

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 27, 2026

NEW ISSUE
BOOK-ENTRY ONLY
BANK QUALIFIED

S&P Insured Rating: AA
S&P Underlying Rating: BBB+
See "RATINGS" herein

In the opinion of Gilmore & Bell, P.C., St. Louis, Missouri, Special Tax Counsel to the City, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the Interest Portion of Basic Rent paid by the City under the hereinafter-defined Lease and distributed to the registered owners of the Series 2026 Certificates (including any original issue discount properly allocable to an owner thereof) (1) is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax and (2) is exempt from income taxation by the State of Missouri. The City's obligation to pay Basic Rent under the Lease is a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code. Special Tax Counsel notes that the Interest Portion of Basic Rent paid by the City under the Lease may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax. See "TAX MATTERS" in this Official Statement.



\$2,065,000*
CERTIFICATES OF PARTICIPATION
(CITY OF HILLSBORO, MISSOURI, LESSEE)
SERIES 2026

Dated: Date of Delivery

Due: April 1, as shown on the inside cover

The Certificates of Participation (City of Hillsboro, Missouri, Lessee), Series 2026 (the "**Series 2026 Certificates**"), representing undivided, proportionate interests in Basic Rent to be paid by the City of Hillsboro, Missouri (the "**City**"), are being delivered pursuant to a Declaration of Trust dated as of November 1, 2026 (the "**Declaration of Trust**"), executed by UMB Bank, N.A., St. Louis, Missouri, as trustee (the "**Trustee**"). Basic Rent is payable by the City under an annually-renewable Lease Purchase Agreement (the "**Lease**") dated as of November 1, 2026, between the City and the Trustee.

The Series 2026 Certificates will be delivered in fully-registered form in the denomination of \$5,000 or any integral multiple thereof. Principal and interest distributable with respect to the Series 2026 Certificates are payable by the Trustee. Principal will be payable annually on April 1, beginning on April 1, 2027. Interest will be payable semiannually on April 1 and October 1, beginning on April 1, 2027, by check or draft mailed, or by electronic transfer in certain circumstances described herein, to the persons who are the registered owners of the Series 2026 Certificates as of the close of business on the 15th day of the month preceding the month of the applicable interest payment date.

The Series 2026 Certificates will be payable solely from Basic Rent under the Lease and certain money held by the Trustee under the Declaration of Trust. See "**SECURITY FOR THE CERTIFICATES**" in this Official Statement. The City will agree to pay the total Basic Rent due under the Lease for each Fiscal Year, but only if the Board of Alderpersons annually appropriates sufficient money specifically designated to pay 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 2026 Certificates will not obligate the City to levy any form of taxation therefor or to make any appropriation for their payment in any year subsequent to a year in which the Lease is in effect.**

The scheduled payment of principal of and interest on the Series 2026 Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2026 Certificates by Build America Mutual Assurance Company.



The Series 2026 Certificates are subject to prepayment prior to their stated payment dates under certain conditions. See "**THE SERIES 2026 CERTIFICATES – Prepayment Provisions**" in this Official Statement.

The Series 2026 Certificates are subject to certain risks. See "**RISK FACTORS AND INVESTMENT CONSIDERATIONS**" in this Official Statement.

The Series 2026 Certificates will be offered when, as and if delivered and received by Stifel, Nicolaus & Company, Incorporated, St. Louis, Missouri, subject to the approval of validity and certain other matters by Gilmore & Bell, P.C., St. Louis, Missouri, Special Tax Counsel to the City, and certain other conditions. Certain legal matters related to this Official Statement will be passed upon by Gilmore & Bell, P.C., St. Louis, Missouri. Certain legal matters will be passed upon for the Underwriter by Thompson Coburn LLP, St. Louis, Missouri. It is expected that the Series 2026 Certificates will be available for delivery in book-entry form through the facilities of The Depository Trust Company in New York, New York on or about November 17, 2026.

STIFEL

The date of this Official Statement is November __, 2026.

* Preliminary; subject to change.

\$2,065,000*
CERTIFICATES OF PARTICIPATION
(CITY OF HILLSBORO, MISSOURI, LESSEE)
SERIES 2026

MATURITY SCHEDULE

Base CUSIP: _____

SERIAL CERTIFICATES

<u>Maturity Date</u> <u>(April 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP</u> <u>Extension</u>
2027	\$125,000	%	%	
2028	65,000			
2029	65,000			
2030	70,000			
2031	70,000			
2032	75,000			
2033	80,000			
2034	85,000			
2035	90,000			
2036	90,000			

TERM CERTIFICATES

<u>Maturity Date</u> <u>(April 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP</u> <u>Extension</u>
2041	\$540,000	%	%	
2046	710,000			

* Preliminary; subject to change.

CITY OF HILLSBORO, MISSOURI

101 Main Street, P.O. Box 19
Hillsboro, Missouri 63050
(636) 797-3334

MAYOR

Buddy Russell

BOARD OF ALDERPERSONS

Terry Glass
Richard Abel
Christopher DeGeare
Tim Polkinghorne
Kevin Bremer
Nancy Maxwell
Lisa Taylor
Gerald Parrish

CITY ADMINISTRATION

Jason Daniel, *City Administrator*
Elizabeth Vreeland, *City Clerk*

TRUSTEE

UMB Bank, N.A.
St. Louis, Missouri

SPECIAL TAX COUNSEL AND DISCLOSURE COUNSEL

Gilmore & Bell, P.C.
St. Louis, Missouri

UNDERWRITER

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

UNDERWRITER'S COUNSEL

Thompson Coburn LLP
St. Louis, Missouri

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representation with respect to the Series 2026 Certificates offered hereby other than those contained in this Official Statement, and, if given or made, such other information or representation 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 2026 Certificates offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City and from other sources believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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

The Series 2026 Certificates have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, or under any state securities or “blue sky” laws. The Series 2026 Certificates are offered pursuant to an exemption from registration with the Securities and Exchange Commission. In making an investment decision, investors must rely on their own examination of the terms of this offering, including the merits and risks involved. The Series 2026 Certificates 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 may be a criminal offense.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Series 2026 Certificates or the advisability of investing in the Series 2026 Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented in *Appendix D – Bond Insurance and Specimen Municipal Bond Insurance Policy* hereto.

This Preliminary Official Statement is in a form deemed final by the City for purposes of Rule 15c2-12 issued under the Securities Exchange Act of 1934, as amended, except for certain information permitted to be omitted pursuant to Rule 15c2-12(b)(1).

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, as amended, 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 AND INVESTMENT CONSIDERATIONS**” 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 EXCEPT AS PROVIDED IN THE CONTINUING DISCLOSURE UNDERTAKING, THE FORM OF WHICH IS INCLUDED AS *APPENDIX C* HERETO.

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OFFICIAL STATEMENT
\$2,065,000*
CERTIFICATES OF PARTICIPATION
(CITY OF HILLSBORO, MISSOURI, LESSEE)
SERIES 2026

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 Hillsboro, Missouri, Lessee), Series 2026, in the aggregate principal amount of \$2,065,000* (the **“Series 2026 Certificates”**). The Series 2026 Certificates represent undivided interests in Basic Rent to be paid by the City of Hillsboro, Missouri (the **“City”**), pursuant to an annually-renewable Lease Purchase Agreement dated as of November 1, 2026 (the **“Lease”**), between UMB Bank, N.A., St. Louis, Missouri (the **“Trustee”**), as lessor, and the City, as lessee. The Trustee has agreed to execute and deliver the Series 2026 Certificates pursuant to a Declaration of Trust dated as of November 1, 2026 (the **“Declaration of Trust”**). Basic Rent constitutes rent for use of the Leased Property (as defined herein) pursuant to the Lease.

The City

The City is a fourth-class city and political subdivision of the State of Missouri (the **“State”**). The City is the county seat of Jefferson County, Missouri (the **“County”**) and consists of approximately 3.84 square miles. According to the United States Census Bureau estimates for 2024, the City’s population was 3,500. See the captions **“GENERAL AND ECONOMIC INFORMATION ABOUT THE CITY,” “FINANCIAL INFORMATION CONCERNING THE CITY”** and **“DEBT STRUCTURE OF THE CITY”** herein for a further description of the City. The City owns and operates a revenue-producing combined waterworks and sewerage system serving the City and its inhabitants (the **“System”**). See the caption **“THE SYSTEM”** herein.

Plan of Financing

Proceeds from the sale of the Series 2026 Certificates will be used to pay the costs of (1) constructing a new public works maintenance building, (2) constructing new water main extensions, sewer main replacements and related infrastructure improvements, (3) if proceeds of the Series 2026 Certificates remain, financing various capital expenditures for the City (collectively, the **“Project”**), and (4) executing and delivering the Series 2026 Certificates. Simultaneously with the delivery of the Series 2026 Certificates, pursuant to a Base Lease dated as of November 1, 2026 (the **“Base Lease”**), the City, as lessor, will lease to the Trustee the real property upon which the new public works maintenance building will be located (together with all improvements now or hereafter situated thereon, the **“Leased Property”**). The Trustee, as lessor under the Lease, will lease the Leased Property back to the City for an Original Term ending June 30, 2027, with 19 successive renewal options (the **“Renewal Terms”**), with the final Renewal Term beginning July 1, 2045 and ending April 2, 2046. Each Renewal Term is subject to annual appropriation by the Board of Alderpersons of the City.

* Preliminary; subject to change.

Payment of the principal of and interest on the Series 2026 Certificates may be made, subject to annual appropriation, from any funds of the City legally available for such purpose. **NO TAX OR ANY FUNDS OR REVENUES OF THE CITY ARE, OR CAN BE, PLEDGED TO THE PAYMENT OF THE SERIES 2026 CERTIFICATES. THE LEASE DOES NOT REQUIRE OR LIMIT THE CITY TO USE PROCEEDS OF ANY TAX TO PAY BASIC RENT.**

Limited Obligations

Under the Lease, the City has agreed to pay rental payments (the “**Basic Rent**”), consisting of a principal component (the “**Principal Portion**”) and an interest component (the “**Interest Portion**”), but only if and to the extent that the Board of Alderpersons annually appropriates sufficient money to pay Basic Rent coming due during each succeeding Renewal Term. The Series 2026 Certificates represent undivided, proportionate interests in the Basic Rent. Although payment of the Basic Rent may be made, subject to annual appropriation, from any funds of the City legally available for such purpose, the City intends to use the revenues of the System and other legally available revenues of the City as the primary sources of payment of Basic Rent under the Lease. Basic Rent payable under the Lease is payable after the payment of debt service on the herein-defined Revenues Bonds. See the captions “**THE SYSTEM**” and “**FINANCIAL INFORMATION CONCERNING THE CITY**” herein.

Neither the Series 2026 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 (defined below) beyond any Fiscal Year in which the Lease is in effect, and there can be no assurance that the City will appropriate funds to pay Basic Rent or renew the Lease after any Renewal Term. 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 at the times and upon the conditions described under the caption “**SUMMARY OF THE LEASE – Option to Purchase the Trustee’s Interest in the Leased Property**” in *Appendix B* hereto.

Neither the Series 2026 Certificates nor the Lease will constitute a debt or liability of the City, the State or any political subdivision thereof, nor will either constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The execution and delivery of the Lease will not obligate the City to levy any form of taxation for the payments required thereunder or to make any appropriation for such payments in any Fiscal Year subsequent to a Fiscal Year in which the Lease is in effect. The fiscal year of the City begins on each July 1 and ends on June 30 of the following year (each a “**Fiscal Year**”).

Parity Obligations

The Declaration of Trust provides for the future delivery of Additional Certificates, if delivered, to be secured on a parity with the Series 2026 Certificates and any other Additional Certificates then-Outstanding under the Declaration of Trust. The Series 2026 Certificates, together with any Additional Certificates, are collectively referred to herein as the “**Certificates.**” See the caption “**SUMMARY OF THE DECLARATION OF TRUST – Additional Certificates**” in *Appendix B* hereto. The City has no other certificates of participation outstanding. See the caption “**DEBT STRUCTURE OF THE CITY**” herein.

Risk Factors

Payment of the Principal Portions and Interest Portions represented by the Series 2026 Certificates is subject to certain risks. See the caption “**RISK FACTORS AND INVESTMENT CONSIDERATIONS**” herein.

Continuing Disclosure Information

The City has covenanted in a Continuing Disclosure Undertaking to provide certain financial information, operating data and notices of certain events to the Municipal Securities Rulemaking Board, in compliance with Rule 15c2-12 (the “**Rule**”) promulgated by the Securities and Exchange Commission. The form of the proposed Continuing Disclosure Undertaking is included as *Appendix C* hereto.

The City made similar undertakings with respect to its prior obligations to annually file its audited financial statements and certain operating data. The City believes it has complied with its prior undertakings under the Rule during the past five years in all material respects, except that (1) the City failed to properly link all CUSIP numbers to the City’s filings for the fiscal years ended June 30, 2022, June 30, 2023 and June 30, 2025, and (2) the City failed to file its audited financial statements and other financial and operating data within the time frame required by its prior continuing disclosure undertaking for the fiscal years ended June 30, 2021 through June 30, 2023 and June 30, 2025, but did file a notice of late filing on a timely basis for each of those fiscal years. The City believes it is currently in material compliance with its continuing disclosure obligations.

Definitions and Descriptions; Inspection of Documents

All capitalized terms used in this Official Statement not defined in the text of this Official Statement are defined under the caption “**DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF LEGAL DOCUMENTS – Definitions of Words and Terms**” in *Appendix B* hereto. Brief descriptions of the Series 2026 Certificates, the Base Lease, the Lease, the Declaration of Trust and certain other matters are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Base Lease, the Lease and the Declaration of Trust are qualified in their entirety by reference to such documents. Copies of the final executed documents will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request. All references to the Series 2026 Certificates are qualified in their entirety by the definitive terms thereof and the information with respect thereto included in the Base Lease, the Lease and the Declaration of Trust.

Bond Insurance

The scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy (the “**Policy**”) to be issued concurrently with the delivery of the Series 2026 Certificates by Build America Mutual Assurance Company (“**BAM**”). See *Appendix D – Bond Insurance and Specimen Municipal Bond Insurance Policy* hereto.

THE SERIES 2026 CERTIFICATES

Description

The Series 2026 Certificates will be dated the date of initial delivery thereof. The Principal Portion of Basic Rent represented by each Series 2026 Certificate is payable on April 1 of the years and in the principal amounts set forth on the inside cover page hereof. The Interest Portion of Basic Rent represented by the Series 2026 Certificates will be payable semiannually, at the interest rates set forth on the inside cover page hereof, on April 1 and October 1 of each year (each, a “**Payment Date**”), beginning on April 1, 2027.

Payment of the Interest Portion of the Basic Rent represented by any Certificate will 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. Upon written request and at the expense of any Owner, payments of the Interest Portion of the Basic Rent represented by any Certificate shall be made by electronic transfer to the bank for credit to the ABA routing number and account number at the location

designated by such Owner to the Trustee no later than 15 days prior to the Record Date. Any such request shall also include an acknowledgement that an electronic transfer fee may be applicable.

The Principal Portion of the Basic Rent and prepayment premium, if any, represented by the Certificates will be payable (whether at maturity or upon prepayment or acceleration) by check, draft or electronic transfer to the Owners of such Certificates upon presentation and surrender of such Certificates at the designated corporate trust office of the Trustee or such other office as the Trustee designates.

Prepayment Provisions

Optional Prepayment. The Series 2026 Certificates that evidence Principal Portions of Basic Rent payable to Certificate Owners on or after April 1, 2041* (including mandatory prepayments for the Series 2026 Certificates with a stated maturity of April 1, 2041*) will be subject to optional prepayment, as a whole or in part, on or after April 1, 2036*, at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent represented by the Series 2026 Certificates being prepaid, plus the Interest Portion of Basic Rent accrued to the Prepayment Date, from amounts paid by the City upon the exercise of its option to purchase the Trustee's interest in the Leased Property or partially prepay Basic Rent Payments pursuant to the terms of the Lease.

Extraordinary Optional Prepayment. The Series 2026 Certificates are subject to optional prepayment on any date, as a whole but not in part, 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) of, or loss of title to, substantially all of the Leased Property, or if as a result of changes in the constitution of the State or legislative or administrative action by the State or the United States, the Base Lease or the Lease becomes unenforceable, and the City purchases the Trustee's interest in the Leased Property pursuant to the Lease. See the caption "SUMMARY OF THE LEASE – Damage, Destruction and Condemnation" in *Appendix B* hereto.

Mandatory Prepayment. The Series 2026 Certificates maturing on April 1, 2041* and April 1, 2046* (the "Term Certificates") are subject to mandatory prepayment at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent represented by the Series 2026 Certificates being prepaid, plus the Interest Portion of Basic Rent accrued to the Prepayment Date, in the following principal amounts:

Term Certificates Maturing April 1, 2041*

<u>Prepayment Date (April 1)</u>	<u>Principal Portion</u>
2037	\$ 95,000
2038	100,000
2039	110,000
2040	115,000
2041 ⁺	120,000

⁺Final Maturity

* Preliminary; subject to change.

Term Certificates Maturing April 1, 2046*

<u>Prepayment Date</u> <u>(April 1)</u>	<u>Principal</u> <u>Portion</u>
2042	\$125,000
2043	135,000
2044	140,000
2045	150,000
2046 ⁺	160,000

⁺Final Maturity

Selection of Certificates to Be Prepaid. If less than all of the Outstanding Certificates are called for optional prepayment, Certificates will be prepaid in such order of stated payment dates as is determined by the City. Within a stated payment date, the Trustee will 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

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

Notice of Prepayment. Unless otherwise provided in the Declaration of Trust, notice of prepayment will be given by the Trustee, not more than 60 days and 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 will identify the Certificates to be prepaid and state (1) the Prepayment Date, (2) the place of prepayment, (3) the Prepayment Price, (4) that the Interest Portion of the Basic Rent represented by the Certificates designated for prepayment will cease to accrue from and after such Prepayment Date and (5) that on said date the Prepayment Price will become due and payable on each of said Certificates. The Trustee is authorized, at the direction of the City, to include a statement in the notice of prepayment to the effect that prepayment is conditioned upon the receipt by the Trustee of funds with which to pay the Prepayment Price. The failure of the Owner of any Certificate to be so prepaid to receive notice of prepayment mailed as provided in the Declaration of Trust or any defect therein will 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 will 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.

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 will 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 will cease to accrue, said Certificates (or portions

* Preliminary; subject to change.

thereof) will cease to be entitled to any benefit or security under the Declaration of Trust and the Owners of such Certificates will have no rights in respect thereof except to receive payment of the Prepayment Price. All Certificates so prepaid will be canceled upon surrender thereof and destroyed by the Trustee pursuant to the Declaration of Trust.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“**DTC**”), New York, New York, will act as securities depository for the Series 2026 Certificates. The Series 2026 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Series 2026 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC or with the Trustee as its “FAST” Agent.

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

Purchase of Ownership Interests. Purchases of Series 2026 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2026 Certificates on DTC’s records. The ownership interest of each actual purchaser of each Series 2026 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 purchases. 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 they entered into the transaction. Transfers of ownership interests in the Series 2026 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2026 Certificates, except in the event that use of the book-entry system for the Series 2026 Certificates is discontinued.

Transfers. To facilitate subsequent transfers, all Series 2026 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 2026 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2026 Certificates; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2026 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.

Notices. 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 2026 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2026 Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Series 2026 Certificate documents. For example, Beneficial Owners of Series 2026 Certificates may wish to ascertain that the nominee holding the Series 2026 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 2026 Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2026 Certificates unless authorized by a Direct Participant in accordance with DTC's Money Market Instrument Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City or the Trustee 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 2026 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal and Interest. Prepayment proceeds and principal and interest payments on the Series 2026 Certificates will be paid 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 payable dates 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 Participants and not of DTC, 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 dividends to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the City, 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.

Discontinuation of Book-Entry Only System. DTC may discontinue providing its services as depository with respect to the Series 2026 Certificates at any time by giving reasonable notice to the Trustee or the City. Under such circumstances, if a successor depository is not obtained, Series 2026 Certificate certificates are required to be printed and delivered.

Transfer Outside Book-Entry Only System. If the book-entry system is discontinued the following provisions would apply. Any Series 2026 Certificate may be transferred upon the books required to be kept by the Registrar under the Declaration of Trust, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series 2026 Certificate for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. The Trustee may 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. If 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 of

1986, as amended, such amount may be deducted by the Trustee from amounts otherwise payable to such Owner under the Declaration of Trust or under the Series 2026 Certificates.

The information above concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the City, the Trustee or the Underwriter. The City, the Trustee and the Underwriter make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners will act in accordance with the procedures described above or in a timely manner.

SECURITY FOR THE CERTIFICATES

Limited Obligations; Sources of Payment

Each Series 2026 Certificate evidences the undivided, proportionate interest of the Owner thereof in the right to receive Basic Rent to be paid by the City under the Lease. The Series 2026 Certificates are payable solely out of Basic Rent and other money and investments held by the Trustee under the Declaration of Trust. The City intends to use revenues of the System and other legally available revenues to pay the Series 2026 Certificates. See the captions "**THE SYSTEM**" and "**FINANCIAL INFORMATION CONCERNING THE CITY**" herein.

Basic Rent with respect to the Series 2026 Certificates payable under the Lease, to the extent funds are budgeted and appropriated annually therefor, do not constitute an operating expense of the System and are payable from the revenues of the System and other available moneys of the City after the payment of debt service on the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2018 and Combined Waterworks and Sewerage System Revenue Bonds, Series 2025 (collectively, the "Revenue Bonds"). Further, because the Revenue Bonds are secured by a pledge of System revenues, upon the occurrence of an event of default, the owners of the Revenue Bonds would have priority with respect to System revenues over the holders of the Series 2026 Certificates.

The obligation of the City to pay Rent under the Lease is limited to payment from available revenues that are appropriated by the City and will constitute a current expense of the City. Such obligation will 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 will anything contained in the Lease constitute a pledge of the general tax revenues, funds or moneys of the City, and all provisions of the Lease will be construed so as to give effect to such intent.

To provide for the timely payment of Basic Rent, the City has covenanted and agreed in the Lease to pay Basic Rent to the Trustee for deposit in the Lease Revenue Fund no later than five Business Days prior to each Basic Rent Payment Date (but only if the City elects to renew the Lease for each Renewal Term). **There can be no assurance that the Board of Alderpersons will appropriate funds for Basic Rent or renew the Lease for any subsequent Renewal Term. The City is not legally required to budget or appropriate money for any subsequent Fiscal Year beyond the current Fiscal Year.**

Base Lease

Simultaneously with the delivery of the Series 2026 Certificates, the City, as lessor, will, pursuant to the Base Lease, lease the Leased Property to the Trustee, as lessee. The Base Lease is for a term ending April 1, 2066* (which is 20 years after the latest scheduled maturity date of the Series 2026 Certificates), unless sooner terminated if the City makes all payments required by the Lease. If an Event of Default or Event of Nonappropriation occurs under the Declaration of Trust or the Lease, the Trustee has the right to evict the City from the Leased Property for the remainder of the term of the Base Lease.

* Preliminary; subject to change.

OF THE PROJECT FINANCED WITH PROCEEDS OF THE SERIES 2026 CERTIFICATES, ONLY THE PROPERTY FOR THE NEW PUBLIC WORKS MAINTENANCE BUILDING IS INCLUDED AS PART OF THE LEASED PROPERTY. NONE OF THE OTHER PROPERTY OR IMPROVEMENTS FINANCED WITH PROCEEDS OF THE SERIES 2026 CERTIFICATES WILL BE SUBJECT TO THE BASE LEASE OR THE LEASE. See the caption “RISK FACTORS AND INVESTMENT CONSIDERATIONS – Leased Property Does Not Include All Property Financed with Proceeds of the Series 2026 Certificates” herein.

Parity Obligations

Additional Certificates may be executed and delivered under and be equally and ratably secured by the Declaration of Trust on a parity with the Series 2026 Certificates and any other Additional Certificates Outstanding, at any time and from time to time while no Event of Default or Event of Nonappropriation has occurred and is continuing under the Declaration of Trust, with the written consent of the City, upon compliance with the conditions provided in the Declaration of Trust. See the caption “**SUMMARY OF THE DECLARATION OF TRUST – Additional Certificates**” in *Appendix B* hereto.

Pursuant to the Lease, Additional Certificates may be executed and delivered for any one or more of the following purposes: (1) completing the Project, (2) undertaking additional capital improvements in the City, (3) repairing, replacing or restoring the Leased Property, (4) improving, upgrading or modifying the Leased Property, including acquiring, purchasing, constructing or equipping additions, expansions or renovations to the Leased Property, (5) acquiring additional real property to be included in the Leased Property, or (6) refunding any or all of the Certificates.

THE TRUSTEE

UMB Bank, N.A., St. Louis, Missouri, a national banking association duly organized and existing under the laws of the United States of America, will be the Trustee under the Declaration of Trust and a party to the Lease and the Base 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, omitted 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 of Trust, the Lease or the Base 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 appointed with due care by it under the Declaration of Trust.

The Series 2026 Certificates will be executed by the Trustee, not individually or personally but solely as Trustee under the Declaration of Trust, 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 of Trust, the Lease or the Base Lease is to be construed as creating any liability on the Trustee, individually or personally, to perform any covenant either express or implied in the Series 2026 Certificates, the Declaration of Trust, the Lease or the Base Lease, all such liability, if any, being expressly waived by the Owners of the Series 2026 Certificates by the acceptance thereof and by each and every person now or hereafter claiming by, through or under the Trustee or the Owners of the Series 2026 Certificates. Insofar as the City is concerned, the Trustee and the Owner of any Series 2026 Certificate and any person claiming by, through or under the Trustee or the Owner of any Series 2026 Certificate may look solely to the Trust Estate described in the Declaration of Trust for payment of the interests evidenced by the Series 2026 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 of Trust or an Event of Nonappropriation under the Lease, the Trustee will have a first lien against the Trust Estate with right of payment prior to payment on account of any principal or interest with respect to the Series 2026 Certificates for its reasonable costs, fees, expenses and advances under the Declaration of Trust.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

The purchase of the Series 2026 Certificates involves certain investment risks that are discussed throughout this Official Statement. Each prospective purchaser of the Series 2026 Certificates should make an independent evaluation of all of the information presented in this Official Statement to make an informed investment decision. Certain risk factors relating to the Series 2026 Certificates are described below.

