to **Article X**.

“Owner” or **“Registered Owner”** of a Certificate means the owner of such Certificate as shown on the register kept by the Registrar pursuant to **Section 3.06**.

“Prepayment Date” means any date set for prepayment of the Principal Portion of Basic Rent represented by Certificates.

“Prepayment Price” means, with respect to any Certificate (or portion thereof) the amount specified in **Section 5.02**.

“Proceeds” means the aggregate moneys initially paid to the Trustee for the Certificates.

“Project” has the meaning set forth in the Lease.

“Project Fund” means the fund by that name established pursuant to **Section 6.01**.

“Record Date” means the fifteenth day (whether or not a Business Day) of the month prior to the applicable Basic Rent Payment Date (whether or not a Business Day).

“Registrar” means the Trustee when acting in that capacity, or its successor as Registrar.

“Replacement Certificates” means Certificates issued to the beneficial owners of the Certificates in accordance with **Section 2.09(b)** hereof.

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

“Series 2020A Certificates” means the Certificates of Participation, Series 2020A, executed and delivered pursuant to this Declaration of Trust.

“Tax Compliance Agreement” means the Tax Compliance Agreement for the Series 2020A Certificates dated as of November 1, 2020, as from time to time amended in accordance with the provisions thereof.

“Trust Estate” means the assets, property and interests held by the Trustee pursuant to this Declaration of Trust and the Lease.

“Trustee” means Security Bank of Kansas City, Kansas City, Kansas, and its successor or successors and their respective assigns.

Section 1.02. General Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa, and words importing person shall include individuals, corporations, partnerships, joint ventures, associations, joint-stock companies, trusts, unincorporated organizations and governments and any agency or political subdivision thereof.

The words “herein,” “hereby,” “hereunder,” “hereof,” “hereto,” “hereinbefore,” “hereinafter” and other equivalent words refer to this Declaration of Trust and not solely to the particular article, section, paragraph or subparagraph hereof in which such word is used.

Reference herein to a particular article or a particular section, exhibit, schedule or appendix shall be construed to be a reference to the specified article or section hereof or exhibit, schedule or appendix hereto unless the context or use clearly indicates another or different meaning or intent.

Whenever an item or items are listed after the word “including,” such listing is not intended to be a listing that excludes items not listed.

The table of contents, captions and headings in this Declaration of Trust are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Declaration of Trust.

Section 1.03. Execution in Counterparts. This Declaration of Trust may be executed simultaneously in two or more counterparts, each of which shall be deemed to be an original, and all of which together shall constitute but one and the same instrument. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed 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 1.04. Severability. If any provision of this Declaration of Trust shall be held or deemed to be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or sections in this Declaration of Trust contained shall not affect the remaining portions of this Declaration of Trust, or any part thereof.

Section 1.05. Date of Declaration of Trust. The dating of this Declaration of Trust as of November 1, 2020, is intended as and for the convenient identification of this Declaration of Trust only and is not intended to indicate that this Declaration of Trust was executed and delivered on said date, this Declaration of Trust being executed and delivered and becoming effective simultaneously with the initial execution and delivery of the Certificates.

Section 1.06. Governing Law. This Declaration of Trust shall be governed by and construed in accordance with the laws of the State.

ARTICLE II

COVENANT AS TO LEASE

Section 2.01. Covenant as to Lease. The Trustee covenants and agrees that, except in accordance with the terms of this Declaration of Trust and the Lease, it will not take any action that would result in the occurrence of an Event of Default and that it will not agree to any abatement, reduction, abrogation, waiver, diminution or other modification in any manner or to any extent whatsoever of the obligations of the City under the Lease to pay Basic Rent and to meet its other obligations as provided in the Lease.

ARTICLE III

THE CERTIFICATES

Section 3.01. Title and Amount of Certificates. No Certificates may be executed and delivered under the Declaration of Trust except in accordance with this Article. The Certificates shall be designated and shall be in such aggregate amount as provided in **Section 3.08** hereof.

Section 3.02. General Provisions Concerning the Certificates.

(a) The Certificates and the form of assignment to appear thereon shall be in substantially the form set forth in **Exhibit A**, with necessary or appropriate variations, omissions and insertions as permitted or required hereby or by any Supplemental Declaration of Trust.

(b) The Certificates shall be fully registered Certificates without coupons, transferable to subsequent owners only on the books kept by the Registrar pursuant to **Section 3.06** as hereinafter provided. Each Certificate shall be in the denomination of \$5,000 and integral multiples thereof.

(c) Each of the Certificates shall represent the Interest Portion and Principal Portion of Basic Rent payable with respect thereto and shall be on a parity with the other Certificates as to the entire Trust Estate.

(d) Each series of Certificates shall be numbered from 1 upward, shall be dated and the Principal Portion shall be payable, subject to prior prepayment upon the terms and conditions hereinafter set forth, and shall represent Interest Portions of Basic Rent calculated at certain rates as set forth in this Declaration of Trust or any Supplemental Declaration of Trust authorizing such series of Certificates.

(e) The Interest Portion of the Basic Rent represented by each Certificate shall be payable from the date thereof or the most recent date to which said Interest Portion has been paid. The Interest Portion of the Basic Rent represented by the Certificates shall be paid on each March 1 and September 1, commencing on March 1, 2021.

(f) Payment of the Interest Portion of the Basic Rent represented by any Certificates shall be made to the person appearing on the registration books of the Registrar as the Owner thereof on the Record Date, such Interest Portion to be paid to such Owner by check or draft drawn on the Trustee and mailed to such Owner's address as it appears on the registration books of the Registrar on the Record

Date or in the case of such Interest Portion to any Owner of \$100,000 or more in aggregate principal amount of Certificates, by electronic transfer to such Owner upon written notice given to the Trustee by such Owner not less than 5 days prior to the Record Date for such Interest Portion, containing the electronic transfer instructions including the bank (which shall be in the continental United States), ABA routing number and account name and number to which such Owner wishes to have such transfer directed.

(g) The Interest Portion of the Basic Rent represented by any Certificates shall be computed with respect to such Certificates on the basis of a 360-day year of twelve 30-day months.

(h) The Principal Portion of the Basic Rent and prepayment premium, if any, represented by the Certificates shall be payable (whether at maturity or upon prepayment or acceleration) by check or draft to the Owners of such Certificates upon presentation and surrender of such Certificates at the payment office of the Trustee.

(i) Payment of Certificate Payments and of the Prepayment Price of Certificates shall be made in such coin or currency of the United States of America as, at the time of payment, shall be legal tender for public and private debts.

Section 3.03. Execution of Certificates. The Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized signatory of the Trustee.

Section 3.04. Transfer of Certificates. Any Certificate may be transferred upon the books required to be kept pursuant to the provisions of **Section 3.06**, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. The Trustee or the Securities Depository shall also require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. In the event any Owner fails to provide a correct taxpayer identification number to the Trustee, the Trustee may impose a charge against such Owner sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with Section 3406 of the Internal Revenue Code, such amount may be deducted by the Trustee from amounts otherwise payable to such Owner hereunder or under the Certificates.

Section 3.05. Exchange of Certificates. Certificates may be exchanged at the payment office of the Trustee for a like aggregate principal amount of Certificates of the same maturity, interest rate and tenor. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No exchange of any Certificate shall be required of the Trustee after such Certificate has been called for prepayment.

Section 3.06. Registration Books. The Registrar will keep or cause to be kept at its payment office, sufficient books for the registration and transfer of the Certificates, which shall at all reasonable times be open to inspection by the City, and, upon presentation for such purpose, the Registrar shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Certificates as hereinbefore provided.

The person in whose name any Certificate shall be registered on the registration books maintained by the Registrar on the Record Date shall be deemed the owner thereof for all purposes hereof, and payment of or on account of the Interest Portions and Principal Portions of Basic Rent, represented by

such Certificate shall be made only to or upon the order in writing of such Registered Owner, which payments shall be valid and effectual to satisfy and discharge the liability under the Lease as represented by such Certificate to the extent of the sum or sums so paid.

Section 3.07. Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like tenor, maturity, interest rate and number in exchange and substitution for the Certificate so mutilated (except that such number may be preceded by a distinguishing prefix), but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and indemnity of the Trustee and the City satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner of the Certificate, shall execute and deliver a new Certificate of like tenor, maturity, interest rate, and number as the Trustee shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Certificate executed and delivered under this Section and of the expenses that may be incurred by the Trustee under this Section. Any Certificate executed and delivered under this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Declaration of Trust with all other Certificates secured by this Declaration of Trust. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be Outstanding hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Certificate for a Certificate which has been mutilated, lost, destroyed or stolen and which has matured, is about to mature or has been selected for prepayment, the Trustee may make payment of such Certificate.

Section 3.08. Series 2020A Certificates. There shall be initially prepared, executed and delivered under this Declaration of Trust a series of Certificates in the aggregate principal amount of \$7,740,000, to be known as "Certificates of Participation, Series 2020A" (the "**Series 2020A Certificates**"). The Series 2020A Certificates shall be dated their date of delivery, and shall be payable on the dates, in the principal amounts, and with the Interest Portions accruing at the rates set forth on **Exhibit C**.

Prior to or simultaneously with the execution of and delivery of the Series 2020A Certificates by the Trustee the following documents shall be filed with the Trustee:

- (a) A copy, certified by the City Clerk, of the Ordinance adopted by the City Council authorizing the execution of the Lease and the Declaration of Trust;
- (b) An original executed counterpart of this Declaration of Trust and the Lease;
- (c) An original executed counterpart of the Tax Compliance Agreement;
- (d) An Opinion of Special Counsel as to the validity of the Series 2020A Certificates and the exemption from federal income taxation of the Interest Portion of Basic Rent Payments represented by the Series 2020A Certificates;

- (e) An Opinion of Special Counsel stating that the Series 2020A Certificates are exempt from registration under the Securities Act of 1933, as amended and the Declaration of Trust is exempt from qualification under the Trust Indenture Act of 1939, as amended;
- (f) A request and authorization to the Trustee by the City to authenticate the Series 2020A Certificates and to deliver the Series 2020A Certificates to or upon the order of the purchaser thereof upon payment, for the account of the City, of the purchase price thereof. The Trustee shall be entitled to rely conclusively upon such request and authorization as to the name(s) of the purchaser(s) and the amount of such purchase price; and
- (h) Such other certificates, statements, receipts, opinions and documents required by this Declaration of Trust or the Lease, or as the Trustee may reasonably require for the delivery of the Series 2020A Certificates.

When the documents specified above have been filed with the Trustee, and when the Series 2020A Certificates have been executed as required by this Declaration of Trust, the Trustee shall deliver the Series 2020A Certificates to or upon the order of the purchaser thereof, but only upon payment to the Trustee of the purchase price of the Series 2020A Certificates. The net proceeds of the sale of the Series 2020A Certificates paid over to the Trustee shall be deposited and applied as provided in **Article VI**.

Section 3.09. Additional Certificates.

(a) Upon the execution and delivery of a Supplemental Lease that provides for an increase in the amount of Basic Rent payable under the Lease and so long as no Event of Default or Event of Nonappropriation exists, Additional Certificates evidencing the right of the Owners thereof to receive the Principal Portion and the Interest Portion of such additional Basic Rent may be executed and delivered under and equally and ratably secured by this Declaration of Trust on a parity with the Series 2020A Certificates and any other Additional Certificates, at any time and from time to time, upon compliance with the conditions provided in this Section to (a) refund the Certificates of any series, and (b) fund the costs of completing the Project or for additional projects for the City.

(b) Before any Additional Certificates may be executed and delivered under the provisions of this Section, the City will (1) adopt an ordinance authorizing the execution and delivery of such Additional Certificates, fixing the amount and terms thereof and describing the Certificates to be refunded, if any, (2) consent in writing to the Trustee's execution of a Supplemental Declaration of Trust for the purpose of executing and delivering such Additional Certificates, and (3) authorize the Trustee to enter into an amendment to the Lease with the City to provide for Basic Rent Payments at least sufficient to pay the Principal Portion, premium, if any, and Interest Portion of the Certificates then to be Outstanding (including the Additional Certificates to be executed and delivered) as the same become due, and for such other matters as are appropriate because of the execution and delivery of the Additional Certificates proposed to be delivered.

(c) The Additional Certificates will have the same designation as the Series 2020A Certificates, except for an identifying series letter or date and any other changes necessary to appropriately identify such Additional Certificates. The Principal Portion and the Interest Portion of Basic Rent represented by such Additional Certificates will be payable on the dates, in the amounts and (with respect to such Interest Portion) at the rates as may be provided by the Supplemental Declaration of Trust authorizing such Additional Certificates. **Exhibit C** will be amended by such Supplemental

Declaration of Trust to reflect separately the Principal Portion of Basic Rent allocable to each series of Certificates. Such Additional Certificates will be on a parity with and will be entitled to the same benefit and security of this Declaration of Trust as the Series 2020A Certificates and any other Additional Certificates.

(d) Such Additional Certificates will be executed substantially in the form and manner as provided in this Article, but prior to or simultaneously with the delivery of such Certificates by the Trustee, the following items will be on file with the Trustee:

(i) A copy, certified by the City Clerk, of the ordinance passed by the City Council authorizing such Supplemental Lease and authorizing the execution and delivery of the Additional Certificates, fixing the amount and terms thereof and describing the Certificates to be refunded, if any;

(ii) An original executed counterpart of the Supplemental Declaration of Trust authorizing such Additional Certificates;

(iii) An original executed counterpart of the Supplemental Lease;

(iv) An Opinion of Special Counsel to the effect that the execution and delivery of such Additional Certificates will not adversely affect the federal tax status of any Certificates Outstanding; and

(v) Such other certificates, statements, receipts, opinions and documents required by this Declaration of Trust or the Lease or as the Trustee may reasonably require for the delivery of the Additional Certificates.

(e) When the documents mentioned in subsection (d) of this Section have been filed with the Trustee, and when such Additional Certificates have been executed and registered as required by this Declaration of Trust, the Trustee will deliver such Additional Certificates to or upon the order of the purchaser named in the certificate purchase agreement relating to such Additional Certificates, but only upon payment of the purchase price of such Additional Certificates as specified in the certificate purchase agreement relating to such Additional Certificates. The Proceeds of Additional Certificates, including accrued interest, if any, paid to the Trustee will be deposited as provided in the Supplemental Declaration of Trust.

Section 3.10. Book-Entry Certificates; Securities Depository.

(a) The Certificates shall initially be registered to Cede & Co., the nominee for the Securities Depository, and no beneficial owner will receive certificates representing their respective interests in the Certificates, except in the event the Trustee delivers Replacement Certificates as provided in subsection (b) hereof. It is anticipated that during the term of the Certificates, the Securities Depository will make book-entry transfers among its Participants and receive and transmit payment of principal, premium, if any, and interest components with respect to the Certificates to the Participants until and unless the Trustee authenticates and delivers Replacement Certificates to the beneficial owners as described in subsection (b).

(b) (1) If the City determines (A) that the Securities Depository is unable to properly discharge its responsibilities, or (B) that the Securities Depository is no longer qualified to act as a

securities depository and registered clearing agency under the Securities Exchange Act of 1934, as amended, or (C) that the continuation of a book-entry system to the exclusion of any Certificates being delivered to any Owner other than Cede & Co. is no longer in the best interests of the beneficial owners of the Certificates, or (2) if the Trustee receives written notice from Participants having interests in not less than 50% of the Certificates Outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the continuation of a book-entry system to the exclusion of any Certificates being delivered to any Owner other than Cede & Co. is no longer in the best interests of the beneficial owners of the Certificates, then the Trustee shall notify the Owners of such determination of such notice and of the availability of certificates to Owners requesting the same, and the Trustee shall register in the name of and authenticate and deliver Replacement Certificates to the beneficial owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest and previous calls for redemption; provided, that in the case of a determination under (1)(A) or (1)(B) of this subsection (b), the City, with the consent of the Trustee, may select a successor securities depository in accordance with **Section 2.09(c)** to effect book-entry transfers. In such event, all references to the Securities Depository herein shall relate to the period of time when the Securities Depository is the registered owner of at least one Certificate. Upon the delivery of Replacement Certificates, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Trustee, to the extent applicable with respect to such Replacement Certificates. If the Securities Depository resigns and the City, the Trustee or the Owners are unable to locate a qualified successor of the Securities Depository in accordance with **Section 2.09(c)**, then the Trustee shall authenticate and cause delivery of Replacement Certificates to Owners, as provided herein. The Trustee may rely on information from the Securities Depository and its Participants as to the names and addresses of, and principal amounts held by, the beneficial owners of the Certificates. The cost of printing Replacement Certificates shall be paid for by the City.

(c) If the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Securities Exchange Act of 1934, as amended, the City may appoint a successor Securities Depository provided the Trustee receives written evidence satisfactory to the Trustee with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository which is a registered clearing agency under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Trustee upon its receipt of a Certificate or Certificates for cancellation shall cause the delivery of Certificates to the successor Securities Depository in appropriate denominations and form as provided herein.

Section 3.11. Cancellation and Destruction of Certificates upon Payment.

(a) All Certificates that have been paid or prepaid or which the Trustee has purchased or which have otherwise been surrendered to the Trustee under this Declaration of Trust, either at or before maturity, if not reissued in an exchange pursuant to **Section 3.05**, shall be canceled by the Trustee immediately upon the payment, prepayment or purchase of such Certificates and the surrender thereof to the Trustee. The Trustee shall execute a certificate describing the Certificates to be canceled, and shall file an executed counterpart of such certificate with the City.

(b) All Certificates canceled under any of the provisions of this Declaration of Trust shall be destroyed by the Trustee in accordance with then applicable record retention requirements.

ARTICLE IV

PARTICULAR COVENANTS AND PROVISIONS

Section 4.01. Covenant of Trustee as to Performance of Obligations. The Trustee covenants that it will promptly remit to the Owner of each Certificate its interest in each installment of Basic Rent to the extent received by the Trustee, at the places, on the dates and in the manner provided herein and in the Certificates.

Section 4.02. Covenant to Perform Undertakings. The Trustee covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Declaration of Trust, in any and every Certificate executed and delivered hereunder and in all proceedings of the Trustee pertaining thereto. The Trustee covenants that it is duly authorized to execute and deliver the Certificates and to enter into this Declaration of Trust and to perform its obligations hereunder.

ARTICLE V

PREPAYMENT

Section 5.01. General. The Certificates are subject to prepayment pursuant to this Article and any Supplemental Declaration of Trust to the extent that prepayments of Basic Rent are required, allowed or provided under the Lease.

Section 5.02. Prepayment Provisions with Respect to the Series 2020A Certificates.

(a) *Optional Prepayment.* At the option of the City, the Certificates will be subject to prepayment in whole or in part beginning on March 1, 2030, at a Prepayment Price equal to 100% of the Principal Portion being prepaid, plus the Interest Portion accrued to the Prepayment Date.

(b) *Mandatory Sinking Fund Prepayment.* The Certificates shall be subject to mandatory prepayment prior to its stated maturity at a prepayment price of 100% of the principal amount so prepaid plus accrued interest thereon to the Prepayment Date, without premium, on March 1 in the years and in the following principal amounts:

Term Certificates Maturing March 1, 2040

<u>March 1</u> <u>Prepayment Date</u>	<u>Principal</u> <u>Amount</u>
2036	\$280,000
2037	\$285,000
2038	\$290,000
2039	\$300,000
2040*	\$190,000

*Final Maturity

Section 5.03. Selection of Certificates for Prepayment; Notice to Trustee. If less than all of the Outstanding Certificates are called for optional prepayment, Certificates shall be prepaid in such order of stated payment dates as is determined by the City. Within a stated payment date the Trustee shall select the Certificates or any given portion thereof to be prepaid in such equitable manner as the Trustee determines in principal amounts of \$5,000 or integral multiples thereof. In case of any optional prepayment, at the election of the City, the City shall, at least 45 days prior to the Prepayment Date (unless a shorter notice shall be satisfactory to the Trustee), give written notice to the Trustee directing the Trustee to call Certificates for prepayment and give notice of prepayment and specifying the Prepayment Date, the principal amount and maturities of Certificates to be called for prepayment, the applicable prepayment price and the provision or provisions of the Declaration of Trust pursuant to which such Certificates are to be called for prepayment.

Section 5.04. Partial Prepayment of Certificate. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the City, a new Certificate or Certificates of the same maturity, equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered.

Section 5.05. Notice of Prepayment. Unless otherwise provided herein, notice of prepayment shall be given by the Trustee, not less than 30 days prior to the Prepayment Date, to the City and the Owner of each Certificate affected at the address shown on the registration books of the Registrar on the date such notice is mailed. Each notice of prepayment shall state (a) the Prepayment Date, (b) the place of prepayment, (c) the Prepayment Price (d) if less than all, the identification number of the Certificates to be prepaid and (e) if a Certificate is being prepaid in part, the portion thereof being prepaid. Such notice shall also state that the Interest Portion of the Basic Rent represented by the Certificates designated for prepayment shall cease to accrue from and after such Prepayment Date and that on said date the Prepayment Price will become due and payable on each of said Certificates. The failure of the Owner of any Certificate to be so prepaid to receive notice of prepayment mailed as herein provided or any defect therein shall not affect or invalidate the validity of any proceedings for the prepayment of such Certificate.

The Trustee is also directed to comply with any mandatory standards then in effect for processing redemptions of municipal securities established by the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the prepayment of any Certificate to be prepaid.

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

Section 5.06. Effect of Prepayment. Notice of prepayment having been duly given as aforesaid, and upon funds for payment of the Prepayment Price of such Certificates (or portions thereof) being held by the Trustee, on the Prepayment Date designated in such notice, the Certificates (or portions thereof) so called for prepayment shall become due and payable at the Prepayment Price specified in such notice and the Interest Portion of Basic Rent represented by the Certificates so called for prepayment shall cease to accrue, said Certificates (or portions thereof) shall cease to be entitled to any benefit or security under this Declaration of Trust and the Owners of such Certificates shall have no rights in respect thereof except to receive payment of the Prepayment Price.

All Certificates prepaid pursuant to the provisions of this Article shall be cancelled upon surrender thereof and destroyed by the Trustee pursuant to **Section 3.11**.

ARTICLE VI

ISSUE OF CERTIFICATES; FUNDS; APPLICATION OF PROCEEDS AND OTHER MONEYS

Section 6.01. Establishment of Funds. There are hereby established the following funds and accounts:

- (a) Project Fund; and
- (b) Lease Revenue Fund.

Separate subaccounts shall be established for each series of Certificates or as otherwise required by this Declaration of Trust. All funds and accounts established pursuant to this Article shall be held by the Trustee in trust and for the benefit of the Certificate Owners. The money in all of the funds and the accounts shall be applied as hereinafter provided.

Section 6.02. Application of Proceeds of the Series 2020A Certificates and Other Moneys. The Proceeds of the Series 2020A Certificates paid to the Trustee shall be deposited as follows:

- (a) in the appropriate subaccounts of the Lease Revenue Fund, any accrued interest with respect to the Series 2020A Certificates (\$0.00); and
- (b) in the appropriate subaccounts of the Project Fund, the remainder of the proceeds of the Series 2020A Certificates (\$7,865,510.40).

Section 6.03. Application of Lease Revenues. Lease Revenues shall be deposited, as received pursuant to the Lease, as follows:

- (a) The Basic Rent shall be deposited to the Lease Revenue Fund;
- (b) Prepayments of the Principal Portion of Basic Rent (in amounts equal to the applicable Prepayment Price) shall be deposited to the Lease Revenue Fund; and
- (c) Payments of Supplemental Rent pursuant to **Section 4.02** of the Lease shall be applied as provided in **Section 4.02** of the Lease.
- (d) Payment to the Trustee of excess Net Proceeds as described in **Section 9.01** of the Lease shall be deposited in the Lease Revenue Fund.

Subject to Article IX, undesignated payments of Rent that are insufficient to discharge the full amount then due shall be applied first to the Interest Portion of Basic Rent, next to the Principal Portion of Basic Rent and finally to Supplemental Rent.

Section 6.04. Disbursements from the Project Fund.

(a) Moneys in the Project Fund shall be used to pay for Costs of the Project. Payment shall be made from moneys in the Project Fund upon receipt by the Trustee of a requisition certificate therefor signed by an Authorized Representative of the City, which requisition certificate shall contain the statements, representations and certificates set forth in the form thereof attached hereto as **Exhibit B** and shall be otherwise substantially in such form.

In making disbursements for Costs of the Project, the Trustee shall be entitled to conclusively rely upon each written requisition certificate executed by the Authorized Representative of the City without inquiry or investigation. It is understood that the Trustee shall *not* make any inspections of the Project nor any improvements thereon, make any provision to obtain completion bonds, mechanic's or materialmen's lien releases or otherwise supervise any phase of the acquisition or installation of the Project. The approval of each requisition certificate by the Authorized Representative of the City shall constitute unto the Trustee an irrevocable determination that all conditions precedent to the payment of the specified amounts from the Project Fund have been completed. The Trustee shall make disbursements to pay Costs of the Project for which any such request is made within five Business Days of the receipt of a properly executed certificate with all necessary supporting information.

(b) The Completion Date of the acquisition and installation of the Project and the payment of all Costs of the Project (other than Costs of the Project for which sufficient amounts are retained in the Project Fund) shall be evidenced by the filing with the Trustee of the Completion Certificate pursuant to **Section 5.03** of the Lease. As soon as practicable thereafter any balance remaining in the Project Fund shall be transferred and deposited without further authorization as provided in **Section 5.03** of the Lease.