Limited Obligations

Each Series 2026 Certificate evidences the undivided, proportionate interest of the Owner thereof in the right to receive Basic Rent to be paid by the City under the Lease. The Series 2026 Certificates are payable solely from Basic Rent and other money and investments held by the Trustee under the Declaration of Trust. Basic Rent constitutes currently budgeted expenditures of the City, payable only if the Board of Alderpersons appropriates sufficient money to extend the term of the Lease for each successive Fiscal Year. The Original Term of the Lease commences as of the date of the initial delivery of the Series 2026 Certificates and expires on June 30, 2027. The Lease is thereafter subject to successive one-year Renewal Terms commencing on July 1 of each year, except that the final Renewal Term will commence on July 1, 2045 and will end on April 2, 2046. **The City's obligations under the Lease do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.**

Basic Rent Payable After Payment of Debt Service on the Revenue Bonds

The Revenue Bonds are payable solely from, and are secured as to the payment of principal and interest by a pledge of, the net income and revenues derived from the operation of the System, after providing for the costs of operation and maintenance thereof. **THE BASIC RENT PAYABLE UNDER THE LEASE RELATING TO THE SERIES 2026 CERTIFICATES, TO THE EXTENT FUNDS ARE BUDGETED AND APPROPRIATED ANNUALLY THEREFOR, DO NOT CONSTITUTE AN OPERATING EXPENSE OF THE SYSTEM AND ARE PAYABLE FROM THE REVENUES OF THE SYSTEM AND OTHER AVAILABLE MONEYS OF THE CITY AFTER THE PAYMENT OF DEBT SERVICE ON THE REVENUE BONDS.** Further, because the Revenue Bonds are secured by a pledge of System revenues, upon the occurrence of an event of default, the owners of the Revenue Bonds would have priority with respect to System revenues over the holders of the Series 2026 Certificates.

The City is under no obligation to budget and appropriate funds to pay Basic Rent Payments under the Lease even if sufficient revenues of the System are available therefor. Although the City intends to satisfy its obligation to pay Basic Rent under the Lease from the revenues of the System, Basic Rent may be paid with any legally available revenues of the City.

No Reserve Fund

No reserve fund will be established for the Series 2026 Certificates.

Expiration or Termination of the Lease

The Lease will expire by its terms on June 30 of each year beginning in 2027, 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 in any year the City does not extend the term of the Lease, the City's obligation to make payments will terminate on June 30 of the then-current Renewal Term. Upon (1) the expiration of any Renewal Term during which an Event of Nonappropriation occurs (which is not waived by the Trustee as provided in the Lease) 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 and use of the Leased Property under the Lease will expire or be terminated, as appropriate.

If the City's right of possession and use of the Leased Property under the Lease expires or is terminated for either of the reasons described in the preceding paragraph, (1) the City's obligation to make payments thereunder will continue through the Renewal Term then in effect, but not thereafter; (2) the Principal Portion and Interest Portion of Basic Rent that has been appropriated but is then unpaid by the City for the City's then-current Fiscal Year may be declared immediately due and payable; and (3) the Series 2026 Certificates will be payable from, among other sources, such money as may be available by way of recovery from the City of Basic Rent that is due through the Renewal Term then in effect. See the captions "**SUMMARY OF THE LEASE – Nonappropriation,**" "**– Events of Lease Default**" and "**– Remedies on Default**" in *Appendix B* hereto.

Upon a termination of the Lease by the City or by reason of an Event of Default, the City may be required to surrender possession of the Leased Property after notice from the Trustee. Thereafter, the Trustee may enforce its interest in the Leased Property by either selling or reletting its interest. It is possible that the City would seek and obtain injunctive relief restraining the Trustee from enforcing its rights on the assertion that the City could not properly function without the Leased Property.

If the Lease expires at the end of a Renewal Term without any extension for the next succeeding Renewal Term or if an event occurs that terminates the City's right of possession of the Leased Property under the Lease, the nature of the Leased Property may impair the Trustee's ability to realize any revenues from the Leased Property. No assurance can be given that the Trustee could sublease the Leased Property for the amount necessary (after taking into account money legally available from other sources) to pay in full the Principal Portion and the Interest Portion of Basic Rent then due with respect to the Series 2026 Certificates. Furthermore, no assurance can be given that the amount, if any, realized upon any sublease of the Trustee's interest in the Leased Property will be available to provide for the payment of the Series 2026 Certificates on a timely basis.

Delays in Exercising Remedies

A termination of the Lease will give the Trustee the right to possession and use of the Leased Property, and the right to assign the Base Lease and its rights thereunder or to sublease the Leased Property, all in accordance with the provisions of the Base Lease, the Lease and the Declaration of Trust. However, the Leased Property will be used by the City for the performance of its essential governmental functions and has limited functionality for other uses. Furthermore, the enforceability of the Lease and the Declaration of Trust 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 State or federal courts and the exercise by the United States of America of the powers delegated to it by the U.S. Constitution. No assurance can be given that (1) a court, in the exercise of judicial discretion, would enforce the remedies afforded by the Lease in a timely manner given the essential governmental functions performed by the Leased Property, or (2) any money realized by the Trustee upon an exercise of any remedies would be sufficient to pay in full the Principal Portions and the Interest Portions of Basic Rent Payments represented by the Series 2026 Certificates. 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 Portions and Interest Portions of Basic Rent Payments represented by the Series 2026 Certificates.

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 acquisition and construction of the Project. The costs of the Project may exceed the expectations of the City, and in such event, the City may reduce the size and scope of the Project to reduce the costs of the Project.

Any significant reduction in size and scope of the Project, or failure to complete the Project entirely for whatever reason, could affect the City's decision to continue appropriations and the Trustee's ability to relet the Leased Property.

Flooding and Other Natural Disasters

The Leased Property is not located in a special flood hazard area. The City is not obligated by the Lease to maintain flood insurance on the Leased Property and does not maintain flood insurance on the Leased Property. The occurrence of natural disasters, such as floods, tornadoes or droughts, could damage the Leased Property, interrupt services or otherwise impair operations and the ability of the City to produce revenues.

Destruction of the Leased Property

The Lease requires the Leased Property to be insured as described in “**SUMMARY OF THE LEASE – Insurance**” in *Appendix B* hereto. If (1) the Leased Property or any portion thereof is destroyed, in whole or in part, or is damaged by fire or other casualty, or (2) title to, or the temporary use of, the Leased Property or any part thereof is 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 Net Proceeds will be paid to the Trustee for deposit into a separate trust fund. Upon receipt of direction from the City, the Trustee will cause the Net Proceeds of any insurance claim, condemnation award or sale under threat of condemnation to be disbursed in accordance with the City’s direction and applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property, unless the City has exercised its option to purchase the Trustee’s interest in the Leased Property by making payment of the Purchase Price as provided in the Lease. Any balance of the Net Proceeds remaining after such work has been completed will be paid to the City and will be held and appropriated by the City for the exclusive purpose of paying Rent under the Lease.

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 the caption “**SUMMARY OF THE LEASE – Damage, Destruction and Condemnation**” in *Appendix B* hereto.

Leased Property Does Not Include All Property Financed with Proceeds of the Series 2026 Certificates

The Leased Property includes only the land on which the new public works maintenance building will be located and all improvements located or to be located thereon. A portion of the Series 2026 Certificate proceeds will be used to finance property and improvements that are not included in the Leased Property. **The Trustee will not have any interest in the property or improvements financed with proceeds of the Series 2026 Certificates other than the Leased Property.**

Principal Amount of Certificates May Exceed Insured Value of the Leased Property

The Lease requires the City to insure the Leased Property against casualty loss in an amount not less than the full insurable value of the Leased Property, which may be less than the aggregate principal amount of the Series 2026 Certificates. In the event of a casualty loss, the proceeds of any insurance claim may be insufficient to fund the City’s purchase of the Leased Property, pursuant to the Lease. A determination by the City that the repair, restoration, modification or improvement of the Leased Property is not economically feasible or in the best interest of the City could increase the likelihood of an Event of Nonappropriation by the City.

Amendment of the Declaration of Trust, Lease and Base Lease

Certain amendments to the Declaration of Trust, the Lease and the Base Lease may be made with the consent of the Owners of not less than a majority in principal amount of the Certificates (including any Additional Certificates which may be hereafter delivered) then-Outstanding. Such amendments, such as an amendment to the insurance requirements of the Lease, may adversely affect the security of the Owners of the Certificates.

Dilution of Security for the Series 2026 Certificates and Limited Value of Leased Property

The Declaration of Trust permits the issuance of Additional Certificates payable from the Trust Estate on a parity with the pledge of the Trust Estate to the payment of the Series 2026 Certificates. See the caption **“SECURITY FOR THE CERTIFICATES – Parity Obligations”** herein. The issuance of Additional Certificates payable from the Trust Estate on a parity with the pledge of the Trust Estate to the payment of the Series 2026 Certificates may dilute the security for the Series 2026 Certificates by increasing debt service obligations under the Declaration of Trust without a concomitant increase in the security for the Series 2026 Certificates.

Potential Impact of Public Health Emergencies

Regional, national or global public health emergencies, such as the outbreak of the novel coronavirus in December 2019, could have materially adverse regional, national or global economic and social impacts causing, among other things, the promulgation of local or state orders limiting certain activities, extreme fluctuations in financial markets and contraction in available liquidity, prohibitions of gatherings and public meetings in such places as entertainment venues, extensive job losses and declines in business activity across important sectors of the economy, impacts on supply chain and availability of resources, declines in business and consumer confidence that negatively impact economic conditions or cause an economic recession. The City cannot predict the extent to which its operations or financial condition may decline nor the amount of increased costs, if any, that may be incurred by the City associated with operating during any public health emergencies. Accordingly, the City cannot predict the effect any public health emergencies will have on the ability to pay the Series 2026 Certificates. Historical revenues and expenditures for the City’s General Fund for the fiscal years ended June 30, 2021 through 2025 are set forth under the caption **“FINANCIAL INFORMATION CONCERNING THE CITY – The General Fund”** herein.

Secondary Market and Prices

The Series 2026 Certificates are not readily liquid, and no person should invest in the Series 2026 Certificates with funds such person may need to convert readily into cash. Owners of the Series 2026 Certificates should be prepared to hold their Series 2026 Certificates to their stated maturity dates. The Underwriter will not be obligated to repurchase any of the Series 2026 Certificates, and no representation is made concerning the existence of any secondary market for the Series 2026 Certificates. No assurance can be given that any secondary market will develop following the completion of the offering of the Series 2026 Certificates, and no assurance can be given that the initial offering price for the Series 2026 Certificates will continue for any period of time.

Loss of Premium from Early Prepayment

Any person who purchases a Series 2026 Certificate at a price in excess of its principal amount or who holds such Series 2026 Certificate trading at a price in excess of par should consider the fact that the Series 2026 Certificates are subject to prepayment prior to maturity at a Prepayment Price of 100% of the principal amount thereof as described herein. See the caption **“THE SERIES 2026 CERTIFICATES – Prepayment Provisions”** herein.

Taxability

The Series 2026 Certificates are not subject to prepayment nor are the interest rates on the Series 2026 Certificates subject to adjustment in the event of a determination by the Internal Revenue Service (the **“Service”**) or a court of competent jurisdiction that the Interest Portion of Basic Rent paid or to be paid on any Series 2026 Certificate is or was includible in the gross income of the Certificate Owner for federal income tax purposes. Under such circumstances, Owners of Series 2026 Certificates would continue to hold their Series 2026 Certificates, receiving the Principal Portion and Interest Portion of Basic Rent as and when due, but would be required to include the Interest Portion of Basic Rent in gross income for federal and State income tax purposes.

Effect on Tax-Exemption of Termination of the Lease

Special Tax Counsel is not rendering an opinion with respect to the exclusion from gross income of the Interest Portion of Basic Rent distributable to the Owners of the Series 2026 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 2026 Certificates are Outstanding, there is no assurance that any portion of the payments made to Series 2026 Certificate Owners after such termination with respect to interest will be excluded from gross income of the Owners thereof for federal or State income tax purposes.

Risk of Audit

The Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations should be included in gross income for federal income tax purposes. No assurance can be given that the Service will not commence an audit of the Series 2026 Certificates. Owners of the Series 2026 Certificates are advised that, if an audit of the Series 2026 Certificates were commenced, in accordance with its current published procedures, the Service is likely to treat the City as the taxpayer, and the Owners of the Series 2026 Certificates may not have a right to participate in such audit. Public awareness of any audit could adversely affect the market value and liquidity of the Series 2026 Certificates during the pendency of the audit, regardless of the ultimate outcome of the audit.

Other Factors

The City intends to satisfy its obligation to pay Basic Rent under the Lease from the revenues of the System and other legally available revenues of the City. Purchasers of the Series 2026 Certificates should be aware, however, that no revenues are pledged to the payment of the Series 2026 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 Administration.* 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 of the Leased Property that requires any present remedial action. Nevertheless, the discovery of any negative conditions could adversely affect the City's willingness to renew the Lease after the expiration of the Original Term or any Renewal Term.

Defeasance

When (1) the obligations of the City under the Lease have been satisfied in connection with the exercise by the City of its option to purchase the Leased Property in accordance with the Lease by the irrevocable deposit in escrow of moneys 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 moneys and Government Obligations, and (2) the City has delivered to the Trustee (a) an Opinion of Counsel to the effect that the conditions for such discharge contained in the Declaration of Trust have been satisfied or irrevocably provided for and (b) if sufficiency of the deposited moneys and Government Obligations

is dependent upon investment earnings, an accountant's certificate verifying the sufficiency of such moneys 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 (3) the City has 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 the Declaration of Trust will 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 set forth in the Declaration of Trust. Non-callable Government Obligations include, in addition to cash and obligations pre-refunded with cash, bonds, notes, certificates of indebtedness, treasury bills and other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America. Historically, such United States obligations have been rated in the highest rating category by the rating agencies. There is no legal requirement in the Declaration of Trust that Government Obligations consisting of such United States obligations be or remain rated in the highest rating category by any rating agency. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and that could include any rating of the Certificates defeased with Government Obligations to the extent the Government Obligations have a change or downgrade in rating.

Cybersecurity Risks

The City relies on its information systems to provide security for processing, transmission and storage of confidential personal, health-related, credit and other information. It is possible that the City's security measures will not prevent improper or unauthorized access or disclosure of personally identifiable information resulting from cyber-attacks. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches can create disruptions or shutdowns of the City and the services it provides, or the unauthorized disclosure of confidential personal, health-related, credit and other information. If personal or otherwise protected information is improperly accessed, tampered with or distributed, the City may incur significant costs to remediate possible injury to the affected persons, and the City may be subject to sanctions and civil penalties if it is found to be in violation of federal or state laws or regulations. Any failure to maintain proper functionality and security of information systems could interrupt the City's operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations. The City has not experienced any material cybersecurity incidents in the past five years. The City utilizes the Regional Justice Information Service ("REJIS") to prevent potential cybersecurity attacks. REJIS provides the City with firewalls, internet protection and other online security measures.

Senior Property Tax Credit Program

The Missouri General Assembly enacted legislation in 2023 (subsequently amended in 2024) that authorizes counties to grant property tax credits to each "eligible taxpayer" equal to the difference between the real property tax liability on the eligible taxpayer's homestead in the current year minus the real property tax liability on the homestead either (1) in the year the county initially authorizes the credit or (2) when the person becomes an "eligible taxpayer" (as codified in Section 137.1050 of the Revised Statutes of Missouri, the "**Senior Property Tax Credit Program**"). "Eligible taxpayer" means a Missouri resident who (1) is at least 62 years old, (2) owns real property used as the taxpayer's primary residence and (3) is liable for the payment of property taxes on that property. Implementation of the Senior Property Tax Credit Program requires either adoption of an ordinance by a county or an initiative petition and voter approval process. Property tax bills within counties that participate in the Senior Property Tax Credit Program will reflect the tax credit on property tax bills for eligible taxpayers, thereby reducing the amount of property taxes that the eligible taxpayer would otherwise pay. In February 2024, the Jefferson County Council approved an ordinance implementing the Senior Property Tax Credit Program in Jefferson County. Any reduction in property tax revenues to the City would result in less revenues available to pay principal of and interest on the Series 2026 Certificates.

For 2026, participation in the Senior Property Tax Credit Program by City residents resulted in a total tax credit reduction of \$674.35, which represents a minimal portion of the City's overall property tax revenues.

Missouri Property Tax Cap

In June 2025, the Missouri General Assembly passed Senate Bill 3 (as codified in Section 137.1055 of the Revised Statutes of Missouri, the "**Homestead Property Tax Credit Program**"), which authorizes counties to grant property tax credits in the form of a cap on increases to residential real property tax bills. For certain counties, the real property tax liability on an eligible taxpayer's home may be increased by no more than five percent per year or the percent increase in the Consumer Price Index, whichever is greater. For other counties, including Jefferson County, the real property tax liability on an eligible taxpayer's home may not be increased above the liability incurred during the initial credit year. The City of St. Louis and 17 counties are exempt from the bill. The initial credit year is 2024 or, if the eligible taxpayer's real property tax liability is lower in a subsequent year, the initial credit year is that subsequent calendar year. All non-exempt counties were required to place a question of whether to enact this real property tax cap on the ballot by no later than the April 2026 general election. In Jefferson County, a majority of the votes cast on the question were in favor of the cap, and the cap will be implemented in the 2028 tax year. The Jefferson County Collector will note the amount of any credit on the real property tax bills sent to eligible taxpayers.

For all counties, an eligible taxpayer's real property tax liability shall be increased to reflect any increase in tax liability derived from any new property tax levy or an increase in an existing property tax levy approved by the voters subsequent to an eligible taxpayer's initial credit year; provided that, for five percent counties, such increase shall not be considered for the purposes of calculating the allowable increase in an eligible taxpayer's real property tax liability.

When the City's property tax revenues are capped as a result of the Homestead Property Tax Credit Program, there may be less property tax revenues available to pay principal of and interest on the Series 2026 Certificates. The potential financial impact of the Homestead Property Tax Credit Program on the City is not yet ascertainable.

No taxpayer is authorized to claim a property tax credit under the Senior Property Tax Credit Program and the Homestead Property Tax Credit Program for the same homestead.

PLAN OF FINANCING

The Project

Proceeds from the sale of the Series 2026 Certificates will be used to pay the costs of the Project and the costs of executing and delivering the Lease and the Series 2026 Certificates. Of the proceeds to be spent on the Project, the City currently plans to spend approximately \$850,000 to finish constructing the new public works maintenance building, approximately \$400,000 to construct a new water main to provide service to a new residential development in the City, and approximately \$200,000 to replace outdated clay sewer lines in the City.

In January 2025, the City entered into an agreement with Wachter, Inc. ("**Wachter**"), to act as the contractor for the public works maintenance building. Pursuant to the agreement, Wachter will complete all the work on the building, including constructing a new prefabricated metal office/maintenance building, installing mechanical, plumbing and electrical connections, and completing site work grading, an access road and yard piping. The City shall pay Wachter approximately \$1,440,900 to complete the work, in addition to other supplemental costs. Only a portion of this total will be paid from proceeds of the Series 2026 Certificates.

Ogilvy Estates is the new development in the City requiring expansion of the System's water main. Ogilvy Estates consists of approximately 176 acres of land subdivided into parcels of between two and five acres. Once fully completed, Ogilvy Estates will have approximately 90 homes with a price point of \$600,000

and above. This development project is in its final stages of approval and design, and construction is expected to begin in Spring 2027.

The Leased Property

The Leased Property consists of approximately 0.51 acres of real property upon which the City will construct the new approximately 2,702-square-foot public works maintenance building with a portion of the proceeds of the Series 2026 Certificates. The site also includes an existing water tower and well. The City estimates the total cost of constructing the improvements on the Leased Property, including the water tower, the well and the maintenance building, to be approximately \$8,000,000. The value of the Leased Property will be determined by an appraiser upon completion of the maintenance building. No other property of the City, including any additional property financed with the proceeds of the Series 2026 Certificates, is included in the Leased Property. See the caption **“RISK FACTORS AND INVESTMENT CONSIDERATIONS – Leased Property Does Not Include All Property Financed with Proceeds of the Series 2026 Certificates”** herein.

Sources and Uses of Funds

The following table itemizes the estimated sources of funds, including the proceeds from the sale of the Series 2026 Certificates, and how such funds are expected to be used:

Sources of Funds:

Principal Amount of the Series 2026 Certificates	\$2,065,000.00*
Plus: [*Net*] Original Issue Premium	
Total	<u>\$</u>

Uses of Funds:

Project Fund Deposit	\$
Costs of Delivery ⁽¹⁾	
Total	<u>\$</u>

⁽¹⁾ Includes Underwriter’s discount, bond insurance premium.

GENERAL AND ECONOMIC INFORMATION ABOUT THE CITY

General

The City is located in central Jefferson County, Missouri. The total area of the City is approximately 3.84 square miles, and according to the United States Census Bureau estimates for 2024, the City’s population was 3,500.

Government

The City is a fourth-class city and political subdivision, duly created and existing under the laws of the State of Missouri.

The City operates under the Mayor/Board of Aldermen and City Administrator form of government and exercises all powers of government specifically granted by the State of Missouri. The City refers to its Board of Aldermen authorized under Chapter 79 of the Revised Statutes of Missouri as the **“Board of Alderpersons.”**

* Preliminary; subject to change.

The Board of Alderpersons is composed of eight members who are elected from four wards to serve staggered two-year terms of office. The Mayor is elected at large for a term of two years.

The Mayor presides over all meetings of the Board of Alderpersons. The Board of Alderpersons sets policies, rules and regulations and fixes the annual budget. The Mayor is the chief executive official of the City. The Board of Alderpersons elects the City Clerk. The City Administrator, who assists the Mayor and Board of Alderpersons in conducting City business, is appointed by the Mayor with the consent and approval of a majority of the members of the Board of Alderpersons. Jason Daniel serves as the City Administrator, and Elizabeth Vreeland serves as the City Clerk.

The current Mayor and Board of Alderpersons are as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Buddy Russell	Mayor	April 2027
Terry Glass	Alderperson	April 2027
Richard Abel	Alderperson	April 2028
Tim Polkinghorne	Alderperson	April 2027
Christopher DeGeare	Alderperson	April 2028
Nancy Maxwell	Alderperson	April 2027
Kevin Bremer	Alderperson	April 2028
Lisa Taylor	Alderperson	April 2027
Gerald Parrish	Alderperson	April 2028

The City's major operations include public safety, parks and recreation, public works and general administrative services.

Employees and Employee Relations

The City has approximately 22 full-time employees and 3 part-time and seasonal employees. The City's administration characterizes the City's relationship with its employees as a good relationship. The City has never experienced a work stoppage.

Pension Plans

The City participates in the Missouri Local Government Employees' Retirement System ("LAGERS"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governmental entities in Missouri. LAGERS was created and is governed by State statute and is a defined-benefit pension plan that provides retirement, disability and death benefits. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax-exempt. LAGERS is governed by a seven-member Board of Trustees consisting of three trustees elected by participating employees, three trustees elected by participating employers and one trustee appointed by the Governor.

LAGERS issues a publicly-available financial report that includes financial statements and required supplementary information. The LAGERS Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025 (the "**2025 LAGERS Annual Report**") is available at <https://www.molagers.org/financial-reports/>. The link to the 2025 LAGERS Annual Report is provided for general background information only, and the information in the 2025 LAGERS Annual Report is not incorporated by reference herein. The 2025 LAGERS Annual Report provides detailed information about LAGERS, including its financial position, investment policy and performance information, actuarial information and assumptions affecting plan design and policies, and certain statistical information about the plan.

All full-time employees of the City are eligible to participate in LAGERS. As permitted by LAGERS, the City has elected the non-contributory plan, meaning its participating employees do not contribute to the

pension plan. The City is required by statute to contribute at an actuarially-determined rate for each category of participating employees, subject to certain limitations. The City's actuarially-determined contribution rate for the period ended June 30, 2025 was 9.4% of annual covered payroll for general employees and 14.2% of annual covered payroll for police employees.

The City has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *An Amendment of GASB Statement No. 68*. This Statement requires the City to record net pension liability and pension expense on its financial statements. The net pension liability is the difference between the City's total pension liability and the City's fiduciary net position under its plan. The pension expense recognized each fiscal year is equal to the change in the City's net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability and investment experience.

As of June 30, 2025, the City had 62 participants (active members, retirees, beneficiaries and inactive, nonretired members) in LAGERS. The City has exclusive financial responsibility for the liabilities relating to active City employees; once an employee retires, however, a lump sum payment is transferred from the City's employer fund to the Benefit Reserve Fund equal to the present value of the employee's pension, and the liability for that employee becomes solely an obligation of the LAGERS system. The City's recognized total pension expense (consisting of both the City's expense for active members and a proportionate share of LAGERS' expense for retired members from the City) for the year ended June 30, 2025 was \$111,201.52. The net pension liability (asset) (consisting of both the City's liability (asset) for active members and a proportionate share of LAGERS' liability (asset) for retired members from the City) attributable to the City's participation in LAGERS as of June 30, 2025, was as follows:

<u>June 30</u>	<u>Total Pension Liability (TPL)</u>	<u>Plan Fiduciary Net Position (FNP)</u>	<u>Net Pension Liability/ (Asset) (NPL)</u>	<u>FNP as % of TPL</u>
2025	\$2,819,900	\$(2,763,002)	\$56,898	97.98%

Source: City's Annual Financial Report for the Fiscal Year ended June 30, 2025.