(c) In the event of the acceleration of all of the Certificates pursuant to **Section 9.02**, any moneys then remaining in the Project Fund shall be transferred and deposited to the credit of the Lease Revenue Fund.

Section 6.05. Application of Moneys in the Lease Revenue Fund. Except as otherwise provided herein, all amounts in the Lease Revenue Fund shall be used and withdrawn by the Trustee solely to pay Basic Rent represented by the Certificates when due and payable (including principal and accrued interest with respect to any Certificates paid prior to maturity pursuant to this Declaration of Trust).

Section 6.06. [Reserved].

Section 6.07. [Reserved].

Section 6.08. Repayment to the City from the Lease Revenue Fund. After payment in full of all Rent Payments through the maximum Lease Term or the earlier purchase of the Trustee's interest in the Leased Property pursuant to **Section 10.01** of the Lease, all amounts remaining in the Funds shall be paid to the City.

Section 6.09. Payments Due on Days Other than Business Days. In any case where the date of maturity of the Principal Portion or Interest Portion of Basic Rent represented by the Certificates, or premium related thereto, or the date fixed for prepayment of any Certificates shall not be a Business Day, then payment of Principal Portion or Interest Portion of Basic Rent represented by the Certificates, or premium related thereto need not be made on such date but may be made on the next succeeding Business

Day with the same force and effect as if made on the date of maturity or the date fixed for prepayment, and no interest shall accrue for the period after such date.

Section 6.10. Nonpresentment of Certificates. If any Certificate shall not be presented for payment when the Principal Portion of Basic Rent represented by the Certificates becomes due, either at maturity or otherwise, or at the date fixed for prepayment thereof, if funds sufficient to pay such Certificate shall have been made available to the Trustee, all liability of the Trustee and the City to the Owner thereof for the payment of such Certificate shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the Owner of such Certificate, who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature under this Declaration of Trust or on, or with respect to, said Certificate. If any Certificate shall not be presented for payment within one year following the date when such Certificate becomes due, whether by maturity or otherwise, the Trustee shall repay, without liability for interest thereon, to the City the funds theretofore held by the Trustee for payment of such Certificate, and such Certificate shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the City, and the Registered Owner thereof shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid, and the City shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Section 6.11. Separate Accounting of Funds Allocable to each Series of Certificates. The Trustee will maintain separate accounts for funds and securities attributable to each series of Certificates in the Funds held by the Trustee hereunder so that the calculations for each series of Certificates can be made separately for such series. Any transfer of funds or securities or earnings thereon from one fund or account to another will be made to the appropriate account or subaccount of the same series of Certificates to which such funds or securities are attributed. If, at any time, a payment is made to any such fund that is less than the amount due and payable to such fund, the amount payable will be credited *pro rata* to each such separate account within such fund, based on the amount owed to each such account.

ARTICLE VII

DEPOSITARIES OF MONEYS, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 7.01. Moneys to be Held in Trust. All moneys deposited with or paid to the Trustee for account of the Funds under this Declaration of Trust shall be held by the Trustee in trust and shall be applied only in accordance with this Declaration of Trust and the Lease and until used or applied as herein provided, shall constitute part of the Trust Estate and shall not be subject to any lien other than the lien of this Declaration of Trust. The Trustee shall not be under any liability for interest on any moneys received hereunder except such as provided herein.

Section 7.02. Investment of Moneys. Moneys held in the Funds shall, subject to the requirements of the Arbitrage Instructions and as hereinafter provided, be invested and reinvested by the Trustee, pursuant to written direction of the City, signed by an Authorized Representative of the City, in Investment Securities that mature or are subject to redemption by the holder prior to the date such funds will be needed. In the absence of such instructions, the Trustee is authorized to invest moneys in Investment Securities described in subparagraph (d) of the definition of Investment Securities in **Section 1.01**. The Trustee is specifically authorized to implement its automated cash investment system

to assure that cash on hand is invested and to charge its normal cash management fees, which may be deducted from income earned on investments.

The Trustee shall sell and reduce to cash a sufficient amount of such Investment Securities held by the Trustee in any fund hereunder whenever the cash balance in such Fund is insufficient for the purpose of such Fund. Any such Investment Securities shall be held by or under the control of the Trustee and shall be deemed at all times a part of the Fund or Account in which such moneys are originally held, and the interest accruing thereon and any profit realized from such Investment Securities shall be credited to such Fund or Account, and any loss resulting from such Investment Securities shall be charged to such Fund or Account.

For purposes of determining the amount in any Fund or account, the value of any investments shall be computed at the market value thereof, the purchase price thereof or principal amount, whichever is lower. The Funds and accounts shall be valued on February 1 of each year.

The Trustee may, in making or disposing of any investment permitted by this Section, deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

ARTICLE VIII

AMENDMENT OF THE DECLARATION OF TRUST OR THE LEASE

Section 8.01. Amendments Permitted.

(a) This Declaration of Trust, the Lease and the rights and obligations of the City and of the Owners of the Certificates and of the Trustee may be modified or amended from time to time and at any time by an amendment or supplement hereto or thereto which the parties hereto or thereto may enter into when the written consent of the Trustee and the City, if not a party hereto or thereto, and the Owners of a majority in aggregate Principal Portion of Basic Rent Payments represented by the Certificates then Outstanding shall have been filed with the Trustee. No such modification or amendment shall (i) extend the stated maturity of any Certificate, or reduce the amount of principal represented thereby, or extend the time of payment or reduce the amount of any Prepayment Price provided in the Declaration of Trust for the payment of any Certificate, or reduce the rate of interest with respect thereto, or extend the time of payment of interest with respect thereto without the consent of the Owner of each Certificate so affected, (ii) reduce the aforesaid percentage of Certificates the consent of the Owners of which is required to effect any such modification or amendment or, except in connection with the delivery of any Additional Certificates, permit the creation of any lien on the moneys in the Project Fund or the Lease Revenue Fund or deprive the Owners of the trust created by this Declaration of Trust with respect to the moneys in the Project Fund and the Lease Revenue Fund or (iii) create a preference or priority of any Certificate or Certificates over any other Certificate or Certificates without the consent of the Owners of all of the Certificates then Outstanding. Promptly after the execution by the Trustee of any amendment pursuant to this subsection (a), the Trustee shall give Notice by Mail, setting forth in general terms the substance of such amendment to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to **Section 3.06**. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment.

(b) Notwithstanding subsection (a), this Declaration of Trust and the Lease and the rights and obligations of the City, of the Trustee and of the Owners of the Certificates may also be modified or amended from time to time and at any time by an agreement which the parties hereto or thereto may enter into without the consent of any Certificate Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Trustee in this Declaration of Trust, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Certificates (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the City; provided, however, that no such covenant, agreement, pledge, assignment or surrender shall, in the sole judgment of the Trustee, materially adversely affect the interests of the Trustee or the security of the Owners of the Certificates;

(ii) to add to the covenants and agreements of the City in the Lease, other covenants and agreements thereafter to be observed or to surrender any right or power therein reserved to or conferred upon the Trustee or the City; provided, however, that no such covenant, agreement or surrender shall, in the sole judgment of the Trustee, materially adversely affect the security of the Owners of the Certificates;

(iii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Declaration of Trust, the Lease, or in regard to matters or questions arising under this Declaration of Trust, the Lease as the Trustee and the City may deem necessary or desirable and not inconsistent with said agreements, or as may be requested by the City or the Trustee and which shall not, in any such case, in the sole judgment of the Trustee, materially adversely affect the security of the Owners of the Certificates;

(iv) to modify, amend or supplement this Declaration of Trust in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not, in the sole judgment of the Trustee, materially adversely affect the security of the Owners of the Certificates;

(v) to provide for any additional procedures, covenants or agreements necessary to maintain the federal tax status of the Certificates Outstanding;

(vi) to provide for the execution and delivery of Additional Certificates; or

(vii) to make any other change that, in the sole judgment of the Trustee, does not have a materially adverse effect on the security of the Certificate Owners.

Section 8.02. Effect of Amendments. Upon the execution of any amendments hereto, pursuant to this **Article VIII**, this Declaration of Trust shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Declaration of Trust of the Trustee and all Owners of Certificates Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such amendment shall be deemed to be part of the terms and conditions of the Declaration of Trust for any and all purposes.

Section 8.03. Endorsement of Certificates; Preparation of New Certificates. Certificates delivered after the execution of any amendment pursuant to this **Article VIII** may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form determined by the Trustee as to any modification or amendment provided for in such amendment. In that case, upon presentation of a Certificate for such purpose at the payment office of the Trustee, a suitable notation shall be made on such Certificate. If the amendment shall so provide, new Certificates so modified as to conform, in the opinion of the Trustee, to any modification or amendment contained in such amendment, shall be prepared and executed by the Trustee, and upon demand of the Owners of any Certificates then Outstanding shall be exchanged at the payment office of the Trustee, without cost to any Certificate Owner, for Certificates then Outstanding, upon surrender for cancellation of such Certificates in equal aggregate principal amounts of the same maturity, interest rate and tenor.

Section 8.04. Amendment of Particular Certificates. The provisions of this Article shall not prevent any Certificate Owner from accepting any amendment as to the particular Certificates held by him, provided that due notation thereof is made on such Certificates.

Section 8.05. Opinion of Counsel. Anything to the contrary in this **Article VIII** notwithstanding, before the Trustee or the City consent to any modification or amendment of this Declaration of Trust or the Lease, there shall have been delivered to the Trustee an Opinion of Special Counsel to the effect that such amendment (1) is permitted by this Declaration of Trust and the instrument modified or amended (if other than this Declaration of Trust), (2) complies with their terms, (3) will, upon execution and delivery thereof, be valid and binding upon the City in accordance with the terms of the instrument modified or amended, and (4) will not adversely affect the federal tax status of any Certificates Outstanding. In any instance in which the Trustee may be required to determine that a modification or amendment will not materially adversely affect the interest of the Owners of the Certificates, prior to consenting to such modification or amendment, the Trustee shall be entitled to require that there be delivered to it an Opinion of Counsel to the effect that no such materially adverse effect would result from such modification or amendment. The Trustee shall be fully protected and shall incur no liability in relying upon such Opinion of Counsel in making such determination. The Trustee may, but shall not be obligated to enter into any such supplemental Declaration of Trust or Lease which affects the Trustee's own rights, duties or immunities under this Declaration of Trust or Lease or otherwise.

ARTICLE IX

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND OWNERS OF CERTIFICATES

Section 9.01. Defaults. The occurrence of any of the following events, subject to the provisions of **Section 9.09**, is hereby defined as an "Event of Default":

- (a) Default in the due and punctual payment of any Interest Portion of Basic Rent represented by a Certificate; or
- (b) Default in the due and punctual payment of the Principal Portion of Basic Rent represented by a Certificate, whether at the stated payment date thereof or the Prepayment Date set therefor in accordance with the terms hereof; or
- (c) Any Event of Lease Default.

Section 9.02. Acceleration. Upon the occurrence of an Event of Default, the Trustee may, and upon receipt of a Directive shall, by notice in writing delivered to the City, declare the Principal Portion and Interest Portion of Basic Rent represented by all Certificates Outstanding to the end of the then current Fiscal Year immediately due and payable.

Section 9.03. Other Remedies Upon an Event of Default. Upon the occurrence of an Event of Lease Default or Event of Nonappropriation, the Trustee may exercise any remedies available under the Lease and, to the extent consistent therewith, may sell, lease or manage all or any portion of the Leased Property and apply the net proceeds thereof in accordance with **Section 9.05** and, whether or not it has done so, may pursue any other remedy available to it under the Lease or at law or in equity.

No remedy by the terms of this Declaration of Trust conferred upon or reserved to the Trustee or to the Certificate Owners is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Certificate Owners hereunder or now or hereafter existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default hereunder whether by the Trustee or by the Certificate Owners shall extend to or shall affect any subsequent default or shall impair any rights or remedies consequent thereon.

Section 9.04. Rights of Certificate Owners. If an Event of Default or Event of Nonappropriation shall have occurred and be continuing and if instructed to do so by a Directive and if indemnified as provided in **Section 9.07** and **Section 11.03**, the Trustee shall be obligated to exercise such one or more of the rights and the remedies conferred by this Article as the Trustee, upon the advice of counsel, shall deem to be in the interests of the Certificate Owners; provided that such Directive shall not be otherwise than in accordance with the provisions of law and of this Declaration of Trust, and provided further that the Trustee shall have the right to decline to follow any such Directive if the Trustee in good faith shall determine that the proceedings so directed would involve it in personal liability.

Any other provision herein to the contrary notwithstanding, the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding shall have the right, at any time, by a Directive, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of this Declaration of Trust, or for the appointment of a receiver or any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Declaration of Trust, and provided, further, that the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability.

Section 9.05. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited into the Lease Revenue Fund and all moneys in the Lease Revenue Fund shall be applied as follows:

(a) unless the Principal Portions of Basic Rent represented by all the Certificates shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST - To the payment to the persons entitled thereto of the Interest Portions of Basic Rent represented by the Certificates in the order of the maturity of the installments of such interest and, to the payment ratably, according to the amount due on such installments, to the persons entitled thereto, without any discrimination or privilege; and

SECOND - To the payment to the persons entitled thereto of the unpaid Principal Portions of Basic Rent represented by any Certificates that shall have become due (other than Principal Portions of Basic Rent represented by Certificates with respect to the payment of which moneys are held pursuant to the provisions of this Declaration of Trust) in the order of such due dates, with interest from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full the Principal Portions of Basic Rent represented by Certificates due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege except as to any difference in the respective rates of interest specified respecting the Certificates.

(b) If the Principal Portions of Basic Rent represented by all Certificates shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the Principal Portions and the Interest Portions of the Basic Rent then due and unpaid upon the Certificates without preference or priority of principal over the interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Certificate over any other Certificate, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege except as to any difference in the respective rates of interest specified respecting the certificates.

(c) If the Principal Portions of the Basic Rent represented by all Certificates shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article then subject to the provisions of paragraph (b) of this Section in the event that the Principal Portions of Basic Rent represented by all the Certificates shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to the provision of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for the application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be a Basic Rent Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the Owner of any Certificate until such Certificate shall be presented to the Trustee for appropriate endorsement or for cancellation if paid in full.

Whenever the Principal Portion and the Interest Portion of all Certificates have been paid under the provisions of this Section and all fees, expenses and charges of the Trustee have been paid, any balance remaining in the Funds shall be paid to the City.

Section 9.06. Remedies Vested in Trustee. All remedies and rights of action (including the right to file proof of claims) under this Declaration of Trust or under any of the Certificates may be enforced by the Trustee without the possession of any of the Certificates or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Owners of the Certificates. Any recovery of judgment or other amounts shall be for the equal benefit of the Owners of the Outstanding Certificates.

Section 9.07. Rights and Remedies of Certificate Owners. No Owner of any Certificates shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Lease or this Declaration of Trust, for the execution of any trust thereof, for the appointment of a receiver or to enforce any other remedy thereunder or hereunder, unless (a) an Event of Default or an Event of Nonappropriation has occurred; (b) the Owners shall have made by a Directive a written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) such Certificate Owners have provided to the Trustee indemnification satisfactory to the Trustee; and (d) the Trustee shall thereafter fail or shall refuse to exercise the powers hereinbefore granted or to institute such action suit or proceedings in its, his, her or their name or names. Such notification, request and indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and the trusts of this Declaration of Trust and to any action or cause of action for the enforcement of this Declaration of Trust or for the appointment of a receiver or for any other right or remedy hereunder. No one or more Owners of the Certificates shall have any right in any manner whatsoever to affect, to disturb or to prejudice the lien of this Declaration of Trust by its, his, her or their action or to enforce any right or remedy hereunder except in the manner herein provided and all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Owners of all Certificates then Outstanding. Nothing in this Declaration of Trust contained shall, however, affect or impair the right of any Certificate Owner to enforce the payment of the Principal Portion of and the Interest Portion of the Basic Rent represented by any Certificate at and after the maturity or earlier mandatory prepayment thereof.

Section 9.08. Termination of Proceedings. If the Trustee shall have proceeded to enforce any right or remedy under the Lease or this Declaration of Trust by the appointment of a receiver, by entry or otherwise and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case, the City, the Owners and the Trustee shall be restored to their former respective positions and rights thereunder and hereunder and all rights remedies and powers of the Trustee shall continue as if no such proceeding had been taken.

Section 9.09. Waivers of Defaults. The Trustee shall waive any Event of Default and its consequences and rescind any declaration of maturity of principal upon the written request of the Owners of (a) a majority in aggregate principal amount of all Certificates then Outstanding with respect to which a default in the payment of Principal Portion of Basic Rent represented thereby exists; or (b) a majority in aggregate principal amount of all Certificates then Outstanding in the case of any other default; provided, however, that there shall not be waived (i) any Event of Default respecting the payment of the Principal Portion of Basic Rent represented by any Certificate at its maturity date, or (ii) any Event of Default respecting the payment of the Interest Portion of Basic Rent represented by any Certificate, unless prior to

such waiver or rescission, all arrears of principal and interest when due, as the case may be, and all fees, charges and expenses of the Trustee in connection with such default shall have been paid or provided for and, in case any such waiver or rescission or in case any proceeding(s) taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Trustee, the City and the Certificate Owners shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default or impair any right consequent thereon.

Section 9.10. Notices of Defaults. Within 30 days after the occurrence of any default hereunder of which the Trustee is required to take notice or if notice of default has been given as provided in **Section 11.01(f)**, the Trustee shall give written notice thereof to the City and Notice by Mail to the Owners of all Certificates then Outstanding (unless such default has been cured or waived; provided, however, that, except in the case of a default in the payment of the Principal Portion or Interest Portion of Basic Rent Payments represented thereby, the Trustee shall be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of such Owners). For the purpose of this Section, the term “**default**” means any event which is an “Event of Default” as defined in **Section 9.01**.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Declaration of Trust.

(a) When (i) the obligations of the City under the Lease shall have been satisfied in connection with the exercise by the City of its option to purchase the Leased Property in accordance with **Article X** of the Lease by the irrevocable deposit in escrow of cash or Government Obligations (maturing as to principal and interest in such amounts and at such times as are necessary to make any required payments without reinvestment of any earnings thereon) or both cash and such Government Obligations, and (ii) the City shall have delivered to the Trustee, (x) an Opinion of Counsel to the effect that the conditions for such discharge contained herein and in **Section 10.02** have been satisfied or irrevocably provided for and (y) for an advance refunding, an accountant’s certificate verifying the sufficiency of cash or Government Obligations or both so deposited for the payment of the Principal Portion and Interest Portion of the Certificates and any applicable Prepayment Price to be paid with respect to the Certificates and (iii) the City shall have deposited sufficient moneys to pay the fees, charges and expenses of the Trustee (or has made provision satisfactory to the Trustee for their payment), thereupon the obligations created by this Declaration of Trust shall cease, determine and become void except for the right of the Certificate Owners and the obligation of the Trustee to apply such moneys and Government Obligations to the payment of the Certificates as herein set forth; provided, however, that all provisions hereof relating to the compensation or indemnification of the Trustee shall survive the satisfaction and discharge of this Declaration of Trust.

(b) After all amounts owing to the Certificate Owners have been paid hereunder and under the Lease and all fees, expenses and charges of the Trustee have been paid, the Trustee shall turn over to the City any surplus in the Lease Revenue Fund and all balances remaining in any other funds or accounts other than moneys and Government Obligations held for the payment of the Certificates at maturity or on prepayment, which moneys and Government Obligations shall continue to be held by the Trustee in trust for the benefit of the Certificate Owners and shall be applied by the Trustee to the payment, when due, of

the Principal Portions and any premium and Interest Portions of Basic Rent represented by the Certificates.

Section 10.02. Deposit of Moneys or Securities. If moneys or Government Obligations as hereinabove provided, are deposited with and held by the Trustee or other bank or trust company, the Trustee or other bank or trust company shall within 30 days after such Government Obligations shall have been deposited with it give Notice by Mail, to the Owners at the addresses listed on the registration books kept by the Registrar pursuant to **Section 3.06**, setting forth (i) the maturity date or Prepayment Date, as the case may be, of the Certificates, (ii) a description of the Government Obligations, if any, so held by it, and (iii) that this Declaration of Trust has been released in accordance with the provisions of this Section. Whenever in this Declaration of Trust or the Lease it is provided or permitted that there be deposited with or held in trust by the Trustee or other bank or trust company moneys or Government Obligations in the necessary amount to pay or prepay any Certificates, the money or Government Obligations so to be deposited or held may include money or Government Obligations held by the Trustee in the Funds established pursuant to this Declaration of Trust (exclusive of the Project Fund) the principal of and interest on which when due together with any moneys held by the Trustee or other bank or trust company for such purpose will provide moneys sufficient to pay the Principal Portions and Interest Portions of the Basic Rent represented by the Certificates as same becomes due, except that, in the case of Certificates which are to be prepaid prior to maturity and in respect of which irrevocable notice of such prepayment shall have been given as in **Article V** provided or irrevocable provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the Prepayment Price with respect to such Certificates and all unpaid interest to the Prepayment Date.

ARTICLE XI

THE TRUSTEE

Section 11.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default or Event of Nonappropriation, and after the curing of all Events of Default or Events of Nonappropriation that may have occurred, perform only such duties as are specifically set forth in this Declaration of Trust. The Trustee will have no implied duties. The permissive right or power to take any action may not be construed as a duty to take action under any circumstances, and the Trustee will not be liable except in the event of its negligence or willful misconduct. The Trustee shall, during the existence of any Event of Default or Event of Nonappropriation, exercise such of the rights and powers vested in it by this Declaration of Trust, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee will not be obligated to risk its own funds in the administration of the Trust Estate. Notwithstanding any provision herein to the contrary, the Trustee need not take any action under this Declaration of Trust which may involve it in any expense or liability until indemnified to its satisfaction for any expense or liability, including liability related to environmental contamination, it reasonably believes it may incur.

(c) The Trustee is not responsible for any recitals contained in this Declaration of Trust or in the Certificates, or for the recording, filing, rerecording or refiling of the Declaration of Trust or security agreements (excluding the continuation of Uniform Commercial Code financing statements) in

connection therewith, or for the sufficiency of the security for the Certificates. The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the validity or sufficiency of this Declaration of Trust or of the Certificates. The Trustee shall not be accountable for the use or application by the City of any of the Certificates or the proceeds thereof or of any money paid to or upon the order of the City under any provision of this Declaration of Trust or the Lease.

(d) The Trustee will not be required to give any bond or surety or report to any court despite any statute, custom or rule to the contrary.

(e) The Trustee may execute any of the duties under this Declaration of Trust by or through agents, attorneys, trustees or receivers and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, attorney, trustee or receiver appointed with due care by it hereunder.

(f) The Trustee will not be required to take notice or be deemed to have notice of any default, or Event of Default or other fact or event under this Declaration of Trust other than the City's failure to pay Basic Rent Payments required by **Section 4.01** of the Lease, unless the Trustee is specifically notified in writing of the default or Event of Default, fact or event by the City or the Owners of not less than 25% of the unpaid Principal Portion of Basic Rent Payments represented by the Certificates then Outstanding.

(g) The Trustee may consult legal counsel, may conclusively rely on the opinion or advice of such legal counsel and will not be liable for any act or omission taken or suffered pursuant to the opinion or advice of such counsel. The fees and expenses of the counsel will be deemed to be a proper expense of the Trustee.

(h) Unless specifically required by the terms of this Declaration of Trust, the Trustee need not take notice of or enforce any other document or relationship, including any contract, settlement, arrangement, plan, assignment, pledge, release, decree or the like, other than the Lease, but its duties will be solely as set out in this Declaration of Trust.

(i) The Trustee may be removed at any time by a Directive or shall resign at any time the Trustee shall cease to be eligible in accordance with subsection (l) of this Section, or shall become incapable of acting, or shall be adjudged as bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the property or affairs for the purpose of rehabilitation, conservation or liquidation, and thereupon a successor Trustee shall be appointed by a Directive. Written notice of any removal or resignation pursuant to this subsection (i) shall be given by the Trustee to the City.

(j) The Trustee may at any time resign by giving written notice of such resignation to the City and by giving the Certificate Owners Notice by Mail of such resignation at the addresses listed on the registration books kept by the Trustee pursuant to **Section 3.06**. Upon receiving such notice of resignation, a successor Trustee shall be appointed by a Directive.

(k) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Certificate Owner (on behalf of himself and all other Certificate Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper,

appoint such successor Trustee. Any successor Trustee appointed under this Declaration of Trust shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee held by it as security for the Certificates, including its interest in the Lease, with like effect as if originally named Trustee herein and the duties and obligations of the predecessor Trustee hereunder shall thereafter cease and terminate; but, nevertheless at the request of the City or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Declaration of Trust and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, such successor Trustee shall cause Notice by Mail of such acceptance to be given to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to **Section 3.06**.

(l) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a state or national trust company or bank having the powers of a trust company and being duly authorized to execute trust powers having its payment office in the State, in good standing in the State, having a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision and examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (l), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(m) Notwithstanding anything elsewhere in this Declaration of Trust or the Lease contained, before taking any action under this Declaration of Trust, the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all reasonable fees, costs and expenses to which it may be put and to protect it against all liability which it may incur in or by reason of such action, including without limitation liability in connection with environmental contamination, and the cleanup thereof, except liability which is adjudicated to have resulted from its negligence or willful misconduct by reason of any action so taken.

(n) The Trustee may elect not to proceed in accordance with the directions of the Owners of the Certificates without incurring any liability to the Certificate Owners if in the opinion of the Trustee such direction may result in environmental or other liability to the Trustee, in its individual capacity, for which the Trustee has not received indemnity from the Certificate Owners, and the Trustee may rely upon an Opinion of Counsel addressed to the Trustee in determining whether any action directed by Certificate Owners may result in such liability.