The City's combined net pension liability for general and police employees (\$56,898) is based on a 7.00% discount rate. LAGERS advised the City that the City's net pension liability using a 1% higher or lower discount rate at June 30, 2025 would be as follows:

	<u>Net Pension Liability/(Asset) Sensitivity</u>		
	<u>1.0% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.0% Increase (8.00%)</u>
City's Net Pension Liability/(Asset)	\$513,887	\$56,898	\$(309,348)

Source: City's Annual Financial Report for the Fiscal Year ended June 30, 2025.

For additional information regarding the City's participation in LAGERS relating to the fiscal year ended June 30, 2025 see "**Note 6 – Pension Plan**" in **Appendix A** hereto.

Population

The historical populations of the City, the County and the State are set forth in the following table:

	<u>City of Hillsboro</u>		<u>Jefferson County</u>		<u>State of Missouri</u>	
	<u>Population</u>	<u>Percentage Change</u>	<u>Population</u>	<u>Percentage Change</u>	<u>Population</u>	<u>Percentage Change</u>
1990	1,625	N/A	171,380	N/A	5,117,073	N/A
2000	1,675	+3.08%	198,099	+15.59%	5,595,211	+9.34%
2010	2,821	+68.42	218,733	+10.42	5,988,927	+7.04
2020	3,473	+23.11	226,739	+3.66	6,154,913	+2.77

Source: U.S. Census Bureau, Decennial Census.

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

<u>Age</u>	<u>City of Hillsboro</u>	<u>Jefferson County</u>	<u>State of Missouri</u>
under 5 years	158	12,635	356,811
5-19 years	1,080	43,479	1,186,390
20-24 years	285	12,532	405,498
25-44 years	974	59,970	1,609,113
45-64 years	610	62,581	1,526,259
65 and over	393	38,261	1,107,743
Median Age	30.8	40.3	39.0

Source: U.S. Census Bureau, 2024 American Community Survey, 5-Year Estimates.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. The City believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

For additional information regarding the City's risk management relating to the fiscal year ended June 30, 2025, see **"Note 4 – Risk Management"** in **Appendix A** hereto.

Public Safety

The City provides the following municipal services: public safety, streets, sanitation, recreation, water, sewer and general administrative services. The City's police department consists of 16 commissioned police officers and two civilian administrative employees. Jefferson County 911 Dispatch provides twenty-four hour dispatch services. Fire protection services are provided by the Hillsboro Fire Protection District, which provides firefighting services and emergency response to 44 square miles in the east central portion of the County and whose headquarters are located in the City. Valle Ambulance District provides emergency medical service in a large portion of the County, including the City.

Utilities

All public and semi-public utility delivery systems are available to the City. Natural gas service is provided by Spire Missouri, Inc. and electrical service is provided by Ameren Missouri. The City owns and operates a combined waterworks and sewerage system, providing water to residents of the City and certain areas adjacent to the City.

Transportation

The City is bisected by State Highway 21, which provides access to I-270 and St. Louis County to the north. I-55 is approximately 10 miles east of the City via State Highway A. Due to its proximity to St. Louis, Missouri, Lambert International Airport is easily accessible to residents of the City.

Recreational Activities

The City's Parks and Recreation Department maintains one historic site, the Fletcher House, and one public park which includes walking trails, playground equipment, numerous athletic fields and many other amenities.

The County and the State maintain several parks near the City, including Morse Mill Park and Sandy Creek Covered Bridge State Historic Site. Residents of the City can also take advantage of the many cultural and recreational activities found in the St. Louis Metropolitan Area, such as the Gateway Arch, the Missouri Botanical Garden, Forest Park and museums, the St. Louis Zoo and professional baseball, soccer and hockey.

Educational Facilities

Primary and secondary education in the City is provided by the Hillsboro R-3 School District. This school district currently holds an "accredited" rating from the State of Missouri Department of Elementary and Secondary Education, which is the highest rating attainable. The Hillsboro R-3 School District has three elementary schools, one junior high school and one high school. There are several private and parochial schools within the surrounding area.

Jefferson College, located in the City, has been serving the post-secondary educational needs of the City and the County since 1963, and has received national awards for several of its programs. In addition, City residents have easy access to the St. Louis Metropolitan Area's many colleges and universities, including the University of Missouri-St. Louis, Washington University, Maryville University, Saint Louis University, Webster University and various other colleges and technical schools.

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Economic and Employment Information

Major Employers. Listed below are the major employers located in the County and the approximate number of employees employed by each:

<u>Employer</u>	<u>Type of Business</u>	<u>Employees</u>
1. Fox C-6 School District	Education	1,948
2. Mercy Medical	Healthcare	1,637
3. Walmart, Inc.	Retail	1,219
4. Northwest R-1 School District	Education	820
5. Jefferson County Government	Government	667
6. National Geospatial-Intelligence Agency	National Security	665
7. Compass Health Network	Healthcare	612
8. Jefferson College	Education	590
9. Festus R-VI School District	Education	588
10. Hillsboro R-3 School District	Education	525

Source: Economic Development Corporation of Jefferson County, Missouri.

Unemployment. The following table sets forth the number of employed workers, the number of unemployed workers, the total labor force and the unemployment rate in the City and, for comparative purposes, the unemployment rates for the County, the State and the United States for 2021 through 2025:

<u>Year</u>	<u>City of Hillsboro Labor Force</u>			<u>Unemployment Rates</u>			
	<u>Employed</u>	<u>Unemployed</u>	<u>Total</u>	<u>City of Hillsboro</u>	<u>Jefferson County</u>	<u>State of Missouri</u>	<u>United States</u>
2021	1,528	80	1,608	5.0%	3.8%	4.1%	5.3%
2022	1,577	53	1,630	3.3	2.5	2.6	3.6
2023	1,610	62	1,672	3.7	2.8	3.1	3.6
2024	1,615	75	1,690	4.4	3.4	3.7	4.0
2025 ⁽¹⁾	1,617	82	1,699	4.8	3.7	4.0	4.3

⁽¹⁾ Annual estimates for 2025 are 11-month averages that exclude October. Data for October 2025 was not collected due to the federal government shutdown.

Source: Missouri Economic Research & Information Center; U.S. Bureau of Labor Statistics.

Income

The following table presents certain income statistics for the City, the County and the State:

	<u>Median Family Income 2024 (dollars)</u>	<u>Per Capita Income 2024 (dollars)</u>
City of Hillsboro	\$88,388	\$26,810
Jefferson County	98,453	39,160
State of Missouri	91,360	39,695

Source: U.S. Census Bureau, 2024 American Community Survey, 5-Year Estimates.

The following table presents per capita personal income⁽¹⁾ for the County and the State for the years 2020 through 2024, the latest year for which such information is available:

<u>Year</u>	<u>Jefferson County</u>	<u>State of Missouri</u>
2020	\$46,287	\$52,206
2021	50,019	56,907
2022	51,770	58,525
2023	54,725	62,435
2024	56,907	64,920

(1) "Per Capita Personal Income" is the total annual personal income of residents divided by the resident population as of July 1. "Personal Income" is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and transfer payments. "Net Earnings" are earnings by place of work - the sum of wage and salary disbursements (payrolls), other labor income, and proprietors' income - less personal contributions for social insurance, plus an adjustment to convert earnings by place of work to a place-of-residence basis. Personal Income is measured before the deduction of personal income taxes and other personal taxes and is reported in current dollars (no adjustment is made for price changes).

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

Housing

The median values of owner-occupied housing units in the City, the County and the State are as follows:

	<u>Value</u>
City of Hillsboro	\$221,200
Jefferson County	237,200
State of Missouri	230,300

Source: U.S. Census Bureau, 2024 American Community Survey, 5-Year Estimates.

FINANCIAL INFORMATION CONCERNING THE CITY

Accounting and Auditing Procedures

The City uses the modified cash basis of accounting to record revenues and expenditures in all of its funds. The modified cash basis recognizes revenue when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred. Fixed assets are capitalized and depreciation is reported as an expense in the government wide financial statements, and also in the proprietary fund financial statements. The modified cash basis of accounting does not conform to generally accepted accounting principles, but does conform with the cash basis and budget laws of the State.

A summary of the City's accounting, budgeting and auditing procedures can be found in the City's Annual Financial Report attached to this Official Statement as ***Appendix A***.

Sources of Revenue

The City's General Fund, which finances its general operations, was funded through the following taxes and other sources of revenue as indicated below for the Fiscal Year ended June 30, 2025:

<u>Source</u>	<u>Amount</u>	<u>% of Total General Fund Revenue</u>
Taxes:		
Sales Tax	\$ 703,367	33.74%
General Revenue	234,226	11.24
Franchise Tax	334,217	16.03
Licenses and Permits	35,381	1.70
Intergovernmental	379,150	18.19
Fines and costs	26,325	1.26
Charges for services	234,345	11.24
Insurance reimbursements	93,973	4.51
Interest income	11,861	0.57
Miscellaneous	31,616	1.52
Total	<u>\$2,084,461⁽¹⁾</u>	<u>100.00%</u>

Source: City's Annual Financial Report for the Fiscal Year ended June 30, 2025.

(1) Total may not foot due to rounding.

Retail Sales Taxes

The City's largest source of revenue is from sales taxes, which include the City's 1.00% General Sales Tax, the City's 0.375% Capital Improvement Sales Tax, the City's 0.50% Law Enforcement Sales Tax, and the City's share of the 0.50% County Transportation Sales Tax. Proceeds of the City's 1.00% General Sales Tax and a 3.00% sales tax on retail sales of adult use marijuana are unrestricted and reported in the General Fund. Proceeds of the Capital Improvement Sales Tax are deposited in the Capital Projects Fund. Proceeds of the Law Enforcement Sales Tax are deposited in the Law Enforcement Fund. The City's share of proceeds of the County Transportation Sales Tax are reported in a special revenue fund and restricted for street purposes.

The following table shows the retail sales tax collections, net of collection fees, for the Fiscal Years shown. Each sales tax is subject to a different statutory framework for determining the amounts to be retained by the City.

<u>Fiscal Year Ended June 30</u>	<u>General Fund⁽¹⁾</u>	<u>Jefferson County Road Improvement Program</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund⁽²⁾</u>	<u>Law Enforcement Fund</u>
2021	\$464,606	\$181,370	\$174,228	\$156,852	\$214,482
2022	506,763	198,594	190,036	170,071	238,775
2023	516,121	217,658	193,545	215,729	243,003
2024	579,946	222,648	201,860	276,329	254,946
2025	703,367	227,631	218,265	440,243	275,887

(1) Includes revenues from a 3.00% sales tax on retail sales of adult use marijuana.

(2) Includes tax increment financing revenues.

Source: City's Annual Financial Report for the Fiscal Years ended June 30, 2021 – 2025.

The General Fund

In accordance with established accounting procedures of governmental units, the City records its financial transactions under various funds. The following table summarizes the revenues and expenditures for the City's General Fund for the Fiscal Years ended June 30, 2021 through 2025. The audited financial statements for the Fiscal Year ended June 30, 2025 are included in this Official Statement as *Appendix A*. The financial statements for all other Fiscal Years shown are available upon request from the City.

GENERAL FUND SUMMARY OF OPERATIONS⁽¹⁾

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenues					
Taxes:					
Sales tax	\$ 464,606	\$ 506,763	\$ 516,121	\$ 579,946	\$ 703,367
General revenue	209,735	211,461	216,438	229,118	234,227
Franchise tax	259,291	279,463	346,660	308,185	334,217
Licenses and Permits	39,749	39,101	26,661	48,462	35,381
Intergovernmental	308,977	562,472	664,650	356,124	379,150
Fines and costs	15,487	33,314	85,079	31,894	26,325
Charges for services	208,751	213,103	226,559	233,449	234,345
Donations	3,115	0	0	0	0
Insurance reimbursements	0	0	0	0	93,973
Interest income	132	230	8,155	16,477	11,861
Miscellaneous	45,460	25,660	50,228	87,067	31,616
Total Revenues	<u>\$1,555,303</u>	<u>\$1,871,567</u>	<u>\$2,140,551</u>	<u>\$1,890,722</u>	<u>\$2,084,462</u>
Expenditures					
Current					
General government	\$ 752,608	\$ 831,006	\$ 779,095	\$ 842,705	\$1,059,124
Public safety	<u>1,295,412</u>	<u>1,009,997</u>	<u>1,126,535</u>	<u>1,257,636</u>	<u>1,455,765</u>
Total Expenditures	<u>\$2,048,020</u>	<u>\$1,841,003</u>	<u>\$1,905,630</u>	<u>\$2,100,341</u>	<u>\$2,514,889</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (492,718)</u>	<u>\$ 30,564</u>	<u>\$ 234,921</u>	<u>\$ (209,619)</u>	<u>\$ (430,427)</u>
Other Financing Sources (Uses)					
Operating transfers in	\$ 422,742	\$ 361,281	\$ 396,936	\$ 405,369	\$ 294,341
Operating transfers out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ 422,742</u>	<u>\$ 361,282</u>	<u>\$ 396,936</u>	<u>\$ 405,369</u>	<u>\$ 294,341</u>
Net Change in Fund Balance	<u>\$ (69,976)</u>	<u>\$ 391,845</u>	<u>\$ 631,857</u>	<u>\$ 195,751</u>	<u>\$ (136,086)</u>
Beginning Fund Balance	<u>\$ 99,261</u>	<u>\$ 29,285</u>	<u>\$ 421,130</u>	<u>\$1,052,987</u>	<u>\$1,248,738</u>
Ending Fund Balance	<u>\$ 29,285</u>	<u>\$ 421,130</u>	<u>\$1,052,987</u>	<u>\$1,248,738</u>	<u>\$1,112,652</u>

Source: City's Annual Financial Report for the Fiscal Year ended June 30, 2025.

⁽¹⁾ Totals may not sum due to rounding.

2026 Unaudited Results and 2027 Budget

For the Fiscal Year ended June 30, 2026, the unaudited ending balance of the City's General Fund was \$1,046,552 compared to \$1,112,652 for the Fiscal Year ended June 30, 2025. For the current Fiscal Year ending June 30, 2027, the City projects revenues of approximately \$1,979,200, total expenses of approximately \$2,603,200 and net transfers in of approximately \$438,100. Thus, the balance of the City's General Fund is expected to decrease by approximately \$185,900.

DEBT STRUCTURE OF THE CITY

Current Obligations of the City

The City's only outstanding long-term debt obligations are the Revenue Bonds, further described under the caption **"DEBT STRUCTURE OF THE CITY – Long Term Revenue Obligations of the City."** The City has no general obligation bonds or other debt instruments outstanding except for its Revenue Bonds.

Authority to Incur Debt; Legal Debt Margin

Article VI, Sections 26(b) and 26(c) of the Missouri Constitution limit the net outstanding amount of authorized general obligation bonds, exclusive of neighborhood improvement district bonds and notes, for a city to 10% of the assessed valuation of the city. Article VI, Sections 26(d) and 26(e), however, provide that a city may, with the required voter approval, issue general obligation bonds in an amount not to exceed an additional 10% of the assessed valuation of the city for the purpose of acquiring rights-of-way; constructing, extending and improving streets and avenues; constructing, extending and improving sanitary or storm sewer systems; or purchasing or constructing waterworks or electric light plants. This additional 10% is permitted provided that the total general obligation indebtedness of a city, including neighborhood improvement district bonds and notes, does not exceed 20% of the city's assessed valuation. The legal debt margin of the City based upon the January 1, 2025 assessed valuation, as adjusted by the Board of Equalization, is calculated as follows:

2025 Assessed Valuation	\$58,590,300 ⁽¹⁾
Constitutional Debt Limit (20% of Assessed Valuation)	11,718,060
Less: Outstanding General Obligation Indebtedness	<u>(0)</u>
Legal Debt Margin	<u>\$11,718,060</u>

⁽¹⁾ Excludes assessed valuations in the amount of \$1,328,300 attributable to the incremental increase in assessed valuation over the established assessed valuation base within TIF Redevelopment Areas.

Overlapping General Obligation Debt

The following table sets forth the approximate overlapping indebtedness of political subdivisions with boundaries overlapping the City as of October 1, 2026 and, for those political subdivisions with overlapping indebtedness, the percent attributable (on the basis of assessed valuation) to the City. The table was compiled from information furnished by the jurisdictions responsible for the debt, and the City has not independently verified the accuracy or completeness of such information. Furthermore, political subdivisions may have ongoing programs requiring the issuance of substantial additional bonds, the amounts of which cannot be determined at this time.

	Outstanding General Obligation Indebtedness	Percent Applicable to the City	Amount Applicable to the City
Jefferson County ⁽¹⁾	\$ 715,000	1.29%	\$ 9,224
Jefferson College	0	1.33	0
Hillsboro R-3 School District	1,260,000	9.44	118,944
Hillsboro Fire Protection District	0	29.79	0
Valle Ambulance District	0	10.57	0
Total	<u>\$1,975,000</u>		<u>\$128,168</u>

⁽¹⁾ Includes neighborhood improvement district general obligation bonds which are paid from special assessments.

Source: Jefferson County Assessor's Office; State Auditor of Missouri – Bond Registration Reports and Municipal Securities Rulemaking Board's Electronic Municipal Market Access system.

Lease Obligations of the City

Certificates of Participation. Following the delivery of the Series 2026 Certificates, the Series 2026 Certificates will be the only certificates of participation of the City outstanding. The annual debt service requirements for the Series 2026 Certificates are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Principal Portion</u> *	<u>Interest Portion</u>	<u>Total</u>
2027	\$ 125,000	\$	\$
2028	65,000		
2029	65,000		
2030	70,000		
2031	70,000		
2032	75,000		
2033	80,000		
2034	85,000		
2035	90,000		
2036	90,000		
2037	95,000		
2038	100,000		
2039	110,000		
2040	115,000		
2041	120,000		
2042	125,000		
2043	135,000		
2044	140,000		
2045	150,000		
2046	<u>160,000</u>	<u> </u>	<u> </u>
Total:	<u>\$2,065,000</u>	<u>\$ </u>	<u>\$ </u>

Long Term Revenue Obligations of the City

The following table sets forth the City's long term revenue obligations that have a lien on the revenues of the System:

<u>Name of Bonds</u>	<u>Original Amount</u>	<u>Final Maturity</u>	<u>Currently Outstanding</u>
Combined Waterworks and Sewerage System Revenue Bonds, Series 2018	\$1,450,000	03/01/2035	\$1,070,000
Combined Waterworks and Sewerage System Revenue Bonds, Series 2025	<u>5,480,000</u>	03/01/2045	<u>5,255,000</u>
Total	<u>\$6,930,000</u>		<u>\$6,325,000</u>

* Preliminary; subject to change.

The following table shows the historical revenues and expenses of the System derived from the audited financial statements of the City for the fiscal years 2023 through 2025 and the historical debt service on the bonds payable from net revenues of the System. **There can be no assurance that the System's past performance levels, which resulted in the net income and revenues arising from the operation of the System available for debt service set forth below, will continue to be attained in the future. The financial performance of the System depends on future events and conditions, the impact of which on the revenues of the System cannot be predicted.** For more information on the revenues and expenses of the System, see the caption **"THE SYSTEM - Summary of Historical Operating Results (Water and Sewer Fund)"** herein.

	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenues ⁽¹⁾	\$2,110,456	\$2,172,752	\$2,423,304
Expenses ⁽²⁾	<u>(1,180,425)</u>	<u>(1,282,069)</u>	<u>(1,685,037)</u>
Net Revenues Available for Basic Rent	\$ 930,031	\$ 890,683	\$ 738,267
Historical Debt Service ⁽³⁾	\$ 293,727	\$ 298,125	\$ 244,827
Surplus Revenue	\$ 636,304	\$ 592,558	\$ 493,440

(1) Includes both operating and non-operating revenues (such as investment income and grants).

(2) Excludes depreciation and interest expense.

(3) For 2023 and 2024, includes actual annual debt service requirements for the City's outstanding Combined Waterworks and Sewerage System Revenue Bonds, Series 2012 and Series 2018. For 2025, includes actual annual debt service requirements for the Series 2018 and Series 2025 Bonds, which refunded the Series 2012 Bonds.

Future Debt Plans

The City does not have plans to incur any debt or enter into additional long-term lease obligations within the next two years.

History of Debt Payments

The City has never defaulted on any indebtedness of the City and has never failed to appropriate funds for the payment of annually appropriated obligations.

THE SYSTEM

The City intends to annually budget and appropriate net revenues generated from the System to pay debt service on the Series 2026 Certificates. Such revenues are not pledged as security for the payment of the Series 2026 Certificates, and there can be no assurance that the City will appropriate funds for payment of the Series 2026 Certificates. Net revenues of the System are pledged to repayment of the Revenue Bonds. For more information about the Revenue Bonds, see the caption **"DEBT STRUCTURE OF THE CITY – Long Term Revenue Obligations of the City"** herein.

Description of the System Facilities

Water System. Presently the City's water supply is provided by three deep wells. The water does not require treatment. The City has one water tower with a combined storage capacity of 300,000 gallons. Water is distributed primarily by 6 to 8-inch water mains throughout the City.

Sewer System. The City's sewer system consists of approximately 28 miles of collection lines, 10 sewage lift stations, a 90,000 gallon per day wastewater treatment plant at the Brickyard Road subdivision, a 320,000 gallon per day wastewater treatment plant on Highway BB, a 70,000 package plant at the intersection

of Old Highway 21 and Hayden Road, and a 20,000 gallon per day package plant at Jamestown Mobile Home Park. All facilities are currently licensed with Missouri Department of Natural Resources.

Management of the System

The City's Public Works Department, which consists of 6 employees including the Superintendent, oversees the System. The water system facilities are operated and maintained by four state certified licensed operators. The wastewater treatment plants, lift stations and main lines are operated and maintained by four state certified licensed wastewater operators.

Rates and Charges

The City approved the current rates charged for water and sewer service, including a 1.5% increase from the previous year, on July 6, 2026. Monthly user charges are based on a minimum charge and usage. In addition, customers pay a one-time connection fee that is generally \$2,000.

Water Rates. Bills for water include a minimum monthly charge based on meter size that ranges from \$9.84 to \$1,360.06 for customers in the City and \$13.08 to \$1,360.93 for customers outside the City limits. The majority of customers have meters that are ¾" and pay the minimum charge of \$9.84 or \$13.08 if located outside the City limits. In addition, customers pay for water usage as set forth below:

	<u>Inside City Limits</u>	<u>Outside City Limits</u>
0-4,999 gallons	\$6.13/1,000 gallons	\$9.20/1,000 gallons
Next 5,000-9,999 gallons	\$6.89/1,000 gallons	\$10.36/1,000 gallons
Next 10,000-19,999 gallons	\$7.76/1,000 gallons	\$11.63/1,000 gallons
For 20,000 and additional gallons	\$8.73/1,000 gallons	\$13.10/1,000 gallons

Sewer Rates. Bills for sewer include a minimum monthly charge based on meter size that ranges from \$24.44 to \$88.23 for customers in the City and \$24.59 to \$88.23 for customers outside the City limits. The majority of customers have meters that are ¾" and pay the minimum charge of \$24.44 or \$24.59 if located outside the City limits. In addition, customers pay based on the gallons of water used as follows:

	<u>Inside City Limits</u>	<u>Outside City Limits</u>
Rate per 1,000 gallons	\$8.98	\$13.46

Customers and Usage

The number of customers of the System for the fiscal years shown below was as follows:

<u>Fiscal Year Ended June 30</u>	<u>Average Number of Customers</u>	<u>Percentage Change</u>
2021	1,304	N/A
2022	1,314	+0.77%
2023	1,325	+0.84
2024	1,329	+0.30
2025	1,327	-0.15

The following table sets forth the total sales of water by the City for the fiscal years shown below:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Gallons of Water Sold</u>	<u>Percentage</u> <u>Change</u>
2021	85,515,300	N/A
2022	90,613,600	+5.96%
2023	95,484,200	+5.38
2024	103,274,400	+8.16
2025	97,077,800	-6.00

The 10 largest customers of the System during the fiscal year ended June 30, 2025 based on water usage were as follows:

<u>Customer</u>	<u>Gallons Used</u>	<u>% of</u> <u>Gallons Used</u> ⁽¹⁾	<u>Revenue Collected</u>	<u>% of</u> <u>System Revenues</u> ⁽²⁾
Jefferson County Government	10,099,600	10.40%	\$200,184.12	9.62%
Jefferson College	7,496,000	7.72	184,466.47	8.86
Hillsboro R-3 School District	6,389,000	6.58	113,152.04	5.44
Timber Ridge Apartments	2,988,800	3.08	9,136.42	0.44
Home Service Oil-Express Mart	1,187,000	1.22	44,630.27	2.14
Daon Car Wash	633,000	0.65	11,750.08	0.56
Latter-Day Saints	534,100	0.55	61,942.00	2.98
Hillsboro laundromat	509,000	0.52	9,798.80	0.47
MAC's llc	460,000	0.47	9,831.25	0.47
Karsch's Village Market	<u>368,000</u>	<u>0.38</u>	<u>6,842.51</u>	<u>0.33</u>
TOTALS	<u>30,664,500</u>	<u>31.59%</u>	<u>\$651,733.96</u>	<u>31.31%</u>

(1) Based on 2025 gallons of water sold (shown above); total may not foot due to rounding.

(2) Based on 2025 System revenues collected (shown below).

Billings and Collections

The following table shows the amounts billed for water and sewer services and the amounts collected by the City for the fiscal years shown below:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u> <u>Billed</u>	<u>Amount</u> <u>Collected</u> ⁽¹⁾	<u>Percentage</u> <u>Collected</u>
2021	\$1,651,005	\$1,664,178	100.80%
2022	1,875,128	1,808,128	96.43
2023	2,051,614	1,946,861	94.89
2024	2,163,214	2,102,241	97.18
2025	2,012,573	2,081,291	103.41

(1) Collections include amounts collected for delinquent billings and reconnection fees received.

All customers are billed monthly for services rendered by the City in the preceding month. Bills are due on the first day of the month. After 45 days of nonpayment of any bill, the City's general practice is to terminate service. To resume service, customers are required to pay all unpaid charges, plus a reconnection fee of \$25.00 for the first incident and \$50.00 for each subsequent reconnection.