(o) The Trustee may inform the Certificate Owners of environmental hazards that the Trustee has reason to believe exist, and the Trustee has the right to take no further action and, in such event no fiduciary duty exists which imposes any obligation for further action with respect to the Trust Estate or

any portion thereof if the Trustee, in its individual capacity, determines that any such action would materially and adversely subject the Trustee to environmental or other liability for which the Trustee has not received indemnity pursuant to this Declaration of Trust.

(p) Notwithstanding any other provision of this Declaration of Trust to the contrary, any provision intended to provide authority to act, right to payment of fees and expenses, protection, immunity and indemnification to the Trustee shall be interpreted to include any action of the Trustee whether it is deemed to be in its capacity as Trustee, Registrar or Paying Agent.

(q) The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with **Section 7.02**.

(r) The Trustee shall not be responsible for the use of any Certificates executed and delivered hereunder.

(s) Any action taken by the Trustee pursuant to and in accordance with this Declaration of Trust upon the request or authority or consent of any person who, at the time of making such request or giving such authority or consent is the Owner of any Certificate shall be conclusive and binding upon all future Owners of the same Certificate and upon Certificates issued in exchange therefor or upon transfer or in place thereof.

(t) The Trustee shall have the right, but shall not be required, to demand, in respect of the execution of any Certificate, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Declaration of Trust, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee as are deemed desirable for the purpose of establishing the right of the City to any such action.

Section 11.02. Merger or Consolidation. Any entity into which the Trustee may be merged or converted or with which it may be consolidated or any entity resulting from any merger, conversion or consolidation to which it shall be a party or any entity to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under **Section 11.01(l)** shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 11.03. Liability of Trustee; Indemnity. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the owner of Certificates with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Certificate Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Certificates then Outstanding.

Before taking any action under this Declaration of Trust (except with respect to acceleration of the Certificates and payment of the Certificates upon such acceleration or any payments of the Certificates when due), the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all reasonable fees, costs and expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct by reason of any action so taken.

Section 11.04. Right of Trustee to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, ordinance, request, consent, order, certificate, report, opinion, Directive or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Any action taken by the Trustee upon the request, authority, or consent of any person who, at the time of making such request or giving such authority or consent is the Owner of any Certificate, shall be conclusive and binding upon all future Owners of the same Certificate and upon Certificates issued in exchange therefor or upon transfer or in place thereof. The Trustee may consult with counsel, who may be counsel of or to the City, with regard to legal questions or the interpretation of the provisions hereof, and the opinion or advice of such counsel may be conclusively relied upon by the Trustee and shall be full and complete authorization and protection in respect of any action taken, omitted or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of the trusts imposed upon it by this Declaration of Trust the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a statement of the Authorized Representative, and such statement shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Declaration of Trust in reliance upon such statement, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 11.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Declaration of Trust shall be retained in its possession until six months after payment in full of all Certificates and discharge of this Declaration of Trust and shall be subject at all reasonable times to the inspection of the City and any Certificate Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 11.06. Compensation of the Trustee. The City shall, from time to time, upon the written request of the Trustee, (a) pay to the Trustee reasonable compensation for its services as agreed to by the City and the Trustee (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and (b) reimburse the Trustee for all reasonable advances, fees, costs and expenditures, including but not limited to, advances to and reasonable fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys or other experts employed by it in the exercise and performance of its powers and duties hereunder. Said compensation is to be paid as Supplemental Rent pursuant to the Lease. The Trustee will have a first lien against the Trust Estate for its reasonable costs, fees, expenses and advancements hereunder. In every instance in which this Declaration of Trust or the Lease provides for compensation, reimbursement or indemnification of the Trustee, such provision shall be deemed to provide for, whether or not expressly so stated, the payment of all related fees, costs, charges, advances and expenses of the Trustee (including without limitation, attorneys' fees and expenses), unless the context shall clearly indicate otherwise.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Survival of Provisions. The obligations of the Trustee with respect to matters arising before the termination of this Declaration of Trust shall survive the termination of this Declaration of Trust.

Section 12.02. No Third Party Beneficiaries. No persons other than the City, the Trustee, the Owners of Certificates and the successors and assigns of such persons, shall have any rights whatsoever under this Declaration of Trust.

Section 12.03. Notices. It shall be sufficient service of any notice, request, complaint, demand or other paper required by this Declaration of Trust or the Lease to be given or filed with the Trustee or the City if the same shall be duly mailed by registered or certified mail with postage prepaid (except as indicated in (a) below) addressed as follows:

(a) To the Owners of the Certificates if the same shall be duly mailed by first class mail, postage prepaid, addressed to each of the Owners of Certificates at the time Outstanding at his address as shown by the register maintained pursuant to **Section 3.06**.

(b) If to the City:

City of Gladstone, Missouri
7010 North Holmes
Gladstone, Missouri 64118
Attention: City Manager

(c) If to the Trustee:

Security Bank of Kansas City
701 Minnesota Avenue, Suite 206
Kansas City, Kansas 66101
Attn: Corporate Trust Department

Notwithstanding the foregoing, notice to the Trustee shall only be effective upon actual receipt. A duplicate copy of each notice, certificate or other communication given hereunder, or pursuant to the Lease to any of the parties mentioned in this Section shall be given to all other parties mentioned in this Section (other than the Owners of the Certificates unless a copy is required to be furnished to them by other provisions of this Declaration of Trust). The Trustee or the City may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent to it. Notice to the Trustee shall be effective only upon receipt.

Section 12.04. Waiver of Personal Liability

(a) All obligations or liabilities under this Declaration of Trust on the part of the Trustee are solely obligations or liabilities of the Trustee in its capacity hereunder as a corporate trustee of the Trust Estate. To the extent permitted by law, the City hereby releases each and every director, officer, agent, attorney or employee of the Trustee from any personal or individual liability under this Declaration of Trust. No director, officer, agent, attorney or employee of the Trustee will at any time or under any circumstances be individually or personally liable under this Declaration of Trust for anything done or omitted to be done by the Trustee hereunder.

(b) All obligations or liabilities under this Declaration of Trust on the part of the City are solely obligations or liabilities of the City as a political subdivision. To the extent permitted by law, the Trustee hereby releases each and every official, member, employee or agent of the City from any personal or individual liability under this Declaration of Trust. No official, member, employee or agent of the City will at any time or under any circumstances be individually or personally liable under this Declaration of Trust for anything done or omitted to be done by the City hereunder.

Section 12.05. Electronic Transaction. The parties agree that the transaction described herein may be conducted and related documents may be stored by electronic means.

Section 12.06. Declaration of Trust Binding Upon Trustee and Successors. This Declaration of Trust will inure to the benefit of and will be binding upon the Trustee and its successors and assigns, subject to the limitations contained herein.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have caused this Declaration of Trust to be executed by their duly authorized officers, all as of the day and year indicated above.

SECURITY BANK OF KANSAS CITY,
as Trustee

By _____
Name:
Title:

CITY OF GLADSTONE, MISSOURI

(SEAL)

By _____

Name: Scott Wingerson

Title: City Manager

ATTEST:

Name: Ruth Bocchino

Title: City Clerk

Declaration of Trust

EXHIBIT A

TO DECLARATION OF TRUST

FORM OF CERTIFICATE OF PARTICIPATION

**UNITED STATES OF AMERICA
STATE OF MISSOURI**

No. _____

\$ _____

**CITY OF GLADSTONE, MISSOURI
CERTIFICATE OF PARTICIPATION
SERIES 2020A**

Interest Rate

Payment Date

Certificate Date

CUSIP

_____ 1, 20__

_____, 2020

Registered Owner:

Principal Sum:

THIS IS TO CERTIFY that the Registered Owner identified above of this Certificate of Participation (the "Certificate") is the owner of the proportionate interest hereinafter stated in that certain Lease Purchase Agreement dated as of November 1, 2020 (the "Lease"), between Security Bank of Kansas City, a state banking corporation organized and existing under the laws of the State of Kansas (the "Trustee"), and the City of Gladstone, Missouri, a third-class city and political subdivision of the state of Missouri (the "City"), including payments of Basic Rent to be made thereunder (the "Basic Rent Payments"). The City is authorized to enter into the Lease pursuant to applicable laws, including the constitution and statutes of the State of Missouri and an ordinance of the City. This Certificate is subject to the Declaration of Trust dated as of November 1, 2020, between the Trustee and the City, as amended or supplemented from time to time (the "Declaration of Trust"), which is on file at the corporate trust office of the Trustee located in Kansas City, Kansas. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Declaration of Trust.

THE REGISTERED OWNER of this Certificate is entitled to receive, subject to the terms of the Lease and the Declaration of Trust, on the payment date specified above (the "Certificate Payment Date"), or if selected for prepayment, on the Prepayment Date, the principal sum specified above, representing a portion of the Basic Rent Payment designated as principal coming due on the Certificate Payment Date, and to receive the Registered Owner's proportionate share of Basic Rent Payments designated as interest each March 1 and September 1, commencing on March 1, 2021, to and including the Certificate Payment Date or the Prepayment Date, whichever is earlier. Said proportionate share of the Basic Rent Payments designated as interest is computed on the principal sum specified above from the Dated Date, or the most recent date to which such interest has been paid, at the interest rate specified above on the basis of a 360-day year of twelve 30-day months.

SAID AMOUNTS are payable in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts. The amounts representing principal and prepayment premium, if any, are payable by check or draft at the payment office of the Trustee upon the presentation and surrender of this Certificate and the amounts representing interest are payable to the person in whose name this Certificate is registered in the register maintained by the Trustee at the close of business on the fifteenth day (whether or not a Business Day) of the calendar month next preceding each interest payment date (a "Record Date") by check or draft mailed to said Registered Owner at their address as it appears in said register or in the case of an amount representing interest to be paid to any Registered Owner of Certificates representing an aggregate amount of principal of \$100,000 or more, by electronic transfer to such Registered Owner upon written notice given to the Trustee by such Registered Owner not less than 5 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), ABA routing number and account name and number to which such Registered Owner wishes to have such transfer directed.

BASIC RENT PAYMENTS are payable solely from Available Revenues which includes, for any Fiscal Year, any balances of the City from previous Fiscal Years encumbered to pay Rent under the Lease, amounts budgeted or appropriated out of the income and revenue of the City for such Fiscal Year plus any unencumbered balances of the City from previous Fiscal Years that are legally available to pay Rent during such Fiscal Year and all moneys and investments, including earnings thereon, held by the Trustee pursuant to the Declaration of Trust.

NEITHER THE BASIC RENT PAYMENTS NOR ANY OTHER AMOUNTS DUE UNDER THE LEASE CONSTITUTE A DEBT, A GENERAL OBLIGATION OR, EXCEPT FROM AVAILABLE REVENUES, A LIABILITY OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. THE CITY SHALL NOT BE OBLIGATED TO PAY THE SAME EXCEPT FROM AVAILABLE REVENUES. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE BASIC RENT PAYMENTS OR ANY OTHER AMOUNTS DUE UNDER THE LEASE. THE REGISTERED OWNER SHALL NOT HAVE THE RIGHT TO REQUIRE OR COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY FOR THE PAYMENT OF THE PRINCIPAL AND INTEREST UNDER THE LEASE REPRESENTED BY THIS CERTIFICATE OR THE MAKING OF ANY OTHER PAYMENTS PROVIDED FOR IN THE LEASE.

This Certificate is one of a duly authorized series of certificates of participation designated "Certificates of Participation, Series 2020A" (the "Certificates"), issued for the purpose of providing funds to (i) pay a portion of the costs of acquiring and installing the Project, and (ii) pay certain costs connected to the execution and delivery of the Certificates. The Certificates have been executed by the Trustee pursuant to and are governed by the terms of the Declaration of Trust. Copies of the Lease and the Declaration of Trust are on file at the office of the City and at the corporate trust office of the Trustee, and reference to the Lease and the Declaration of Trust and any and all amendments and supplements thereto is made for a description of the pledges and covenants of the City securing the Basic Rent Payments, the nature, extent and manner of enforcement of such pledges and covenants and the rights and the terms and conditions upon which the Certificates are delivered thereunder. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Declaration of Trust.

The Declaration of Trust permits certain amendments or supplements to the Declaration of Trust and the Lease not materially adverse to the security of the Owners to be made without the consent of or notice to the Owners, certain other amendments or supplements thereto to be made with the consent of the

Owners of not less than a majority in aggregate principal amount of the Certificates then outstanding and other amendments or supplements thereto to be made only with the consent of all Owners.

At the option of the City, the Certificates will be subject to prepayment in whole or in part at any time beginning March 1, 2030, at a Prepayment Price equal to 100% of the Principal Portion being prepaid, plus the Interest Portion accrued to the Prepayment Date.

The Certificates maturing on March 1, 2040, shall be subject to mandatory sinking fund prepayment at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent represented thereby plus the Interest Portion of Basic Rent accrued to the Prepayment Date, on the dates and in the amounts set forth in the Declaration of Trust.

In the event any of the Certificates are to be prepaid, notice thereof identifying the Certificates to be prepaid will be given by first class mail, postage prepaid, mailed not less than 30 days prior to the Prepayment Date to each Registered Owner of Certificates to be prepaid. The failure of the Registered Owner of any Certificate to be so redeemed to receive notice of prepayment mailed as herein provided shall not affect or invalidate the prepayment of such Certificate. All Certificates for which notice of prepayment is given will cease to bear interest on the specified Prepayment Date, provided moneys or certain securities for their prepayment are on deposit at the place of payment at that time, shall cease to be entitled to any benefit or security under the Declaration of Trust and shall no longer be deemed to be outstanding under the Declaration of Trust.

This Certificate shall be transferable upon the Certificate register, which shall be kept for that purpose at the payment office of the Trustee, upon surrender and cancellation of this Certificate together with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner or his, her or its duly authorized attorney and upon payment of the charges provided in the Declaration of Trust. Upon such transfer a new fully registered Certificate or Certificates of the same maturity and aggregate principal amount will be issued to the transferee. The Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Trustee shall not be affected by any notice to the contrary.

The Certificate are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Indenture. One Bond certificate with respect to each date on which the Certificate are stated to mature or with respect to each form of Certificate, registered in the nominee name of the Securities Depository, is being issued and required to be deposited with the Securities Depository or the Trustee as its "FAST" agent and immobilized in its custody. The book-entry system will evidence positions held in the Certificate by the Securities Depository's participants, beneficial ownership of the Certificate in authorized denominations being evidenced in the records of such participants. Transfers of ownership shall be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants. The Board and the Trustee will recognize the Securities Depository nominee, while the registered owner of this Bond, as the owner of this Bond for all purposes, including (i) payments of principal of, and redemption premium, if any, and interest on, this Bond, (ii) notices and (iii) voting. Transfer of principal, interest and any redemption premium payments to participants of the Securities Depository, and transfer of principal, interest and any redemption premium payments to beneficial owners of the Certificate by participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The Board and the Trustee will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository nominee, its participants or persons acting through such participants. While the Securities Depository nominee is the owner of this

Bond, notwithstanding the provision hereinabove contained, payments of principal of, redemption premium, if any, and interest on this Bond shall be made in accordance with existing arrangements among the Board, the Trustee and the Securities Depository.

EXCEPT AS OTHERWISE PROVIDED IN THE DECLARATION OF TRUST, THIS GLOBAL CERTIFICATE MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF THE SECURITIES DEPOSITORY OR TO A SUCCESSOR SECURITIES DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR SECURITIES DEPOSITORY.

The Certificates may be delivered in the form of fully registered Certificates in the denomination of \$5,000 or any integral multiple thereof, subject to certain limitations and as otherwise provided in the Declaration of Trust. The Certificates, upon surrender thereof at the payment office of the Trustee with a written request for exchange satisfactory to the Trustee duly executed by the Registered Owner or his, her or its duly authorized attorney in writing, may be exchanged for an equal aggregate principal amount of fully registered Certificates of any authorized denomination of the same maturity. No service charge shall be made for any transfer or exchange of Certificates, but the Trustee may require payment of any tax or governmental charge in connection therewith.

THE TRUSTEE has no obligation or liability to the Registered Owners of the Certificates to make payments of principal or interest with respect to the Certificates. The Trustee's sole obligations are to administer, for the benefit of the Registered Owners thereof, the various funds and accounts established under the Declaration of Trust.

THE CITY has certified, recited and declared that all acts, conditions and things required by the constitution and statutes of the State of Missouri and the Lease to exist, to have happened and to have been performed precedent to the delivery of the Lease, exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the Trustee has caused this Certificate to be executed by an authorized signatory as of the date set forth above.

SECURITY BANK OF KANSAS CITY,
Trustee

By: _____
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____

Please Print or Typewrite Name, Address and
Employee Identification Number or Social Security Number of Transferee

the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints _____ agent to transfer the within Certificate on the register kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Certificate in every particular.

Signature Guaranteed By:

(Name of Eligible Guarantor Institution as defined by SEC Rule 17 Ad-15 (17 CFR 240.17 Ad-15))

By: _____
Title: _____

EXHIBIT B

TO DECLARATION OF TRUST

**FORM OF REQUISITION CERTIFICATE
FOR COSTS OF IMPROVEMENTS**

Request No. ____

Date: _____

**CITY OF GLADSTONE, MISSOURI
PROJECT FUND
WRITTEN REQUEST FOR DISBURSEMENT FOR
COSTS OF IMPROVEMENTS**

To: Security Bank of Kansas City
Attention: Corporate Trust Department

Ladies and Gentlemen:

Pursuant to **Section 5.02** of the Lease Purchase Agreement (the "Lease") dated as of November 1, 2020, between Security Bank of Kansas City (the "Trustee") and the City of Gladstone, Missouri (the "City"), and **Section 6.04** of the Declaration of Trust (the "Declaration of Trust"), the City hereby requests payment in accordance with this request and said sections of the Lease and the Declaration of Trust, and the City hereby states and certifies that (a) all terms of this request are used with the meanings used in the Lease and the Declaration of Trust, (b) the names of the persons, firms or corporations, if any, to whom the payments requested hereby are due, the amounts to be paid are as set forth on **Attachment I** hereto, (c) the amount hereby requested has been paid or is justly due and is hereby requested to be paid to contractors, subcontractors, materialmen, engineers, architects or other persons (which may include the City) (whose names and addresses are stated on **Attachment I** hereto) who have performed necessary and appropriate work or furnished necessary and appropriate materials in the acquisition and installation of the Project (a brief description of such work and materials and the several amounts so paid or due being set forth on **Attachment I** hereto), (d) no part of the several amounts paid or due, as stated in this certificate has been, is being or will be made the basis for the withdrawal of any moneys in any previous, pending or subsequently filed certificate, (e) the amount remaining to be paid from the Project Fund to pay the remaining Costs of the Project to be paid from the Series 2020A Certificates (as defined in the Declaration of Trust), together with other moneys set aside by the City to pay Costs of the Project, after payment of the amounts requested, will be sufficient to pay the cost of completing the Project in accordance with an estimate of cost of work not yet completed, it being understood that no moneys in the Project Fund may be disbursed to pay Costs of the Project unless after such expenditure the remaining moneys in the Project Fund, together with any other funds available and committed by the City, are sufficient to pay such remaining Costs of the Project to be paid from the Certificates (as defined in the Declaration of Trust), (f) this certificate contains no request for payment on account of any retained percentage which the City is at the date of such certificate entitled to retain, (g) there has not been filed with or served upon the City any notice of any lien, right to a lien or attachment upon or claim affecting the right of any person, firm or corporation to receive payment of the respective amounts stated in said certificate which has not been released or will not be released simultaneously with the payment of such obligation, and (h) invoices, statements, vouchers or bills for the amounts requested and lien waivers for

all services or materials furnished by subcontractors, except as to any retainage, related to amounts specified in this certificate are attached hereto.

Pursuant to **Section 5.02** of the Lease and **Section 6.04** of the Declaration of Trust, the City hereby states and certifies that (a) each of the City's representations contained in the Lease is true, correct and not misleading as though made as of the date hereof, and (b) no event exists that constitutes, or with the giving of notice of the passage of time or both would constitute, an Event of Default.

CITY OF GLADSTONE, MISSOURI

By _____
Authorized Representative

**ATTACHMENT I
TO WRITTEN REQUEST FOR DISBURSEMENT FROM
CITY OF GLADSTONE, MISSOURI
PROJECT FUND**

SCHEDULE OF PAYMENTS REQUESTED

<u>Payee and Address</u>	<u>Amount</u>	<u>Description</u>
--------------------------	---------------	--------------------

EXHIBIT C

TO DECLARATION OF TRUST

PAYMENT SCHEDULE FOR SERIES 2020A CERTIFICATES

Serial Certificates

<u>Due</u> <u>March 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2021	\$1,255,000	2.000%
2022	\$750,000	2.000%
2023	\$765,000	2.000%
2024	\$95,000	2.000%
2025	\$215,000	2.000%
2026	\$220,000	2.000%
2027	\$275,000	2.000%
2028	\$360,000	2.000%
2029	\$370,000	2.000%
2030	\$375,000	2.000%
2031	\$380,000	2.000%
2032	\$390,000	2.000%
2033	\$400,000	2.000%
2034	\$270,000	2.000%
2035	\$275,000	2.000%

Term Certificates

Due: 3/1/2040 Principal Amount: \$1,345,000 Interest Rate: 2.250%

LEASE PURCHASE AGREEMENT

between

SECURITY BANK OF KANSAS CITY

and

THE CITY OF GLADSTONE, MISSOURI

Dated as of November 1, 2020

\$7,740,000

**CITY OF GLADSTONE, MISSOURI
CERTIFICATES OF PARTICIPATION
SERIES 2020A**

TABLE OF CONTENTS
LEASE PURCHASE AGREEMENT

PAGE

ARTICLE I

DEFINITIONS

Section 1.01.	Definitions	1
Section 1.02.	Rules of Construction	4
Section 1.03.	Execution of Counterparts	4
Section 1.04.	Severability	4
Section 1.05.	Governing Law	5

ARTICLE II

REPRESENTATIONS

Section 2.01.	Representations of the City	5
---------------	-----------------------------------	---

ARTICLE III

DEMISING OF THE PROPERTY; LEASE TERM

Section 3.01.	Lease of Leased Property	6
Section 3.02.	Lease Term	6
Section 3.03.	Continuation of Lease Term by the City	6
Section 3.04.	Nonappropriation	6
Section 3.05.	Enjoyment of Leased Property	7
Section 3.06.	Inspection	7

ARTICLE IV

RENT

Section 4.01.	Basic Rent	7
Section 4.02.	Supplemental Rent	7
Section 4.03.	Rent Payments to Constitute a Current Expense and Limited Obligation of the City	8
Section 4.04.	Advances	8
Section 4.05.	Credit against Basic Rent Payment Obligation	8
Section 4.06.	Net Lease; Rent Payments to be Unconditional	8
Section 4.07.	Compensation of the Trustee	9
Section 4.08.	Increased Basic Rent	9

ARTICLE V

ACQUISITION AND INSTALLATION OF THE PROJECT

Section 5.01.	Acquisition and Installation	9
Section 5.02.	Payment for the Project.....	10
Section 5.03.	Completion Date; Excess Funds	11
Section 5.04.	Warranties	11
Section 5.05.	DISCLAIMER OF WARRANTIES	11
Section 5.06.	Deficiency of Project Fund	11

ARTICLE VI

IMPOSITIONS

Section 6.01.	Impositions.....	12
Section 6.02.	Contest of Impositions	12

ARTICLE VII

INSURANCE; INDEMNITY

Section 7.01.	Insurance Required	12
Section 7.02.	Enforcement of Contract and Surety Bonds	13
Section 7.03.	Release and Indemnification.....	14

ARTICLE VIII

COVENANTS OF THE CITY

Section 8.01.	Maintenance and Modification of Leased Property by the City	14
Section 8.02.	Tax Covenants.....	15
Section 8.03.	The City's Continuing Existence	15

ARTICLE IX

CASUALTY AND CONDEMNATION

Section 9.01.	Damage, Destruction and Condemnation	15
Section 9.02.	Insufficiency of Net Proceeds	16
Section 9.03.	Eminent Domain	16

ARTICLE X

OPTION TO PURCHASE; PARTIAL PREPAYMENT

Section 10.01.	Purchase Option	16
Section 10.02.	Partial Prepayment	17
Section 10.03.	Determination of Fair Rent and Purchase Price	17

ARTICLE XI

ASSIGNMENT

Section 11.01.	Assignment and Subleasing by the City	17
----------------	---	----

ARTICLE XII

EVENTS OF DEFAULT

Section 12.01.	Events of Default Defined	18
Section 12.02.	Remedies on Default	18
Section 12.03.	No Remedy Exclusive	19

ARTICLE XIII

MISCELLANEOUS

Section 13.01.	Notices	19
Section 13.02.	Title to Leased Property	19
Section 13.03.	Personal Property	19
Section 13.04.	Binding Effect	20
Section 13.05.	Amendments, Changes and Modifications	20
Section 13.06.	Electronic Transaction	20

Signatures	S-1
------------------	-----

Schedule 1 - Description of the Leased Property

Schedule 2 – Description of the Project

Exhibit A - Schedule of Basic Rent Payments and Purchase Price

LEASE PURCHASE AGREEMENT

THIS LEASE PURCHASE AGREEMENT (the “**Lease**”), dated as of November 1, 2020, is entered into between **SECURITY BANK OF KANSAS CITY**, a state banking corporation organized and existing under the laws of the State of Kansas, as trustee (the “**Trustee**”), and the **CITY OF GLADSTONE, MISSOURI**, a third class city and political subdivision organized and existing under the laws of the State of Missouri (the “**City**”).