Summary of Historical Operating Results (Water and Sewer Fund)

The following table provides a financial summary of the operations of the System derived from the audited financial statements of the Water and Sewer Fund for the Fiscal Years ended June 30, 2021 through 2025.

Summary of System Operations (Modified Cash Basis of Accounting)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenues					
Water and sewer revenues	\$1,626,198	\$1,847,785	\$1,953,293	\$2,043,100	\$2,055,470
Connection and other fees	37,434	31,070	54,623	45,416	31,780
Miscellaneous	-	-	56,864 ⁽¹⁾	80,643 ⁽¹⁾	-
Total Operating Revenues Received	<u>\$1,663,632</u>	<u>\$1,878,855</u>	<u>\$2,064,780</u>	<u>\$2,169,159</u>	<u>\$2,087,250</u>
Operating Expenses					
Personnel services	\$ 610,011	\$ 617,708	\$ 610,732	\$ 610,906	\$ 693,021
Repairs, maintenance and supplies	107,337	139,137	98,035	152,568	255,326
Utilities	123,434	142,786	142,865	143,670	200,010
Other Operating Expenses	<u>264,470</u>	<u>234,361</u>	<u>328,793</u>	<u>374,925</u>	<u>470,966</u>
Total Operating Expenses	<u>\$1,105,252</u>	<u>\$1,133,992</u>	<u>\$1,180,425</u>	<u>\$1,282,069</u>	<u>\$1,619,323</u>
Net Revenues	\$ 558,380	\$ 744,863	\$ 884,355	\$ 887,090	\$ 467,927
Depreciation	<u>(512,872)</u>	<u>(513,030)</u>	<u>(507,345)</u>	<u>(490,235)</u>	<u>(440,537)</u>
Operating Income/(Loss)	<u>\$ 45,508</u>	<u>\$ 231,833</u>	<u>\$ 377,010</u>	<u>\$ 396,855</u>	<u>\$ 27,390</u>
Non-Operating Revenues (Expenses)					
Grants	\$ 51,965	\$ 172,122	\$ 43,239	-	\$ 12,340
Cost of Issuance					(65,714)
Interest Income	343	311	2,437	\$ 3,593	40,422
Interest Expense	<u>(119,183)</u>	<u>(114,243)</u>	<u>(108,993)</u>	<u>(104,255)</u>	<u>(98,066)</u>
Total Non-Operating Revenues (Expenses)	<u>\$ (66,875)</u>	<u>\$ 58,190</u>	<u>\$ (63,317)</u>	<u>\$ (100,662)</u>	<u>\$ (111,017)</u>
Net Income (loss)	\$ (21,367)	\$ 290,023	\$ 313,693	\$ 296,193	\$ (83,627)
Transfers in	-	\$ 10,122	-	-	\$ 283,292
Net Position, Beginning of the Year	<u>\$4,480,226</u>	<u>\$4,458,859</u>	<u>\$4,759,004</u>	<u>\$5,072,697</u>	<u>\$5,368,890</u>
Net Position, End of the Year	<u>\$4,458,859</u>	<u>\$4,759,004</u>	<u>\$5,072,697</u>	<u>\$5,368,890</u>	<u>\$5,568,555</u>

Source: Audited Financial Statements for the Fiscal Years ended June 30, 2021 through 2025.

⁽¹⁾ For the Fiscal Year ended June 30, 2023, includes insurance proceeds in the amount of \$56,864. For the Fiscal Year ended June 30, 2024, includes insurance proceeds in the amount of \$4,900.96 and reimbursements in the amount of \$75,742.50.

PROPERTY TAX INFORMATION

Property Valuations

Assessment Procedure. All taxable real and personal property within the City is assessed by the County Assessor. State law requires that personal property be assessed at 33-1/3% of true value (except for a few subclasses of minimal value that are assessed at a lower percentage) 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%

On January 1 in every odd-numbered year, the 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 County Board of Equalization. The County Board of Equalization has the authority to adjust and equalize the values of individual properties appearing on the tax rolls.

Current Assessed Valuation. The following table shows the total assessed valuation and the estimated actual valuation, by category, of all taxable tangible property situated in the City (excluding assessed valuation amounts attributable to the incremental increase in assessed valuation over the established assessed valuation base within TIF Redevelopment Areas (defined herein) located within the City) according to the assessment as of January 1, 2025, as adjusted and finalized:

<u>Category</u>	<u>Assessed Valuation⁽¹⁾</u>	<u>Assessment Rate</u>	<u>Estimated Total Valuation</u>
Real Property			
Residential	\$31,234,300	19%	\$164,391,053
Agricultural	70,700	12%	589,167
Commercial	14,282,600	32%	44,633,125
Locally Assessed Railroad and Utility	0	32%	0
State Assessed Railroad and Utility	<u>1,816,565</u>	32%	<u>5,676,766</u>
Sub-Total	\$47,404,165		\$215,290,111
Personal Property ⁽²⁾	\$10,955,633	33.33%	\$ 32,870,186
Locally Assessed Railroad and Utility	5,066	33.33%	15,200
State Assessed Railroad and Utility	<u>225,436</u>	33.33%	<u>676,376</u>
Sub-Total	\$11,186,135		\$ 33,561,762
TOTAL	<u>\$58,590,300</u>		<u>\$248,851,873</u>

⁽¹⁾ Excludes assessed valuations in the amount of \$1,328,300 attributable to the incremental increase in assessed valuation over the established assessed valuation base within TIF Redevelopment Areas.

⁽²⁾ Assumes all personal property is assessed at 33-1/3%; because certain subclasses of tangible personal property are assessed at less than 33-1/3%, the estimated actual valuation for personal property would likely be greater than that shown above.

Source: Office of the Jefferson County Clerk.

History of Property Valuations. The total assessed valuation of all taxable tangible property situated in the City, including state and locally assessed railroad and utility property and the incremental increase in assessed valuation over the established assessed valuation base within TIF Redevelopment Areas (defined herein), according to the assessments of January 1 in each of the following years, as finalized, has been as follows:

<u>Tax Year</u>	<u>Assessed Valuation⁽¹⁾</u>	<u>Percentage Change</u>
2020	\$46,476,494	N/A
2021	50,922,722	+9.57%
2022	52,165,758	+2.44
2023	56,405,001	+8.13
2024	55,782,998	-1.10
2025	59,918,600	+7.41

⁽¹⁾ Includes assessed valuations attributable to the incremental increase in assessed valuation over the established assessed valuation base within TIF Redevelopment Areas.

Source: Office of the Jefferson County Clerk.

Major Property Taxpayers

The following table shows the largest property taxpayers in the City for the 2025 tax year, based on assessed valuation of real and personal property:

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percentage of Assessed Valuation</u>
Bradford Properties LLC	\$1,112,200	1.90%
Woestman Properties LLC	864,100	1.47
Timber Ridge 10x LLC & The Way Realty LLC	782,000	1.33
First State Community Bank	639,400	1.09
Ess Fenton Group LLC	612,800	1.05
Queens Real Estate Partnership LLC	530,400	0.91
SMO Hillsboro LLC	502,600	0.86
Hillsboro MO Medical LLC	494,700	0.84
SMO Hillsboro Rental LLC	<u>448,800</u>	<u>0.77</u>
TOTAL	<u>\$5,987,000</u>	<u>10.22%</u>

Source: Office of the Jefferson County Assessor.

Property Tax Levies and Collections

Property taxes are levied and collected for the City by the County Collector. The County Collector deducts a small percentage of the taxes collected as commission for services. After such collections and deductions of commission, taxes are distributed to the City according to its pro-rata share.

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 revenues as estimated in the City's budget. The City must fix its ad valorem property tax rates and certify them to the Jefferson County Clerk not later than September 1 for entry in the tax books.

The County Clerk receives the county tax books from the County Assessor, which tax book sets forth the assessments of real and personal property. The County Clerk enters the tax rates certified to it by the local taxing bodies in the tax book and assesses such rates against all taxable property in the City as shown in such books. The County Clerk forwards the tax books by October 31 to the County Collector, who is charged with levying and collecting taxes as shown therein. The County Collector extends the taxes on the tax rolls and issues the tax statements in early December. Taxes are due by December 31 and become delinquent if not paid by that time. All tracts of land and city lots on which delinquent taxes are due are charged with a penalty of 18% 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.

The County Collector is required to make disbursements of collected taxes to the City each month. Because of the tax collection procedure described above, the City receives the bulk of its moneys from local property taxes in the months of December, January and February.

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

<u>Tax Year</u>	<u>General</u>	<u>Parks and Recreation</u>	<u>Total</u>
2022	\$0.4170	\$0.0747	\$0.4917
2023	0.4168	0.0747	0.4915
2024	0.4253	0.0762	0.5015
2025	0.4104	0.0735	0.4839
2026	0.4104	0.0735	0.4839

Source: Missouri State Auditor's Property Tax Rates for 2022 through 2025; the City for 2026.

Property Tax Collections. The following table shows property tax collection information for the City for the last five fiscal years:

<u>Fiscal Year Ended June 30</u>	<u>Assessed Valuation⁽¹⁾</u>	<u>Total Taxes Levied⁽²⁾</u>	<u>Current and Delinquent Taxes Collected</u>	<u>% of Total Taxes Levied⁽³⁾</u>
2021	\$46,476,494	\$240,098	\$245,505	102.25%
2022	50,922,722	250,387	249,184	99.52
2023	52,165,758	256,499	255,230	99.51
2024	56,405,001	277,231	270,182	97.46
2025	55,782,998	279,752	276,210	98.73

(1) The assessed valuation used is the assessed valuation of the City as adjusted through December 31 of the calendar year prior to the fiscal year shown. Includes assessed valuations attributable to the incremental increase in assessed valuation over the established assessed valuation base within TIF Redevelopment Areas.

(2) Total Taxes Levied is calculated by dividing Assessed Valuation by 100 and multiplying by the Total Levy for the corresponding tax year.

(3) Delinquent taxes are shown in the year payment is actually received, which may cause the percentage of Current and Delinquent Taxes Collected to exceed 100%.

Source: Office of the Jefferson County Clerk for 2021 through 2025 for the Assessed Valuation and Total Taxes Levied; City's Annual Financial Report for the Fiscal Years ended June 30, 2021 – 2025.

Tax Abatement and Tax Increment Financing

Under State law, tax abatement is available for redevelopers of areas determined by the governing body of a city to be “blighted.” The Land Clearance for Redevelopment Authority Law authorizes 10-year tax abatement pursuant to Sections 99.700 to 99.715 of the Revised Statutes of Missouri. In lieu of 10-year tax abatement, a redeveloper that is an urban redevelopment corporation formed pursuant to Chapter 353 of the Revised Statutes of Missouri may seek real property tax abatement for a total period of 25 years. In addition, Chapter 100 of the Revised Statutes of Missouri and Article VI, Section 27(b) of the Missouri Constitution authorize real and personal property tax abatement for corporations for certain industrial development projects. Currently, there are no tax abatement projects authorized under Chapter 100 located in the City.

In addition, the Real Property Tax Increment Allocation Redevelopment Act, Sections 99.800 to 99.865 of the Revised Statutes of Missouri, makes available tax increment financing for redevelopment projects in certain areas determined by the governing body of a city or county to be a “blighted area,” “conservation area” or “economic development area,” each as defined in such statute.

Currently, certain portions of the City are located in tax increment financing redevelopment areas (“**TIF Redevelopment Areas**”). Tax increment financing does not diminish the amount of property tax revenues collected by the City in an affected area compared to prior to the establishment of a TIF Redevelopment Area but instead acts to freeze such revenues at current levels (the “**Base**”) and deprives the City and other taxing districts of all or part of future increases in ad valorem real property tax revenues that otherwise would have resulted from increases in assessed valuation above the Base (the “**TIF Increment**”). The TIF Increment is captured by the TIF Redevelopment Areas until the tax increment financing obligations issued are repaid or the tax increment financing period terminates.

According to the County Clerk of Jefferson County, the TIF Increment attributable to property within the City is \$1,328,300 for the 2025 tax year. See the captions “**PROPERTY TAX INFORMATION – Property Valuations – Current Assessed Valuation**” and “**– History of Property Valuations**” herein.

RATINGS

It is anticipated that S&P Global Ratings, a division of S&P Global Inc. (the “**Rating Agency**”), will assign the Series 2026 Certificates the rating of “AA” conditioned upon the issuance by BAM at the time of delivery of the Series 2026 Certificates of the Policy guaranteeing the scheduled payment of principal of and interest on the Series 2026 Certificates when due. The Rating Agency has assigned the Series 2026 Certificates a rating of “BBB+” based on the Rating Agency’s evaluation of the creditworthiness of the City.

Any explanation of the significance of such ratings may only be obtained from the Rating Agency. Certain information and materials not included in this Official Statement were furnished to the Rating Agency concerning the Series 2026 Certificates. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. There is no assurance that the ratings mentioned above will remain for any given period of time or that such ratings will not be lowered or withdrawn entirely by the Rating Agency if, in its judgment, circumstances so warrant. The Underwriter has no responsibility to bring to the attention of the Owners of the Series 2026 Certificates any proposed revision or withdrawal of the ratings on the Series 2026 Certificates. Any such downward change in or withdrawal of the ratings might have an adverse effect on the market price for and marketability of the Series 2026 Certificates.

FINANCIAL STATEMENTS

The City maintains its financial records on the basis of a Fiscal Year ending June 30. Set forth as *Appendix A* are the audited financial statements of the City for the Fiscal Year ended June 30, 2025. The City neither requested nor received a consent of its independent auditor to the inclusion of its audit report in this

Official Statement. Neither the City's independent auditor, nor any other independent accountants, have examined the City's records, or performed any procedures with respect to the City since the date of the City's audit for the Fiscal Year ended June 30, 2025.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, sale and delivery of the Series 2026 Certificates are subject to the approving legal opinion of Gilmore & Bell, P.C., St. Louis, Missouri, Special Tax Counsel to the City. Certain legal matters related to this Official Statement will be passed upon by Gilmore & Bell, P.C., St. Louis, Missouri. Certain legal matters will be passed upon for the Underwriter by Thompson Coburn LLP, St. Louis, Missouri.

The various legal opinions to be delivered concurrently with the delivery of the Series 2026 Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon or of the future performance of the parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

The following is a summary of the material federal and State income tax consequences of holding and disposing of the Series 2026 Certificates. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of Owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2026 Certificates as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers) and, except for the income tax laws of the State, does not discuss the consequences to an Owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2026 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 2026 Certificates.

Opinion of Special Tax Counsel

In the opinion of Gilmore & Bell, P.C., Special Tax Counsel to the City, under the law existing as of the delivery date of the Series 2026 Certificates:

Federal and State of Missouri Tax Exemption. The Interest Portion of Basic Rent paid by the City and distributed to the Owners of the Series 2026 Certificates (including any original issue discount properly allocable to an Owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State.

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

Bank Qualification. The City's obligation to pay Basic Rent under the Lease is a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code.

Special Tax Counsel's opinions are provided as of the date of the original delivery of the Series 2026 Certificates, subject to the condition that the City comply with all requirements of the Code that must be satisfied

subsequent to the delivery of the Series 2026 Certificates in order that the Interest Portion of Basic Rent be, or continue to be, excludable from gross income for federal and State income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of the Interest Portion of Basic Rent in gross income for federal and State income tax purposes retroactive to the date of delivery of the Series 2026 Certificates. Special Tax Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2026 Certificates but has reviewed the discussion under the heading “**TAX MATTERS**” herein.

Other Tax Consequences

Original Issue Discount. For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Series 2026 Certificate over its issue price. The stated redemption price at maturity of a Series 2026 Certificate is the sum of all payments on the Series 2026 Certificate other than “qualified stated interest” (i.e., interest unconditionally payable at least annually at a single fixed rate). The issue price of a Series 2026 Certificate is generally the first price at which a substantial amount of the Series 2026 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. The amount of original issue discount that accrues to an owner of a Series 2026 Certificate during any accrual period generally equals (1) the issue price of that Series 2026 Certificate, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2026 Certificate (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Series 2026 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 Series 2026 Certificate. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount, if any.

Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of a Series 2026 Certificate over its stated redemption price at maturity. The stated redemption price at maturity of a Series 2026 Certificate is the sum of all payments on the Series 2026 Certificate other than “qualified stated interest” (i.e., interest unconditionally payable at least annually at a single fixed rate). The issue price of a Series 2026 Certificate is generally the first price at which a substantial amount of the Series 2026 Certificates of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt obligations amortizes over the term of such obligations using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the Owner’s basis in a Series 2026 Certificate and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the Owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2026 Certificate prior to its maturity. Even though the Owner’s basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of premium, if any.

Sale, Exchange or Retirement of Series 2026 Certificates. Upon the sale, exchange or retirement (including prepayment) of a Series 2026 Certificate, the Owner of the Series 2026 Certificate generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property actually or constructively received on the sale, exchange or retirement of the Series 2026 Certificate (other than in respect of accrued and unpaid interest) and such Owner’s adjusted tax basis in the Series 2026 Certificate. To the extent a Series 2026 Certificate is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2026 Certificate has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of the Principal Portion of Basic Rent, the Interest Portion of Basic Rent and premium distributed to the Owners of the Series 2026 Certificates, and to the proceeds paid on the sale of the Series 2026 Certificates, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to

such payments if the Owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an Owner will be allowed as a credit against the Owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Series 2026 Certificates should be aware that ownership of the Series 2026 Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, certain applicable corporations subject to the corporate alternative minimum tax, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2026 Certificates. Special Tax Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2026 Certificates should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2026 Certificates, including the possible application of state, local, foreign and other tax laws.

Special Tax Counsel notes that the Interest Portion of Basic Rent may be included in adjusted financial statement income of applicable corporations for purposes of determining the applicability and amount of the federal corporate alternative minimum tax.

Tax Consequences Subsequent to an Event of Default or Event of Nonappropriation

Special Tax Counsel has rendered no opinion with respect to the income tax consequences applicable to the Series 2026 Certificates subsequent to a termination of the Lease by reason of an Event of Nonappropriation or an Event of Default. If the Lease is terminated by reason of either such event, there is no assurance that the Interest Portion of the Basic Rent Payments received with respect to the Series 2026 Certificates will remain excludable from gross income for federal income tax purposes.

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 2026 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 of Trust, the Lease, the Base Lease and this Official Statement, or which would materially and adversely affect the financial condition of the City.

UNDERWRITING

The Series 2026 Certificates are being purchased for reoffering by Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**"). The Underwriter has agreed, subject to certain conditions, to purchase the Series 2026 Certificates at a purchase price of \$ _____ (which amount is equal to the principal amount of the Series 2026 Certificates, plus [*net*] original issue premium of \$ _____, less an Underwriter's discount of \$ _____). The Underwriter is purchasing the Series 2026 Certificates for resale in the normal course of the Underwriter's business activities. The Underwriter reserves the right to offer any of the Series 2026 Certificates to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter shall determine.

The Underwriter and its affiliates comprise a full-service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its affiliates may have provided, and may in the future

provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, the Underwriter and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

CERTAIN RELATIONSHIPS

Gilmore & Bell, P.C., Special Tax Counsel to the City, has represented the Underwriter in transactions unrelated to the delivery of the Series 2026 Certificates but is not representing the Underwriter in connection with the delivery of the Series 2026 Certificates. Thompson Coburn LLP, counsel to the Underwriter, has represented the Trustee in transactions unrelated to the delivery of the Series 2026 Certificates but is not representing the Trustee in connection with the delivery of the Series 2026 Certificates.

MISCELLANEOUS

References herein to the Declaration of Trust, the Lease, the Base Lease, the Continuing Disclosure Undertaking 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 have been approved by the City; however, the City has made no warranties 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 of Trust.

CITY OF HILLSBORO, MISSOURI

By: _____
Mayor

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APPENDIX A

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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CITY OF HILLSBORO, MISSOURI

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2025

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Jeffrey J. Eftink, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P. O. Box 1130

Marble Hill, MO 63764

Fax: (573) 238-4762

Telephone: (573) 238-3334

Email: eftcpa@sbcglobal.net

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Honorable Mayor and Members of the City Council
City of Hillsboro, Missouri

Opinions

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hillsboro, Missouri, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Hillsboro, Missouri's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hillsboro, Missouri, as of June 30, 2025, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Hillsboro, Missouri, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinions are not modified with respect to this matter.

Exhibit 1-1

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the presentation of financial statements in the circumstances. Management is responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hillsboro, Missouri's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with the generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Hillsboro, Missouri's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hillsboro, Missouri's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hillsboro, Missouri's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 my opinion, the combining and individual fund statements and schedules are fairly stated, in relation to the basic financial statements as a whole.



Marble Hill, Missouri
March 20, 2026

CITY OF HILLSBORO, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025
UNAUDITED

Our discussion and analysis of the City of Hillsboro, Missouri's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the City's financial statement's which begin on Exhibit 3.

FINANCIAL HIGHLIGHTS

The City's assets exceed its liabilities by \$24,049,497 which is an increase of \$30,744 from the previous year.

Total net assets consist of net investment in capital assets of \$15,045,486 and net assets available for operations of \$9,004,011.

The City's most significant general revenue is from sales tax of \$1,637,761.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector.

The first of these government-wide statements is the "Statement of Net Position." This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the "Statement of Activities" which reports how the City's net position changed during the current fiscal year.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues such as grants, from business-type activities that are intended to recover all or a significant portion of their cost through user fees and charges. Governmental activities include general government, public safety, street, and park. Business-type activities include water and sewer. Fiduciary activities such as employee pension plans are not included in the government-wide statements since these assets are not available to fund City programs.

The City's financial reporting entity includes the funds of the City (primary government) and organization for which the City is accountable (component units). Most of these legally separate organizations operate like City departments, serve as financing vehicles for City services (revenue bond issuers), or are governed by a board of trustees wholly comprised for the City's Mayor and Council. These organizations are blended into the primary governments for financial reporting purposes. More comprehensive information about the City's component units can be found in Note 1 of the financial statements.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year.

They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet-modified cash basis and the governmental fund statement of revenues received, expenditures paid, and changes in fund balances-modified cash basis provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund. Budgetary comparison schedules for other special revenue funds and the debt service fund can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as the water and sewer utilities.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole. The following table presents a summary of net position:

	<u>2023</u>	<u>June 30, 2024</u>	<u>2025</u>
Cash	\$ 4,450,023	\$ 5,252,320	\$ 8,984,147
Current assets	0	0	23,475
Capital assets	<u>24,359,482</u>	<u>23,733,230</u>	<u>23,966,367</u>
Total assets	<u>28,809,505</u>	<u>28,985,550</u>	<u>32,973,989</u>
Current liabilities	309,210	310,682	393,874
Noncurrent liabilities	<u>4,891,665</u>	<u>4,684,456</u>	<u>8,530,618</u>
Total liabilities	<u>5,200,875</u>	<u>4,995,138</u>	<u>8,924,492</u>
Net assets:			
Investment in capital assets	19,172,492	18,741,239	15,045,486
Restricted	1,837,705	2,106,958	6,092,056
Unrestricted	<u>2,598,433</u>	<u>3,142,215</u>	<u>2,911,955</u>
Total net assets	<u>\$23,608,630</u>	<u>\$23,990,412</u>	<u>\$24,049,497</u>

The City's overall financial position slightly increased during the fiscal year ending June 30, 2025.

The City is incurring significant growth through expansion and annexation, in residential and commercial establishments. This is primarily due to the City's location on a major highway near St. Louis, Missouri. Consequently, the City is in the process of upgrading utilities and infrastructure to accommodate the expansion.

Comparative data is accumulated and presented to assist analysis. The following table presents a summary of the City's change in net assets for the year ended June 30:

	<u>2023</u>	<u>2024</u>	<u>2025</u>
Governmental Activities:			
Program revenues:			
Charges for services	\$ 671,221	\$ 673,289	\$ 674,442
Specialty grants and contributions	741,142	443,123	458,259
Capital grants and contributions	5,884,590	0	3,600
General revenues:			
Taxes	1,828,890	1,956,022	2,312,435
Interest	22,572	38,247	38,464
Miscellaneous	58,002	93,112	40,361
Insurance reimbursement	0	0	93,973
Transfers	<u>0</u>	<u>0</u>	<u>(283,292)</u>
Total revenues	<u>9,206,417</u>	<u>3,203,793</u>	<u>3,338,242</u>
Program expenses:			
City Hall Administration	778,686	785,793	886,232
Public safety	1,051,164	1,220,454	1,380,437
Highway and streets	609,070	690,906	752,136
Park	48,157	45,721	39,167
Cemetery	6,997	8,381	12,072
TIF Payment	17,511	23,159	27,760
Economic development	<u>250,462</u>	<u>343,790</u>	<u>409,359</u>
Total program expenses	<u>2,762,047</u>	<u>3,118,204</u>	<u>3,507,163</u>
Increase (decrease) in net assets	<u>\$6,444,370</u>	<u>\$ 85,589</u>	<u>\$ (168,921)</u>

Business-Type Activities:**Program revenues:**

Charges for services	\$2,007,916	\$2,088,516	\$2,087,250
Capital grants and contributions	43,239	75,743	12,340
Interest income	2,439	3,593	40,422
Miscellaneous	56,864	4,901	0
Transfers	<u>0</u>	<u>0</u>	<u>283,292</u>
Total revenues	<u>2,110,456</u>	<u>2,172,753</u>	<u>2,423,304</u>

Program expenses:

Water and sewer	<u>1,796,763</u>	<u>1,876,560</u>	<u>2,223,639</u>
Total program expenses	<u>1,796,763</u>	<u>1,876,560</u>	<u>2,223,639</u>

Increase (decrease) in
net assets

<u>\$ 313,693</u>	<u>\$ 296,193</u>	<u>\$ 199,665</u>
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Governmental Activities:

As explained in Note 1, E, the City receives a significant portion of general revenue from sales tax and franchise tax revenues. The City has accumulated resources in the Jefferson County Road Improvement Program for street development.

Business-Type Activities:

The water and sewer fund operated at a net income for the year ending June 30, 2025. This is primarily due to an increased in fees charged for water and sewer services.

General Fund Budgetary Highlights:

The budget provided for basic operating costs of the City departments. The budget also included costs for various street construction projects.

CAPITAL ASSETS

An analysis of capital assets net of depreciation is as follows:

	2023	June 30, 2024	2025
Governmental	\$18,959,149	\$18,581,818	\$18,352,629
Business-Type	<u>5,400,333</u>	<u>5,151,412</u>	<u>5,613,737</u>
	<u>\$24,359,482</u>	<u>\$23,733,230</u>	<u>\$23,966,366</u>

DEBT ADMINISTRATION

As explained in Note 3.C. of the financial statements, the City's debt consists of waterworks and sewerage system revenue bonds and tax increment revenue notes. The debt service of the revenue bonds is financed through water and sewer rates and the debt service of the TIF revenue notes is financed through real property and sales taxes of the TIF district.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

1. On April 2, 2024, the citizen's approved the continuation of a ½ cent sales tax for the police department, which will provide funding for future public safety, in moving forward on budgets on a year-to-year basis.
2. The City entered into by and between Jefferson County, Missouri (hereafter, the County), an incorporated municipality of Jefferson County, Missouri (hereafter, the city). Dated January 1, 2025, one-half of one-percent sales tax for capital improvements public maintained roads.
3. Infrastructure investments: The City finances these projects and additional bonds were issued. The water tower project will be completed the end of July, first of August, 2026. The new water main from Hwy B, down Brickyard Rd is complete. (Future development) Hawks Ridge Estate subdivision is started and should have development complete in one year.
4. Federal funding support: The City has received funds through the American Rescue Plan Act (ARPA). \$1.925 million towards the water tower project and an additional \$187,500 towards the sewer project at Hwy B&B and Brickyard Road.
5. Additionally, the successful attraction of new development and investments will play a crucial role in shaping the City's economic outlook and budget planning.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the City Administrator, City of Hillsboro, Missouri, P.O. Box 19, Hillsboro, Missouri 63050.

CITY OF HILLSBORO, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current assets:			
Cash	\$1,047,005.61	\$1,845,085.53	\$2,892,091.14
Restricted cash and investments	1,444,509.14	4,647,546.89	6,092,056.03
Prepaid payroll tax liabilities	0.00	23,475.48	23,475.48
Total current assets	2,491,514.75	6,516,107.90	9,007,622.65
Non-current assets:			
Capital assets (net)	18,352,629.31	5,613,737.45	23,966,366.76
Total non-current assets	18,352,629.31	5,613,737.45	23,966,366.76
Total assets	20,844,144.06	12,129,845.35	32,973,989.41
LIABILITIES:			
Current liabilities:			
Payroll tax liability	3,612.00	0.00	3,612.00
Tax increment revenue notes	115,262.00	0.00	115,262.00
Revenue bonds	0.00	275,000.00	275,000.00
Total current liabilities	118,874.00	275,000.00	393,874.00
Non-current liabilities			
Tax increment revenue notes	2,244,328.48	0.00	2,244,328.48
Revenue bonds	0.00	6,286,290.00	6,286,290.00
Total long-term liabilities	2,244,328.48	6,286,290.00	8,530,618.48
Total liabilities	2,363,202.48	6,561,290.00	8,924,492.48
NET POSITION:			
Invested in capital assets, net of related debt	15,993,038.83	(947,552.55)	15,045,486.28
Restricted for:			
Debt service	107,306.48	302,892.34	410,198.82
Capital projects	922,221.03	4,043,939.31	4,966,160.34
Other purposes	414,981.63	300,715.24	715,696.87
Unrestricted	1,043,393.61	1,868,561.01	2,911,954.62
Total net position	\$18,480,941.58	\$5,568,555.35	\$24,049,496.93

See accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
GOVERNMENT - WIDE STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2025

	Expenses	Program Revenues		
		Fees, Fines, Charges for Services	Specialty Grants and Contributions	Capital Grants and Contributions
Program Activities				
Governmental Activities:				
City Hall Administration	\$886,231.85	\$474,136.12	\$0.00	\$0.00
Public Safety	1,380,436.50	197,465.43	0.00	3,600.00
Highway and Streets	752,136.47	0.00	458,258.56	0.00
Park	39,167.22	2,840.00	0.00	0.00
Cemetery	12,072.00	0.00	0.00	0.00
TIF Payment	27,759.97	0.00	0.00	0.00
Economic Development	409,358.95	0.00	0.00	0.00
Total governmental activities	3,507,162.96	674,441.55	458,258.56	3,600.00
Business-Type Activities:				
Water and Sewer	2,223,638.80	2,087,249.76	0.00	12,340.43
Total business-type activities	2,223,638.80	2,087,249.76	0.00	12,340.43
Total government	\$5,730,801.76	\$2,761,691.31	\$458,258.56	\$15,940.43

General Revenues:

Taxes:

General revenue

Sales tax

Franchise tax

Interest income

Insurance reimbursements

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$412,095.73)	\$0.00	(\$412,095.73)
(1,179,371.07)	0.00	(1,179,371.07)
(293,877.91)	0.00	(293,877.91)
(36,327.22)	0.00	(36,327.22)
(12,072.00)	0.00	(12,072.00)
(27,759.97)	0.00	(27,759.97)
(409,358.95)	0.00	(409,358.95)
(2,370,862.85)	0.00	(2,370,862.85)
0.00	(124,048.61)	(124,048.61)
0.00	(124,048.61)	(124,048.61)
(2,370,862.85)	(124,048.61)	(2,494,911.46)
340,456.56	0.00	340,456.56
1,637,760.99	0.00	1,637,760.99
334,217.02	0.00	334,217.02
38,464.30	40,422.09	78,886.39
93,972.98	0.00	93,972.98
40,361.37	0.00	40,361.37
(283,292.09)	283,292.09	0.00
2,201,941.13	323,714.18	2,525,655.31
(168,921.72)	199,665.57	30,743.85
18,649,863.30	5,368,889.78	24,018,753.08
\$18,480,941.58	\$5,568,555.35	\$24,049,496.93

See accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Jefferson County Road Improvement Program	Capital Projects Funds	Debt Service Fund	Other Governmental Funds	Total
Assets:						
Cash	\$1,116,264.03	\$590,532.83	\$331,688.20	\$107,306.48	\$345,723.21	\$2,491,514.75
Total assets	\$1,116,264.03	\$590,532.83	\$331,688.20	\$107,306.48	\$345,723.21	\$2,491,514.75
Liabilities and Fund Balance						
Liabilities:						
Payroll liabilities	\$3,612.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,612.00
Total liabilities	3,612.00	0.00	0.00	0.00	0.00	3,612.00
Fund Balance:						
Restricted for:						
Debt service	0.00	0.00	0.00	107,306.48	0.00	107,306.48
Capital projects	0.00	590,532.83	331,688.20	0.00	0.00	922,221.03
Other purposes	69,258.42	0.00	0.00	0.00	345,723.21	414,981.63
Unrestricted	1,043,393.61	0.00	0.00	0.00	0.00	1,043,393.61
Total fund balance	1,112,652.03	590,532.83	331,688.20	107,306.48	345,723.21	2,487,902.75
Total liabilities and fund balance	\$1,116,264.03	\$590,532.83	\$331,688.20	\$107,306.48	\$345,723.21	\$2,491,514.75

See accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
RECONCILIATION OF ASSETS, LIABILITIES, AND FUND BALANCES-MODIFIED CASH BASIS
TO THE STATEMENT OF NET POSITION-MODIFIED CASH BASIS
JUNE 30, 2025

Total fund balance-total governmental funds		\$2,487,902.75
Amounts reported for governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheets:		
Capital assets (net)		18,352,629.31
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet		
Due within one year	(\$115,262.00)	
Due in more than one year	(2,244,328.48)	<u>(2,359,590.48)</u>
Net position of governmental activities		<u><u>\$18,480,941.58</u></u>

See accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES-MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	General Fund	Jefferson County Road Improvement Program	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total
Revenues Received:						
Taxes:						
Sales tax	\$703,366.98	\$227,630.82	\$218,264.55	\$440,242.60	\$275,886.86	\$1,865,391.81
General revenue	234,226.37	0.00	0.00	53,388.45	52,841.74	340,456.56
Franchise tax	334,217.02	0.00	0.00	0.00	0.00	334,217.02
License and permits	35,381.22	0.00	0.00	0.00	0.00	35,381.22
Intergovernmental	379,150.22	0.00	0.00	0.00	230,627.74	609,777.96
Fines and costs	26,325.03	0.00	0.00	0.00	0.00	26,325.03
Charges for services	234,345.08	0.00	0.00	0.00	2,840.00	237,185.08
Insurance reimbursements	93,972.98	0.00	0.00	0.00	0.00	93,972.98
Interest income	11,861.14	22,295.15	672.60	3,031.54	603.87	38,464.30
Miscellaneous	31,615.67	0.00	0.00	0.00	8,745.70	40,361.37
Total revenues received	2,084,461.71	249,925.97	218,937.15	496,662.59	571,545.91	3,621,533.33
Expenditures Paid:						
Current:						
General government	1,059,123.51	0.00	0.00	0.00	0.00	1,059,123.51
Public safety	1,455,765.27	0.00	0.00	0.00	0.00	1,455,765.27
Street	0.00	0.00	140,896.35	0.00	151,245.53	292,141.88
Park	0.00	0.00	0.00	0.00	21,752.56	21,752.56
Cemetery	0.00	0.00	0.00	0.00	12,072.00	12,072.00
TIF payment	0.00	0.00	27,759.97	0.00	0.00	27,759.97
Economic development	0.00	0.00	0.00	446,758.87	0.00	446,758.87
Total expenditures paid	2,514,888.78	0.00	168,656.32	446,758.87	185,070.09	3,315,374.06
Excess (deficiency) of revenues received over expenditures paid	(430,427.07)	249,925.97	50,280.83	49,903.72	386,475.82	306,159.27
Other financing sources (uses):						
Transfers	294,341.17	(82,400.00)	(160,850.05)	0.00	(334,383.21)	(283,292.09)
Total other financing sources	294,341.17	(82,400.00)	(160,850.05)	0.00	(334,383.21)	(283,292.09)
Excess (deficiency) of revenues received over expenditures paid and other financing sources (uses)	(136,085.90)	167,525.97	(110,569.22)	49,903.72	52,092.61	22,867.18
Fund balances, beginning of year	1,248,737.93	423,006.86	442,257.42	57,402.76	293,630.60	2,465,035.57
Fund balances, end of year	\$1,112,652.03	\$590,532.83	\$331,688.20	\$107,306.48	\$345,723.21	\$2,487,902.75

See accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
 RECONCILIATION OF THE STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS -MODIFIED CASH BASIS
 TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 YEAR ENDED JUNE 30, 2025

Net change in fund balances-total governmental funds	\$22,867.18
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Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	505,671.21
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Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(734,860.03)
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Debt service principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	<u>37,399.92</u>
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Change in net position of governmental funds	<u><u>(\$168,921.72)</u></u>
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See accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION - MODIFIED CASH BASIS
 YEAR ENDED JUNE 30, 2025

	Water and Sewer Enterprise Fund
ASSETS:	
Current assets:	
Cash and investments	\$1,845,085.53
Prepaid payroll tax liabilities	23,475.48
Total current assets	<u>1,868,561.01</u>
Restricted cash:	
Revenue bond debt service account	157,876.72
Revenue bond reserve account	145,015.62
Revenue bond depreciation and replacement account	300,715.24
2025 Revenue bond project account	4,043,939.31
Total restricted cash	<u>4,647,546.89</u>
Noncurrent assets:	
Construction in progress	617,370.08
Property, plant, and equipment	14,328,839.63
Less: Accumulated depreciation	<u>(9,332,472.26)</u>
Total noncurrent assets	<u>5,613,737.45</u>
Total assets	<u>12,129,845.35</u>
LIABILITIES:	
Current liabilities:	
Current portion of revenue bonds	\$275,000.00
Total current liabilities	<u>275,000.00</u>
Long-term liabilities:	
Revenue bonds (net of unamortized discounts and premiums)	6,286,290.00
Total long-term liabilities	<u>6,286,290.00</u>
Total liabilities	<u>6,561,290.00</u>
NET POSITION:	
Investment in capital assets, net of related debt	(947,552.55)
Restricted for:	
Debt service	302,892.34
System maintenance	300,715.24
System expansion	4,043,939.31
Unrestricted	<u>1,868,561.01</u>
Total net position	<u><u>\$5,568,555.35</u></u>

See the accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES RECEIVED, EXPENSES PAID,
 AND CHANGES IN FUND NET POSITION-MODIFIED CASH BASIS
 YEAR ENDING JUNE 30, 2025

	Water and Sewer Enterprise Fund
Operating revenues received:	
Water and sewer revenues	\$2,055,470.15
Connection and other fees	<u>31,779.61</u>
Total operating revenues received	<u>2,087,249.76</u>
Operating expenses paid:	
Personal services	693,021.01
Repairs, maintenance and supplies	255,325.63
Utilities	200,010.09
Other operating expenses	470,966.01
Depreciation	<u>440,536.56</u>
Total operating expenses paid	<u>2,059,859.30</u>
Operating income (loss)	<u>27,390.46</u>
Nonoperating revenue (expense):	
Grant revenue	12,340.43
Cost of issuance	(65,714.00)
Interest income	40,422.09
Interest expense	<u>(98,065.50)</u>
Total nonoperating revenue	<u>(111,016.98)</u>
Income (loss) before transfers	(83,626.52)
Transfers in	<u>283,292.09</u>
Change in net position	199,665.57
Net position, beginning of year	<u>5,368,889.78</u>
Net position, end of year	<u><u>\$5,568,555.35</u></u>

See the accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDING JUNE 30, 2025

	Water and Sewer Enterprise Fund
Cash flow from operating activities:	
Cash received from customers	\$2,087,249.76
Cash paid to employees and suppliers	<u>(1,642,798.22)</u>
Cash provided by operating activities	<u>444,451.54</u>
Cash flow from investment activities:	
Interest income	<u>40,422.09</u>
Cash provided by investment activities	<u>40,422.09</u>
Cash flow capital and related financing activities:	
Bond proceeds	5,480,000.00
Grant proceeds	12,340.43
Bond discount and premium	(38,710.00)
Cost of insurance	(65,714.00)
Capital outlay	(902,862.49)
Debt service	(1,475,000.00)
Interest expense	(98,065.50)
Transfers	<u>283,292.09</u>
Cash provided (used) by capital and related financing activities	<u>3,195,280.53</u>
Net increase (decrease) in cash	3,680,154.16
Cash balance, beginning of year	<u>2,812,478.26</u>
Cash balance, end of year	<u><u>\$6,492,632.42</u></u>
Reconciliation of net income to cash provided by operations:	
Net income (loss)	\$199,665.57
Add: Noncash expenses:	
Depreciation	440,536.56
Change in assets and liabilities:	
Decrease in payroll tax liabilities	(23,475.48)
Items not classified as operating:	
Interest expense	98,065.50
Cost of insurance	65,714.00
Grant revenue	(12,340.43)
Transfers	(283,292.09)
Interest income	<u>(40,422.09)</u>
Cash provided (used) by operating activities	<u><u>\$444,451.54</u></u>

See the accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

Note 1. Summary of Significant Accounting Policies

The financial statements of the City of Hillsboro, Missouri are prepared using a modified cash basis accounting. The summary of significant accounting policies of the City of Hillsboro, Missouri is presented to assist in understanding the City of Hillsboro's financial statements. The financial statements and notes are representation of the City of Hillsboro's management who is responsible for the integrity and objectivity of the financial statements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

A. Reporting Entity

The City of Hillsboro, Missouri is a fourth class City, as described in Revised Missouri Statutes, in which the citizens elect the mayor at large and eight council members by wards.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No 14, "The Financial Reporting Entity," and would include all component units in which the City appointed a voting majority of their board, or in which the City is either able to impose its will on the unit, or a financial benefit or burden relationship exists.

Included within the reporting entity:

City of Hillsboro, Missouri Public Building Corporation

The Corporation is a not for profit corporation, which was created to provide financing services of capital improvements exclusively for the City of Hillsboro. The directors of the corporation are also approved by the City council. The component unit is blended into the City's financial statements and reported in the debt service fund, enterprise fund, and general long-term debt.

Peach Tree Community Improvement District

The District is created to provide funding for infrastructure improvements within a specified redevelopment area of the City. The City is authorized and empowered under the Missouri Real Property Tax Increment Allocation Redevelopment Act and the Community Improvement District Act to issue notes to finance the costs of redevelopment, and allocate a portion of real property and sales taxes collected within the District for the debt service.

The City has appointed a commission to oversee the development project and related agreements. Significant agreements are subject to Board approval. The District is blended into the City's financial statements and are reported in the debt service, and special revenue funds.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the City other than debt service payments made by enterprise funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Projects Fund

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Major and Nonmajor Funds

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

Major Funds:	Brief Description
General Fund	See above for description
Special Revenue Fund: Jefferson County Road Improvement Program	Accounts for revenues and expenditures designated for street improvements.
Capital Projects Fund	Accounts for revenues and expenditures of various street capital projects.
Debt Service Fund: Peachtree TIF Special Obligation Notes	Accounts for revenues and expenditures designated for retirement of 2012 Tax Increment Revenue Note.

Proprietary Fund:

Water and Sewer Enterprise Fund	Accounts for operating activities of the City's water and sewerage utility service.
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Nonmajor Funds:

Special Revenue Funds:

Park	Accounts for revenues and expenditures that are legally restricted for City parks.
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Transportation Fund	Accounts for revenues and expenditures restricted for street purposes.
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Law Enforcement	Accounts for revenues and expenditures that are legally restricted for the City's police department.
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Cemetery Fund	Accounts for revenues and expenditures that are restricted for the City's cemetery.
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C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

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

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

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The City uses the modified cash basis of accounting to record revenues and expenditures in all of the funds. The modified cash basis recognizes revenue when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred. Fixed assets are capitalized and depreciation is reported as an expense in the government-wide financial statements, and also in the proprietary fund financial statements. The modified cash basis of accounting does not conform to generally accepted accounting principles, but does conform with the cash basis and budget laws of the State of Missouri.

D. FINANCIAL STATEMENT AMOUNTS

Cash and Investments

For the purpose of the Statement of Net Position, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are not considered cash equivalents.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 3.

Interfund Receivables and Payables

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

Capital Assets

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

Government-wide Statements

In the government-wide financial statements, equipment purchased or acquired with a cost of \$5,000.00 or more, and additions to the water or sewer system purchased or acquired with a cost of \$10,000.00 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Building	25-50 years
Improvements	10-50 years
Machinery and Equipment	3-20 years
Utility System	25-50 years
Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, equipment purchased or acquired with a cost of \$5,000.00 or more and infrastructure purchased or acquired with a cost of \$10,000.00 or more used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the governmental and proprietary funds that are legally restricted as to their use. The primary restricted assets are related to Peachtree TIF District in governmental funds, bond covenants, and capital projects in the proprietary fund.

Use of Restricted Resources

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

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of Revenue Bonds and Tax Increment Revenue Notes.

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

Net Pension Liability

On the modified cash basis of accounting, the net pension liability is not recorded in either the fund financial statements, or the entity-wide financial statements. However, the disclosures required by GASB 68 are disclosed in Note 7 of the financial statements.

Equity Classifications

Government-wide Statements and Proprietary Fund Net Position

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

- a. Invested in capital assets, net of related debt-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position-Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

- c. Unrestricted net position-All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Governmental Fund Balances:

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

- **Nonspendable**-Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted**-Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed**-Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.
- **Assigned**-Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by City Council.
- **Unassigned**-All amounts not included in other spendable classifications.

E. REVENUES, EXPENDITURES AND EXPENSES

Sales Tax

The City currently levies a one cent general sales tax, which is unrestricted and reported in the general fund. The City also levies a three-eighths cent capital improvement sales tax, which is reported in the capital projects fund, and is expended for various capital projects as approved by the Board of Aldermen. In addition, the City levies a half cent law enforcement sales tax, which is reported in the law enforcement fund, and is expended for purposes of providing for the benefit of the City. The City also levies a three cent sales tax on all retail sales of adult use marijuana sold, which is unrestricted and reported in the general fund. The sales tax is collected by the Missouri Department of Revenue and remitted to the City in the month following receipt by the State.

The City also participates in a sales tax revenue sharing agreement with Jefferson County, Missouri, in which a one-half cent transportation sales tax is levied by Jefferson County and shared with the municipalities within the County. The City’s allocable share of the revenue is reported in the special revenue fund and is restricted for street purposes.

Property Tax

The City levies a property tax on real property within the City limits at the following rates per \$100.00 valuation:

General Fund	\$.4253
Park Fund	<u>.0762</u>
Total	<u><u>\$.5015</u></u>

Property taxes are assessed upon real property owned as of January 1, 2024. The tax rate was computed and levied by October 1, 2024. The tax bills were mailed by November 1, 2024. Taxes become delinquent after December 31, 2024.

Effective August 23, 2006, Jefferson County is responsible for preparing tax bills as well as collecting tax receipts. The collected taxes are remitted to the City at least once a month. The County charges a commission fee of 1½% of all taxes collected. Additionally, the County charges a fee of .6% of all taxes collected for property assessment.

Peachtree Tax Increment Financing District

The project agreement approved by the City in accordance with the Missouri Real Property Tax Increment Allocation Redevelopment Act and Community Improvement District Act authorizes the City to obligate 50% of additional sales and real property tax revenues from the District for debt service of the related improvement notes payable.

Franchise Tax

The City has levied a 5 percent tax upon the gross receipts from the sale of utility service within the City. The tax is levied on sales of electricity, natural gas, telephone service. Also, levied is a three percent tax upon the gross receipts from the sale of cable television services.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

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

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

Governmental Funds-By Character:	Current(further classified by function)
	Capital Outlay

Proprietary Fund-By Operating and Nonoperating

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

Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Internal And Interfund Balances And Activities

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statements of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements:

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements.

- a. Interfund loans-amounts provided with a requirement for repayment are reported as interfund receivables and payables.
- b. Interfund services-sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
- c. Interfund reimbursements-repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
- d. Interfund transfers-flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements:

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- a. Internal balances-amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net amounts due between governmental and business-type activities, which are reported as Internal Balances.
- b. Internal activities-amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers-Internal Activities. The effect of interfund services between funds, if any, are not eliminated in the Statement of Activities.

F. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Note 2. Stewardship Compliance and Accountability

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows.

A. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the city include the following:

Fund	Required By
Peachtree Tax Increment Financing Fund	Ordinance
Jefferson County Road Improvement Program	Ordinance
Park Fund	Ordinance
Water and Sewer Enterprise Fund	State Law and Bond Ordinance
Debt Service Fund-Bonds	Bond Ordinance
Debt Service Fund-TIF Notes	TIF Ordinance
Cemetery Fund	Ordinance

B. Deposit and Investment Laws and Regulations

In accordance with Missouri Statute Chapter 110, deposits of public funds, in excess of FDIC insurance, must be secured with collateral securities, as described in Missouri Statute Section 30.270. Collateral securities and investments are generally limited to bonds or other obligations issued by or guaranteed by the United States, and bonds or obligations of the State of Missouri or political subdivisions therein.

C. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Peachtree TIF Property and Sales Tax	See Note 1E
Sales Tax	See Note 1E
Motor Vehicle Taxes	Street Purposes
Property Taxes	See Note 1E
Water and Sewer Revenue	Utility Operations

For the year ended June 30, 2025 the City complied, in all material respects, with these revenue restrictions.

D. Budget, Practice and Compliance

In accordance with Missouri statutes, budgets are adopted on a cash basis. Annual appropriated budgets are adopted for the general, special revenue, debt service, and enterprise funds. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

On June 3, 2024, the City adopted an ordinance authorizing the budget for the fiscal year ending June 30, 2025. The budget was subsequently amended on June 17, 2024 and again on May 29, 2025. The budget was prepared by fund, function, and activity of the general, special revenue, and enterprise funds. Budget hearings were held prior to the adoption of the budget.

Authorized expenditures may not legally exceed budgeted appropriations during the year.

E. Debt Restrictions and Covenants

The City has issued Revenue Bonds for the construction of water and sewerage system improvements. The issue pledges revenues of the water and sewerage system for repayment of the debt service, and therefore, require that the City establish utility rates sufficient to pay operating expenses and debt service. The issues also require that the City maintain current debt service and reserve accounts, to assure funds are available for debt service. The issues also require that improvements be adequately insured and maintained.

The City has also issued Tax Increment Financing notes for the redevelopment of the Peachtree TIF District. The notes pledge revenues of the Peachtree TIF District for repayment of the debt service, and therefore, require that the City transfer TIF District taxes to a trust account on a monthly basis. The issues also require that improvements be adequately insured and maintained.

As of June 30, 2025, the City had not funded the Debt Service Fund, as required by Article VI Section 602 (b) of the Series 2025 Combined Waterworks and Sewerage System Revenue Bond Issue. The required balance at June 30, 2025 was \$177,464.36. Subsequent bond payments of the 2025 bond issue have been made from the water and sewerage operating account.

Except as noted above, the City is in compliance with all other significant requirements of the various debt covenants.

F. Traffic Fines and Costs

Pursuant to RSMo Section 479.359.2, fines in excess of 20% of general fund operating revenues must be submitted to the Missouri Department of Revenue.

The fine revenue of the City is assessed and collected through the Jefferson County Circuit Court system. Due to the City of Hillsboro not having its own municipal judge and it having all municipal violations adjudicated by a county municipal judge, the City is not required to file a certification per Missouri regulation 15 CSR 40-3.180(7).