WITNESSETH:

WHEREAS, concurrently herewith the Trustee and the City are entering into a Declaration of Trust (as hereinafter defined) pursuant to which the Trustee will initially execute and deliver a series of Certificates (as defined in the Declaration of Trust) the proceeds of which will be used to provide the funds to (1) pay the costs of the acquisition and installation of certain improvements and equipment (the “**Project**”) described on **Schedule 2**, and (2) pay certain costs connected to the execution and delivery of the Certificates; and

WHEREAS, the Trustee desires to lease a portion of the Project (the “**Leased Property**”) described on **Schedule 1** to the City, all subject to the terms and conditions and for the purposes set forth in this Lease; and

WHEREAS, the City is authorized under the constitution and laws of the State of Missouri to enter into this Lease for the purposes set forth herein.

NOW, THEREFORE, for and in consideration of the premises hereinafter contained, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. In addition to any words and terms defined elsewhere in this Lease, capitalized words and terms as used in this Lease shall have the meanings given to such words and terms in the Declaration of Trust granted by the Trustee, as trustee and the City. Unless the context otherwise specifically requires or indicates to the contrary, the following terms as used in this Lease shall have the following meanings:

“**Available Revenues**” means, for any Fiscal Year, any balances of the City from previous Fiscal Years encumbered to pay Rent, amounts budgeted or appropriated by the City for such Fiscal Year plus any unencumbered balances of the City from previous Fiscal Years that are legally available to pay Rent during such Fiscal Year, plus all moneys and investments, including earnings thereon, held by the Trustee pursuant to the Declaration of Trust.

“**Basic Rent**” means the Basic Rent Payments comprised of a Principal Portion and an Interest Portion as set forth on **Exhibit A**, as **Exhibit A** may be revised as provided in **Section 3.09** of the Declaration of Trust and **Section 4.08** herein.

“Basic Rent Payment” means a payment of Basic Rent.

“Basic Rent Payment Date” means each March 1, and September 1 during the Lease Term, commencing on March 1, 2021.

“Business Day” means a day other than (a) a Saturday or Sunday, or (b) a day on which banks located in any city in which the principal corporate trust office of the Trustee or any paying agent is located are required or authorized by law to remain closed.

“Certificates” means the Series 2020A Certificates and any Additional Certificates.

“City” means the City of Gladstone, Missouri, a third-class city and political subdivision duly created, organized and existing under and by virtue of the laws of the State of Missouri, and its successors.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“Completion Certificate” means the certificate of the City given in accordance with Section 5.03.

“Completion Date” means the date of completion of the installation of the Project as that date shall be certified as provided in Section 5.03.

“Contract” means one of any agreements between the City and various parties, if any, providing for the acquisition and installation of various portions of the Project.

“Costs of the Project” means all reasonable or necessary expenses related or incidental to the acquisition and installation of the Project, including the expenses of studies, engineering services, legal and other special services and all other necessary and incidental expenses, including without limitation costs related to the issuance of the Certificates.

“Declaration of Trust” means the Declaration of Trust dated as of November 1, 2020, entered into between the City and the Trustee, as the same may from time to time be amended or supplemented in accordance with its terms.

“Event of Default” means an Event of Default as described in Section 12.01.

“Event of Nonappropriation” means an Event of Nonappropriation as described in Section 3.04.

“Fiscal Year” means the fiscal year of the City, currently the twelve-month period beginning July 1.

“Funds” means the Funds as defined in the Declaration of Trust.

“Government Obligations” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are

fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, which obligations are rated in the highest rating category by a nationally recognized rating service and such obligations are held in a custodial account for the benefit of the City.

“Interest Portion” means the portion of each Basic Rent Payment that represents the payment of interest as set forth on **Exhibit A**.

“Lease” means this Lease Purchase Agreement, dated as of November 1, 2020, between the Trustee, as lessor, and the City, as lessee, as amended and supplemented from time to time in accordance with its terms.

“Lease Revenue Fund” means the Lease Revenue Fund as defined in the Declaration of Trust.

“Lease Term” means the Original Term and all Renewal Terms.

“Leased Property” means the improvements described on **Schedule 1**, including any modifications, additions, improvements, replacements or substitutions thereto or therefor.

“Net Proceeds” means the amount remaining from the gross proceeds of any insurance claim, condemnation award or sale under threat of condemnation after deducting all reasonable expenses, including attorneys’ fees, incurred in the collection thereof.

“Original Term” means the period from the delivery of this Lease until the end of the Fiscal Year then in effect.

“Principal Portion” means the principal portion of the Basic Rent Payments as set forth in **Exhibit A**.

“Project” means the improvements described on **Schedule 2**, including any modifications, additions, improvements, replacements or substitutions thereto or therefor.

“Purchase Price” means the amount designated as such in **Article X** that the City shall pay to the Trustee to purchase the Trustee’s interest in the Leased Property.

“Purchaser” means First Bankers’ Banc Securities, Inc., St. Louis, Missouri, the original purchaser of the Certificates.

“Renewal Term” means each renewal term of this Lease, each having a duration of one year and a term coextensive with then current Fiscal Year as provided in **Section 3.02**, except that the last possible Renewal Term shall end on March 1, 2040.

“Rent” means, collectively, Basic Rent and Supplemental Rent.

“Rent Payment” means a payment of Rent.

“Special Counsel” means Armstrong Teasdale LLP, or any other attorney or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds or other obligations issued by states and political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America.

“State” means the State of Missouri.

“Supplemental Declaration of Trust” means any amendment or supplement to the Declaration of Trust entered pursuant to **Article VIII** of the Declaration of Trust.

“Supplemental Lease” means any amendment or supplement to the Lease entered pursuant to **Section 13.05** herein.

“Supplemental Rent” means all amounts due hereunder other than Basic Rent.

“Supplemental Rent Payment” means a payment of Supplemental Rent.

Section 1.02. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words importing the singular number shall include the plural and vice versa, and words importing person shall include firms, associations and corporations, including public bodies, as well as natural persons.

The words “herein,” “hereby,” “hereunder,” “hereof,” “hereto,” “hereinbefore,” “hereinafter” and other equivalent words refer to this Lease and not solely to the particular article, section, paragraph or subparagraph hereof in which such word is used.

Reference herein to a particular article, section, exhibit, schedule or appendix shall be construed to be a reference to the specified article or section hereof or exhibit, schedule or appendix hereto unless the context or use clearly indicates another or different meaning or intent.

Whenever an item or items are listed after the words “including,” such listing is not intended to be a listing that excludes items not listed.

The section and article headings herein are for convenience only and in no way define, limit or describe the scope or intent of any of the provisions hereof.

Section 1.03. Execution of Counterparts. This Lease may be executed simultaneously in two or more counterparts, each of which shall be deemed to be an original, and all of which together shall constitute but one and the same instrument. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed 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 1.04. Severability. If any provision of this Lease shall be held or deemed to be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or

circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or sections in this Lease contained shall not affect the remaining portions of this Lease, or any part thereof.

Section 1.05. Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State.

ARTICLE II

REPRESENTATIONS

Section 2.01. Representations of the City. The City represents and warrants, as of the date of delivery hereof, as follows:

(a) The City is a third-class city and political subdivision duly created, organized and existing under and by virtue of the laws of the State with full power and authority to enter into this Lease and the transactions contemplated thereby and hereby and to perform all of its obligations thereunder and hereunder;

(b) The City has full power and authority to enter into the transactions contemplated by this Lease and has been duly authorized to execute and deliver this Lease by proper action by its governing body. This Lease is a valid, legal and binding obligation of the City enforceable in accordance with its terms except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws and equitable principles affecting creditor's rights generally;

(c) The lease of the Leased Property by the Trustee to the City, as provided in this Lease, is necessary, desirable, in the public interest and consistent with the permissible scope of the City's authority. The City hereby declares its current need for the Leased Property and its current expectation that it will continue to need and use the Leased Property for the maximum Lease Term;

(d) The City's financial statements that have been used in connection with any offering of the Certificates present fairly, in accordance with accounting principles generally accepted in the United States and applicable regulations consistently applied throughout the periods involved, the financial position of the City as at their respective dates and the revenues and expenses and changes in fund balances for the periods covered thereby;

(e) Neither the execution and delivery of this Lease, nor the fulfillment of or compliance with the terms and conditions thereof or hereof, nor the consummation of the transactions contemplated thereby or hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is a party or by which the City is bound;

(f) There is no proceeding pending or threatened in any court or before any governmental authority or arbitration board or tribunal challenging the validity of the proceedings

of the governing body of the City authorizing this Lease or the power or authority of the City to enter into this Lease or the validity or enforceability of this Lease or which, if adversely determined, would adversely affect the transactions contemplated by this Lease or the interest of the Trustee under this Lease;

(g) The City has not made, done, executed or suffered, and warrants that it will not make, do, execute or suffer, any act or thing whereby the City's interests in any property now or hereafter included in the Leased Property shall be or may be impaired, changed or encumbered in any manner whatsoever, except as contemplated by this Lease;

(h) No event or condition that constitutes, or with the giving of notice or the lapse of time or both would constitute, an Event of Default exists;

(i) Upon completion, the Project will be structurally sound and in compliance with all applicable building and design codes and the City's requirements; and

(j) The City has complied or will comply with any public bidding requirements that may be applicable to this Lease and the acquisition and installation of the Project.

ARTICLE III

DEMISING OF THE PROPERTY; LEASE TERM

Section 3.01. Lease of Leased Property. The Trustee hereby demises, leases and lets to the City, and the City rents, leases and hires from the Trustee, the Leased Property in accordance with this Lease for the Lease Term.

Section 3.02. Lease Term. The Original Term of this Lease shall terminate the last day of the current Fiscal Year. The Lease Term may be continued, solely at the option of the City, at the end of the Original Term or any Renewal Term for an additional one year, provided that the final Renewal Term shall not extend beyond March 1, 2040. At the end of the Original Term and at the end of each Renewal Term, unless the City has terminated this Lease pursuant to **Sections 3.04** or **10.01** and for no other reason, the City shall be deemed to have exercised its option to continue this Lease for the next Renewal Term. The terms and conditions during any Renewal Term shall be the same as the terms and conditions during the Original Term, except for any difference in the Rent as provided on **Exhibit A**.

Section 3.03. Continuation of Lease Term by the City. The City reasonably believes that legally available funds in an amount sufficient to make all payments of Rent during the Original Term and each of the Renewal Terms can be obtained. The City further covenants that its responsible financial officer shall do all things lawfully within his or her power to obtain and maintain funds from which the Rent may be paid, including making provision for such payments to the extent necessary in each proposed budget or appropriation request submitted for adoption in accordance with applicable provisions of law and to exhaust all available reviews and appeals in the event such portion of the budget or appropriation request is not approved. Notwithstanding the foregoing, the decision to budget and appropriate funds or to extend this Lease for any Renewal Term is to be made in accordance with the City's normal procedures for such decisions by then current governing body of the City.

Section 3.04. Nonappropriation. The City is obligated only to pay periodic payments under this Lease as may lawfully be made from Available Revenues. If an Event of Nonappropriation occurs, this Lease shall be deemed terminated at the end of then current Original Term or Renewal Term. An Event of Nonappropriation shall be deemed to have occurred if the City fails to budget, appropriate or otherwise provide for sufficient funds to pay Basic Rent and any reasonably anticipated Supplemental Rent to come due during the immediately following Renewal Term. The City agrees to deliver notice to the Trustee of such termination at least 90 days prior to the end of then current Original Term or Renewal Term, but failure to give such notice shall not extend the term beyond such Original Term or Renewal Term. If this Lease is terminated in accordance with this Section, the City agrees peaceably to transfer and surrender possession of the Leased Property to the Trustee.

Section 3.05. Enjoyment of Leased Property. The Trustee shall provide the City during the Lease Term with quiet use and enjoyment of the Leased Property, and the City shall during the Lease Term peaceably and quietly have, hold and enjoy the Leased Property, without suit, trouble or hindrance from the Trustee, except as expressly set forth in this Lease. The City shall have the right to use the Leased Property for any essential governmental or proprietary purpose of the City, subject to the limitations contained in this Lease.

Notwithstanding any other provision in this Lease, the Trustee shall have no responsibility to cause the Leased Property to be acquired or installed or to maintain or repair the Leased Property. The City shall comply with all statutes, laws, ordinances, orders, judgments, decrees, regulations, directions and requirements of all federal, state, local and other governments or governmental authorities, now or hereafter applicable to the Leased Property, as to the manner and use or the condition of the Leased Property. The City shall also comply with the mandatory requirements, rules and regulations of all insurers under the policies required to be carried by the provisions of **Article VII**. The City shall pay all costs, expenses, claims, fines, penalties and damages that may in any manner arise out of, or be imposed as a result of, the failure of the City to comply with the provisions of this Section. Notwithstanding any provision contained in this Section, however, the City shall have the right, at its own cost and expense, to contest or review by legal or other appropriate procedures the validity or legality of any such governmental statute, law, ordinance, order, judgment, decree, regulation, direction or requirement, or any such requirement, rule or regulation of an insurer and during such contest or review, the City may refrain from complying therewith, if the City furnishes, on request, to the Trustee, at the City's expense, indemnity satisfactory to the Trustee.

Section 3.06. Inspection. The Trustee and its agents shall have the right at all reasonable times and with reasonable notice during business hours to enter into and upon the property on which the Leased Property is located for the purpose of inspecting the Leased Property.

ARTICLE IV

RENT

Section 4.01. Basic Rent. The City shall promptly pay all Basic Rent, subject to **Sections 3.04** and **4.03**, in lawful money of the United States of America on each Basic Rent Payment Date in such amounts as are described on **Exhibit A**. A portion of each Basic Rent Payment is paid as, and represents payment of, interest as set forth on **Exhibit A** (said interest to be attributable to the various principal components in accordance with the per annum rates set forth on **Exhibit A**).

To provide for the timely payment of Basic Rent, the City shall pay to the Trustee for deposit in the Lease Revenue Fund not less than five Business Days before each Basic Rent Payment Date, the amount due on such Basic Rent Payment Date.

The City will, in accordance with the requirements of law and its normal budgeting procedures, fully budget and appropriate sufficient funds for the current Fiscal Year to make the Rent Payments scheduled to come due during the Original Term, and to meet its other obligations for the Original Term, and such funds will not be expended for other purposes.

Section 4.02. Supplemental Rent. The City shall pay, subject to **Sections 3.04** and **4.03**, as Supplemental Rent (a) all Impositions (as defined in **Article VI**); (b) all amounts required under **Sections 4.04** or **4.06** and all other payments of whatever nature which the City has agreed to pay or assume under this Lease; (c) all expenses, including attorneys' fees and expenses to the extent permitted by law, incurred in connection with the enforcement of any rights under this Lease by the Trustee; (d) all fees, charges and expenses of the Trustee as further provided in **Section 4.07**; and (e) any payments required to be made pursuant to the Arbitrage Instructions. Amounts required to be paid under this Section shall be paid directly to the person or entity owed.

Section 4.03. Rent Payments to Constitute a Current Expense and Limited Obligation of the City. NOTWITHSTANDING ANY OTHER PROVISION HEREOF, THE TRUSTEE AND THE CITY UNDERSTAND AND INTEND THAT THE OBLIGATION OF THE CITY TO PAY RENT HEREUNDER BE LIMITED TO PAYMENT FROM AVAILABLE REVENUES AND SHALL CONSTITUTE A CURRENT EXPENSE OF THE CITY AND SHALL NOT IN ANY WAY BE CONSTRUED TO BE A DEBT OF THE CITY IN CONTRAVENTION OF ANY APPLICABLE CONSTITUTIONAL OR STATUTORY LIMITATION OR REQUIREMENT CONCERNING THE CREATION OF INDEBTEDNESS BY THE CITY, NOR SHALL ANYTHING CONTAINED HEREIN CONSTITUTE A PLEDGE OF THE GENERAL TAX REVENUES, FUNDS OR MONEYS OF THE CITY, AND ALL PROVISIONS OF THIS LEASE SHALL BE CONSTRUED SO AS TO GIVE EFFECT TO SUCH INTENT.

Section 4.04. Advances. In the event the City shall fail to keep the Leased Property in good repair, the Trustee may, but shall be under no obligation to, maintain and repair the Leased Property and pay the cost thereof. All amounts so advanced by the Trustee shall constitute Supplement Rent for the then current Original Term or Renewal Term, and the City covenants and agrees to pay such amounts so advanced by the Trustee with interest thereon from the due date until paid at the Trustee's current prime rate plus 2% per annum or the maximum amount permitted by law, whichever is less. In accordance with Section 427.120 of the Revised Statutes of Missouri, unless the City provides evidence of the insurance coverage required by this Lease, the Trustee may purchase insurance at the City's expense to protect the Trustee's interests hereunder. This insurance may, but need not, protect the City's interests. The coverage that the Trustee may purchase may not pay any claim that the City may make or any claim that may be made against the City in connection with the Leased Property. The City may later cancel any insurance purchased by the Trustee, but only after providing evidence that the City has obtained insurance as required by this Lease. If the Trustee purchases insurance for the Leased Property, the City will be responsible for the costs of that insurance, including the insurance premium, interest and any other charges the Trustee may impose in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance will be added as Supplemental Rent. The costs of the insurance may be more than the cost of insurance the City may be able to obtain on its own.

Section 4.05. Credit against Basic Rent Payment Obligation. The City shall receive credit against its obligation to pay the Interest Portion or Principal Portion of Basic Rent to the extent moneys are on deposit in the Lease Revenue Fund and are available to pay the Interest Portion or the Principal Portion of Basic Rent represented by the Certificates.

Section 4.06. Net Lease; Rent Payments to be Unconditional. THIS LEASE IS INTENDED TO BE NET, NET, NET TO THE TRUSTEE, SUBJECT TO **SECTIONS 3.04, 4.03 AND 4.05**, AND THE OBLIGATIONS OF THE CITY TO MAKE PAYMENT OF THE RENT PAYMENTS AND TO PERFORM AND OBSERVE THE OTHER COVENANTS AND AGREEMENTS CONTAINED HEREIN SHALL BE ABSOLUTE AND UNCONDITIONAL IN ALL EVENTS WITHOUT ABATEMENT, DIMINUTION, DEDUCTION, SETOFF OR DEFENSE, FOR ANY REASON, INCLUDING ANY FAILURE OF THE PROJECT TO BE CONSTRUCTED OR INSTALLED, ANY DEFECTS, MALFUNCTIONS, BREAKDOWNS OR INFIRMITIES IN THE PROJECT OR ANY ACCIDENT, CONDEMNATION OR UNFORESEEN CIRCUMSTANCES.

Nothing in this Lease shall be construed as a waiver by the City of any rights or claims the City may have against the Trustee under this Lease or otherwise, but any recovery upon such rights and claims shall be from the Trustee separately, it being the intent of this Lease that the City shall be unconditionally and absolutely obligated to perform fully all of its obligations, agreements and covenants under this Lease, including its obligation to pay Basic Rent and Supplemental Rent. The City may, however, at its own cost and expense and in its own name or in the name of the Trustee, prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect its right of possession, occupancy and use hereunder, and in such event the Trustee hereby agrees, subject to receipt by the Trustee of satisfactory indemnity in accordance with **Section 11.03** of the Declaration of Trust, to cooperate fully with the City and to take all action necessary to effect the substitution of the City for the Trustee in any such action or proceeding if the City shall so request.

Section 4.07. Compensation of the Trustee. The City shall, from time to time, upon the written request of the Trustee, (a) pay to the Trustee reasonable compensation for its services as agreed to by the City and the Trustee from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and (b) reimburse the Trustee for all reasonable advances, fees, charges and expenditures, including but not limited to, advances to and reasonable fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys or other experts employed by it in the exercise and performance of its powers and duties hereunder. Compensation under this Section (except that the initial fee is to be paid on the delivery date of the Series 2020A Certificates) is to be paid as Supplemental Rent as set forth in **Section 4.02**. The Trustee will have a first lien against the Trust Estate for its reasonable costs, fees, expenses and advancements hereunder.

Section 4.08. Increased Basic Rent. Notwithstanding any other provision of this Lease, the Trustee and the City may enter into a Supplemental Lease or Supplemental Leases that increase the amount of Basic Rent payable by the City on any Basic Rent Payment Date in connection with any Additional Certificates issued under the Declaration of Trust, including any supplement thereto. Each such Supplemental Lease will include an amended **Exhibit A** reflecting separately the Principal Portion and the Interest Portion of Basic Rent allocable to the original Lease and to each Supplemental Lease due on each Basic Rent Payment Date as well as the total Basic Rent due on each Basic Rent Payment Date.

ARTICLE V

ACQUISITION AND INSTALLATION OF THE PROJECT

Section 5.01. Acquisition and Installation. The City represents, warrants, covenants and agrees as follows:

(a) It has entered into or will enter into Contracts providing for the acquisition and installation of the Leased Property in accordance with the plans and specifications or will acquire and install the Leased Property with City employees in accordance with the plans and specifications;

(b) It will cause the acquisition and installation of the Project to be completed with all reasonable dispatch in accordance with the applicable provisions of this Lease;

(c) All Contracts entered into or to be entered into by the City relating to such work shall be in accordance with all applicable requirements of the laws of the State and shall have the performance bonds required by **Section 7.01(d)**;

(d) It has obtained or shall obtain all necessary or required permits, licenses, consents and approvals that are material for the purchase, installation, operation and maintenance of the Project and shall comply with all lawful requirements of any governmental body regarding the use or condition of the Project, whether existing or later enacted or foreseen or unforeseen or whether involving any change in governmental policy or requiring structural or other change to the Project and irrespective of the cost of so complying;

(e) It will pay all fees, costs and expenses incurred in completing the Project or, to the extent there are moneys in the Project Fund available therefor, will request the Trustee to make such payments from the Project Fund in the manner hereinafter and in the Declaration of Trust provided;

(f) It will ask, demand, sue for and use its best efforts to recover and receive such sums of money, debts or other demand to which it may be entitled under any contract, order, receipt, guaranty, warranty, writing or instruction in connection with the purchase and installation of the Project; and

(g) It will use its best efforts, to the extent economically reasonable, to enforce the provisions of any contract, agreement, obligation, bond or other security in connection therewith, and any such amounts received in connection with the foregoing, after deduction of expenses incurred in recovering such amounts, for payment to the Trustee for deposit in the Project Fund if the Completion Date has not occurred or for deposit in the Lease Revenue Fund if the Completion Date has occurred.

If the purchase and installation of the Project or any portion thereof is delayed or fails to occur for any reason, there shall be no diminution in or postponement of the payments to be made by the City hereunder.

The Trustee is not the agent or representative of the City, and the City is not the agent of the Trustee, and this Lease shall not be construed to make the Trustee liable to materialmen, contractors, subcontractors, craftsmen, laborers or others for goods or services delivered by them in connection with the Project, or for debts or claims accruing to the aforesaid parties against the City. This Lease shall not create any contractual relation either expressed or implied between the Trustee and any materialmen, contractors, subcontractors, craftsmen, laborers or any other person supplying any work, labor or materials in connection with the Project. Notwithstanding anything herein or in the Declaration of Trust to the contrary, during the Lease Term, the Trustee shall not be deemed to exercise control over or be an operator or owner of the Project and shall not be responsible or liable for the operation, use and maintenance of the Project.

Section 5.02. Payment for the Project. Costs and expenses of every nature incurred in the acquisition and installation of the Project that qualify as Costs of the Project shall be paid by the Trustee from the Project Fund upon receipt by the Trustee of a completed request of the City signed by the Authorized Representative of the City and containing the statements, representations and certifications set forth in the form of such request attached to the Declaration of Trust as **Exhibit B**.

In making disbursements for Costs of the Project, the Trustee shall be entitled to conclusively rely upon each written requisition certificate executed by the Authorized Representative of the City without inquiry or investigation. It is understood that the Trustee shall *not* make any inspections of the Project nor any improvements thereon, make any provision to obtain completion bonds, mechanic's or materialmen's lien releases or otherwise supervise any phase of the acquisition or installation of the Project. The approval of each requisition certificate by the Authorized Representative of the City shall constitute unto the Trustee an irrevocable determination that all conditions precedent to the payment of the specified amounts from the Project Fund have been completed.

Section 5.03. Completion Date; Excess Funds. The Completion Date shall be evidenced to Trustee upon receipt by the Trustee of a certificate signed by the Authorized Representative of the City (the "**Completion Certificate**") stating (a) the date on which the installation of the Project was substantially completed, (b) that all other facilities necessary in connection with the Project have been purchased and installed, (c) that the Project and such other facilities have been purchased and installed in accordance with the plans and specifications therefor and in conformance with all applicable zoning, planning, building, environmental and other similar governmental regulations, (d) that, except for Costs of the Project described in accordance with clause (e), all Costs of the Project have been paid, and (e) the amounts, if any, to be retained in the Project Fund for the payment of Costs of the Project, if any, not yet due or Costs of the Project whose liability the City is contesting, and amounts that otherwise should be retained and the reasons they should be retained. The Completion Certificate may state that it is given without prejudice to any rights of the City that then exist or may subsequently come into being against third parties. Any amounts remaining in the Project Fund that are not needed to pay any remaining Costs of the Project shall be transferred to the Lease Revenue Fund.