Note 3. Detail Notes on Transaction Classes/Accounts

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

A. Cash and Investments

Deposits

The City of Hillsboro, Missouri is governed by the deposit and investment limitations of state law. The deposits and investments held at June 30, 2025 are as follows:

<u>Type</u>	<u>Fair Value</u>
Deposits:	
Demand deposits	<u>\$8,876,422.97</u>
Total deposits	<u>8,876,422.97</u>
Investments:	
Trustee Accounts	<u>107,724.20</u>
Total investments	<u>107,724.20</u>
Total Deposits and Investments	<u>\$8,984,147.17</u>
Reconciliation to Statement of Net Position:	
Cash	\$2,892,091.14
Restricted cash	<u>6,092,056.03</u>
	<u>\$8,984,147.17</u>

Custodial Credit Risk-Deposits

Deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had a bank balance of \$9,065,434.77 at June 30, 2025. On June 30, 2025, the City was fully insured by depository insurance or secured with collateral held by the City's agent in its name.

Investment Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City does not own any investments that are subject to interest rate risk.

Investment Credit Risk

The City has no investment policy that limits its investment choices other than the limitations of state law.

Restricted Assets

The amounts reported as restricted cash are comprised of cash held by the trustee banks for bonded debt service, and amounts held in trust for customer utility meter deposits and capital improvement projects.

<u>Type of Restricted Assets</u>	<u>Cash Including Time Deposits</u>
Judicial Education & Training	\$ 9,258.66
Protested Taxes	46,446.33
Municipal Bonds Held	91.79
Police Officer Training	11,900.23
City Park	75,699.75
Police Department Money Seized	1,561.41
Transportation	130,453.06
Cemetery	139,570.40
Capital Improvement:	
Sales Tax	331,688.20
Jefferson County Road Improvement Program	590,532.83
Revenue Bond Depreciation & Replacement (System Maintenance)	300,715.24
2025 CWSS Project Fund	4,043,939.31
Debt Service:	
Tax Increment Revenue Notes Payable-TIF	107,306.48
Revenue Bond Debt Service-CWSS	157,876.72
Revenue Bond Reserve	<u>145,015.62</u>
Total Restricted Assets	<u>\$6,092,056.03</u>

B. Capital Assets

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Governmental Activities:				
Administration	\$1,189,736.96	\$227,050.40	\$0.00	\$1,416,787.36
Public Safety	1,081,980.76	185,821.96	(28,084.00)	1,239,718.72
Street	21,610,727.84	82,400.00	0.00	21,693,127.84
Park	808,395.08	0.00	0.00	808,395.08
Construction in Progress	67,042.50	78,879.35	(68,480.50)	77,441.35
	24,757,883.14	574,151.71	(96,564.50)	25,235,470.35
Less: Accumulated Depreciation	(6,176,065.01)	(734,860.03)	28,084.00	(6,882,841.04)
	<u>\$18,581,818.13</u>	<u>(\$160,708.32)</u>	<u>(\$68,480.50)</u>	<u>\$18,352,629.31</u>

Depreciation was charged to governmental activities for the government-wide financial statements as follows:

City Hall Administration	\$ 64,557.59
Public Safety	110,493.19
Highways and Streets	542,394.59
Park	<u>17,414.66</u>
	<u>\$734,860.03</u>

Current year additions to governmental activities include the purchase of a commercial building, emergency generator, and four police vehicles. Construction in progress includes a sidewalk project.

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Business-type activities: Water and Sewerage				
Utility System	\$13,807,597.13	\$521,242.50	\$0.00	\$14,328,839.63
Construction in Progress	235,750.09	845,402.49	(463,782.50)	617,370.08
	14,043,347.22	1,366,644.99	(463,782.50)	14,946,209.71
Less: Accumulated depreciation	(8,891,935.70)	(440,536.56)	0.00	(9,332,472.26)
	<u>\$5,151,411.52</u>	<u>\$926,108.43</u>	<u>(\$463,782.50)</u>	<u>\$5,613,737.45</u>

Current year additions to the Water and Sewerage system include the extension of water and sewer lines, and the construction of a 750,000 gallon water tank and well, which is in progress at June 30, 2025.

C. Long Term Debt

The following is a summary of long-term debt transactions of the City of Hillsboro, Missouri:

	Balance June 30, 2024	Issued	Retired	Balance June 30, 2025	Due Within One Year
Governmental Activities:					
Revenue notes	\$2,396,990.40	\$ 0.00	\$ 37,399.92	\$2,359,590.48	\$ 115,262.00
Total government	<u>2,396,990.40</u>	<u>0.00</u>	<u>37,399.92</u>	<u>2,359,590.48</u>	<u>115,262.00</u>
Business-type Activities: (Enterprise)					
Revenue Bonds:					
Series 2012	\$1,425,000.00	\$ 0.00	\$1,425,000.00	\$ 0.00	\$ 0.00
Series 2018	1,170,000.00	0.00	500,000.00	1,120,000.00	50,000.00
Series 2025	0.00	5,480,000.00	0.00	5,480,000.00	225,000.00
	<u>2,595,000.00</u>	<u>5,480,000.00</u>	<u>1,475,000.00</u>	<u>6,600,000.00</u>	<u>275,000.00</u>
Bond Premium	0.00	42,679.50	(888.50)	41,791.00	
Bond Discount	<u>0.00</u>	<u>(82,200.00)</u>	<u>1,699.00</u>	<u>(80,501.00)</u>	
Net Revenue Bonds	<u>2,595,000.00</u>	<u>5,440,479.50</u>	<u>1,475,810.50</u>	<u>6,561,290.00</u>	<u>275,000.00</u>
Total long-term debt	<u>\$4,991,990.40</u>	<u>\$5,480,000.00</u>	<u>\$1,512,399.92</u>	<u>\$8,959,590.48</u>	<u>\$390,262.00</u>

The annual requirements to amortize net long-term debt outstanding including interest of \$3,696,740.97 are as follows:

General Long-Term			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 115,262.00	\$ 98,079.92	\$ 213,341.92
2027	123,544.61	89,797.31	213,341.92
2028	132,422.41	80,919.51	213,341.92
2029	141,938.16	71,403.76	213,341.92
2030	152,137.69	61,204.23	213,341.92
2031-2035	<u>1,694,285.61</u>	<u>173,186.45</u>	<u>1,867,472.07</u>
Total	<u>\$2,359,590.48</u>	<u>\$ 574,591.18</u>	<u>\$2,934,181.67</u>

Enterprise			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 275,000.00	\$ 323,910.89	\$ 598,910.89
2027	315,000.00	287,248.76	602,248.76
2028	325,000.00	272,398.76	597,398.76
2029	345,000.00	256,958.76	601,958.76
2030	360,000.00	240,458.76	600,458.76
2031-2035	2,060,000.00	935,698.80	2,995,698.80
2036-2040	1,305,000.00	564,925.04	1,869,925.04
2041-2045	<u>1,615,000.00</u>	<u>240,550.02</u>	<u>1,855,550.02</u>
Total	<u>\$6,600,000.00</u>	<u>\$3,122,149.79</u>	<u>\$9,722,149.79</u>

Long-term debt outstanding at June 30, 2025 consists of the following:

Tax Increment Revenue Notes

Peach Tree Plaza Redevelopment Project, tax increment revenue notes, maximum authorized amount of \$4,002,000.00 dated September 1, 2011, interest at 7% payable quarterly, with principal payable from additional available funds as the funds become available. The debt is serviced from fifty (50%) percent of the additional real property and sales tax revenues generated within the Community Improvement District. The obligation terminates and is canceled on August 22, 2034, whether or not the principal or interest have been paid in full. The note is a limited obligation debt, payable solely from the revenues of the district, and does not constitute debt of the City subject to the limits of the Missouri constitution.

\$2,359,590.48

Combined Water Works and Sewerage System Revenue Bonds

Series 2012, Combined Waterworks and Sewerage System Revenue Bonds, dated March 20, 2012, in the original amount of \$2,840,000.00. The remaining balance of \$1,425,000.00 was retired and refunded with the issuance of the Series 2025, Combined Waterworks and Sewerage System Revenue Bonds on January 28, 2025.

\$0.00

Series 2025, Combined Waterworks and Sewerage System Revenue Bonds, dated January 28, 2025, in the original amount of \$5,480,000.00. Interest from 4.25% to 5.0% is due semiannually on March 1, and September 1, with principal due on March 1 annually. The bonds and debt service are secured by a pledge of the net revenues of the waterworks and sewerage system.

\$5,480,000.00

Series 2018, Combined Waterworks and Sewerage System Revenue Bonds, dated June 28, 2018, in the original amount of \$1,450,000.00. Interest from 2.35 to 3.8% is due semiannually on March 1, and September 1, with principal due on March 1 annually. The bonds and debt service are secured by a pledge of the net revenues of the waterworks and sewerage system.

\$1,120,000.00

D. Unissued Authorized Debt

Peach Tree Plaza Redevelopment Project

The redevelopment agreement has authorized the issuance of \$4,002,000.00 tax increment revenue notes. As of June 30, 2025, the City had issued \$2,396,990.40 in notes. Therefore, there is a balance of \$1,605,009.60 in available authorized but unissued notes.

Combined Waterworks and Sewerage System Revenue Bonds

On August 8, 2006, the citizen's of the City of Hillsboro, Missouri approved a bond election in which the City is authorized to issue \$8.5 million combined waterworks and sewerage system revenue bonds, for the purpose of constructing and improving the waterworks and sewerage system. The City has issued \$5,480,000.00 in bonds and therefore has a balance of \$155,000.00 in authorized but unissued bonds.

Note 4. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 5. Interfund Balances and Transfers

The interfund transfers for the year ending June 30, 2025 consisted of the following:

General Fund	\$ 294,341.17
Jefferson County Road Improvement District	(82,400.00)
Capital Projects Fund	(160,850.05)
Other Governmental Funds	(334,383.21)
Water and Sewer Funds	<u>283,292.09</u>
	<u>\$ 0.00</u>

The interfund transfers for the year ending June 30, 2025 were made to subsidize costs of the capital projects fund and public safety expenditures.

Note 6. Pension Plan

A. Plan Description

The City of Hillsboro defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City of Hillsboro 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.

B. Benefits Provided

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

	<u>2025 Valuation</u>
Benefit Multiplier	1.5%
Final Average Salary:	5 Years
Member Contributions:	0%

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

C. Employees Covered by the Benefit Terms

At June 30, 2025 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	25
Active employees	<u>21</u>
	<u>62</u>

D. Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 9.4% General and 14.2% Police of annual covered payroll.

E. Net Pension Liability

The employer's net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2025.

F. Actuarial Assumptions

The total pension liability in the February 28, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% wage inflation; 2.25% price inflation
Salary Increase	2.75% to 6.75% including wage inflation
Investment rate of return	7.00% net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were 115% of the PUBNS-2010 Disabled Retiree Mortality Table for males and females. The pre-retirement mortality tables used were 75% of the PubG-2010 Employee Mortality Table for males and females of general groups and 75% of the PubS-2010 Employee Mortality Table for males and females of police, fire, and public safety groups.

Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2025 valuation were based on the results of an actuarial experience study for the period March 1, 2015 through February 29, 2020.

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	5.0%	1.76%
Equity	39.0%	3.39%
Fixed Income	23.0%	3.54%
Real Assets	33.0%	2.68%
Strategic Assets	7.0%	2.83%
Cash/Leverage	(7.0%)	(0.86%)

G. Discount Rate

The discount rate used to measure the total pension liability is 7.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/2024	<u>\$2,659,207</u>	<u>\$2,739,166</u>	<u>\$(79,959)</u>
Changes for the year:			
Service Cost	95,192	0	95,192
Interest	185,556	0	185,556
Difference between expected and actual experience	(7,763)	0	(7,763)
Contributions - employer	0	111,884	(111,884)
Net investment income	0	160,219	(160,219)
Benefit payments, including refunds	(112,292)	(112,292)	0
Administrative expense	0	(5,160)	5,160
Other changes	0	(130,815)	130,815
Net changes	<u>160,693</u>	<u>23,836</u>	<u>136,857</u>
Balances at 6/30/2025	<u><u>\$2,819,900</u></u>	<u><u>\$2,763,002</u></u>	<u><u>\$56,898</u></u>

H. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower 6.00% or one percent higher 8.00% than the current rate.

	Current Single Discount		
	1% Decrease 6.00%	Rate Assumption 7.00%	1% Increase 8.00%
Total Pension Liability (TPL)	\$3,276,889	\$2,819,900	\$2,453,654
Plan Fiduciary Net Position	2,763,002	2,763,002	2,763,002
Net Pension Liability/(Asset)(NPL)	\$ 513,887	\$ 56,898	\$(309,348)

Pension Expense

For the year ended June 30, 2025 the employer recognized pension expense of \$111,201.52.

Note 8. Grant Awards

A summary of active grants for the year ending June 30, 2025 is as follows:

Grant	Award Amount	Revenue Received	Expenditures Paid	Cumulative Expenditures	Balance Available
ARPA - City	\$ 664,278.10	\$ 0.00	\$ 283,292.09	\$ 313,356.51	\$ 350,921.59
ARPA - JeffCo	\$2,112,500.00	\$ 12,340.43	\$ 406,679.67	\$ 406,679.67	\$1,705,820.33
MoDOT STBG-7206(601)	\$1,460,000.00	\$ 0.00	\$ 0.00	\$ 0.00	\$1,460,000.00
MoDOT TAP 7202(605)	\$ 711,200.00	\$ 0.00	\$ 58,496.35	\$ 58,496.35	\$ 652,703.65

American Rescue Plan Act Funds City Funds

The City has received \$664,278.10, during previous fiscal years, of Coronavirus State and Local Fiscal Recovery Funds, which are designated for eligible recovery expenditures, due to the Coronavirus Disease 2019 (COVID-19). The City's intent is to use the funds for eligible public works projects, including the Water Tower Project.

Jefferson County ARPA Grants

The City has received a series of ARPA awards, in the total amount of \$2,112,500.00, through Jefferson County, Missouri, through federal APRA Coronavirus State and Local Fiscal Recovery Funds. The City has designated the funds for the Water Tower Project and a sewerage improvement project.

MoDOT STBG-7206(601)

The City has received a grant through the Missouri Department of Transportation, in the amount of \$1,460,000.00 for improvements to Missouri Highway 21.

MoDOT TAP-7202(605)

The City has received a grant through the Missouri Department of Transportation, in the amount of \$711,200.00 for sidewalk and lighting improvements along Missouri Highway 21.

Note 9. Construction Projects and Commitments

Water and Sewerage System Improvements

The City is pursuing water and sewerage system improvements, including the construction of a new water tower and water and sewer main extensions, at an estimated cost of \$7.0 million. The project is anticipated to be funded from \$4.2 million waterworks and sewerage system revenue bonds, and various ARPA grants of \$2.7 million.

The City has awarded contracts for construction, which is anticipated to be completed during 2026.

Sidewalk and Street Construction

The City is pursuing street and sidewalk construction projects to promote safe transportation, at an estimated cost of \$2,714,000.00. The projects will be funded with grants through the Missouri Department of Transportation of \$2,171,200.00 and local funds of \$542,800.00.

The City has not made any firm commitments for construction. The projects are anticipated to be completed during 2026.

Note 10. Cemetery Merger

On October 4, 2021, the City adopted Ordinance No. 12-2021, in which the City approved and accepted the transfer of a cemetery and operations from the trustees of the Hillsboro Cemetery (a non-profit association). The ordinance further established a perpetual care fund for the upkeep and preservation of the cemetery. During 2025, certificates of deposits were transferred to the City, in the amount of \$28,340.51.

The transfer has been recorded as a combination of operations, or merger, in accordance with GASB 69. The beginning fund balances of the governmental funds have been restated as of June 30, 2024 as follows:

Government-Wide Statement of Net Position - Governmental Activities:

Balance June 30, 2024	\$18,621,522.79
Cemetery fund balance	<u>28,340.51</u>
Revised balance, June 30, 2024	<u>\$18,649,863.30</u>

Governmental Funds:

Balance June 30, 2024	\$ 2,436,695.06
Cemetery fund balance	<u>28,340.51</u>
Revised balance, June 30, 2024	<u>\$ 2,465,035.57</u>

CITY OF HILLSBORO, MISSOURI
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
MODIFIED CASH BASIS
JUNE 30, 2025

	Park Fund	Transportation Fund	Law Enforcement Fund	Cemetery Fund	Total
<u>ASSETS</u>					
Cash	\$75,699.75	\$130,453.06	\$0.00	\$139,570.40	\$345,723.21
Total assets	\$75,699.75	\$130,453.06	\$0.00	\$139,570.40	\$345,723.21
<u>LIABILITIES AND FUND BALANCE</u>					
Fund Balance:					
Fund balance-Restricted for:					
Debt service	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other purposes	75,699.75	130,453.06	0.00	139,570.40	345,723.21
Total fund balance	75,699.75	130,453.06	0.00	139,570.40	345,723.21
Total liabilities and fund balance	\$75,699.75	\$130,453.06	\$0.00	\$139,570.40	\$345,723.21

The notes to the financial statements are an integral part of this statement.

CITY OF HILLSBORO, MISSOURI
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCES-MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2025

REVENUES RECEIVED	Park Fund	Transportation Fund	Law Enforcement Fund	Cemetery Fund	Total
Taxes:					
Sales tax	\$0.00	\$0.00	\$275,886.86	\$0.00	\$275,886.86
General revenue	41,983.89	10,857.85	0.00	0.00	52,841.74
Intergovernmental	0.00	230,627.74	0.00	0.00	230,627.74
Charges for services	2,840.00	0.00	0.00	0.00	2,840.00
Miscellaneous income	0.00	1,095.70	0.00	7,650.00	8,745.70
Interest income	214.22	0.00	0.00	389.65	603.87
Total revenues received	45,038.11	242,581.29	275,886.86	8,039.65	571,545.91
EXPENDITURES PAID					
Street	0.00	151,245.53	0.00	0.00	151,245.53
Park	21,752.56	0.00	0.00	0.00	21,752.56
Cemetery	0.00	0.00	0.00	12,072.00	12,072.00
Total expenditures paid	21,752.56	151,245.53	0.00	12,072.00	185,070.09
Excess (deficiency) of revenues received over expenditures paid	23,285.55	91,335.76	275,886.86	(4,032.35)	386,475.82
Other financing sources: (uses):					
Transfers	0.00	(58,496.35)	(275,886.86)	0.00	(334,383.21)
Excess (deficiency) of revenues received over expenditures paid and other financing sources (uses)	23,285.55	32,839.41	0.00	(4,032.35)	52,092.61
Fund balance, beginning of year	52,414.20	97,613.65	0.00	143,602.75	293,630.60
Fund balance, end of year	\$75,699.75	\$130,453.06	\$0.00	\$139,570.40	\$345,723.21

The notes to the financial statements are an integral part of this statement.

CITY OF HILLSBORO, MISSOURI
GENERAL FUND
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
MODIFIED CASH BASIS
JUNE 30, 2025

<u>ASSETS</u>	
Cash and investments	\$1,047,005.61
Restricted cash	<u>69,258.42</u>
Total assets	<u><u>\$1,116,264.03</u></u>
<u>FUND BALANCE</u>	
Liabilities:	
Payroll tax liability	<u>\$3,612.00</u>
Total liabilities	<u>3,612.00</u>
Restricted for:	
Other purposes	69,258.42
Unrestricted	<u>1,043,393.61</u>
Total fund balance	<u><u>1,112,652.03</u></u>
Total fund balance	<u><u>\$1,116,264.03</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF HILLSBORO, MISSOURI
GENERAL FUND
STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCE-MODIFIED CASH BASIS
YEAR ENDING JUNE 30, 2025

Revenues received:	
Taxes: Sales tax	\$703,366.98
General revenue tax	234,226.37
Franchise tax	334,217.02
Licenses and permits	35,381.22
Intergovernmental	
Payments in lieu of taxes	204,409.82
School resource officer reimbursement	171,140.40
Grants	3,600.00
Fines and costs	26,325.03
Charges for services:	
Sanitation	234,345.08
Insurance reimbursements	93,972.98
Interest income	11,861.14
Miscellaneous	31,615.67
	<hr/>
Total revenues received	2,084,461.71
	<hr/>
Expenditures paid:	
General government	1,059,123.51
Public safety	1,455,765.27
	<hr/>
Total expenditures paid	2,514,888.78
	<hr/>
Excess (deficiency) of revenues received over expenditures paid	(430,427.07)
Other financing sources: (uses):	
Transfers	294,341.17
	<hr/>
Excess (deficiency) of revenues received over expenditures paid and other financing sources (uses)	(136,085.90)
Fund balance, beginning of year	1,248,737.93
	<hr/>
Fund balance, end of year	<u>\$1,112,652.03</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HILLSBORO, MISSOURI
GENERAL FUND
STATEMENT OF EXPENDITURES PAID
YEAR ENDING JUNE 30, 2025

General government:

Administration:

Salaries and fringe benefits	\$225,849.81
Professional services	59,301.86
Sanitation	250,976.94
Repairs and maintenance	10,285.40
Custodial	9,344.01
Supplies	37,697.44
Insurance	112,477.30
Telephone	5,575.73
Utilities	17,055.63
Miscellaneous	29,220.78
Dues & subscriptions	12,682.68
Election expenses	2,048.55
TIF payments	107,654.48
Capital outlay	178,952.90
Total administration	<u>1,059,123.51</u>

Public safety:

Salaries and fringe benefits	1,041,967.47
Professional services	15,859.25
Repairs and maintenance	52,936.27
Custodial	7,851.85
Fuel	32,935.51
Supplies	44,478.55
Training	15,181.49
Dues and subscriptions	26,819.94
Telephone	16,211.20
Uniforms	12,479.37
Miscellaneous	3,222.41
Capital outlay	185,821.96
Total public safety	<u>1,455,765.27</u>

Total expenditures paid	<u>\$ 2,514,888.78</u>
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CITY OF HILLSBORO, MISSOURI
DEBT SERVICE FUND
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
MODIFIED CASH BASIS
JUNE 30, 2025

<u>ASSETS</u>	
Cash and investments	<u>\$107,306.48</u>
Total assets	<u><u>\$107,306.48</u></u>
<u>FUND BALANCE</u>	
Fund balance	
Restricted for:	
Debt service	<u>\$107,306.48</u>
Total fund balance	<u><u>\$107,306.48</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF HILLSBORO, MISSOURI
DEBT SERVICE FUND
STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCE-MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2025

Revenues Received:

Taxes:

Sales tax	\$440,242.60
General revenue tax	53,388.45
Interest income	<u>3,031.54</u>

Total revenues received	<u>496,662.59</u>
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Expenditures paid:

Economic Development:

Administration fees	243.65
Debt service interest expense	<u>446,515.22</u>

Total economic development	<u>446,758.87</u>
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Excess (deficit) of revenues received over expenditures paid	49,903.72
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Fund balance, beginning of year	<u>57,402.76</u>
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Fund balance, end of year	<u><u>\$107,306.48</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF HILLSBORO, MISSOURI
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
MODIFIED CASH BASIS
JUNE 30, 2025

	Jefferson County Road Improvement Program	Transportation Fund	Park Fund	Law Enforcement Fund	Cemetery Fund	Total
<u>ASSETS</u>						
Cash and investments	\$590,532.83	\$130,453.06	\$75,699.75	\$0.00	\$139,570.40	\$936,256.04
Total assets	\$590,532.83	\$130,453.06	\$75,699.75	\$0.00	\$139,570.40	\$936,256.04
<u>LIABILITIES AND FUND BALANCE</u>						
Fund Balance:						
Restricted for:						
Capital projects	590,532.83	0.00	0.00	0.00	0.00	590,532.83
Other purposes	0.00	130,453.06	75,699.75	0.00	139,570.40	345,723.21
Total fund balance	590,532.83	130,453.06	75,699.75	0.00	139,570.40	936,256.04
Total liabilities and fund balance	\$590,532.83	\$130,453.06	\$75,699.75	\$0.00	\$139,570.40	\$936,256.04

The notes to the financial statements are an integral part of this statement.

CITY OF HILLSBORO, MISSOURI
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCE-MODIFIED CASH BASIS
YEAR ENDING JUNE 30, 2025

	Jefferson County Road Improvement Program	Transportation Fund	Park Fund	Law Enforcement Fund	Cemetery Fund	Total
REVENUES RECEIVED						
Taxes:						
Sales tax	\$227,630.82	\$0.00	\$0.00	\$275,886.86	\$0.00	\$503,517.68
General revenue tax	0.00	10,857.85	41,983.89	0.00	0.00	52,841.74
Intergovernmental	0.00	230,627.74	0.00	0.00	0.00	230,627.74
Charges for services	0.00	0.00	2,840.00	0.00	0.00	2,840.00
Miscellaneous income	0.00	1,095.70	0.00	0.00	7,650.00	8,745.70
Interest income	22,295.15	0.00	214.22	0.00	389.65	22,899.02
Total revenues received	249,925.97	242,581.29	45,038.11	275,886.86	8,039.65	821,471.88
EXPENDITURES PAID						
Salaries and fringe benefits	0.00	0.00	16,722.00	0.00	0.00	16,722.00
Repairs and maintenance	0.00	65,301.69	3,757.52	0.00	11,940.00	80,999.21
Utilities	0.00	69,659.90	0.00	0.00	0.00	69,659.90
Miscellaneous	0.00	16,283.94	1,273.04	0.00	132.00	17,688.98
Total expenditures paid	0.00	151,245.53	21,752.56	0.00	12,072.00	185,070.09
Excess (deficiency) of revenues received over expenditures paid	249,925.97	91,335.76	23,285.55	275,886.86	(4,032.35)	636,401.79
Other financing sources (uses):						
Transfers	(82,400.00)	(58,496.35)	0.00	(275,886.86)	0.00	(416,783.21)
Total other financing sources (uses)	(82,400.00)	(58,496.35)	0.00	(275,886.86)	0.00	(416,783.21)
Excess (deficiency) of revenues received over expenditures paid and other financing sources (uses)	167,525.97	32,839.41	23,285.55	0.00	(4,032.35)	219,618.58
Fund balance, beginning of year	423,006.86	97,613.65	52,414.20	0.00	143,602.75	716,637.46
Fund balance, end of year	\$590,532.83	\$130,453.06	\$75,699.75	\$0.00	\$139,570.40	936,256.04

The notes to the financial statements are an integral part of this statement.