Section 5.04. Warranties. The Trustee hereby assigns to the City for and during the Lease Term, all of its interest in all warranties, guarantees or other contract rights against any architect, contractor, subcontractor or supplier, expressed or implied, issued on or applicable to the Project, and the Trustee hereby authorizes the City to obtain the customary services furnished in connection with such warranties, guarantees or other contract rights at the City's expense. The City's sole remedy for the breach of such warranties, guarantees or other contract rights shall be against any architect, contractor, subcontractor or supplier, and not against the Trustee, nor shall such matter have any effect whatsoever on the rights of the Trustee with respect to this Lease, including the right to receive full and timely Basic

Rent Payments and Supplemental Rent Payments. The City expressly acknowledges that the Trustee does not make nor has it made any representation or warranty whatsoever as to the existence or availability of such warranties, guarantees or other contract rights of the manufacturer or supplier of any portion of the Project.

Section 5.05. DISCLAIMER OF WARRANTIES. THE TRUSTEE MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE PROJECT OR ANY PART THEREOF, OR WARRANTY WITH RESPECT THERETO. IN NO EVENT SHALL THE TRUSTEE BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGE IN CONNECTION WITH OR ARISING OUT OF THIS LEASE OR THE EXISTENCE, FURNISHING, FUNCTIONING OR THE CITY'S USE OF THE PROJECT OR ANY PART THEREOF.

Section 5.06. Deficiency of Project Fund. If the Project Fund shall be insufficient to pay fully all Costs of the Project and to complete fully the Project lien free, the City shall pay, in cash, the full amount of any such deficiency by making payments directly to the contractors and to the suppliers of materials and services as the same shall become due. The Trustee is not obligated to pay and shall not be responsible for any such deficiency, and the City shall save the Trustee whole and harmless from any obligation to pay such deficiency.

ARTICLE VI

IMPOSITIONS

Section 6.01. Impositions. The City shall bear, pay and discharge, before the delinquency thereof, as Supplemental Rent, all taxes and assessments, general and special, if any, which may be lawfully taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the Leased Property, including any taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and further including all water and sewer charges, assessments and other general governmental charges and impositions whatsoever, foreseen or unforeseen, which if not paid when due would impair the security of the Trustee or encumber the Leased Property (all of the foregoing being herein referred to as "**Impositions**").

Section 6.02. Contest of Impositions. The City shall have the right, in its own name or in the Trustee's name, to contest the validity or amount of any Imposition which the City is required to bear, pay and discharge pursuant to the terms of this Article by appropriate legal proceedings instituted at least ten days before the Imposition complained of becomes delinquent and may permit the Imposition so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Trustee shall notify the City that, in the opinion of counsel, by nonpayment of any such items the interest of the Trustee in the Leased Property will be endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Trustee with full security against any loss which may result from nonpayment in form satisfactory to the Trustee. The Trustee agrees to cooperate with the City in connection with any and all administrative or judicial proceedings related to Impositions. The City shall hold the Trustee whole and harmless from any costs and expenses the Trustee may incur with respect to any Imposition.

ARTICLE VII

INSURANCE; INDEMNITY

Section 7.01. Insurance Required. The City shall, during the Lease Term, cause the Leased Property to be kept continuously insured against such risks customarily insured against for facilities such as the Leased Property and shall pay (except as otherwise provided herein), as the same become due, all premiums in respect thereof, such insurance to include the following policies of insurance:

(a) Insurance insuring the Leased Property against loss or damage by fire, lightning and all other risks covered by the extended coverage insurance endorsement then in use in the State in an amount not less than the greater of the Principal Portion of the Certificates then Outstanding or the replacement value of the Leased Property and issued by such insurance company or companies authorized to do business in the State as may be selected by the City. The policy or policies of such insurance shall name the City and the Trustee as insureds, as their respective interests may appear. All proceeds from such policies of insurance shall be applied as provided in **Article IX**;

(b) Comprehensive general accident and public liability insurance (including coverage for all losses whatsoever arising from the ownership, maintenance, operation or use of any automobile, truck or other motor vehicle), under which the City and the Trustee are named as insureds, in amounts equal to the City's customary insurance practice for bodily injury (including death) but in no event less than the limitation on awards for liability in effect from time to time under Section 537.610, R.S.Mo., and for property damage arising out of or in any way relating to the condition or the operation of the Leased Property (subject to reasonable loss deductible clauses not to exceed \$25,000);

(c) Workers' compensation and unemployment coverages to the extent, if any, required by the laws of the State; and

(d) Performance and labor and material payment bonds with respect to the Contracts in the full amount of the Contracts from surety companies qualified to do business in the State.

Not less than 15 days prior to the expiration dates of the expiring policies, originals or copies of the policies required by this Section or certificates evidencing such insurance shall be delivered by the City to the Trustee. All policies of such insurance, and all renewals thereof, shall contain a provision that such insurance may not be cancelled by the issuer thereof without at least 30 days' written notice to the City and the Trustee.

Nothing in this Lease shall be construed as preventing the City from satisfying the insurance requirements herein set forth by using blanket policies of insurance or self-insurance provided each and all of the requirements and specifications of this Lease respecting insurance are complied with.

The City may elect to be self-insured for all or any part of the foregoing requirements of this **Section 7.01** if (i) the City annually obtains a written evaluation with respect to such self-insurance program from an individual or firm selected by the City and acceptable to the Trustee qualified to survey risks and to recommend insurance coverage for entities engaged in operations similar to those of the City and having a favorable reputation for skill and experience in making such surveys and recommendations (an "**Insurance Consultant**"), (ii) the evaluation is to the effect that the self-insurance program is sound,

(iii) unless the evaluation states that such reserves are not necessary, the City maintains adequate reserves for the self-insurance program, and (iv) in the case of workers' compensation, adequate reserves created by the City for such self-insurance program are maintained in such amount and manner as are acceptable to the State. The City will pay any fees and expenses of such Insurance Consultant in connection therewith.

Section 7.02. Enforcement of Contract and Surety Bonds. In the event of material default of any contractor or subcontractor under a Contract or any other contract made in connection with the acquisition and installation of the Project, or in the event of a material breach of warranty with respect to any materials, workmanship or performance, the City will promptly proceed, either separately or in conjunction with others, to pursue diligently the remedies of the City against the contractor or subcontractor in default and against each surety on a bond securing the performance of such contract. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing, after deduction of expenses incurred in such recovery and after reimbursement to the City of any amounts theretofore paid by the City not previously reimbursed to the City for correction or remedying of the default which gave rise to the proceedings against the contractor or subcontractor or surety, shall be paid to the Trustee for deposit in the Project Fund if received before the Completion Date and, if such funds are received after the Completion Date, for deposit in the Lease Revenue Fund to be used solely for the purpose of paying Basic Rent under this Lease.

Section 7.03. Release and Indemnification. To the extent permitted by law, the City shall indemnify, protect, hold harmless, save and keep the Trustee and its officials, officers, shareholders, employees, directors, attorneys and agents harmless from and against any and all liability, obligation, loss, claim, tax (other than income taxes or other taxes on or attributable to Rent Payments, if any, which are received by the Trustee in its individual capacity) and damage whatsoever and all expenses in connection therewith (including attorneys' fees and expenses) that are not caused by the negligence or willful misconduct of the Trustee, its agents or employees arising out of or as the result of (a) the entering into of this Lease and the Declaration of Trust, (b) the acquisition and installation of the Project, (c) injury, actual or claimed, of whatsoever kind or character, to property or persons, occurring or allegedly occurring in, on or about the Project during the Lease Term, and/or (d) the breach of any covenant by the City herein or any material misrepresentation by the City contained herein; provided that the City shall have the right to conduct the Trustee's defense through counsel designated by the City and approved by the Trustee, which approval shall not be unreasonably withheld. The indemnification arising under this Section shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease and the Declaration of Trust or the termination of this Lease for any reason.

ARTICLE VIII

COVENANTS OF THE CITY

Section 8.01. Maintenance and Modification of Leased Property by the City. The City will at its own expense (a) keep the Leased Property in a safe condition, (b) with respect to the Leased Property, comply with all applicable health and safety standards and all other industrial requirements or restrictions enacted or promulgated by the State, or any political subdivision or agency thereof, or by the government of the United States of America or any agency thereof, and (c) keep the Leased Property in good repair and in good operating condition and make from time to time all necessary repairs thereto and renewals and replacements thereof; provided, however, that the City will have no obligation to operate, maintain, preserve, repair, replace or renew any element or unit of the Leased Property the maintenance,

repair, replacement or renewal of which becomes uneconomical to the City because of damage, destruction or obsolescence, or change in economic or business conditions, or change in government standards and regulations. The City shall not permit or suffer others to commit a nuisance in or about the Leased Property or itself commit a nuisance in connection with its use or occupancy of the Leased Property. The City will pay all costs and expenses of operation of the Leased Property.

The City may, also at its own expense, make from time to time any additions, modifications or improvements to the Leased Property that it may deem desirable for its business purposes and that do not materially impair the structural strength or effective use, or materially decrease the value, of the Leased Property. All additions, modifications or improvements made by the City pursuant to the authority of this Section shall (a) be made in a workmanlike manner and in strict compliance with all laws and ordinances applicable thereto, (b) when commenced, be pursued to completion with due diligence and (c) when completed, be deemed a part of the Leased Property.

During the Lease Term, the Leased Property will be used by the City only for the purpose of performing essential governmental or proprietary functions of the City consistent with the permissible scope of the City's authority.

Section 8.02. Tax Covenants.

(a) The City covenants for the benefit of the purchasers and Owners of the Certificates from time to time Outstanding that so long as any of the Certificates remain Outstanding, it will not take any action or permit any action to be taken or omit to take any action or permit the omission of any action reasonably within its control which action or omission will cause any Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code, which will cause any Certificates to be subject to treatment under Section 141 of the Code as "private activity bonds."

(b) The City covenants and agrees that it will pay or provide for the payment from time to time of all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any Treasury Regulations applicable to the Certificates from time to time. The City specifically covenants to pay or cause to be paid to the United States the required rebate amounts at the times and in the amounts as determined by the Treasury Regulations and the Arbitrage Instructions. Notwithstanding anything to the contrary contained herein, the Arbitrage Instructions may be amended or replaced if, in the written opinion of Special Counsel, such amendments will not adversely affect the federal tax status of any Certificates Outstanding.

(c) The foregoing covenants shall remain in full force and effect notwithstanding the defeasance of the Certificates pursuant to **Article X** of the Declaration of Trust or any other provision of the Declaration of Trust, until the final maturity date of all Certificates Outstanding.

Section 8.03. The City's Continuing Existence. The City will do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a body corporate and politic.

ARTICLE IX

CASUALTY AND CONDEMNATION

Section 9.01. Damage, Destruction and Condemnation. The City shall bear the risk of loss with respect to the Leased Property during the Lease Term. If (a) the Leased Property or any portion thereof is destroyed, in whole or in part, or is damaged by fire or other casualty or (b) title to, or the temporary use of, the Leased Property or any part thereof shall be nonexistent or deficient or taken under the exercise or threat of the power of eminent domain by any governmental body or by any person, firm or corporation acting pursuant to governmental authority, the City will cause the Net Proceeds of any insurance claim, condemnation award or sale under threat of condemnation to be applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property, unless the City shall have exercised its option to purchase the Trustee's interest in the Leased Property by making payment of the Purchase Price as provided herein. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the Trustee who shall deposit such moneys as set forth in the Declaration of Trust.

If the City determines that the repair, restoration, modification or improvement of the Leased Property is not economically feasible or in the best interest of the City, then, in lieu of making such repair, restoration, modification or improvement and if permitted by law, the City shall promptly purchase the Trustee's interest in the Leased Property pursuant to **Section 10.01(c)** by paying the Purchase Price and such Net Proceeds shall be applied by the City to such payment to the extent required for such payment. Any balance of the Net Proceeds remaining after paying the Purchase Price shall belong to the City.

Section 9.02. Insufficiency of Net Proceeds. If the Net Proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement referred to in **Section 9.01** and the City has not elected to purchase the Trustee's interest in the Leased Property pursuant to **Section 10.01(c)**, the City shall complete such replacement, repair, restoration, modification or improvement and pay any costs thereof in excess of the amount of the Net Proceeds and, if the City shall make any payments pursuant to this Section, the City shall not be entitled to any reimbursement therefor from the Trustee nor shall the City be entitled to any diminution of Rent.

Section 9.03. Eminent Domain.

(a) Under Missouri statutes, the City has the power to condemn property for its purposes, and the City acknowledges that condemnation of the Leased Property would adversely affect the Trustee. The City and the Trustee have reached agreement on the terms of the acquisition of the Leased Property, at City's option, and to the use of the Leased Property, all as set forth in this Lease. Any acquisition of the Trustee's interest in the Leased Property or rights to its use by the City (whether pursuant to the exercise of eminent domain powers or otherwise) shall be pursuant to and in accordance with the Lease, including payment of Rent Payments and the applicable Purchase Price. If the City allows the Lease to expire without exercising its option to purchase (whether by failure to exercise its option to extend the Lease for a Renewal Term, failure to exercise its option to purchase at the conclusion of the maximum Lease Term or failure to cure an Event of Default), that action shall constitute an irrevocable determination by the City that the Leased Property is not required by it for any public purpose for the term of this Lease.

The City hereby covenants and agrees, to the extent it may lawfully do so, that if for any reason it exercises the power of eminent domain with respect to the Leased Property, the appraisal value of the

Leased Property shall not be less than the Rent Payments then due plus the then applicable Purchase Price.

(b) In the event that title to all or a portion of the Leased Property is challenged or threatened by means of competent legal or equitable action, the City covenants that it shall cooperate with the Trustee and shall take all reasonable actions, including where appropriate the lawful exercise of the City's power of eminent domain, in order to quiet title to the Leased Property in the City.

ARTICLE X

OPTION TO PURCHASE; PARTIAL PREPAYMENT

Section 10.01. Purchase Option. The City shall have the option to purchase the Trustee's interest in the Leased Property, upon giving written notice to the Trustee at least 30 days before the date of purchase, at the following times and on the following terms:

(a) At any time on or after March 1, 2030, upon payment in full of Rent Payments then due hereunder plus a Purchase Price equal to the remaining Principal Portions of Basic Rent for the maximum Lease Term plus the Interest Portion of Basic Rent accrued to the prepayment date;

(b) On any date upon deposit of funds or Government Obligations or both with the Trustee in accordance with **Article X** of the Declaration of Trust in the amount necessary to provide for the Basic Rent Payments until and on the prepayment date, and the Purchase Price calculated as described in (a) above on the Certificates; or

Upon payment in full of all Rent Payments calculated as described above, the City shall be deemed to have purchased the Leased Property pursuant to this Section.

Section 10.02. Partial Prepayment. At the option of the City the Series 2020A Certificates will be subject to optional partial prepayment as described in the Declaration of Trust, at which time the Rental Payments hereunder may be partially prepaid in the same amounts.

Section 10.03. Determination of Fair Rent and Purchase Price. The City hereby agrees and determines that the Rent hereunder during the Original Term and any Renewal Term represents the fair value of the use of the Leased Property and that the Purchase Price required to exercise the City's option to purchase the Trustee's interest in the Leased Property pursuant to **Section 10.01** represents, as of the end of the Original Term or any Renewal Term, the fair Purchase Price of the Leased Property. The City hereby determines that the Rent does not exceed a reasonable amount so as to place the City under an economic practical compulsion to renew this Lease or to exercise its option to purchase the Leased Property hereunder. In making such determinations, the City has given consideration to the Costs of the Project, the uses and purposes for which the Leased Property will be employed by the City, the benefit to the City by reason of the acquisition and installation of the Leased Property and the use and occupancy of the Leased Property pursuant to the terms and provisions of this Lease and the City's option to purchase the Leased Property. The City hereby determines and declares that the acquisition and installation of the Project and the leasing of the Leased Property pursuant to this Lease will result in a Project of comparable quality and meeting the same requirements and standards as would be necessary if the acquisition and installation of the Project were performed by the City other than pursuant to this Lease. The City hereby

determines and declares that the maximum Lease Term does not exceed the useful life of the Leased Property.

ARTICLE XI

ASSIGNMENT

Section 11.01. Assignment and Subleasing by the City. Except as hereinafter expressly provided, none of the City's right, title and interest in, to and under this Lease and in the Leased Property may be assigned or encumbered by the City for any reason; except that the City may sublease any one or more parts of the Leased Property if the City obtains and delivers to the Trustee an Opinion of Special Counsel that such subleasing will not adversely affect the tax status of the Interest Portion of the Basic Rent Payments. Any such sublease of all or part of the Leased Property shall be subject to this Lease and the rights of the Trustee in, to and under this Lease and the Leased Property.

ARTICLE XII

EVENTS OF DEFAULT

Section 12.01. Events of Default Defined. Any of the following shall constitute an "Event of Default" under this Lease:

(a) Failure by the City to make any deposits required by **Section 4.01** to pay Basic Rent in the Lease Revenue Fund at the time specified herein;

(b) Failure by the City to make any Supplemental Rent Payment when due and the continuance of such failure for ten days after written notice specifying such failure and requesting that it be remedied is given to the City by the Trustee;

(c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in subparagraph (a) or (b) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied is given to the City by the Trustee unless such party shall agree in writing to an extension of such time prior to its expiration; provided that, if the failure stated in the notice cannot be corrected within the applicable period, such party will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected;

(d) Any statement, representation or warranty made by the City in or pursuant to this Lease or the execution, delivery or performance of either of them shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made;

(e) Any provision of this Lease shall at any time for any reason cease to be valid and binding on the City, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the City or any governmental agency or authority if the loss of such provision would materially adversely affect the rights or security of the Trustee; or

(f) The City becomes insolvent or admits in writing its inability to pay its debts as they mature or applies for, consents to, or acquiesces in the appointment of a trustee, receiver or custodian for the City or a substantial part of its property; or in the absence of such application, consent or acquiescence, a trustee, receiver or custodian for the City or a substantial part of its property; or in the absence of such application, consent or acquiescence, a trustee, receiver or custodian is appointed by the City or a substantial part of its property and is not discharged within 60 days; or any bankruptcy, reorganization, debt arrangement, moratorium or any proceeding under bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is instituted by or against the City and, if instituted against the City, is consented to or acquiesced in by the City or is not dismissed within 60 days.

Section 12.02. Remedies on Default. Whenever any Event of Default exists, the Trustee shall have the right, without any further demand or notice, to take one or any combination of the following remedial steps:

(a) By written notice to the City, the Trustee may declare all Rent payable by the City hereunder to the end of then current Original Term or Renewal Term to be due;

(b) With or without terminating this Lease, the Trustee may take possession of the Leased Property (in which event the City shall take all actions necessary to authorize, execute and deliver to the Trustee for the remainder of the Trustee's leasehold term all documents necessary to vest in the Trustee all of the City's interest in the Leased Property), and sell the Leased Property or lease the Leased Property or, for the account of the City, sublease the Leased Property continuing to hold the City liable for the difference between (a) the Rent payable by the City hereunder for then current Original Term or Renewal Term, as the case may be, and (b) the net proceeds of any such sale, leasing or subleasing (after deducting all expenses of the Trustee in exercising its remedies under this Lease, including without limitation all expenses of taking possession, removing, storing, reconditioning, and selling or leasing or subleasing the Leased Property and all brokerage, auctioneers and attorneys' fees);

(c) The Trustee may terminate any rights the City may have in any funds held by the Trustee under the Declaration of Trust; and

(d) The Trustee may take whatever action at law or in equity necessary or desirable to enforce its rights in the Leased Property and under this Lease.

Section 12.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Notices. All notices, certificates or other communications to be given or to be served upon any party in connection with this Lease shall be given in accordance with **Section 12.03** of the Declaration of Trust.

Section 13.02. Title to Leased Property. Title to the Leased Property shall vest in the City subject to Trustee's rights under this Lease; provided that title thereto shall thereafter immediately and without any action by the City vest in Trustee and the City shall immediately surrender possession thereof to Trustee upon (i) any termination of this Lease without the City exercising its option to purchase pursuant to **Section 10.01** or (ii) the occurrence of an Event of Default. It is the intent of the parties hereto that any transfer of title to Trustee pursuant to this Section shall occur automatically without the necessity of any deed, bill of sale, certificate of title or other instrument of conveyance. Nevertheless, the City shall execute and deliver any such instruments as the Trustee may request to evidence such transfer.

Section 13.03. Personal Property. The Trustee and the City agree that the Leased Property is and will remain personal property. The Leased Property will not be deemed to be affixed to or a part of the real estate on or under which it may be situated, notwithstanding that the Leased Property or any part thereof may be or hereafter become in any manner physically affixed to, buried in or otherwise attached to such real estate or any building thereon. Upon the request of the Trustee, the City will, at the City's expense, furnish a waiver of any interest in the Leased Property from any party having an interest in any such real estate or building.

To secure the payment of all of the City's obligations under this Lease, to the extent permitted by law, the Trustee retains a security interest in Leased Property and on all additions, attachments, accessions thereto, substitutions therefor and on any proceeds therefrom. The City shall execute all additional documents, including financing statements, affidavits, notices and similar instruments that are necessary or appropriate to establish and maintain such security interest. The City agrees that financing statements with respect to the Leased Property may be filed.

Section 13.04. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Trustee and the City and their respective successors and assigns.

Section 13.05. Amendments, Changes and Modifications. This Lease may not be effectively amended, changed, modified, altered or supplemented except with the written consent of the Trustee and the City and as provided in the Declaration of Trust.

Section 13.06. Electronic Transaction. The parties agree that the transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed 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.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Trustee and the City have caused this Lease to be executed in their names by their duly authorized representatives as of the date first above written.

SECURITY BANK OF KANSAS CITY, as Trustee

By: _____

Name: _____

Title: _____

CITY OF GLADSTONE, MISSOURI

(SEAL)

By _____
Name: Scott Wingerson
Title: City Manager

ATTEST:

Name: Ruth Bocchino
Title: City Clerk

SCHEDULE 1

TO LEASE PURCHASE AGREEMENT

DESCRIPTION OF LEASED PROPERTY

The Leased Property consists of the following:

Water mains acquired and installed with the proceeds of the Series 2020A Certificates.

SCHEDULE 2

TO LEASE PURCHASE AGREEMENT

DESCRIPTION OF PROJECT

The Project consists of the following:

Fire Station Project – Proceeds from the issue will be used for an addition to the station and renovation of the existing structure located at 6569 N. Prospect. The project will update and enhance the living conditions, provide new fixtures, and new equipment for the emergency personnel. The estimated total project cost is \$2,545,000.

Water Main Project – The water main project will give the city the ability to accelerate the water main replacement program over the course of 3 years. The project will replace 2.5 miles of water mains. The estimated total project cost is \$2,500,000.

Gladstone Community Center Project – Proceeds from the issue will be used make renovations to the outdoor municipal pool and Community Center. Pool renovations include a new entry way to the outdoor pool and updated restrooms. Renovations to the Gladstone Community Center include improvements to the indoor pool deck, painting of the natatorium, new carpeting, and fitness equipment. The total cost of this project is estimated to be \$930,000.

Downtown Parking Project – Proceeds for this project will fund a parking study and project implementation to increase the parking capacity for the Downtown Gladstone area. Total estimated project costs are \$500,000.

Mill & Overlay – Proceeds for this project will fund additional mill and overlay. The estimated cost of the project is \$500,000 and will replace 3.25 lane miles of curb, gutter and sidewalk.

Atkins-Johnson Farm Project - The project at the Atkins-Johnson Farm will fund the replacement of a barn at the historical site. The estimated cost of the project is \$200,000.

Fire Truck - The City anticipates the acquisition of a fire pumper truck and equipment needed to outfit the fire truck at a projected cost of \$570,000.

EXHIBIT A

SCHEDULE OF BASIC RENT PAYMENTS AND PURCHASE PRICE

SERIES 2020A CERTIFICATES

[see following page]

Rental Payment Date		Principal Component		Interest Component		Option Purchase Price on Rental Payment Date through but excluding next Rental Payment Date
03/01/2021		\$ 1,255,000.00		\$ 50,963.47		n/a
09/01/2021		\$ -		\$ 66,531.25		n/a
03/01/2022		\$ 750,000.00		\$ 66,531.25		n/a
09/01/2022		\$ -		\$ 59,031.25		n/a
03/01/2023		\$ 765,000.00		\$ 59,031.25		n/a
09/01/2023		\$ -		\$ 51,381.25		n/a
03/01/2024		\$ 95,000.00		\$ 51,381.25		n/a
09/01/2024		\$ -		\$ 50,431.25		n/a
03/01/2025		\$ 215,000.00		\$ 50,431.25		n/a
09/01/2025		\$ -		\$ 48,281.25		n/a
03/01/2026		\$ 220,000.00		\$ 48,281.25		n/a
09/01/2026		\$ -		\$ 46,081.25		n/a
03/01/2027		\$ 275,000.00		\$ 46,081.25		n/a
09/01/2027		\$ -		\$ 43,331.25		n/a
03/01/2028		\$ 360,000.00		\$ 43,331.25		n/a
09/01/2028		\$ -		\$ 39,731.25		n/a
03/01/2029		\$ 370,000.00		\$ 39,731.25		n/a
09/01/2029		\$ -		\$ 36,031.25		n/a
03/01/2030		\$ 375,000.00		\$ 36,031.25		\$ 3,060,000.00
09/01/2030		\$ -		\$ 32,281.25		
03/01/2031		\$ 380,000.00		\$ 32,281.25		\$ 2,680,000.00
09/01/2031		\$ -		\$ 28,481.25		
03/01/2032		\$ 390,000.00		\$ 28,481.25		\$ 2,290,000.00
09/01/2032		\$ -		\$ 24,581.25		\$ -
03/01/2033		\$ 400,000.00		\$ 24,581.25		\$ 1,890,000.00
09/01/2033		\$ -		\$ 20,581.25		\$ -
03/01/2034		\$ 270,000.00		\$ 20,581.25		\$ 1,620,000.00
09/01/2034		\$ -		\$ 17,881.25		\$ -
03/01/2035		\$ 275,000.00		\$ 17,881.25		\$ 1,345,000.00
09/01/2035		\$ -		\$ 15,131.25		\$ -
03/01/2036		\$ 280,000.00		\$ 15,131.25		\$ 1,065,000.00
09/01/2036		\$ -		\$ 11,981.25		\$ -
03/01/2037		\$ 285,000.00		\$ 11,981.25		\$ 780,000.00
09/01/2037		\$ -		\$ 8,775.00		\$ -
03/01/2038		\$ 290,000.00		\$ 8,775.00		\$ 490,000.00
09/01/2038		\$ -		\$ 5,512.50		\$ -
03/01/2039		\$ 300,000.00		\$ 5,512.50		\$ 190,000.00
09/01/2039		\$ -		\$ 2,137.50		\$ -
03/01/2040		\$ 190,000.00		\$ 2,137.50		\$ 1.00

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

Dated as of November 1, 2020

of the

CITY OF GLADSTONE, MISSOURI

regarding

**\$7,740,000
Certificates of Participation
Series 2020A**

CONTINUING DISCLOSURE UNDERTAKING

This CONTINUING DISCLOSURE UNDERTAKING dated as of November 1, 2020 (as may be amended and supplemented from time to time, this “*Continuing Disclosure Undertaking*”), is executed and delivered by the CITY OF GLADSTONE, MISSOURI, a third-class city organized and existing under the laws of the State of Missouri (the “*City*”). Capitalized terms used in this Continuing Disclosure Undertaking, unless the context clearly indicates otherwise, shall have the meanings given to them in the herein defined Declaration.