CITY OF HILLSBORO, MISSOURI
 CAPITAL PROJECTS FUND
 COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
 MODIFIED CASH BASIS
 JUNE 30, 2025

	Capital Projects Fund
<u>ASSETS</u>	
Cash and investments	<u>\$331,688.20</u>
Total assets	<u><u>\$331,688.20</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
Fund Balance:	
Restricted for:	
Capital projects	<u>\$331,688.20</u>
Total fund balance	<u>331,688.20</u>
Total liabilities and fund balance	<u><u>\$331,688.20</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF HILLSBORO, MISSOURI
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID,
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
YEAR ENDING JUNE 30, 2025

	Capital Improvements	Transportation Projects	Total
<u>REVENUES RECEIVED:</u>			
Capital improvement sales tax	\$218,264.55	\$0.00	\$218,264.55
Interest income	672.60	0.00	672.60
Total revenues received	218,937.15	0.00	218,937.15
<u>EXPENDITURES PAID:</u>			
Capital project:			
Street improvement	0.00	140,896.35	140,896.35
TIF payment	27,759.97	0.00	27,759.97
Total expenditures paid	27,759.97	140,896.35	168,656.32
Excess (deficiency) of revenues received over expenditures paid	191,177.18	(140,896.35)	50,280.83
Other financing sources (uses):			
Transfers	(301,746.40)	140,896.35	(160,850.05)
Total other financing sources (uses)	(301,746.40)	140,896.35	(160,850.05)
Excess (deficiency) of revenues received over expenditures paid and other financing sources (uses)	(110,569.22)	0.00	(110,569.22)
Fund balance, beginning of year	442,257.42	0.00	442,257.42
Fund balance, end of year	\$331,688.20	\$0.00	\$331,688.20

The notes to the financial statements are an integral part of this statement.

CITY OF HILLSBORO, MISSOURI
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2025

ASSETS

Current assets:

Cash and investments	\$1,845,085.53
Prepaid payroll tax liabilities	23,475.48
Total current assets	<u>1,868,561.01</u>

Restricted cash:

Revenue bond debt service account	157,876.72
Revenue bond reserve account	145,015.62
Revenue bond depreciation and replacement account	300,715.24
2025 Revenue bond project account	4,043,939.31
Total restricted assets	<u>4,647,546.89</u>

Property, plant, and equipment:

Construction in progress	617,370.08
Water and sewer system	12,653,987.80
Equipment	1,674,851.83
Less: Accumulated depreciation	<u>(9,332,472.26)</u>
Total property, plant, and equipment	<u>5,613,737.45</u>

Total assets	<u><u>\$12,129,845.35</u></u>
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LIABILITIES AND NET POSITION

Current liabilities:

Current portion of revenue bonds	\$275,000.00
Total current liabilities	<u>275,000.00</u>

Long-term liabilities:

Revenue bonds (net of unamortized discounts and premiums)	6,286,290.00
Total long-term liabilities	<u>6,286,290.00</u>

Total liabilities	<u>6,561,290.00</u>
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Net position:

Invested in capital assets, net of related debt	(947,552.55)
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Restricted for:

Debt service	302,892.34
System maintenance	300,715.24
System expansion	4,043,939.31

Unrestricted	<u>1,868,561.01</u>
Total net position	<u>5,568,555.35</u>

Total liabilities and net position	<u><u>\$12,129,845.35</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF HILLSBORO, MISSOURI
WATER AND SEWER ENTERPRISE FUND
STATEMENT OF REVENUES RECEIVED, EXPENSES PAID,
AND CHANGES IN NET POSITION-MODIFIED CASH BASIS
YEAR ENDING JUNE 30, 2025

Operating revenues received:	
Water and sewer revenues	\$2,055,470.15
Connection and other fees	31,779.61
Total operating revenues received	<u>2,087,249.76</u>
Operating expenses paid:	
Personal services:	
Salaries and fringe benefits	622,811.00
Professional services	45,371.05
Contractual services	24,838.96
	<u>693,021.01</u>
Repairs, maintenance and supplies:	
System repairs	182,739.03
Supplies	72,586.60
	<u>255,325.63</u>
Utilities	<u>200,010.09</u>
Other operating expenses:	
Insurance	63,147.44
Sales tax	25,719.20
Primacy fee	20,506.80
Equipment repair and maintenance	62,058.39
Equipment	52,578.73
Interfund services used	204,409.82
Miscellaneous	42,545.63
	<u>470,966.01</u>
Depreciation	<u>440,536.56</u>
Total operating expenses paid	<u>2,059,859.30</u>
Operating income (loss)	<u>27,390.46</u>
Nonoperating revenue (expense):	
Grant revenue	12,340.43
Cost of issuance	(65,714.00)
Interest income	40,422.09
Interest expense	(98,065.50)
Total nonoperating revenue (expenses)	<u>(111,016.98)</u>
Income (loss) before transfers	(83,626.52)
Transfers in	<u>283,292.09</u>
Change in net position	199,665.57
Net position, beginning of year	<u>5,368,889.78</u>
Net position, end of year	<u>\$5,568,555.35</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HILLSBORO, MISSOURI
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (CASH BASIS) AND ACTUAL (NON-GAAP)
YEAR ENDING JUNE 30, 2025

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues received:				
Taxes	\$1,109,000.00	\$1,241,000.00	\$1,271,810.37	\$30,810.37
Licenses and permits	38,200.00	38,200.00	35,381.22	(2,818.78)
Intergovernmental	371,100.00	385,700.00	379,150.22	(6,549.78)
Fines and costs	50,000.00	50,000.00	26,325.03	(23,674.97)
Charges for services	230,000.00	230,000.00	234,345.08	4,345.08
Insurance reimbursements	0.00	65,000.00	93,972.98	28,972.98
Interest income	15,000.00	15,000.00	11,861.14	(3,138.86)
Miscellaneous	25,000.00	25,500.00	31,615.67	6,115.67
Total revenues received	<u>1,838,300.00</u>	<u>2,050,400.00</u>	<u>2,084,461.71</u>	<u>34,061.71</u>
Expenditures paid:				
General government	835,500.00	1,100,500.00	1,059,123.51	41,376.49
Public safety	1,457,800.00	1,547,000.00	1,455,765.27	91,234.73
Total expenditures paid	<u>2,293,300.00</u>	<u>2,647,500.00</u>	<u>2,514,888.78</u>	<u>132,611.22</u>
Excess (deficiency) of revenues received over expenditures paid	(455,000.00)	(597,100.00)	(430,427.07)	166,672.93
Other financing sources (uses):				
Transfers	(195,760.00)	(30,760.00)	294,341.17	325,101.17
Excess (deficiency) of revenues received over expenditures paid and other financing uses	<u>(\$650,760.00)</u>	<u>(\$627,860.00)</u>	<u>(\$136,085.90)</u>	<u>\$491,774.10</u>

See accompanying notes to the basic financial statements.

CITY OF HILLSBORO, MISSOURI
SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (CASH BASIS) AND ACTUAL (NON-GAAP)
YEAR ENDING JUNE 30, 2025

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues received:				
Taxes	\$539,000.00	\$539,000.00	\$556,359.42	\$17,359.42
Intergovernmental	200,500.00	216,000.00	230,627.74	14,627.74
Charges for services	2,400.00	2,400.00	2,840.00	440.00
Miscellaneous Income	5,000.00	8,500.00	8,745.70	245.70
Interest income	15,500.00	20,500.00	22,899.02	2,399.02
Total revenues received	762,400.00	786,400.00	821,471.88	35,071.88
Expenditures paid:				
Street	216,700.00	216,700.00	151,245.53	65,454.47
Parks and recreation	34,300.00	34,300.00	21,752.56	12,547.44
Cemetery	10,800.00	15,800.00	12,072.00	3,728.00
Total expenditures paid	261,800.00	266,800.00	185,070.09	81,729.91
Excess (deficiency) of revenues received over expenditures paid	500,600.00	519,600.00	636,401.79	116,801.79
Other financing sources (uses)				
Transfers	(465,000.00)	(475,000.00)	(416,783.21)	58,216.79
Excess (deficiency) of revenues received over expenditures paid and other financing sources (uses)	\$35,600.00	\$44,600.00	\$219,618.58	\$175,018.58

The notes to the financial statements are an integral part of this statement.

APPENDIX B

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF LEGAL DOCUMENTS

The summaries of the Declaration of Trust, the Lease and the Base Lease contained in this *Appendix B* do not purport to be comprehensive or definitive and are qualified in their entirety by reference to such documents. Copies of the final executed documents will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.

DEFINITIONS OF WORDS AND TERMS

The definitions of certain words and terms used in this Official Statement are set forth below:

“Additional Certificates” means any Certificates executed and delivered pursuant to the Declaration of Trust.

“Authorized Representative” means the Mayor, the City Administrator, the City Clerk or any other person designated by the Board of Alderpersons as an Authorized Representative to act on behalf of the City pursuant to an ordinance or a resolution filed with the Trustee.

“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.

“BAM” means Build America Mutual Assurance Company, or any successor thereto or assignee thereof.

“BAM Provisions” means the provisions relating to BAM and the Policy as set forth on an exhibit to the Declaration of Trust.

“Base Lease” means the Base Lease dated as of November 1, 2026, between the City, as lessor, and the Trustee, as lessee, as amended and supplemented from time to time in accordance with its terms.

“Basic Rent” means the Basic Rent Payments comprised of a Principal Portion and an Interest Portion as set forth on an exhibit to the Lease, as may be revised as provided in the Declaration of Trust and the Lease with respect to the delivery of Additional Certificates.

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

“Basic Rent Payment Date” means each April 1 and October 1 during the Lease Term, commencing on April 1, 2027.

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

“Blanket Letter of Representations” means the Blanket Letter of Representations from the City to the Securities Depository.

“Business Day” means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the principal corporate trust office or designated payment office of the Trustee is located are required or authorized by law to remain closed, or (c) a day on which the Securities Depository or the New York Stock Exchange is closed.

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

“Certificates” means the Series 2026 Certificates and any Additional Certificates.

“City” means the City of Hillsboro, Missouri, a fourth-class city duly created, organized and existing under and by virtue of the laws of the State, and its successors or assigns.

“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 the Lease.

“Completion Date” means the date of completion of the Project as that date will be certified as provided in the Lease.

“Construction Agreement” means any agreement between the City and another party providing for the acquisition, construction, installation, furnishing and equipping of a portion of the Project.

“Continuing Disclosure Undertaking” means the continuing disclosure agreement, certificate or undertaking entered into by the City and a dissemination agent, if any, in connection with the execution and delivery of a series of Certificates, as amended and supplemented from time to time in accordance with its terms.

“Costs of Delivery” means all items of expense directly or indirectly payable by or reimbursable to the City and related to the authorization, execution, sale and delivery of the Certificates, including, but not limited to, advertising and printing costs, costs of preparing and reproducing documents, title insurance fees, rating agency fees, filing and recording fees, initial fees and charges of the Trustee, legal fees of parties to the transaction (including fees of Special Tax Counsel and Underwriter’s Counsel) and all other initial fees and disbursements contemplated by the Lease and the Declaration of Trust.

“Declaration of Trust” means the Declaration of Trust dated as of November 1, 2026, made by the Trustee, as amended and supplemented from time to time in accordance with its terms.

“Directive” means, subject to the BAM Provisions, an instrument in writing executed in one or more counterparts by the Owners of Certificates, as determined from the records of the Registrar kept pursuant to the Declaration of Trust, or their lawful attorneys-in-fact, representing not less than a majority of the aggregate unpaid Principal Portion represented by the then-Outstanding Certificates.

“Event of Default” has the meaning specified under the caption **“SUMMARY OF THE DECLARATION OF TRUST - Events of Default.”**

“Event of Lease Default” has the meaning specified under the caption **“SUMMARY OF THE LEASE – Events of Lease Default.”**

“Event of Nonappropriation” means an Event of Nonappropriation as described under the caption **“SUMMARY OF THE LEASE - Nonappropriation.”**

“Fiscal Year” means the fiscal year of the City, currently the 12-month period beginning on July 1 and ending on June 30.

“Funds” means, collectively, the funds created and held under the Declaration of Trust and all accounts therein.

“Government Obligations” means (a) direct noncallable obligations of the United States of America and obligations the timely payment of principal of and interest on which is fully and unconditionally guaranteed by the United States of America, (b) trust receipts or certificates evidencing participation or other direct ownership interests in principal or interest payments to be made upon obligations described in clause (a) above that are held in a custodial or trust account free and clear of all claims of persons other than the holders of such trust receipts or certificates, and (c) obligations that are noncallable or for which the call date has been irrevocably determined having an investment rating in the same or higher rating category as the United States of America by either Moody’s or S&P as a result of the refunding of such obligations by the deposit of direct noncallable obligations of the United States of America in a trust or escrow account segregated and exclusively set aside for the payment of such obligations and that mature as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to timely pay such principal and interest.

“Interest Portion” means the portion of each Basic Rent Payment that represents the payment of interest as set forth on an exhibit to the Lease.

“Investment Securities” means any securities or investments that are lawful for the investment of moneys held in the Funds under the laws of the State.

“Lease” means the Lease Purchase Agreement dated as of November 1, 2026, 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 fund by that name established pursuant to the Declaration of Trust.

“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 established pursuant to the Declaration of Trust.

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

“Leased Property” means the real property described on a schedule to the Lease, together with all improvements now or hereafter located thereon.

“Moody’s” means Moody’s Investors Service, Inc., and its successors and assigns, and if that entity no longer performs the functions of a municipal securities rating agency, “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency designated by the City with notice to the Trustee.

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

“Notice by Mail” or **“Notice”** of any action or condition **“by Mail”** means a written notice meeting the requirements of the 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 the Declaration of Trust.

“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.

“Original Term” means the period from the date of delivery of the Lease until June 30, 2027.

“Outstanding” means, as of the date of determination, all Certificates theretofore executed and delivered pursuant to the Declaration of Trust except (a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation, (b) Certificates for the transfer or exchange of or in lieu of or in substitution for which other Certificates have been executed and delivered by the Trustee pursuant to the Declaration of Trust and (c) Certificates paid or deemed to be paid pursuant to the Declaration of Trust.

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

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

“Permitted Encumbrances” means, as of any particular time, (a) liens for taxes and assessments not then delinquent; (b) the Base Lease, the Lease, the Declaration of Trust and any financing statements naming the City as debtor and the Trustee as secured party now or hereafter filed to perfect the security interests granted by the Declaration of Trust, the Base Lease or the Lease; (c) utility, access and other easements and rights-of-way, restrictions, exceptions and encumbrances that will not materially interfere with or materially impair the Leased Property; (d) such minor defects, irregularities, encumbrances, easements, mechanics’ liens, rights-of-way and clouds on title as normally exist with respect to property similar in character to the Leased Property and (1) as do not, in the opinion of the City certified in writing to the Trustee, materially impair the property affected thereby for the purpose for which it was acquired or is held by the Trustee or the City, or (2) are adequately insured against by a title insurance policy reasonably satisfactory to BAM and the City; and (e) the exceptions shown in the commitment for title insurance No. HTC-2026-10-4941-H06 dated October 19, 2026 as prepared by Hillsboro Title Company on behalf of Chicago Title Insurance Company.

“Policy” means the Municipal Bond Insurance Policy issued by BAM on the date of delivery of the Series 2026 Certificates that guarantees the payment when due of the principal of and interest on the Series 2026 Certificates as provided therein.

“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 the Declaration of Trust.

“Principal Portion” means the portion of each Basic Rent Payment that represents the payment of principal as set forth on an exhibit to the Lease.

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

“Project” means (a) constructing a new public works maintenance building, (b) constructing new water main extensions, sewer main replacements and related infrastructure improvements, and (c) if proceeds of the Series 2026 Certificates remain, financing various capital expenditures for the City.

“Project Costs” means all reasonable or necessary expenses related or incidental to the Project, including the expenses of studies, surveys, title policies, architectural and engineering services, legal and other special services, and all other necessary and incidental expenses, including Interest Portions to the Completion Date. Project Costs include Costs of Delivery.

“Project Fund” means the fund by that name established pursuant to the Declaration of Trust.

“Purchase Price” means the amount designated as such in the Lease that the City may pay to the Trustee to purchase the Trustee’s interest in the Leased Property.

“Record Date” means the 15th day (whether or not a Business Day) of the calendar month preceding the month in which each Basic Rent Payment Date occurs.

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

“Renewal Term” means each renewal term of the Lease, each having a duration of one year and a term coextensive with the then-current Fiscal Year as provided in the Lease, except that the last possible Renewal Term will end on April 2, 2046.

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

“Rent Payment” means a payment of Rent.

“S&P” means S&P Global Ratings, a division of S&P Global Inc., and its successors and assigns, and if that entity no longer performs the functions of a municipal securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency designated by the City with notice to the Trustee.

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

“Series 2026 Certificates” means the \$2,065,000* aggregate principal amount of Certificates of Participation (City of Hillsboro, Missouri, Lessee), Series 2026, evidencing a proportionate interest of the Owners thereof in Basic Rent Payments to be made by the City pursuant to the Lease, executed and delivered pursuant to the Declaration of Trust.

“Special Tax Counsel” means Gilmore & Bell, P.C., 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 into pursuant to the Declaration of Trust.

* Preliminary; subject to change.

“Supplemental Lease” means any amendment or supplement to the Lease entered into pursuant to the Declaration of Trust and the Lease.

“Supplemental Rent” means all amounts due under the Lease other than Basic Rent.

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

“Tax Compliance Agreement” means (a) with respect to the Series 2026 Certificates, the Tax Compliance Agreement dated as of November 1, 2026, entered into by the City and the Trustee in connection with the execution and delivery of the Series 2026 Certificates, and (b) with respect to any Additional Certificates, the tax compliance agreement, if any, between the City and the Trustee in connection with the execution and delivery of each series of Additional Certificates, as from time to time amended.

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

“Trustee” means UMB Bank, N.A., St. Louis, Missouri, and its successor or successors and their respective assigns.

“Underwriter” means Stifel, Nicolaus & Company, Incorporated, St. Louis, Missouri, the original purchaser of the Series 2026 Certificates.

SUMMARY OF THE DECLARATION OF TRUST

*In addition to the information under the caption “**THE SERIES 2026 CERTIFICATES**,” the following is a brief summary of certain provisions of the Declaration of Trust. This summary is not to be considered as a full statement of the provisions of the Declaration of Trust and is qualified by reference to and subject to the complete Declaration of Trust, a copy of which will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.*

General

The Declaration of Trust is made by the Trustee. The Declaration of Trust authorizes the Trustee to execute and deliver the Series 2026 Certificates, provides the terms of the Series 2026 Certificates and provides for various Funds related to the Certificates and the Lease.

Trust Estate

The Trustee has executed and delivered the Declaration of Trust to secure the payment of the Principal Portions of Basic Rent Payments, premium, if any, and the Interest Portions of Basic Rent Payments. It further declares that it will hold all of the assets, property and interests received by it under the terms of the Declaration of Trust, the Base Lease and the Lease and all agreements and instruments contemplated thereby (except any compensation, indemnification or other amounts that are due directly to the Trustee thereunder) (collectively, the **“Trust Estate”**), as trustee, upon the terms and trusts set forth in the Declaration of Trust 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.

Additional Certificates

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 the Declaration of Trust on a parity with the Series 2026 Certificates and any other Additional Certificates, at any time and from time to time, upon compliance with the conditions provided in the Declaration of Trust for the purposes described under the heading **“SUMMARY OF THE LEASE - Increased Basic Rent.”**

Establishment of Funds

There are established with the Trustee the following separate Funds:

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

These Funds will be held by the Trustee in trust for the benefit of the Certificate Owners. The money in these Funds will be deposited or applied as provided in the Declaration of Trust.

Application of Lease Revenues

Lease Revenues will be deposited, as received pursuant to the Lease, as follows:

- (a) Basic Rent will be deposited to the Lease Revenue Fund.
- (b) Optional prepayments of the Principal Portion of Basic Rent (in amounts equal to the applicable Prepayment Price) will be deposited to the Lease Revenue Fund.
- (c) Payments of Supplemental Rent will be applied as provided in the Lease.

Payments of Rent that are insufficient to discharge the full amount then due shall be deposited to the Lease Revenue Fund and applied first to the Interest Portion of Basic Rent, next to the Principal Portion of Basic Rent and finally to Supplemental Rent.

Disbursements from the Project Fund

Money in the Project Fund will be used to pay for Project Costs, which include Costs of Delivery. Payment will be made from moneys in the Project Fund upon receipt by the Trustee of a requisition certificate therefor signed by an Authorized Representative, which requisition certificate will contain the statements, representations and certifications set forth in the form thereof attached as an exhibit to the Declaration of Trust and will be otherwise substantially in such form.

In making disbursements from the Project Fund, the Trustee may conclusively rely upon each written requisition certificate executed by an Authorized Representative without inquiry or investigation. It is understood that the Trustee will *not* make any inspections of the Project, make any provision to obtain completion bonds, mechanic's or materialman's lien releases or otherwise supervise any phase of the construction or furnishing of the Project. The approval of each requisition certificate by an Authorized Representative will 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 will make disbursements from the Project Fund for which any such request is made as soon as practical after the receipt of a properly executed requisition certificate. The Trustee shall be fully protected in making the disbursements contained in the requisition certificates provided to it and shall have no duty or obligation to confirm that such requested disbursements constitute Project Costs or Costs of Delivery.

The Completion Date of the Project and the payment of all Project Costs (other than Project Costs for which sufficient amounts are retained in the Project Fund) will be evidenced by the filing with the Trustee of the Completion Certificate pursuant to the Lease. As soon as practicable following the receipt by the Trustee of the Completion Certificate, any balance remaining in the Project Fund (other than amounts for Project Costs for which the Trustee has been authorized by an Authorized Representative to retain in the Project Fund) will be transferred and deposited without further authorization as provided in the Lease.

In the event of the acceleration of all of the Certificates pursuant to the Declaration of Trust, any moneys then remaining in the Project Fund will be transferred and deposited to the credit of the Lease Revenue Fund and will be used to pay Basic Rent.

Application of Moneys in the Lease Revenue Fund

Except as otherwise provided in the Declaration of Trust, all amounts in the Lease Revenue Fund will be used and withdrawn by the Trustee solely to pay Basic Rent represented by the Certificates when due and payable or on a Prepayment Date.

Payments Due on Days other than Business Days

In any case where the date of maturity of Principal Portions of Basic Rent Payments, premium, if any, or Interest Portions of Basic Rent Payments, premium, if any, or Interest Portions of Basic Rent Payments represented by the Certificates or the date fixed for prepayment of any Certificates is not a Business Day, then payment of Principal Portions of Basic Rent Payments, premium, if any, or Interest Portions of Basic Rent Payments represented by the Certificates need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for prepayment, and no interest will accrue for the period after such date.

Nonpresentment of Certificates

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

Investment of Moneys in Various Funds

Moneys held in the Funds will, subject to the requirements of the Tax Compliance Agreement and as provided in the Declaration of Trust, be invested and reinvested by the Trustee, pursuant to written direction of the City, signed by an Authorized Representative, in Investment Securities that mature or are subject to redemption by the owner prior to the date such funds will be needed. In the absence of such instructions, the Trustee is directed to invest moneys in accordance with the standing written instructions provided to it on the date of original delivery of the Series 2026 Certificates by the City, as such may be thereafter amended. If no standing instructions are provided on the date of original delivery of the Series 2026 Certificates, the Trustee shall hold such moneys uninvested. The Trustee may conclusively rely upon the written investment directions

of the City as to the suitability and legality of the directed investments and shall have no obligation to determine if the directed investments comply with the requirements of the Tax Compliance Agreement. 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 and cash sweep account fees, which may be deducted from income earned on investments, provided that any such fees will not exceed the interest income on the investment.

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

For purposes of determining the amount in any Fund, the value of any investments will be computed at the market value thereof (excluding accrued interest), the purchase price thereof (excluding accrued interest) or principal amount, whichever is lowest.

The Trustee may, in making or disposing of any investment permitted by the Declaration of Trust, 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.

Amendments to the Declaration of Trust, the Lease or the Base Lease

The Declaration of Trust, the Lease and the Base 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 thereto that the parties thereto may enter into when the written consent of the Trustee and the City, if not a party thereto, and the Owners of a majority in aggregate Principal Portion of Basic Rent Payments represented by the Certificates then-Outstanding has been filed with the Trustee. No such modification or amendment will (a) 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, or alter the optional Prepayment Date of any Certificate, without the consent of the Owner of each Certificate so affected, (b) 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 Lease Revenue Fund or the Project Fund or deprive the Owners of the trust created by the Declaration of Trust with respect to the moneys in the Lease Revenue Fund or the Project Fund, or (c) create a preference or priority of any Certificate or Certificates over any other Certificate or Certificates without the consent of the Owners of all the Certificates then-Outstanding. Promptly after the execution by the Trustee of any such amendment, the Trustee will 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 the Declaration of Trust. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such amendment.

Notwithstanding the preceding paragraph, the Declaration of Trust, the Lease or the Base 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 that the parties 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:

- (1) to add to the covenants and agreements of the Trustee in the 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 therein reserved to or conferred

upon the City; provided, however, that no such covenant, agreement, pledge, assignment or surrender will in the sole judgment of the Trustee materially adversely affect the interests of the Trustee or the Owners of the Certificates;

(2) to add to the covenants and agreements of the City in the Base Lease or 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 will in the sole judgment of the Trustee materially adversely affect the interests of the Owners of the Certificates;

(3) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Declaration of Trust, the Base Lease or the Lease, or in regard to matters or questions arising under the Declaration of Trust, the Base Lease or 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 that will not, in any such case in the sole judgment of the Trustee materially adversely affect the interests of the Owners of the Certificates;

(4) to modify, amend or supplement the Declaration of Trust in such manner as to permit the qualification thereof 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 that will not in the sole judgment of the Trustee materially adversely affect the interests of the Owners of the Certificates;

(5) to provide for any additional procedures, covenants or agreements necessary to maintain the exclusion of the Interest Portion of Basic Rent from gross income for purposes of federal income taxation;

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

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

Opinion of Special Tax Counsel

Before the Trustee or the City consents to any modification or amendment of the Declaration of Trust, the Base Lease or the Lease, an opinion of Special Tax Counsel will be delivered to the Trustee stating that such amendment (a) is permitted by the Declaration of Trust and the instrument modified or amended (if other than the Declaration of Trust), (b) complies with its terms, (c) 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 (d) will not adversely affect the exclusion from gross income for purposes of federal income taxation of the Interest Portion of Basic Rent Payments represented by the Certificates. 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 will 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 will be fully protected and will 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 Supplemental Declaration of Trust or Supplemental Lease which affects the Trustee's own rights, duties or immunities under the Declaration of Trust or the Lease or otherwise.