RECITALS

1. This Continuing Disclosure Undertaking is executed and delivered in connection with the execution and delivery of the Certificates of Participation, Series 2020A in the aggregate principal amount of \$7,740,000 (the “*Series 2020A Certificates*”), pursuant to an Declaration of Trust between the City and the Trustee named therein (the “*Declaration*”).

2. The City is executing and delivering this Continuing Disclosure Undertaking for the benefit of the Beneficial Owners of the Series 2020A Certificates and in order to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “*Rule*”). The City has determined that the City is the only “obligated person” with responsibility for continuing disclosure within the meaning of the Rule.

IN CONSIDERATION of the mutual covenants and agreements herein, the City covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Declaration, which apply to any capitalized term used in this Continuing Disclosure Undertaking unless otherwise defined in this Section or in this Continuing Disclosure Undertaking, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the City pursuant to, and as described in, Section 2(a) of this Continuing Disclosure Undertaking.

“*Beneficial Owner*” means any Registered Owner of any Series 2020A Certificates 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 Series 2020A Certificates (including Persons holding Series 2020A Certificates through nominees, depositories, or other intermediaries), or (b) is treated as the owner of any Series 2020A Certificates for federal income tax purposes.

“*Bond Counsel*” means Armstrong Teasdale LLP or another attorney or firm of attorneys selected by the City and of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds or other obligations issued by states and political subdivisions.

“*Business Day*” means a day other than (a) a Saturday or Sunday, or (b) a day on which banks located in any city in which the principal corporate trust office of the Paying Agent is located are required or authorized by law to remain closed.

“*City*” means the City of Gladstone, Missouri, a third-class city organized and existing under the constitution and laws of the State.

“Disclosure Representative” means the City Clerk or Deputy City Clerk, on behalf of the City, or his or her successors or designees, or such other Person as the City shall designate in writing to the Paying Agent from time to time.

“Dissemination Agent” means on the date hereof, the City Administrator of the City, and thereafter, any other Person with whom the City contracts to assist in the carrying out of the City’s obligations under the Continuing Disclosure Undertaking pursuant to Section 5.

“Financial Obligation” means 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 debt obligation or derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation. The term *Financial Obligation* excludes municipal securities for which a final official statement has been provided to MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the City, currently the twelve-month period beginning July 1 and ending on June 30.

“Material Events” means any of the events listed in Section 3(a) of this Continuing Disclosure Undertaking.

“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.

“National Repository” means the MSRB’s Electronic Municipal Market Access system for municipal securities disclosures and any other repository for purposes of the Rule. The repository approved from time to time by the Securities and Exchange Commission is listed at <http://www.sec.gov/info/municipal/nrmsir.htm> and current is <http://www.emma.msrb.org>.

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

“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.

“Underwriter” means any of the original underwriter(s) of the Series 2020A Certificates required to comply with the Rule in connection with offering of the Certificates.

Section 2. Provision of Annual Reports.

(a) The City shall, or shall cause any Dissemination Agent to, not later than 210 days after the end of the City’s Fiscal Year, provide to the National Repository, the following financial information and operating data (the *“Annual Report”*):

- (i) Commencing with the Fiscal Year ending June 30, 2020, the audited financial statements of the City for the most recently ended Fiscal Year. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to this Section, the Annual Report shall contain unaudited financial statements in a format similar to the prior audited financial statements

of the City, and the audited financial statements shall be provided in the same manner as the Annual Report promptly after they become available.

- (ii) Commencing with the Fiscal Year ending June 30, 2020, financial information and operating data of the City updated for the prior Fiscal Year in substantially the scope and form contained in the final Official Statement relating to the Series 2020A Certificates in tables under the sections captioned:

SALES TAX INFORMATION CONCERNING THE CITY –

Sales Tax Collections

PROPERTY TAX INFORMATION CONCERNING THE CITY –

Tax Collection Record

Major Property Taxpayers

(b) Any or all of the items listed in subsection (a) 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 provided to the National Repository. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

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 filing of the Annual Report if they are not available by that date. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event under Section 3(d).

(c) Not later than the dates specified in subsection (a) above for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the MSRB or provide the Annual Report to the Dissemination Agent, with written instructions to file the Annual Report as specified in such subsection (a).

(d) If a Dissemination Agent is then acting on behalf of the City hereunder, and such Dissemination Agent has not received the Annual Report with filing instructions or a written notice from the City that it has provided an Annual Report to the MSRB by the date required in subsection (a) above, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached hereto as **Exhibit A**, and incorporated herein by reference.

(e) If a Dissemination Agent is then acting on behalf of the City hereunder, the Dissemination Agent shall (1) notify the City each year, not later than thirty (30) days prior to the date for providing the Annual Report to the MSRB, of the date on which its Annual Report must be provided to the Dissemination Agent or the MSRB, and (2) unless the City has provided such Annual Report to the MSRB, promptly following receipt of such Annual Report and instructions required in subsection (a), provide such Annual Report to the MSRB and file a report with the City certifying that such Annual Report has been provided pursuant to this Continuing Disclosure Undertaking, stating the date it was provided.

Section 3. Reporting of Material Events.

(a) Pursuant to the provisions of this Section, the City shall give, or cause to be given to the National Repository, notice of the occurrence of any of the following events with respect to the Series 2020A Certificates (each, a “*Material Event*”) no later than ten (10) Business Days after the occurrence thereof:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) modifications to rights of security holders, if material;
- (4) Series 2020A Bond calls, if material, and tender offers;
- (5) defeasances;
- (6) rating changes;
- (7) 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 Series 2020A Certificates, or other material events affecting the tax-exempt status of the security;
- (8) unscheduled draws on debt service reserves reflecting financial difficulties;
- (9) unscheduled draws on credit enhancements reflecting financial difficulties;
- (10) substitution of credit or liquidity providers, or their failure to perform;
- (11) release, substitution or sale of property security repayment of the Series 2020A Certificates, if material;
- (12) bankruptcy, insolvency, receivership or similar event of the City;
- (13) the consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material;
- (15) incurrence of a Financial Obligation of the 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; and
- (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) If a Dissemination Agent is then acting on behalf of the City hereunder, the Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that it believes may constitute a Material Event, contact the Disclosure Representative of the City, inform such Person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (d) below. If in response to a request under this subsection (b), the City determines that such event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent whether or not to report the occurrence pursuant to such subsection (d).

(c) Whenever the City obtains knowledge of the occurrence of a Material Event, because of a notice from any Dissemination Agent pursuant to subsection (b) above or otherwise, the City shall

promptly report the occurrence pursuant to subsection (d) below, or cause its Dissemination Agent, if any, to promptly do so.

(d) The City or the Dissemination Agent, if a Dissemination Agent is then acting on behalf of the City, shall promptly file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Material Events described in clauses (8) and (9) of subsection (a) above 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 Series 2020A Certificates pursuant to the Declaration.

Section 4. Termination of Reporting Obligation. The City's obligations under this Continuing Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Series 2020A Certificates. If the City's obligations under this Continuing Disclosure Undertaking are assumed in full by some other Person, such Person shall be responsible for compliance with this Continuing Disclosure Undertaking in the same manner as if it were the City, and the City shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Series 2020A Certificates, the City shall give notice of such termination or substitution in the same manner as for a Material Event under Section 3(d).

Section 5. Dissemination Agent; Other Designated Agents. The City may, from time to time, appoint or designate one or more agents (each, a "designated agent") to submit Annual Reports, Material Event notices, and other notices or reports with the National Repository. The City may revoke this designation at any time upon written notice to the designated agent, and may designate one or more additional designated agents for purposes of this Section from time to time by written designation to the newly appointed designated agent.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Undertaking, the City may amend this Continuing Disclosure Undertaking and any provision of this Continuing Disclosure Undertaking may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the City with its written opinion that the undertaking of the City 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 Undertaking.

If a provision of this Continuing Disclosure Undertaking is amended or waived, 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 by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (a) notice of such change shall be given in the same manner as for a Material Event under Section 3(d); and (b) 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 Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Undertaking 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 Undertaking. 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 Undertaking, the City shall have no

obligation under this Continuing Disclosure Undertaking to update such information or include it in any future Annual Report, as the case may be, or notice of occurrence of a Material Event.

Section 8. Default. If there is a failure of the City to comply with any provision of this Continuing Disclosure Undertaking, the Paying Agent may (and, at the request of any Underwriter or the Registered Owners of at least 25% aggregate principal amount of Outstanding Series 2020A Certificates, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Continuing Disclosure Undertaking. A default under this Continuing Disclosure Undertaking shall not be deemed an event of default under the Declaration, and the sole remedy under this Continuing Disclosure Undertaking if there is any failure of the City to comply with this Continuing Disclosure Undertaking shall be an action to compel performance.

Section 9. Notices. Notices or communications concerning the resignation, revocation or designation of a dissemination agent pursuant to Section 5 of this Continuing Disclosure Undertaking, shall be duly mailed by first class mail, postage prepaid, or sent by electronic mail (email), facsimile or other similar communication, as follows:

If to the City: City of Gladstone, Missouri
 7010 N. Holmes St.
 Gladstone, MO 64118
 Attn: Finance Director

Any Person may, by written notice to the other Persons listed above, designate a different address, telephone number, or facsimile number to which subsequent notices or communications should be sent.

Section 10. Beneficiaries. This Continuing Disclosure Undertaking shall inure solely to the benefit of the Beneficial Owners from time to time of the Series 2020A Certificates, and shall create no rights in any other Person.

Section 11. Severability. If any provision in this Continuing Disclosure Undertaking 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 12. Counterparts. This Continuing Disclosure Undertaking 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 13. Electronic Transactions. The measures and arrangements 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 14. Governing Law. This Continuing Disclosure Undertaking 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 Undertaking to be executed by its duly authorized officers or elected officials as of the date first above written.

CITY OF GLADSTONE, MISSOURI

By: _____
City Manager

[SEAL]

ATTEST:

By: _____
City Clerk

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issue: \$7,740,000 Certificates of Participation, Series 2020A (the “*Series 2020A Certificates*”)

Name of Obligated Person: City of Gladstone, Missouri (the “*City*”)

Date of Issuance: November 5, 2020

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the Series 2020A Certificates as required by the Continuing Disclosure Undertaking dated as of November 1, 2020, executed by the City (the “*Undertaking*”). Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Undertaking.

Dated: _____, ____.

on behalf of the CITY OF GLADSTONE, MISSOURI

cc: City of Gladstone, Missouri

APPENDIX E

FORM OF APPROVING OPINION OF SPECIAL TAX COUNSEL

November 5, 2020

City of Gladstone, Missouri
7010 N. Holmes
Gladstone, Missouri 64118

First Bankers' Banc Securities, Inc.
1714 Deer Tracks Trail, Suite 110
St. Louis, Missouri 63131

Security Bank of Kansas City
701 Minnesota Avenue, Suite 206
Kansas City, Kansas 66101

Re: \$7,740,000 Certificates of Participation, Series 2020A

Ladies and Gentlemen,

We have acted as special tax counsel to the City of Gladstone, Missouri (the "*City*") in connection with the execution and delivery of \$7,740,000 principal amount of its Certificates of Participation, Series 2020A (the "*Certificates*"). The Certificates are executed and delivered pursuant to an Declaration of Trust, dated as of November 1, 2020 (the "*Declaration*"), between Security Bank of Kansas City, as trustee (the "*Trustee*"), and the City and evidence interests of the Owners thereof in Basic Rent to be made by the City under a Lease Purchase Agreement dated as of November 1, 2020 (the "*Lease*") between the City and the Trustee. The Declaration and the Lease were approved by an ordinance of the City adopted on September 28, 2020 (the "*Ordinance*"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Declaration, unless the context requires otherwise.

We have examined the law and such certified proceedings and other materials as we deem necessary to enable us to render this opinion. As to questions of fact material to this opinion, we have relied upon representations of the City contained in the Ordinance and in other documents and certificates delivered in connection with the execution and delivery of the Certificates, and the certified proceedings and other certifications of the City and others furnished to us, in each case without undertaking to verify the same by independent investigation.

In making our examination of documents and except as provided in Paragraphs 1 and 2 below, we have assumed that the parties to such documents had the power to enter into and perform all obligations

thereunder; the due and valid authorization, execution and delivery of such documents; that such documents are valid and binding obligations of the parties thereto and 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. 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. In giving this opinion, we have relied upon such certificates with respect to the accuracy of factual matters contained therein, which were not independently established.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion that, under existing law:

1. The Lease and the Declaration have been duly authorized by the City, have been duly executed by the City, and constitute legal, valid and binding agreements of the City enforceable against the City in accordance with their respective terms, except that the Lease is enforceable only during each fiscal year for which sufficient funds have been appropriated.

2. The Certificates have been duly authorized, executed and delivered in accordance with the Declaration, are entitled to the benefits and security of the Declaration, and evidence an interest in the rights to receive Basic Rent under the Lease, which rights are enforceable against the City in accordance with the terms of the Certificates, the Declaration and the Lease. We express no opinion with respect to the perfection or priority of any lien or security interest created or purported to have been created by any documents related to the execution and delivery of the Certificates.

3. The Interest Component of the Basic Rent paid by the City under the Lease and distributed to the Registered Owners of the Certificates (collectively, the "*Interest Components*"), are excludable from gross income for federal and Missouri income tax purposes and are not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the City and the Trustee comply with all requirements of the Internal Revenue Code of 1986, as amended (the "*Code*"), that must be satisfied subsequent to the issuance of the Certificates in order that the Interest Components be, or continue to be, excludable from gross income for federal and Missouri income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with such requirements may cause the Interest Components to be included in gross income for federal and Missouri income tax purposes retroactive to the date of the issuance of the Certificates. The Certificates have been designated as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code.

4. We express no opinion regarding (a) 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 the Basic Rent or the Certificates except as set forth in Paragraph 3 above, (b) the treatment for federal or Missouri income tax purposes of any money received by owners of the Certificates subsequent to termination of the Lease by reason of an Event of Nonappropriation or an Event of Default, or (c) the title to or the description of the property subject to the Declaration or the Lease.

It is to be understood that the rights of the owners of the Certificates and the enforceability thereof and of the Declaration and the Lease 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. 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.

D. 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 Certificates 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 Certificates.

We have not been engaged or undertaken to review the accuracy, adequacy, completeness, or sufficiency of any offering material relating to the Certificates, 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.

Very truly yours,



First Bankers' Banc Securities Inc. - St. Louis, MO's Bid

City of Gladstone, Missouri

\$7,510,000 \$7,740,000 Certificates of Participation, Series 2020A

For the aggregate principal amount of \$7,510,000.00 \$7,740,000.00, we will pay you \$7,631,443.35 \$7,865,510.40, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount \$	Coupon %	Yield %	Dollar Price	Bond Insurance
03/01/2021	4,240M 1,255M	2.0000	0.4000	100.514	
03/01/2022	720M 750M	2.0000	0.5000	101.974	
03/01/2023	745M 765M	2.0000	0.6000	103.223	
03/01/2024	75M 95M	2.0000	0.7500	104.093	
03/01/2025	230M 218M	2.0000	0.8000	105.087	
03/01/2026	205M 220M	2.0000	0.9000	105.703	
03/01/2027	260M 275M	2.0000	1.0000	106.111	
03/01/2028	350M 360M	2.0000	1.1000	106.314	
03/01/2029	360M 370M	2.0000	1.2000	106.317	
03/01/2030	370M 375M	2.0000	1.3000	106.128	
03/01/2031	380M	2.0000	1.5000	104.333	
03/01/2032	390M	2.0000	1.6000	103.450	
03/01/2033	400M	2.0000	1.7000	102.575	
03/01/2034	260M 270M	2.0000	1.8500	101.277	
03/01/2035	265M 275M	2.0000	2.0000	100.000	
03/01/2036					
03/01/2037					
03/01/2038					
03/01/2039					
03/01/2040	1,290M 1,345M	2.2500	2.2500	100.000	

Total Interest Cost:	\$1,229,024.44	\$1,267,313.47
Premium:	\$121,443.35	\$125,510.40
Net Interest Cost:	\$1,107,581.09	\$1,141,803.07
TIC:	4.858020%	1.858348%
Total Insurance Premium:		\$0.00

Time Last Bid Received On: 10/22/2020 11:22:20 CDST


This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: First Bankers' Banc Securities Inc., St. Louis, MO
 Contact: JERRY WELSCH
 Title: E.V.P.
 Telephone: 314-726-1212
 Fax: 314-726-5771

Issuer Name: City of Gladstone, MO

Company Name: First Bankers' Banc Securities Inc.

Accepted By: _____

Accepted By: 

Date: October 22, 2020

Date: October 22, 2020

\$7,510,000*

**City of Gladstone, Missouri
Certificates of Participation, Series 2020A**

S&P Rating: AA-

Sale Date: October 22, 2020

**BBI: 2.22%
Average Maturity: 7.813 Years**

Bidder	TIC
First Bankers' Banc Securities Inc.	1.8580%
Robert W. Baird & Co., Incorporated	1.8687%

Winning Bidder Information	Maturity	Interest Rate	Reoffering Yield	Reoffering Price
FIRST BANKERS' BANC SECURITIES INC. (No Syndicate Members)	3/01/2021	2.00%	0.40%	100.514%
	3/01/2022	2.00%	0.50%	101.974%
	3/01/2023	2.00%	0.60%	103.223%
	3/01/2024	2.00%	0.75%	104.093%
	3/01/2025	2.00%	0.80%	105.087%
	3/01/2026	2.00%	0.90%	105.703%
	3/01/2027	2.00%	1.00%	106.111%
	3/01/2028	2.00%	1.10%	106.314%
	3/01/2029	2.00%	1.20%	106.317%
	3/01/2030	2.00%	1.30%	106.126%
	3/01/2031	2.00%	1.50%	104.333%
	3/01/2032	2.00%	1.60%	103.450%
	3/01/2033	2.00%	1.70%	102.575%
	3/01/2034	2.00%	1.85%	101.277%
	3/01/2035	2.00%	2.00%	100.000%
	3/01/2040	2.25%	2.25%	100.000%

Purchase Price: \$7,631,443.35*
Net Interest Cost: \$1,107,581.09*
TIC: 1.8580%*

Other Bidders and Syndicate Members

ROBERT W. BAIRD & CO., INCORPORATED (AND SYNDICATE)

* Subsequent to bid opening, the par amount increased to \$7,740,000.00; and the price, net interest cost, and true interest cost have changed to \$7,865,510.40, \$1,141,803.07, and 1.8583%, respectively.

CITY'S CLOSING CERTIFICATE
\$7,740,000
CITY OF GLADSTONE, MISSOURI
CERTIFICATES OF PARTICIPATION
SERIES 2020A

We, Scott Wingerson and Ruth Bocchinno, City Manager and City Clerk, respectively, duly elected or appointed, qualified and acting as such, of the City of Gladstone, Missouri (the "City"), do hereby certify with respect to the City's Certificates of Participation, Series 2020A (the "Certificates"), as follows:

Capitalized terms used herein and not otherwise defined shall be as defined in that certain Lease Purchase Agreement dated as of November 1, 2020 (the "Lease"), between the City, as lessee, and Security Bank of Kansas City, as lessor (the "Trustee") and that certain Declaration of Trust dated as of November 1, 2020 (the "Declaration of Trust"), between the City and the Trustee.

1. The documents listed on the closing list included in the transcript relating to the Certificates (the "Transcript") constitute a full, true and correct transcript of all documents and proceedings in connection with the execution and delivery by the City of the Lease.

2. Attached hereto as **Exhibit A** is a true and correct copy of the minutes of the meetings of the City Council of the City held on September 28, 2020, at which meetings a quorum was present and acting throughout, and the minutes remain in full force and effect. The meetings were held at a place convenient and reasonably accessible to the public and at a time reasonably convenient to the public and was otherwise held in accordance with the procedural requirements of the City and applicable law. Every reasonable effort was made to grant special access to said meetings to handicapped or disabled individuals. Notice of the meetings was given at the time and in the manner provided by applicable law. Attached hereto as **Exhibit B** are true and correct copies of the notices that were posted for the meetings.

3. Attached hereto as **Exhibit C** is a full, true and correct copy of the Ordinance of the City Council approving the transaction and authorizing the execution of the City Documents (defined below), passed by the City Council on September 28, 2020. The Ordinance has not been modified, amended or repealed, and remains in full force and effect. The Ordinance is the only official action taken by the City Council that is presently in effect relating to the transaction contemplated by the Lease and the Declaration of Trust.

4. The following documents have been duly executed and delivered on behalf of the City by the Mayor and the seal of the City has been affixed to such of the following documents as require it and attested by the City Clerk:

- (a) Lease Purchase Agreement;
- (b) Declaration of Trust;
- (c) Tax Compliance Agreement; and
- (d) Continuing Disclosure Undertaking.

An executed counterpart or a full, true and correct copy of each of said documents is included in this transcript. The Lease Purchase Agreement, the Declaration of Trust, the Continuing Disclosure Undertaking, and the Tax Compliance Agreement (together, the "City Documents") are in substantially the forms on file with the City, with only such changes therein as have been approved by the person who executed said document or acceptance thereof on behalf of the City.

5. The City has authorized, by all necessary action, the execution, delivery, receipt and due performance of the City Documents and any and all such other agreements and documents as may be required to be executed, delivered and received by the City in order to carry out, give effect to and consummate the transactions contemplated thereby.

6. The following persons were and are now the duly qualified and acting members of the City Council of the City, except as noted, at and during all times during the proceedings relating to the issuance of the Certificates:

City Council

Jean Moore – Mayor
R.D. Mallams, Mayor Pro-Tem
Bill Gamos, Council Member
Tina Spallo, Council Member
Tom Frisby, Council Member

Administrative Officials

Scott Wingerson – City Manager
Bob Baer – Assistant City Manager
Dominic Accurso – Director of Finance

The City Manager and City Clerk are hereby designated as Authorized Representatives of the City, and the signatures appearing at the end of this Certificate are their true and genuine signatures.

7. No litigation or other proceedings are pending or, to our knowledge, threatened in any court or other tribunal of competent jurisdiction, state or federal, in any way (A) questioning or affecting the validity of the City Documents or the acquisition and construction of the Project (as that term is defined in the Lease), (B) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution, issuance or delivery of the Certificates, (C) questioning or affecting the organization or existence of the City or the title to office of the officers thereof or (D) questioning or affecting the power and authority of the City to ratify and approve the use of the Preliminary Official Statement and Official Statement and authorize the execution of the Official Statement by the City Manager of the City.

8. The representations and warranties of the City contained in the City Documents are true and correct on and as of the date hereof with the same effect as if made on the date hereof. All such representations and warranties, as well as those herein will be deemed to be for the benefit of the Underwriter of the Certificates, First Bankers' Banc Securities, Inc. (the "Underwriter"), the Trustee and the attorneys providing legal opinions in connection with the Certificates. The City has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied prior to the date hereof.

9. No condition or event exists that constitutes, or with the giving of notice or the passage of time or both would constitute, a Default or an Event of Default under any of the City Documents.

10. To the City's knowledge, no member of the City Council has any pecuniary interest, directly or indirectly, in any contract, employment, purchase or sale made, or to be made in connection with the proposed transaction contemplated in the City Documents.

11. To the City's knowledge, the City's execution and delivery of the City Documents and the performance of the terms thereof by the City will not violate any provision of law, or any resolution of the City, or any applicable judgment, order, rule or regulation, of any court or any public or governmental agency or authority, and will not conflict with, violate or result in the breach of any of the provisions of or constitute a default under, any indenture, mortgage or other agreement or instrument to which the City is a party or by which it or its properties are bound.

12. All approvals, consents, authorizations and orders required to be obtained by the City in connection with the City Documents and the performance of the terms thereof by the City have been duly obtained.

13. No condition or event exists that constitutes, or with the giving of notice or the passage of time or both would constitute, an Event of Default under the City Documents.

14. The Preliminary Official Statement and the Official Statement contained in the Transcript constitute full, true and correct copies of the Preliminary Official Statement and final Official Statement relating to the Certificates. To the best of our knowledge, the information contained in the Preliminary Official Statement and in the final Official Statement is true in all material respects and does not contain an untrue statement of a material fact or omit any material fact (except for the omission of such information in the Preliminary Official Statement as is permitted by Rule 15c2-12(b)(1) of the Securities and Exchange Commission) necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. As of this date, there has been no material adverse change in the financial condition or the financial affairs of the City since the date of the issuance of the Preliminary Official Statement or the final Official Statement, and no other event has occurred which is necessary to be disclosed in the Preliminary Official Statement or the final Official Statement in order to make the statements therein not misleading in any material respect. The City has caused to be delivered to the Underwriter copies of the Preliminary Official Statement. For the purpose of enabling the Underwriter to comply with the requirements of Rule 15c2-12(b)(1) of the Securities and Exchange Commission, the City hereby deems the information regarding the City contained in the Preliminary Official Statement to be "final" as of its date, except for the omission of such information as is permitted by Rule 15c2-12(b)(1), such as offering prices, interest rates, selling compensation, aggregate principal amount, principal per maturity, delivery dates, ratings, identity of the underwriters and other terms of the Certificates depending on such matters.

15. The City hereby authorizes the Trustee to execute the Certificates and to deliver the Certificates to the Underwriter in exchange for the purchase price thereof, plus accrued interest (if any) to the date of delivery thereof, computed as follows:

Principal Amount	\$7,740,000.00
Plus Premium	0.00
Less Underwriter's Discount	<u>0.00</u>
Total Proceeds Received	\$7,740,000.00

16. The City understands and agrees that this Certificate will be relied upon by, among others, the Trustee and the Underwriters of the Certificates and by Special Counsel.

DATED: November 5, 2020.

CITY OF GLADSTONE, MISSOURI

[SEAL]



By

Scott H. Weyer
City Manager

ATTEST:

Ruth E. Bocchenna 10/30/2020
City Clerk



**MINUTES
REGULAR CITY COUNCIL MEETING
GLADSTONE, MISSOURI
MONDAY, SEPTEMBER 28, 2020**

PRESENT: Mayor Jean Moore
Mayor Pro Tem R.D. Mallams
Councilman Bill Garnos
Councilman Tom Frisby
Councilmember Tina Spallo

City Manager Scott Wingerson
Assistant City Manager Bob Baer
City Clerk Ruth Bocchino
City Attorney John Mullane

Item No. 1. On the Agenda. Meeting Called to Order.

Mayor Moore opened the Regular City Council Meeting Monday, September 28, 2020, at 7:30 pm.

Item No. 2. On the Agenda. ROLL CALL

City Clerk Ruth Bocchino called Roll. All Councilmembers were present.

Item No. 3. On the Agenda. Pledge of Allegiance to the Flag of the United States of America.

Mayor Moore asked all to join in the Pledge of Allegiance to the Flag of the United States of America and thanked VFW Post 10906, Stan Stoner and Joe Liles, for posting the Colors.

Item No. 4. On the Agenda. Approval of Agenda.

The agenda was approved as published.

Item No. 5. On the Agenda. Approval of the September 14, 2020, Closed City Council Meeting Minutes.

Mayor Pro Tem Mallams moved to approve the minutes of the September 14, 2020, Closed City Council meeting as presented. **Councilman Frisby** seconded. The Vote: "aye", Councilmember Tina Spallo, Councilman Tom Frisby, Councilman Bill Garnos, Mayor Pro Tem R.D. Mallams, and Mayor Jean Moore. (5-0)

Item No. 6. On the Agenda. Approval of the September 14, 2020, Regular City Council Meeting Minutes.

Mayor Pro Tem Mallams moved to approve the minutes of the September 14, 2020, Regular City Council meeting as presented. **Councilmember Spallo** seconded. The Vote: “aye”, Councilmember Tina Spallo, Councilman Tom Frisby, Councilman Bill Garnos, Mayor Pro Tem R.D. Mallams, and Mayor Jean Moore. (5-0)

Item No. 7. On the Agenda. **PROCLAMATION:** National Code Enforcement Month

Mayor Moore read the Proclamation and presented to Stephen Jackson and Eric Millsap.

Item No. 8. On the Agenda. **CONSENT AGENDA.**

Following the Clerk’s reading:

Councilmember Spallo moved to approve the Consent Agenda as published. **Mayor Pro Tem Mallams** seconded. The Vote: “aye”, Councilmember Tina Spallo, Councilman Tom Frisby, Councilman Bill Garnos, Mayor Pro Tem R.D. Mallams, and Mayor Jean Moore. (5-0)

Councilmember Spallo moved to approve **RESOLUTION R-20-45** A Resolution accepting easements from certain property owners in conjunction with the Northeast 76th Street and North Tracy Avenue Storm Drainage Improvements Project CP2131. **Mayor Pro Tem Mallams** seconded. The Vote: “aye”, Councilmember Tina Spallo, Councilman Tom Frisby, Councilman Bill Garnos, Mayor Pro Tem R.D. Mallams, and Mayor Jean Moore. (5-0)

Councilmember Spallo moved to approve the **SPECIAL EVENT PERMIT:** Good Shepard WMC Worship Experience, 602 Northeast 70th Street, Linden Square, Sunday, October 4, 2020, 12:00-12:45 pm. **Mayor Pro Tem Mallams** seconded. The Vote: “aye”, Councilmember Tina Spallo, Councilman Tom Frisby, Councilman Bill Garnos, Mayor Pro Tem R.D. Mallams, and Mayor Jean Moore. (5-0)

REGULAR AGENDA.

Item No. 9. On the Agenda. Communications from the audience.

Bob Oakes approached Council and stated: *“My name is Bob Oakes and I live in Carriage Hills (4008 NE 62nd Terrace) and I’m here to oppose one of your Resolutions that you say that you are in favor of the Clay County proposed Constitution and I would guess that, have any of you read the Constitution, the proposed Constitution? Are you aware that five of the elected officeholders in Clay County would no longer be elected? That they would be appointed by the County Administrator. The Commissioners won’t even vote for approval of it and those people will have a lifetime term, not elected, lifetime term. Do you realize that in that Constitution that they made some grave mistakes? One of them is the Assessor, you will have no Assessor in Clay County for nine months. The Constitution says in Article 4, Section 404, that after the election in November that the County Assessor cannot take office until September following the election which would*

be 9-1-21. No Assessor for nine months. The Constitution also says it cannot be amended for two years. The people of Clay County will not put up with this. Anyone, I made another statement here, I'd like to give these to you also; my last statement here it says, please read all these poison pills. I have eight in red, and another 22 or 23 after that. It looks like I'm missing one page; no there it is. And I'm saying these are all the highlights. This Constitution is written like fifth grade work. It couldn't get more than a D- in a high school paper. It is so bad, there is no index. There is no addendum. There is no definition of terms; it is the lousiest thing I've ever seen. It says words like 'continue', this is the very first Constitution; continue what? You can't be continuing if it is the very first one. It is terrible, terrible, terrible. And I'll say this, anybody, any group that stands behind this is going to be harshly graded by the voters, harshly, because it is a pile of you know what, OK? Can I give this to you?"

Mayor Moore asked if there was anyone else to speak to the Council.

Jim Oldebeken approached City Council.

Mayor Moore stated: *"I would like to remind you that we need to be speaking on items not on the agenda and that Resolution is on the agenda this evening."*

Mr. Oldebeken stated: *"My name is Jim Oldebeken, 7402 North Highland. Is it permissible to discuss the, something related to the last meeting that I have concerns about?"*

Mayor Moore stated: *"Certainly."*

Mr. Oldebeken stated: *"May I take my mask off?"*

Mayor Moore stated: *"Whatever works best for you, you are at a social distance."*

Mr. Oldebeken stated: *"Thank you, I'll try not to spray. OK. I will be as concise as I can. At the last meeting I made some comments about my opposition to the proposed Constitution. It related to significant lapses, violations of the Missouri Sunshine Law, which is a great concern for two reasons. One is, this document starts with trust. Government is a trust and the officers of the government are trustees. That's from Henry Clay. I provided to the city a document that I sent to the Attorney General with my concerns which is my duty as a citizen. You have that. Since then, after last week's, the meeting two weeks ago, I heard some statements made that I considered willfully false, like 'the minutes are done.' They are not done. I made a Sunshine Request, multiple; I don't have the first meeting, I don't have the second meeting. The first time I asked for minutes was on August 17th. If this is Sunshine, that's twilight. Things here have been wonderful, according to Sunshine. It gives me great comfort. Other statements that I have to bring up because if a false statement is made, we can't let that go. The statement: 'We complied with our records requirement with the Circuit Court Records Policies, I believe.' Well, I've already asked the Circuit Court what those policies are before this meeting. They are identical to the Sunshine Law and the Sunshine Law definitions don't provide exceptions for the courts. That's a concern. Also, it was stated that 'Wendy Bridges on our Commission was the Custodian of those records.' I had asked that for quite a while. Multiple times. In the document I'll provide you, you will see where that took place. I could go on; I'm not. That really disturbed me to hear*

willful false statements; after they got a letter that I received and they received alerting them that they were under investigation by the Attorney General for complaints about failure to comply. I wish you'd cover the rest of this in another format, or privately; but it's really sad. That's all I have, thanks."

Item No. 10. On the Agenda. Communications from the City Council.

Councilmember Spallo stated: *"Thank you. First and foremost, I'd like to say thank you to the Public Works Department and all the other city associates that assisted with the trash disposal weekend. It was fantastic. Tons of trash gotten rid of. All of the cooperation between residents and staff was good. I was out there several times making use of the event to myself and it was very well organized. From what I saw, there was a lot more people participating than had been in the past. It was very organized and staff was very friendly and helpful. Hats off to all them and a big thank you. Also, I wanted to remind all of our residents that if you haven't filled out your Census, that is due September 30. I was able to get some statistics from Scott Wingerson, and right now in regard to returns, Gladstone is at 75.2%, which is outstanding. I just really encourage everyone to complete that. It will help us in the future with funding and whatnot. Send them in! Have them postmarked by the 30th. Thank you."*

Councilman Frisby stated: *"Mayor Moore, just a couple of thank you's. Parks and Rec and to Public Safety, especially Animal Control. I went over this past Saturday and I heard Dunkin' Dogs; I didn't know if it was a combination of donuts and hot dogs or what I was expecting, but it was an event that was well run. I talked to a lot of residents who had their dogs there. They appreciated the event. They appreciated the Animal Control folks there keeping the peace as much as possible between the participants; and the Parks Department for putting that on. It was a well-run event and thank you."*

Mayor Pro Tem Mallams stated: *"Again, just pats on the back to Director Nebergall for the trash disposal weekend. It was very good."*

Mayor Moore stated: *"I would echo the same thing. We were there two times and it was great service all the time. I know we had a record amount of debris accepted by the city. It was great. I also had the opportunity on Saturday to go to the Car Stravaganza, which our former colleague was in charge of here at Linden Square. They had a lot of cars and it was good and the proceeds from that event will benefit the Mayor's Christmas Tree so I appreciated that."*

Item No. 11. On the Agenda. Communications from the City Manager.

City Manager Scott Wingerson stated: *"Mayor, thank you. I'd like to deviate a little bit and just respond to the public that spoke at the meeting tonight. I just wanted to say, I'm sure that Council realizes this, but the Resolution that is pending on your agenda tonight simply encourages residents of Gladstone and Clay County to become informed about the Clay County Constitution; it's an important issue facing our future and we want to make sure that everybody A) knows about it; B) has time to process it and listen to both sides of the argument and make an informed decision. If the Council considers and chooses to pass the Resolution, it's simply encouragement to the voters of Gladstone to educate themselves on the topic. It doesn't endorse*

or detract from the effort in one way or the other so I just wanted to clarify that for the two speakers tonight. 2020 Fright Night, as with everything else in 2020, has a little bit of a twist. Users are asked to wear their costumes and drive through Happy Rock Park where vendors will be handing out treats to all the ghosts and goblins; \$2.00 or donate two cans of goods per child. Proceeds will benefit the Northland Christmas Store. That is on October 23 from 6:00 to 7:30 pm at Happy Rock Park. A few months ago, the Council established a Small Business Grant through CARES Funding that the city received from Clay County, State of Missouri, and the Federal Government. The deadline is fast approaching, so any small businesses that are interested in that should get with the Clay County EDC or city staff immediately. The deadline is September 30. We continue to work on the street maintenance program all over town but probably most people understand 72nd Street between Troost and Holmes, basically, is the current segment that they are working on so I appreciate everybody's patience there as we make adjustments to try to make the commute to and from work easier on everybody and ultimately end up with a better street. Two more things, Mayor, if I could. One is I had the opportunity over the weekend to walk the Rock Creek Greenway Trail from Brooktree to 64th Street. It is absolutely stunning. It is well maintained. It is wide, it is beautiful, the houses are well maintained. It's just a perfect example of Fall foliage and I'd put it up against any view shed in the state right now. It's just absolutely stunning. So if you get a chance, drive, huh, drive, your mobility scooter, take a walk through there. Finally, I can't get away from a Council meeting without a COVID update: 4,017 cases confirmed in Clay County; 54 deaths; approximately 300 of those cases in Gladstone. Thank you, Mayor."

Mayor Moore stated: *"Thank you, and I appreciate you clarifying our Resolution, that is a segue into Item No. 12 on our agenda."*

Item No. 12. On the Agenda. **RESOLUTION R-20-46** A Resolution encouraging the residents of Gladstone to become informed on the proposed Clay County, Missouri, Constitution and to vote on November 3, 2020.

Councilman Garnos moved to approve **RESOLUTION R-20-46** A Resolution encouraging the residents of Gladstone to become informed on the proposed Clay County, Missouri, Constitution and to vote on November 3, 2020. **Mayor Pro Tem Mallams** seconded. The Vote: "aye", Councilmember Tina Spallo, Councilman Tom Frisby, Councilman Bill Garnos, Mayor Pro Tem R.D. Mallams, and Mayor Jean Moore. (5-0)

Item No. 13. On the Agenda. **RESOLUTION R-20-47** A Resolution authorizing the City Manager to enter into an Agreement with Enterprise Fleet Management for acquisition and disposal of vehicles.

Mayor Pro Tem Mallams moved to approve **RESOLUTION R-20-47** A Resolution authorizing the City Manager to enter into an Agreement with Enterprise Fleet Management for acquisition and disposal of vehicles. **Councilmember Spallo** seconded.

Mayor Moore stated: *"I would like to make a comment here. I would just like to give KUDOS to Director Accurso and Director Nebergall. I know they have worked on this idea for a very long time and I know research like this and recommendations like this to the City Council for action*

go a long way towards saving money for the city and so I'm just really grateful for their ingenuity and their stick-to-it-iveness to staying with this to try to get this through."

The Vote: "aye", Councilmember Tina Spallo, Councilman Tom Frisby, Councilman Bill Garnos, Mayor Pro Tem R.D. Mallams, and Mayor Jean Moore. (5-0)

Item N. 14. On the Agenda. FIRST READING BILL NO. 20-30 An Ordinance authorizing the City of Gladstone, Missouri, to enter into a Lease Purchase Agreement with Security Bank of Kansas City whereby the City will lease certain property from the bank; approving a Declaration of Trust between Security Bank of Kansas City and the City pursuant to which certain Certificates of Participation will be executed and delivered for the purpose of financing certain project costs for the City; and approving certain other documents and the taking of certain actions necessary to deliver the Certificates of Participation.

Mayor Pro Tem Mallams moved **Bill No. 20-30** be placed on its First Reading. **Councilman Garnos** seconded. The Vote: "aye", Councilmember Tina Spallo, Councilman Tom Frisby, Councilman Bill Garnos, Mayor Pro Tem R.D. Mallams, and Mayor Jean Moore. (5-0). The Clerk read the Bill.

Mayor Pro Tem Mallams moved to accept the First Reading of **Bill No. 20-30**, waive the rule, and place the Bill on its Second and Final Reading. **Councilman Garnos** seconded. The Vote: "aye", Councilmember Tina Spallo, Councilman Tom Frisby, Councilman Bill Garnos, Mayor Pro Tem R.D. Mallams, and Mayor Jean Moore. (5-0). The Clerk read the Bill.

Mayor Pro Tem Mallams moved to accept the Second and Final Reading of **Bill No. 20-30**, and enact the Bill as **Ordinance 4.529**. **Councilman Garnos** seconded.

City Manager Wingerson stated: *"Mayor, if I could just introduce and thank at the same time two very important individuals to this effort to finance these improvements. The first is Rick McConnell from Armstrong-Teasdale; he is our bond counsel; you've known Rick before. Second is Tom Kaleko with Baker-Tilly, he is our municipal financial advisor and we couldn't do this type of work without their efforts and expertise and we really appreciate their support."*

Mayor Moore stated: *"Thank you, we all cheer them on and thank you for your efforts, gentlemen. We appreciate it."*

The Vote: "aye", Councilmember Tina Spallo, Councilman Tom Frisby, Councilman Bill Garnos, Mayor Pro Tem R.D. Mallams, and Mayor Jean Moore. (5-0)

Item No. 15. On the Agenda. FIRST READING BILL NO. 20-31 An Ordinance amending Title IX of the City of Gladstone, Clay County, Missouri, Code of Ordinances by repealing certain provisions contained therein and enacting in lieu thereof new provisions designated as Title IX relating to the construction and maintenance of structures and property within the city and designated as the "Building and Construction Ordinance" for the City of Gladstone, Clay County, Missouri.

Councilmember Spallo moved **Bill No. 20-31** be placed on its First Reading. **Councilman Frisby** seconded. The Vote: "aye", Councilmember Tina Spallo, Councilman Tom Frisby, Councilman Bill Garnos, Mayor Pro Tem R.D. Mallams, and Mayor Jean Moore. (5-0). The Clerk read the Bill.

Councilmember Spallo moved to accept the First Reading of **Bill No. 20-31**, waive the rule, and place the Bill on its Second and Final Reading. **Councilman Frisby** seconded. The Vote: "aye", Councilmember Tina Spallo, Councilman Tom Frisby, Councilman Bill Garnos, Mayor Pro Tem R.D. Mallams, and Mayor Jean Moore. (5-0). The Clerk read the Bill.

Councilmember Spallo moved to accept the Second and Final Reading of **Bill No. 20-31**, and enact the Bill as **Ordinance 4.530**. **Councilman Frisby** seconded. The Vote: "aye", Councilmember Tina Spallo, Councilman Tom Frisby, Councilman Bill Garnos, Mayor Pro Tem R.D. Mallams, and Mayor Jean Moore. (5-0)

Item No. 16. On the Agenda. Other Business.

There was none.

Item No. 17. On the Agenda. Adjournment.

Mayor Moore adjourned the September 28, 2020, Regular City Council meeting at 8:00 pm.

Respectfully submitted:

Ruth E. Bocchino
Ruth E. Bocchino, City Clerk

Approved as presented: ☒

Approved as modified: ☐

Jean B. Moore
Jean B. Moore, Mayor



**CITY COUNCIL MEETING
GLADSTONE, MISSOURI
MONDAY, OCTOBER 12, 2020**

The City Council will meet in Closed Executive Session at 6:30 pm Monday, October 12, 2020, in the North and South Conference Rooms, Gladstone City Hall, 7010 North Holmes, Gladstone, Missouri. The Closed Executive Session is closed pursuant to RSMo. Open Meeting Act Exemption 610.021(1) for Litigation and Confidential or Privileged Communications with Legal Counsel, 610.021(2) Real Estate Acquisition Discussion, 610.021(3) Personnel, and 610.021(13) Personnel Records.

OPEN STUDY SESSION 7:00 PM

1. City Council Goals Update-City Manager Wingerson will provide an update to the City Council's 2020 goals.

REGULAR MEETING: 7:30 PM

TENTATIVE AGENDA

1. Meeting Called to Order.
2. Roll Call.
3. Pledge of Allegiance to the Flag of the United States of America.
4. Approval of Agenda.
5. Approval of the September 28, 2020, Regular City Council Meeting Minutes.

REGULAR AGENDA

6. Communications from the Audience.

Members of the public are invited to speak about any topic not listed on the agenda. When speaking, please state your name and address for the record and limit comments to 2 minutes.

7. Communications from the City Council.

8. Communications from the City Manager.

9. RESOLUTION R-20-48 A Resolution authorizing the City Manager to enter into an agreement with The Northland Assistance Center, a Missouri Nonprofit Corporation, for the distribution of CARES Act funds to Gladstone residents who have been directly impacted by the COVID-19 pandemic and qualify for financial assistance.

10. RESOLUTION R-20-49 A Resolution directing city staff to delay the acceptance and processing of applications for extended-stay motels/hotels, transitional housing, homeless shelters, residential mental health treatment facilities, and alcohol and/or substance abuse rehabilitation housing within the City of Gladstone, Missouri.

11. RESOLUTION R-20-50 A Resolution authorizing the City Manager to enter into a contract with Gould Evans for the purpose of creating a Community Productivity Analysis in the amount of \$20,380.00.

12. CONSIDER SPECIAL EVENT PERMIT: Clay County Economic Development Council Annual Meeting and Award Event, 602 NE 70th Street, Linden Square, Thursday, October 22, 2020, 4:00 pm-7:00 pm.

13. FINANCIAL MONTH END AUGUST 31, 2020

14. Other Business.

15. Adjournment.

Representatives of the News Media may obtain copies of this notice by contacting:

City Clerk Ruth Bocchino Posted at 3:15 pm
City of Gladstone October 8, 2020
7010 North Holmes
Gladstone, MO 64118
816-423-4096

AN ORDINANCE AUTHORIZING THE CITY OF GLADSTONE, MISSOURI, TO ENTER INTO A LEASE PURCHASE AGREEMENT WITH SECURITY BANK OF KANSAS CITY WHEREBY THE CITY WILL LEASE CERTAIN PROPERTY FROM THE BANK; APPROVING A DECLARATION OF TRUST BETWEEN SECURITY BANK OF KANSAS CITY AND THE CITY PURSUANT TO WHICH CERTAIN CERTIFICATES OF PARTICIPATION WILL BE EXECUTED AND DELIVERED FOR THE PURPOSE OF FINANCING CERTAIN PROJECT COSTS FOR THE CITY; AND APPROVING CERTAIN OTHER DOCUMENTS AND THE TAKING OF CERTAIN ACTIONS NECESSARY TO DELIVER THE CERTIFICATES OF PARTICIPATION.

WHEREAS, the City of Gladstone, Missouri (the "City"), desires to obtain financing for acquisition, construction, furnishing, equipping and installing of certain capital improvements, which may include to the extent funds are available, costs related to construction of an addition to and renovation of an existing fire station, street improvements, parking improvements in the City's central business district, municipal pool improvements, museum improvements, construction of water mains, acquisition of a fire pumper and other capital projects (the "Project"); and paying certain costs related to such actions; and

WHEREAS, in order to accomplish the purposes set forth herein, the City desires to authorize the execution and delivery of not to exceed \$8,000,000 of Certificates of Participation, Series 2020A (the "Certificates"); and

WHEREAS, in order to facilitate the foregoing and to provide financing to pay the cost thereof, it is necessary and desirable for the City to take the following actions:

1. Enter into an annually renewable Lease Purchase Agreement (the "Lease Purchase Agreement") with the Trustee, pursuant to which the City will lease the Leased Property described therein on a year-to-year basis from the Trustee with an option to purchase;
2. Enter into a Continuing Disclosure Undertaking (the "Continuing Disclosure Undertaking"), pursuant to which the City will agree to provide ongoing disclosure of financial and other information with respect to the Certificates; and
3. Enter into a Tax Compliance Agreement (the "Tax Compliance Agreement") with Security Bank of Kansas City with respect to the tax-exempt status of the interest portion of the rent paid under the Lease Purchase Agreement with respect to the Certificates.
4. Enter into the Declaration of Trust (the "Declaration of Trust") with Security Bank of Kansas City, as trustee (the "Trustee"), pursuant to which the Trustee will execute the Certificates; and

WHEREAS, the City intends to take competitive bids for the sale of such Certificates;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF GLADSTONE, MISSOURI, AS FOLLOWS:

Section 1. Authorization of Documents. The Lease Purchase Agreement, the Tax Compliance Agreement, the Declaration of Trust and the Continuing Disclosure Undertaking

(collectively, the “City Documents”) are hereby authorized and approved in substantially the forms submitted to and reviewed by the City Council of the City on the date hereof, with such changes therein as shall be approved by the Mayor or the City Manager of the City, with the Mayor's or City Manager's execution thereof to be conclusive of the approval thereof, provided that such documents reflect the following final terms of the Certificates:

- (a) The principal amount of the Certificates shall not exceed \$8,000,000.
- (b) The True Interest Cost of the Certificates shall not exceed 3.0%.
- (c) The Certificates shall be subject to optional prepayment beginning not later than the year 2030.
- (d) The weighted average maturity of the Series 2020A Certificates shall be between 5.0 years and 10.0 years.
- (e) The final maturity of the Certificates shall be not later than the year 2040.

The obligation of the City to pay Basic Rent Payments (as defined in the Lease Purchase Agreement) under the Lease Purchase Agreement is limited to payment from Available Revenues (as defined in the Lease Purchase Agreement) and shall constitute a current expense of the City and shall not in any way be construed to be an indebtedness or liability of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness or liability by the City, nor shall anything contained in the Lease Purchase Agreement constitute a pledge of the general tax revenues, funds or moneys of the City, and all provisions of the Lease Purchase Agreement shall be construed so as to give effect to such intent.

The Mayor or the City Manager is hereby authorized and directed to execute and deliver the City Documents on behalf of the City. The City Clerk is hereby authorized to affix the City's seal thereto and attest said seal where appropriate.

Section 3. Sale of Certificates. The sale of the Certificates by competitive sale is hereby approved, subject to the limitations set forth in Section 2. The Mayor or City Manager is authorized to accept the bid of the purchaser offering the lowest “true interest cost” to the City, upon the recommendation of the City's Municipal Advisor, Baker Tilly Municipal Advisors, LLC.

Section 4. Notice of Sale and Official Statement. The Notice of Sale and the Preliminary Official Statement, in substantially the forms presented to and reviewed by the City Council on the date hereof, are hereby ratified and approved, and the final Official Statement is hereby adopted by supplementing, completing and amending the Preliminary Official Statement. The Mayor or the City Manager is hereby authorized to execute the Official Statement on behalf of the City.

Section 5. Further Authority. The City shall, and the officials and agents of the City are hereby authorized and directed to, take such action, expend such funds and execute such other documents, certificates and instruments as may be necessary or desirable to carry out and comply with the intent of this Ordinance and to carry out, comply with and perform the duties of the City with respect to the City Documents and the Project.

Section 6. Severability. If any one or more of the terms, provisions or conditions of this ordinance shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, none of the remaining terms, provisions or conditions of this ordinance shall be affected thereby and each provision of this ordinance shall be valid and enforceable to the fullest extent permitted by law.

Section 7. Effective Date. This ordinance shall take effect and be in full force from and after its passage by the City Council.

PASSED, SIGNED AND MADE EFFECTIVE BY THE COUNCIL OF THE CITY OF GLADSTONE, MISSOURI, THIS 28th DAY OF SEPTEMBER, 2020.

(SEAL)

ATTEST:



Jean B. Moore
Mayor

Ruth E. Bocchini 10/30/2020
City Clerk

**TRUSTEE'S CLOSING CERTIFICATE
AND RECEIPT FOR PURCHASE PRICE**

**\$7,740,000
CITY OF GLADSTONE, MISSOURI
CERTIFICATES OF PARTICIPATION
SERIES 2020A**

The undersigned, Security Bank of Kansas City, Kansas City, Kansas (the "Trustee"), as trustee under the hereinafter defined Declaration of Trust, hereby certifies with respect to City of Gladstone, Missouri Certificates of Participation, Series 2020A (the "Certificates"), as follows:

Capitalized words and terms used in this Certificate, unless the context requires otherwise, shall have the same meanings as set forth in the Declaration of Trust dated as of November 1, 2020 (the "Declaration of Trust"), executed by the Trustee and the City of Gladstone, Missouri (the "City"), and in that certain Lease Purchase Agreement dated as of November 1, 2020 (the "Lease"), between the City and the Trustee.

1. Power and Authority. The Trustee is a state banking corporation organized and existing under the laws of the State of Kansas and has full power and authority to enter into the Lease, the Declaration of Trust, and the Tax Compliance Agreement (collectively, the "Trustee Documents"), and to act as Trustee as provided in the Declaration of Trust.

2. Authorization of Officers. The Trustee Documents have been duly executed on behalf of the Trustee by an authorized signatory, and said signatory was at the time of the execution of such documents, and is now, a duly appointed, qualified and acting authorized signatory of the Trustee and duly authorized to perform the acts referred to in this paragraph.

3. No Conflict. The acceptance by the Trustee of the duties and obligations of the Trustee under the Trustee Documents and compliance with the provisions thereof, will not, to the best of its knowledge, conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, indenture, contract, lease, loan agreement, mortgage, note, resolution or other agreement or instrument to which the Trustee is subject or by which the Trustee is or may be bound.

4. Execution of Certificates. Pursuant to **Section 3.03** of the Declaration of Trust, Certificates in the aggregate principal amount of \$7,740,000 have been executed on behalf of the Trustee by an authorized signatory of the Trustee. Said signatory was at the time of the acts mentioned above and still is at the date hereof a duly elected or appointed, qualified and acting signatory of the Trustee and was and still is at the date hereof authorized to perform said acts.

5. Registration of Certificates. The Certificates have been duly registered in the registration books kept by the Trustee in the name of the Underwriter.

6. Delivery of Certificates. The Trustee on this date delivered \$7,740,000 aggregate principal amount of the Certificates to the Underwriter.

7. Receipt of Purchase Price of the Certificates. The Trustee on this date received on behalf of the City from the Underwriter the full purchase price of the Certificates, computed as follows:


Principal Amount	\$7,740,000.00
Plus Premium	202,833.00
Less Underwriter's Discount	<u>77,322.60</u>
Total Proceeds Received	\$7,865,510.40

8. Deposit of Certificate Proceeds. The Trustee on this date, in accordance with the requirements of the Declaration of Trust, deposited the proceeds of the Certificates into the funds established under the Declaration of Trust or otherwise applied such moneys as provided in **Section 6.02** of the Declaration of Trust.

[remainder of page intentionally left blank]

DATED: November 5, 2020.

SECURITY BANK OF KANSAS CITY,
as Trustee

By: 
Title: Authorized Signatory

Trustee's Closing Certificate

UNDERWRITER'S RECEIPT FOR CERTIFICATES AND CLOSING CERTIFICATE

\$7,740,000
CITY OF GLADSTONE, MISSOURI
CERTIFICATES OF PARTICIPATION
SERIES 2020AA

In connection with the issuance of the above-referenced Certificates of Participation (the "Certificates"), the undersigned, duly authorized officer of First Bankers' Banc Securities, Inc., St. Louis, Missouri (the "Underwriter"), hereby certifies, represents, warrants and agrees as follows:

1. We hereby acknowledge receipt on the date hereof from the City of Gladstone, Missouri (the "City"), of the Certificates in the aggregate principal amount of \$7,740,000, dated November 5, 2020, issued under the Declaration of Trust dated as of November 1, 2020 (the "Declaration"), by and between the City and Security Bank of Kansas City, as trustee for the Certificates (the "Trustee").

2. Purchase/Issue Price

For purposes of this section the following definitions apply:

"Effective Time" means the time on the Sale Date that the Purchase Contract to purchase the Series 2020A Certificates became enforceable.

"Holding Period" means with respect to each Undersold Maturity the period beginning on the Sale Date and ending on the earlier of the following:

(a) the close of the fifth (5th) business day after the Sale Date; or

(b) the date and time at which the Underwriter has sold at least 10% of that Undersold Maturity of the Series 2020A Certificates to the Public at one or more prices that are no higher than the Initial Offering Price.

"Initial Offering Price" means the price listed on Schedule A for each Maturity.

"Maturity" means Series 2020A Certificates with the same credit and payment terms; Series 2020A Certificates with different maturity dates, or Series 2020A Certificates with the same maturity date but different stated interest rates, are treated as separate maturities.

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriting Firm or a related party to an Underwriting Firm. An Underwriting Firm and a person are related if it and the person are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

"Undersold Maturity" or "Undersold Maturities" means any Maturity for which less than 10% of the principal amount of Series 2020A Certificates of that Maturity were sold as of the Effective Time.

"Underwriting Firm" means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2020A Certificates to the Public, and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) of this definition to participate in the initial sale of the Series 2020A Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2020A Certificates to the Public).

The Original Purchaser represents as follows:

1. Attached as **Schedule A** is a copy of the pricing wire or similar communication used to communicate the Initial Offering Price of each Maturity to the Public.
2. As of the Effective Time, all the Series 2020A Certificates were the subject of an initial offering to the Public.
3. As of the Effective Time, none of the Series 2020A Certificates were sold to any person at a price higher than the Initial Offering Price for that Maturity.
4. For any Undersold Maturity, during the Holding Period each Underwriting Firm did not offer nor sell the Series 2020A Certificates of the Undersold Maturity to the Public at a price that is higher than the respective Initial Offering Price for that Undersold Maturity.
5. Any separate agreement among any Underwriting Firm related to the sale of an Undersold Maturity during the Holding Period contained the agreement referenced in 4 above.

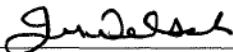
We express no view regarding the legal sufficiency of any such computations or the correctness of any legal interpretation made by Armstrong Teasdale LLP, as Special Counsel to the City.

Nothing herein represents our interpretation of any laws or regulations under the Internal Revenue Code of 1986, as amended.

This certificate may be relied upon by the City in executing and delivering the Tax Compliance Agreement (as defined in the Declaration), and by Armstrong Teasdale LLP, Special Counsel, in rendering its opinion relating to the exclusion from federal gross income of the interest on the Certificates.

DATED: November 5, 2020.

FIRST BANKERS' BANC SECURITIES, INC.

By: 
Name: Jerome M. Welsch
Title: SR EVP

SCHEDULE A

Serial Certificates

<u>Due</u> <u>March 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
2021	\$1,255,000	2.000%	0.400%	100.514%
2022	\$750,000	2.000%	0.500%	101.974%
2023	\$765,000	2.000%	0.600%	103.223%
2024	\$95,000	2.000%	0.750%	104.093%
2025	\$215,000	2.000%	0.800%	105.087%
2026	\$220,000	2.000%	0.900%	105.703%
2027	\$275,000	2.000%	1.000%	106.111%
2028	\$360,000	2.000%	1.100%	106.314%
2029	\$370,000	2.000%	1.200%	106.317%
2030	\$375,000	2.000%	1.300%	106.126%
2031	\$380,000	2.000%	1.500%	104.333%
2032	\$390,000	2.000%	1.600%	103.450%
2033	\$400,000	2.000%	1.700%	102.575%
2034	\$270,000	2.000%	1.850%	101.277%
2035	\$275,000	2.000%	2.000%	100.000%

Term Certificates

Due: 3/1/2040 Principal Amount: \$1,345,000 Interest Rate: 2.250% Yield: 2.250% Price: 100.000%

* * *

SCHEDULE A *(continued on following page)*

[Pricing Wire or Other Offering Price Documentation Attached]



**First Bankers' Banc Securities Inc. - St. Louis, MO's Bid
City of Gladstone, Missouri**

~~\$7,510,000~~ \$7,740,000 Certificates of Participation, Series 2020A

For the aggregate principal amount of ~~\$7,510,000.00~~ \$7,740,000.00, we will pay you ~~\$7,631,443.35~~ \$7,865,510.40, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount \$	Coupon %	Yield %	Dollar Price	Bond Insurance
03/01/2021	1,240M 1,255M	2.0000	0.4000	100.514	
03/01/2022	720M 750M	2.0000	0.5000	101.974	
03/01/2023	745M 765M	2.0000	0.6000	103.223	
03/01/2024	75M 95M	2.0000	0.7500	104.093	
03/01/2025	200M 215M	2.0000	0.8000	105.087	
03/01/2026	205M 220M	2.0000	0.9000	105.703	
03/01/2027	260M 275M	2.0000	1.0000	106.111	
03/01/2028	350M 360M	2.0000	1.1000	106.314	
03/01/2029	360M 370M	2.0000	1.2000	106.317	
03/01/2030	370M 375M	2.0000	1.3000	106.126	
03/01/2031	380M	2.0000	1.5000	104.333	
03/01/2032	390M	2.0000	1.6000	103.450	
03/01/2033	400M	2.0000	1.7000	102.575	
03/01/2034	260M 270M	2.0000	1.8500	101.277	
03/01/2035	265M 275M	2.0000	2.0000	100.000	
03/01/2036					
03/01/2037					
03/01/2038					
03/01/2039					
03/01/2040	1,290M 1,345M	2.2500	2.2500	100.000	

Total Interest Cost: ~~\$1,229,024.44~~ \$1,267,313.47
Premium: ~~\$121,443.35~~ \$125,510.40
Net Interest Cost: ~~\$1,107,581.09~~ \$1,141,803.07
TIC: ~~1.858020%~~ 1.858348%
Total Insurance Premium: \$0.00
Time Last Bid Received On: 10/22/2020 11:22:20 CDST

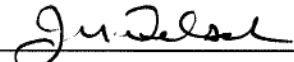
This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof.

Bidder: First Bankers' Banc Securities Inc., St. Louis, MO
Contact: JERRY WELSCH
Title: E.V.P
Telephone: 314-726-1212
Fax: 314-726-5771

Issuer Name: City of Gladstone, MO

Company Name: First Bankers' Banc Securities Inc.

Accepted By: _____

Accepted By: 

Date: October 22, 2020

Date: October 22, 2020

TO: First Bankers' Banc Securities LLC (the "Purchaser")
Kim Papproth
Phone: 314-835-4928
Email: kpapproth@FBBSinc.com

City of Gladstone, Missouri
Armstrong Teasdale LLP
Security Bank of Kansas City

FROM: Alyssa L. Glaser, CIPMA, Senior Manager
Phone: (651) 223-3035
Email: alyssa.glaser@bakertilly.com

CLOSING DATE: Thursday, November 5, 2020

SUBJECT: Closing Instructions for:
City of Gladstone, Missouri (the "City")
\$7,740,000 Certificates of Participation, Series 2020A

I. Pricing Information

Par Amount of the Certificates	\$7,740,000.00
Plus: Reoffering Premium	202,833.00
Less: Purchaser's Discount	<u>(77,322.60)</u>
Net Purchase Price	\$7,865,510.40
Plus: Accrued Interest	<u>0</u>
Total Purchase Price	\$7,865,510.40
Less: Good Faith Deposit	<u>(150,200.00)</u>
Total Purchaser Transfer Due	\$7,715,310.40

See "Transmittal of Proceeds by the Purchaser" below for additional wire information.

II. Transmittal of Proceeds by the Purchaser

By 10:00 A.M. on the day of closing, the Purchaser will wire transfer \$7,715,310.40 for the Certificates in immediately available funds to Security Bank of Kansas City (the "Trustee"). Please use the following wire instructions:

Amount:	\$7,715,310.40
Bank:	Security Bank of Kansas City
ABA #:	101-000-925
Acct. #:	11-000-999-1018
Acct Name:	Corporate Trust
Ref:	Gladstone 2020A/Erica Lemon

III. City Transfer of Funds to the Trustee

Also by 10:00A.M. CT on the day of closing, the City will wire transfer \$150,200.00 (representing the good faith proceeds previously received) in immediately available funds to the Trustee. Please use the following wire instructions:

Amount:	\$150,200.00
Bank:	Security Bank of Kansas City
ABA #:	101-000-925
Acct. #:	11-000-999-1018
Acct Name:	Corporate Trust
Ref:	Gladstone 2020A/Erica Lemon

IV. Release of Certificates

When all parties are satisfied that all moneys have been received and that all documentation is in order, the Purchaser and Armstrong Teasdale LLP will instruct the Depository Trust Company to release the Certificates to the credit of the Purchaser via the DTC Closing Desk at 212-855-3752.

V. Deposit of Certificate Proceeds and Application of Funds by the Trustee

The total Certificate proceeds received by the Trustee will be allocated as follows:

Sources of Funds:	
Certificate Proceeds Received from Purchaser	\$7,715,310.40
Good Faith Proceeds Previously Received from Purchaser	<u>150,200.00</u>
Total Sources of Funds	\$7,865,510.40
Uses of Funds	
Deposit to Project Fund	\$7,745,000.00
Costs of Issuance	<u>120,510.40</u>
Total Uses of Funds	\$7,865,510.40

\$120,510.40 of funds received will be used by the Trustee to pay the following costs of issuance pursuant to the Indenture:

Municipal Advisor (Baker Tilly MA LLC)	\$ 45,133.51
Special Tax Counsel (Armstrong Teasdale)	50,000.00
Trustee & Counsel Fees (Security Bank of Kansas City)	4,000.00
S&P Rating Fee	16,750.00
Miscellaneous	<u>4,626.89</u>
Total	\$120,510.40

**UCC FINANCING
STATEMENT**

File Number 202103300002409760

Date Filed 03/30/2021

John R. Ashcroft
Secretary of State

A. NAME & PHONE OF CONTACT AT FILER (optional)

Michelle Tierney 816-221-3420

B. E-MAIL CONTACT AT FILER (optional)

mtierney@atllp.com

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

Michelle Tierney

2345 Grand Boulevard
Kansas City
Missouri
United States
64108

FOLLOW INSTRUCTIONS

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1.1 DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

OR	1a. ORGANIZATION'S NAME				
	City of Gladstone, Missouri				
	1b. INDIVIDUAL'S SURNAME	1c. FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIALS		SUFFIX
1c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY
7010 N. Holmes Street		Gladstone	Missouri	64118	United States

3.1 SECURED PARTY'S NAME: Assignor ☐

OR	1a. ORGANIZATION'S NAME				
	Security Bank of Kansas City				
	1b. INDIVIDUAL'S SURNAME	1c. FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIALS		SUFFIX
1c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY
701 Minnesota Avenue Suite 206		Kansas City	Kansas	66101	United States

4. Collateral: This financing statement covers the following collateral:

All property included in the Trust Estate under that certain Declaration of Trust dated as of November 1, 2020 between Debtor and Secured Party, as the same may be amended from time to time, and products and proceeds thereof, including without limitation, accounts, general intangibles, investment property, chattel paper, deposit accounts and instruments.

5. Check only if applicable and check only one box: ☐ held in trust (See UCC1Ad, item 17 and instructions) ☐ being administered by a decedent's Personal Representative
Collateral is

6a. Check only if applicable and check only one box:			6b. Check only if applicable and check only one box:		
<input type="checkbox"/> Public-Finance Transaction	<input type="checkbox"/> Manufactured-Home Transaction	<input type="checkbox"/> A debtor is a transmitting utility	<input type="checkbox"/> Agricultural Lien	<input type="checkbox"/> Non-UCC Filing	
7. ALTERNATIVE DESIGNATION (if applicable)	<input type="checkbox"/> Lessee/Lessor	<input type="checkbox"/> Consignee/Consignor	<input type="checkbox"/> Seller/Buyer	<input type="checkbox"/> Bailee/Bailor	<input type="checkbox"/> Licensee / Licenser

8. OPTIONAL FILER REFERENCE DATA

MISCELLANEOUS:



November 5, 2020

City of Gladstone, Missouri
7010 N. Holmes
Gladstone, Missouri 64118

First Bankers' Banc Securities, Inc.
1714 Deer Tracks Trail, Suite 110
St. Louis, Missouri 63131

Security Bank of Kansas City
701 Minnesota Avenue, Suite 206
Kansas City, Kansas 66101

Re: \$7,740,000 Certificates of Participation, Series 2020A

Ladies and Gentlemen,

We have acted as special tax counsel to the City of Gladstone, Missouri (the "*City*") in connection with the execution and delivery of \$7,740,000 principal amount of its Certificates of Participation, Series 2020A (the "*Certificates*"). The Certificates are executed and delivered pursuant to an Declaration of Trust, dated as of November 1, 2020 (the "*Declaration*"), between Security Bank of Kansas City, as trustee (the "*Trustee*"), and the City and evidence interests of the Owners thereof in Basic Rent to be made by the City under a Lease Purchase Agreement dated as of November 1, 2020 (the "*Lease*") between the City and the Trustee. The Declaration and the Lease were approved by an ordinance of the City adopted on September 28, 2020 (the "*Ordinance*"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Declaration, unless the context requires otherwise.

We have examined the law and such certified proceedings and other materials as we deem necessary to enable us to render this opinion. As to questions of fact material to this opinion, we have relied upon representations of the City contained in the Ordinance and in other documents and certificates delivered in connection with the execution and delivery of the Certificates, and the certified proceedings and other certifications of the City and others furnished to us, in each case without undertaking to verify the same by independent investigation.

In making our examination of documents and except as provided in Paragraphs 1 and 2 below, we have assumed that the parties to such documents had the power to enter into and perform all obligations

thereunder; the due and valid authorization, execution and delivery of such documents; that such documents are valid and binding obligations of the parties thereto and 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. 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. In giving this opinion, we have relied upon such certificates with respect to the accuracy of factual matters contained therein, which were not independently established.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion that, under existing law:

1. The Lease and the Declaration have been duly authorized by the City, have been duly executed by the City, and constitute legal, valid and binding agreements of the City enforceable against the City in accordance with their respective terms, except that the Lease is enforceable only during each fiscal year for which sufficient funds have been appropriated.

2. The Certificates have been duly authorized, executed and delivered in accordance with the Declaration, are entitled to the benefits and security of the Declaration, and evidence an interest in the rights to receive Basic Rent under the Lease, which rights are enforceable against the City in accordance with the terms of the Certificates, the Declaration and the Lease. We express no opinion with respect to the perfection or priority of any lien or security interest created or purported to have been created by any documents related to the execution and delivery of the Certificates.

3. The Interest Component of the Basic Rent paid by the City under the Lease and distributed to the Registered Owners of the Certificates (collectively, the "*Interest Components*"), are excludable from gross income for federal and Missouri income tax purposes and are not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the City and the Trustee comply with all requirements of the Internal Revenue Code of 1986, as amended (the "*Code*"), that must be satisfied subsequent to the issuance of the Certificates in order that the Interest Components be, or continue to be, excludable from gross income for federal and Missouri income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with such requirements may cause the Interest Components to be included in gross income for federal and Missouri income tax purposes retroactive to the date of the issuance of the Certificates. The Certificates have been designated as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code.

4. We express no opinion regarding (a) 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 the Basic Rent or the Certificates except as set forth in Paragraph 3 above, (b) the treatment for federal or Missouri income tax purposes of any money received by owners of the Certificates subsequent to termination of the Lease by reason of an Event of Nonappropriation or an Event of Default, or (c) the title to or the description of the property subject to the Declaration or the Lease.

It is to be understood that the rights of the owners of the Certificates and the enforceability thereof and of the Declaration and the Lease 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. 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.

D. 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 Certificates 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 Certificates.

We have not been engaged or undertaken to review the accuracy, adequacy, completeness, or sufficiency of any offering material relating to the Certificates, 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.

Very truly yours,

Armstrong Teasdale LLP



November 5, 2020

Security Bank of Kansas City
701 Minnesota Avenue, Suite 206
Kansas City, Kansas 66101

City of Gladstone, Missouri
7010 N. Holmes
Gladstone, Missouri 64118

Re: \$7,740,000 Certificates of Participation, Series 2020A

We have acted as special tax counsel to the City of Gladstone, Missouri (the "City") in connection with the above-referenced certificates of participation (the "Certificates"). The Certificates are executed and delivered pursuant to an Declaration of Trust, dated as of November 1, 2020 (the "*Declaration*"), between Security Bank of Kansas City, as trustee (the "*Trustee*"), and the City and evidence interests of the Owners thereof in Basic Rent to be made by the City under a Lease Purchase Agreement dated as of November 1, 2020 (the "*Lease*") between the City and the Trustee. The Declaration and the Lease were approved by an ordinance of the City adopted on September 28, 2020 (the "*Ordinance*"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Declaration, unless the context requires otherwise. This opinion supplements our separate legal opinion of even date herewith relating to the Certificates.

We have examined the originals or copies, certified or otherwise identified to our satisfaction, of such documents, instruments, agreements, and other materials as we have deemed necessary or appropriate to enable us to deliver this opinion. In connection with this opinion, we have relied, as to factual matters, upon the representations and information contained in such documents, instruments, agreements, and materials, the certified proceedings and representations of the City, and other certifications of public officials and others furnished to us, in each case without undertaking to verify the same by independent investigation.

In connection with this opinion (a) we have assumed the genuineness of all signatures to the documents referenced herein, the authenticity of all documents submitted to us as originals, and the conformity with the originals of all documents submitted to us as copies; (b) we have assumed that the documents referenced herein have been duly authorized, executed, and delivered by, and are valid and binding obligations of, the parties thereto and are enforceable against such parties in accordance with their terms; and (c) we have assumed that the parties to such documents had the power to enter into and perform all obligations thereunder and have complied and will comply with their obligations thereunder.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion that, under existing law, the Certificates are exempt from registration under the Securities Act of 1933, as amended, and the Declaration is exempt from qualification under the Trust Indenture Act of 1939, as amended.

Except to the limited extent expressly provided in the preceding paragraph and our separate opinions delivered as special tax counsel and disclosure counsel to the City, we are not expressing (and cannot express) any opinion or view with respect to the Official Statement or any other matters related to the Certificates including the authorization, issuance, delivery, or validity of the Certificates or the tax-exempt status of the interest paid on the Certificates.

We are qualified to practice law in the State of Missouri and we do not purport to be experts on, or to express any opinion herein concerning, any matter governed by the laws of any jurisdiction including any local or municipal laws, other than the laws of the State and the federal law of the United States of America applicable to the Certificates. In rendering our opinion, we have not considered, and hereby disclaim any opinion as to, the application or impact of any other 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 are not a guarantee of a result.

This opinion is further limited solely to the matters set forth herein and no other opinion is to be inferred or implied herefrom. This opinion is delivered to you for your use and benefit only in connection with the transactions described herein and may not be used, quoted, published, assigned or relied upon by or communicated to any third party (including any other person that seeks to assert your rights in respect of this opinion) or used for any other purpose whatsoever without our prior written approval in each instance.

The opinions expressed herein are as of the date hereof only and are based on laws, orders, contract terms and provisions and facts of such date. By rendering this opinion, we do not undertake, and hereby disclaim any responsibility, to update our opinion based upon, or advise you of, any change in law or fact stated or assumed herein which may occur or come to our attention after the date hereof.

Very truly yours,

Armstrong Teasdale LLP