Events of Default

The occurrence of any of the following events, subject to the provisions of the Declaration of Trust permitting waivers of defaults, is defined as an **“Event of Default”** under the Declaration of Trust:

- (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 of the Declaration of Trust; or
- (c) Any Event of Lease Default.

Acceleration

Upon the occurrence of an Event of Default or an Event of Nonappropriation, the Trustee may, and upon receipt of a Directive will, 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.

Other Remedies

Upon the occurrence of an Event of 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 any portion of the Leased Property or the Trustee’s interest in the Leased Property, subject to Permitted Encumbrances, and apply the net proceeds thereof in accordance with the Declaration of Trust 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 the 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 will be cumulative and will be in addition to any other remedy given to the Trustee or to the Certificate Owners under the Declaration of Trust or now or hereafter existing at law or in equity or by statute.

Rights of Certificate Owners

If an Event of Default or an Event of Nonappropriation has occurred and is continuing and if instructed to do so by a Directive and if indemnified as provided in the Declaration of Trust, the Trustee will be obligated to exercise such one or more of the rights and the remedies conferred by the Declaration of Trust as the Trustee, upon the advice of counsel, deems to be in the interests of the Certificate Owners; provided that such Directive will not be otherwise than in accordance with the provisions of law and of the Declaration of Trust, and provided further that the Trustee will have the right to decline to follow any such Directive if the Trustee in good faith determines that proceeding as so directed would involve it in personal liability.

Any other provision in the Declaration of Trust to the contrary notwithstanding, the Owners of not less than a majority in aggregate principal amount of Certificates then-Outstanding will 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 the Declaration of Trust, or for the appointment of a receiver or any other proceedings thereunder; provided that (a) such Directive will not be otherwise than in accordance with the provisions of law and of the Declaration of Trust, and (b) the Trustee has been indemnified as provided in the Declaration of Trust and will have the right to decline to follow any such Directive if the Trustee in good faith determines that the proceedings so directed would involve it in personal liability.

Application of Moneys

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Declaration of Trust in connection with an Event of Default will, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances (including, without limitation, attorneys' fees and expenses) incurred or made by the Trustee, be deposited into the Lease Revenue Fund and all moneys in the Lease Revenue Fund will be applied as follows:

(a) Unless the Principal Portions of Basic Rent represented by all the Certificates have become or have been declared due and payable, all such moneys will 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 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 the Declaration of Trust) in the order of such due dates, with interest from the respective dates upon which they became due and, if the amount available will 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 the Certificates have become due or have been declared due and payable, all such moneys will 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 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 Basic Rent represented by all the Certificates have been declared due and payable and if such declaration will thereafter have been rescinded and annulled under the provisions of the Declaration of Trust, then subject to the provisions of subparagraph (b) above in the event that the Principal Portions of Basic Rent represented by all the Certificates will later become due or be declared due and payable, the moneys will be applied in accordance with the provisions of subparagraph (a) above.

Whenever moneys are to be applied pursuant to the provisions above, such moneys will be applied at such times, and from time to time, as the Trustee will 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 will apply such funds, it will fix the date (which will be a Basic Rent Payment Date unless it deems another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal paid on such date will cease to accrue. The Trustee will 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 will not be required to make payment to the Owner of any Certificate until such Certificate is 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 as provided above, all expenses and charges of the Trustee (including, without limitation, attorneys' fees and expenses) have been paid and any other obligations under the Lease have been paid in full, any balance remaining in the Funds will be paid to the City.

Remedies Vested in Trustee

All remedies and rights of action (including the right to file proof of claims) under the 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 proceedings instituted by the Trustee will 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 will be for the equal benefit of the Owners of the Outstanding Certificates.

Waivers of Defaults

The Trustee will waive any Event of Default and its consequences and rescind any declaration of acceleration of principal upon the written request of the Owners of (a) a majority in aggregate Principal Portion of Basic Rent Payments represented by 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 Portion of Basic Rent Payments represented by all Certificates then-Outstanding in the case of any other default; provided, however, that there will not be waived (1) any Event of Default respecting the payment of the Principal Portion of Basic Rent represented by any Certificate at its maturity date, or (2) 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, including, without limitation, attorneys' fees and expenses, have been paid or provided for and, in case any such waiver or rescission or in case any proceedings taken by the Trustee on account of any such default have been discontinued or abandoned or determined adversely, then and in every such case the Trustee, the City and the Certificate Owners will be restored to their former positions and rights under the Declaration of Trust, respectively, but no such waiver or rescission will extend to any subsequent or other default or impair any right consequent thereon.

Rights and Remedies of Certificate Owners

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

Defeasance

When (a) the obligations of the City under the Lease have been satisfied in connection with the exercise by the City of its option to purchase the Leased Property in accordance with the Lease by the irrevocable deposit in escrow of moneys 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 moneys and Government Obligations, and (b) the City has delivered to the Trustee (1) an Opinion of Counsel to the effect that the conditions for such discharge contained in the Declaration of Trust have been satisfied or irrevocably provided for and (2) if sufficiency of the deposited moneys and Government Obligations is dependent upon investment earnings, an accountant's certificate verifying the sufficiency of such moneys 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 (c) the City has 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 the Declaration of Trust will 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 therein set forth; provided, however, that all provisions of the Declaration of Trust relating to the compensation or indemnification of the Trustee will survive the satisfaction and discharge of the Declaration of Trust.

The Trustee

The Trustee will, 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 the 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 will, during the existence of any Event of Default or Event of Nonappropriation, exercise such of the rights and powers vested in it by the 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.

The Trustee may be removed at any time by (a) a Directive, or (b) so long as no Event of Default or Event of Nonappropriation has occurred or condition exists that with the giving of notice or the passage of time or both would constitute an Event of Default, an instrument in writing delivered to the Trustee and signed by the City. The Trustee will give written notice of any removal pursuant to clause (a) above to the City. The Trustee will resign at any time the Trustee ceases to be eligible in accordance with the provisions of the Declaration of Trust, or becomes incapable of acting, or is adjudged as bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the property or affairs of the Trustee for the purpose of rehabilitation, conservation or liquidation, and thereupon a successor Trustee will be appointed by either (1) a Directive, or (2) so long as no Event of Default or Event of Nonappropriation has occurred or condition exists that with the giving of notice or the passage of time or both would constitute an Event of Default, the City.

The Trustee may at any time resign by giving written notice of such resignation to the City and by giving the Owners Notice by Mail of such resignation at the addresses listed on the registration books kept by the Registrar pursuant to the Declaration of Trust. Upon receiving such notice of resignation, a successor Trustee will be appointed by either (A) a Directive, or (B) so long as no Event of Default or Event of Nonappropriation has occurred or condition exists that with the giving of notice or the passage of time or both would constitute an Event of Default, the City.

SUMMARY OF THE LEASE

The following is a brief summary of certain provisions of the Lease. This summary is not to be considered as a full statement of the provisions of the Lease and is qualified by reference to and subject to the complete Lease, a copy of which will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.

General

The City and the Trustee have entered into the Lease under which the City leases the Leased Property from the Trustee for the Rent Payments and upon the terms and conditions set forth therein.

Lease Term

The Original Term of the Lease will terminate on June 30, 2027. 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 will not extend beyond April 2, 2046. At the end of the Original Term and at the end of each Renewal Term, unless the City has terminated the Lease pursuant to certain provisions of the Lease and for no other reason, the City will be deemed to have exercised its option to continue the Lease for the next Renewal Term. The terms and conditions during any Renewal Term will be the same as the terms and conditions during the Original Term, except for any difference in the Rent as provided on an exhibit to the Lease.

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 will do all things lawfully within his 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 the Lease for any Renewal Term is to be made in accordance with the City's normal procedures for such decisions by the then-current governing body of the City.

Nonappropriation

The City is obligated only to pay periodic payments under the Lease as may lawfully be made from Available Revenues. If an Event of Nonappropriation occurs, the Lease will be deemed terminated at the end of the then-current Original Term or Renewal Term. An Event of Nonappropriation will 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 the then-current Original Term or Renewal Term, but failure to give such notice will not extend the term beyond such Original Term or Renewal Term. If the Lease is so terminated, the City agrees peaceably to transfer and surrender possession of the Leased Property to the Trustee.

Enjoyment of Leased Property

The Trustee will provide the City during the Lease Term with quiet use and enjoyment of the Leased Property (subject to Permitted Encumbrances). The City will, 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 the Lease. The City may use the Leased Property for any governmental or proprietary purpose of the City, subject to the limitations contained in the Lease.

Notwithstanding any other provision in the Lease, the Trustee will have no responsibility to cause the Project to be constructed or to maintain, repair or insure the Leased Property. The City will 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 will also comply with the mandatory requirements, rules and regulations of all insurers under the policies required to be carried by the provisions of the Lease. The City will 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 such provisions. Notwithstanding any provision contained in the Lease, however, the City may, at its own cost and expense, 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.

Basic Rent

The City will promptly pay all Basic Rent, subject to its right to terminate the Lease as described under the heading **"Nonappropriation,"** in lawful money of the United States of America on each Basic Rent Payment Date. A portion of each Basic Rent Payment is paid as, and represents payment of, interest.

To provide for the timely payment of Basic Rent, the City will 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 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.

Supplemental Rent

The City will pay, subject to its right to terminate the Lease as described under the heading **"Nonappropriation,"** as Supplemental Rent: (a) all Impositions (as defined under the heading **"Impositions"**); (b) all amounts required under certain provisions of the Lease and all other payments of whatever nature that the City has agreed to pay or assume under the Lease; (c) all expenses, including reasonable attorneys' fees and expenses to the extent permitted by law, incurred in connection with the enforcement of any rights under the Lease or the Base Lease by the Trustee; (d) all fees, charges and expenses of the Trustee as provided in the Lease; (e) any amounts due to BAM; and (f) any payments required to be made pursuant to the Tax Compliance Agreement.

Rent Payments to Constitute a Current Expense and Limited Obligation of the City

The obligation of the City to pay Rent under the Lease is limited to payment from Available Revenues and will constitute a current expense of the City. Such obligation will 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 will anything contained in the Lease constitute a pledge of the general tax revenues, funds or moneys of the City.

Net Lease; Rent Payments to be Unconditional

The Lease is intended to be net, net, net to the Trustee, subject to the right of the City to terminate the Lease as described under the heading **"Nonappropriation."** The obligations of the City to pay the Basic Rent Payments from Available Revenues and to perform and observe the other covenants and agreements contained

in the Lease will 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 the Lease will be construed as a waiver by the City of any rights or claims the City may have against the Trustee, but any recovery upon such rights and claims will be from the Trustee separately.

Increased Basic Rent

Notwithstanding any other provision of the Lease, the Trustee and the City may enter into a Supplemental Lease or Supplemental Leases in connection with the delivery of Additional Certificates that increase the amount of Basic Rent payable by the City on any Basic Rent Payment Date to provide funds to pay the costs of (a) completing the Project, (b) undertaking additional capital improvements in the City, (c) repairing, replacing or restoring the Leased Property, (d) improving, upgrading or modifying the Leased Property, including acquiring, purchasing, constructing or equipping additions, expansions or renovations to the Leased Property, (e) acquiring additional real property to be included in the Leased Property, or (f) refunding any or all of the Certificates. Each such Supplemental Lease will include an amended rental payment schedule 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. Notwithstanding the foregoing, any such Supplemental Lease shall require the written consent of BAM.

Impositions

The City will bear, pay and discharge, before the delinquency thereof, as Supplemental Rent, all taxes and assessments, general and special, if any, that 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, that if not paid when due would impair the security of the Trustee or encumber the Leased Property (all of the foregoing being collectively referred to as “**Impositions**”).

Contest of Impositions

The City may, in its own name or in the Trustee’s name and upon written notice to BAM, contest the validity or amount of any Imposition that the City is required to bear, pay and discharge pursuant to the terms of the Lease by appropriate legal proceedings instituted at least 10 days before the contested Imposition becomes delinquent. The City may permit the Imposition so contested to remain unpaid during the period of such contest and any appeal therefrom unless (a) the City provides an Opinion of Counsel to the Trustee to the effect that, 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 or (b) BAM requests the payment of such Imposition by the City. In such event, the City shall promptly pay such taxes, assessments or charges or provide the Trustee with full security against any loss that 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 will hold the Trustee whole and harmless from any costs and expenses the Trustee may incur with respect to any Imposition.

Payment for Project Costs

In compliance with the Declaration of Trust, costs and expenses of every nature incurred in the construction of the Project that qualify as Project Costs will be paid by the Trustee from the Project Fund upon

receipt by the Trustee of a completed request of the City signed by an Authorized Representative containing the statements, representations and certifications set forth in the form of such request attached as an exhibit to the Declaration of Trust.

In making disbursements for Project Costs, the Trustee will be entitled to conclusively rely upon each written requisition certificate executed by an Authorized Representative without inquiry or investigation. It is understood that the Trustee will *not* make any inspections of the Project, the Leased Property or any improvements thereon, make any provision to obtain completion bonds, mechanic's or materialman's lien releases or otherwise supervise any phase of the construction or installation of the Project. The approval of each requisition certificate by an Authorized Representative will 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.

Completion Date; Excess Funds

The Completion Date will be evidenced to the Trustee upon receipt by the Trustee of the Completion Certificate signed by an Authorized Representative stating (a) the date on which all components of the Project were substantially completed, (b) that all the components of the Project have been purchased, constructed, made 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, (c) that, except for Project Costs described in clause (d), all Project Costs have been paid and (d) the amounts, if any, to be retained in the Project Fund for the payment of Project Costs, if any, not yet due or Project Costs 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 Project Costs will be transferred by the Trustee without further authorization to the Lease Revenue Fund.

Deficiency of Project Fund

If the Project Fund is insufficient to pay fully all Project Costs and to complete fully all the components of the Project lien free, subject to the conditions set forth in the Lease, the City will 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 becomes due. The Trustee is not obligated to pay and will not be responsible for any such deficiency, and the City will, to the extent permitted by law, save the Trustee whole and harmless from any obligation to pay such deficiency. The City's obligation to pay any such deficiency will be limited to its current budgeted appropriations for the Project, and the City will have no obligation to appropriate additional funds therefor and may amend the Project to reduce or eliminate such deficiency.

Insurance

The City will, 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 will pay (except as otherwise provided in the Lease), as the same becomes 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 full insurable 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 will name the City and the Trustee as insureds, and the Trustee as special loss payee, as their respective interests may appear. All proceeds from such policies of insurance will be applied as provided in the Lease.

(b) To the extent appropriate, during the acquisition, construction, installation, furnishing and equipping of the Project and in lieu of the insurance required in subparagraph (a) above, builder's risk-completed value insurance insuring the Project against fire, lightning and all other risks covered by the extended coverage endorsement then in use in the State to the full insurable value of the Project (subject to reasonable loss deductible clauses) 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 will name the City and the Trustee as insureds, and the Trustee as special loss payee, as their respective interests may appear. All proceeds from such policies of insurance will be applied as provided in the Lease.

(c) 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 Trustee and the City are named as insureds, in an amount not less than the limits of liability set by Section 537.610 of the Revised Statutes of Missouri (subject to reasonable loss deductible clauses).

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

(e) Owner's policy of title insurance, issued on ALTA forms by a title insurance underwriter acceptable to the Underwriter and BAM, insuring the Trustee's leasehold estate created by the Base Lease, in an amount not less than the outstanding principal amount of the Certificates, subject only to exceptions acceptable to the Underwriter and BAM, with endorsements and affirmative coverages reasonably required by the Underwriter and BAM and otherwise in form and substance satisfactory to the City and BAM.

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

The City may elect to be self-insured (for liability only) for all or any part of the foregoing requirements of the Lease if (1) the City maintains a separate segregated self-insurance trust fund funded in an amount determined (initially and on at least an annual basis) by an independent actuary employing accepted actuarial techniques, and (2) the City establishes and maintains a claims processing and risk management program. No later than 120 days after the end of each Fiscal Year, the City shall cause an independent actuary to submit a written report to the Trustee setting forth a determination, employing accepted actuarial techniques, of an adequate amount of reserves to be maintained in the City's self-insurance trust fund. The City shall immediately deposit any amount necessary to cause the self-insurance trust fund to be funded in the amount determined by the actuary. The City may not self-insure against casualty losses to any real or personal property owned, leased or used by it, including plant, property and equipment. The Trustee has no duty or obligation to (A) determine the sufficiency of any self-insurance or other insurance required to be maintained by the City under the terms of the Lease, (B) determine the adequacy of the qualifications of the independent actuary selected by the City pursuant to the terms of the Lease or (C) monitor the City's compliance with the insurance requirements under the terms of the Lease.

Maintenance and Modification of the 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 applicable 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 will 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 deems 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 Lease will (1) be made in a workmanlike manner and in strict compliance with all laws and ordinances applicable thereto, (2) when commenced, be pursued to completion with due diligence, and (3) when completed, be deemed a part of the Leased Property.

Damage, Destruction and Condemnation

The City will 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 is 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 Net Proceeds will be paid to the Trustee for deposit into a separate trust fund. Upon receipt of direction from the City, the Trustee will cause the Net Proceeds of any insurance claim, condemnation award or sale under threat of condemnation to be disbursed in accordance with the City's direction and applied to the prompt replacement, repair, restoration, modification or improvement of the Leased Property, unless the City has exercised its option to purchase the Trustee's interest in the Leased Property by making payment of the Purchase Price as provided in the Lease. Any balance of the Net Proceeds remaining after such work has been completed will be paid to the City and will be held and appropriated by the City for the exclusive purpose of paying Rent under the Lease.

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 will promptly purchase the Trustee's interest in the Leased Property pursuant to the Lease by paying the Purchase Price; provided that, unless all Outstanding Certificates are to be prepaid, the prior written consent of BAM shall be required for any such partial prepayment. The Net Proceeds will be applied by the City to payment of the Purchase Price. Any balance of the Net Proceeds remaining after paying the Purchase Price will belong to the City.

In the Lease, the City acknowledges the provisions pertaining to eminent domain in the Base Lease. The Trustee and the City agree that such provisions of the Base Lease are incorporated in and made a part of the Lease to the same extent as if set forth in full therein. Such provision will survive the termination of the Lease for any reason.

Insufficiency of Net Proceeds

If the Net Proceeds are insufficient to pay in full the cost of any replacement, repair, restoration, modification or improvement referred to in the Lease and the City has not elected to purchase the Trustee's interest in the Leased Property pursuant to the Lease, the City will complete such replacement, repair, restoration, modification or improvement and pay any costs thereof in excess of the amount of the Net Proceeds. If the City

makes any such payments, the City will not be entitled to any reimbursement therefor from the Trustee nor will the City be entitled to any diminution of Rent.

Option to Purchase the Trustee's Interest in the Leased Property

The City may purchase the Trustee's interest in the Leased Property by giving written notice to the Trustee at least 45 days before the purchase date (unless a shorter notice is satisfactory to the Trustee), at the following times and on the following terms:

(a) On or after the date stated for *Optional Prepayment* in the Declaration of Trust, upon payment in full of the Rent Payments then due under the Lease plus a Purchase Price equal to 100% of the remaining Principal Portions of Basic Rent for the maximum Lease Term plus Interest Portions of Basic Rent accrued to the purchase date.

(b) Upon deposit of moneys or Government Obligations or both with the Trustee in accordance with the Declaration of Trust in the amount necessary to provide for the Basic Rent Payments until and on the purchase date, and the Purchase Price calculated as described in (a) above to such purchase date, which will be on or after the date stated for *Optional Prepayment* in the Declaration of Trust.

(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 if as a result of changes in the constitution of the State or legislative or administrative action by the State or the United States, the Base Lease or the Lease 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 under the Lease plus a Purchase Price equal to 100% of the remaining Principal Portions of Basic Rent for the maximum Lease Term plus Interest Portions of Basic Rent accrued to the purchase date.

Partial Prepayment

The City may prepay the Basic Rent Payments in part, upon giving written notice to the Trustee at least 45 days before the Prepayment Date (unless a shorter notice is satisfactory to the Trustee), on any date occurring on or after the date stated for *Optional Prepayment* in the Declaration of Trust, at the Prepayment Price equal to 100% of the Principal Portion of Basic Rent being so prepaid plus the Interest Portion of Basic Rent accrued thereon to such Prepayment Date.

The Principal Portion of Basic Rent prepaid pursuant to the provisions of the Lease will be in integral multiples of \$5,000 and will be credited in such order of stated payment dates as is determined by the City. Upon any partial prepayment, the amount of each Interest Portion of Basic Rent coming due thereafter will be reduced by the amount of such Interest Portion attributable to such prepaid Principal Portion determined by applying the annual interest rate corresponding to such prepaid Principal Portion.

No portion of the Leased Property may be released following the partial prepayment of Basic Rent Payments, the partial redemption of the Certificates or the exercise of the option to purchase a portion of the Leased Property unless BAM has provided its prior written consent.

Assignment and Subleasing by the City

Except as provided in the Lease, none of the City's right, title and interest in, to and under the Base Lease and the 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 provides to the Trustee an opinion of Special Tax Counsel that such subleasing will not adversely affect the exclusion of

the Interest Portion of the Basic Rent Payments from gross income for purposes of federal income taxation. Any such sublease of all or part of the Leased Property will be subject to the Base Lease, the Lease and the rights of the Trustee in, to and under the Base Lease and the Lease and in the Leased Property.

Events of Lease Default

Any of the following will constitute an “**Event of Lease Default**”:

- (a) Failure by the City to pay Basic Rent pursuant to the Lease;
- (b) Failure by the City to make any Supplemental Rent Payment when due and the continuance of such failure for 60 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 under the Lease, other than as referred to in subparagraph (a) or (b) above, for a period of 60 days after written notice specifying such failure and requesting that it be remedied is given to the City by the Trustee, unless the Trustee agrees 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, the Trustee 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 the Base Lease or the Lease or the execution, delivery or performance thereof proves to have been false, incorrect, misleading or breached in any material respect on the date when made;
- (e) Any provision of the Base Lease or the Lease at any time for any reason ceases to be valid and binding on the City, or is declared null and void by a court of competent jurisdiction, or the validity or enforceability thereof is contested by the City or any governmental agency or authority with jurisdiction, 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 is appointed for the City 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.

Failure of the City to comply with the Continuing Disclosure Undertaking will not be an Event of Lease Default.

Remedies on Default

Whenever any Event of Lease Default exists, the Trustee will have the right, upon the prior written consent of BAM, 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 under the Lease to the end of the then-current Original Term or Renewal Term to be due;

(b) With or without terminating the Lease, the Trustee may take possession of the Leased Property (in which event the City will take all actions necessary to authorize, execute and deliver to the Trustee for the remainder of the Trustee's leasehold term under the Base Lease all documents necessary to vest in the Trustee for the remainder of the Trustee's leasehold term under the Base Lease all of the City's interest in the Leased Property, subject to Permitted Encumbrances), and, subject to Permitted Encumbrances, sell the Trustee's interest in the Leased Property or lease the Leased Property or, for the account of the City, sublease the Leased Property and continue to hold the City liable for the difference between (1) the Rent payable by the City under the Lease for the then-current Original Term or Renewal Term, as the case may be, and (2) the net proceeds of any such sale, leasing or subleasing (after deducting all expenses of the Trustee in exercising its remedies under the Lease, including without limitation all expenses of taking possession of, removing, storing, reconditioning and selling, leasing or subleasing the Leased Property and all brokerage, auctioneers' and attorneys' fees and expenses);

(c) The Trustee may terminate any rights the City may have in any moneys 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 the Lease.

SUMMARY OF THE BASE LEASE

The following is a brief summary of certain provisions of the Base Lease. This summary is not to be considered as a full statement of the provisions of the Base Lease and is qualified by reference to and subject to the complete Base Lease, a copy of which will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.

General

The City and the Trustee have entered into the Base Lease under which the City leases the Leased Property to the Trustee for the rental payments and upon the terms and conditions set forth therein.

Term

The term of the Base Lease will commence as of the date of the delivery of the Base Lease and will end on April 1, 2066*, unless the term is extended or sooner terminated as provided therein.

Rental

As and for the rental under the Base Lease and in consideration for the leasing of the Leased Property to the Trustee, the Trustee will take the following actions: (a) simultaneously with the delivery of the Base Lease, enter into the Lease; (b) simultaneously with the delivery of the Base Lease, pay to the City the sum of \$10.00 and provide such other consideration as the Trustee and the City may agree; and (c) deposit funds in the amount and in the Funds established and as set forth in the Declaration of Trust.

Assignments and Subleases

Pursuant to the Declaration of Trust, the Trustee will hold the Base Lease and its rights thereunder for the benefit of the Owners of the Certificates. The Trustee may assign the Base Lease and its rights thereunder or lease or sublease the Leased Property without the written consent of the City (a) in connection with any assignment of its rights under the Lease, (b) if the Lease is terminated for any reason, or (c) if an Event of Lease

* Preliminary; subject to change.

Default has occurred. No assignment, lease or sublease of the Trustee's rights under the Base Lease or of the Leased Property is permitted without the prior written consent of BAM, and neither the City nor the Trustee may release, sell, dispose or substitute any of the Leased Property without the prior written consent of BAM.

Termination

The Base Lease will terminate at the end of its stated term; provided, however, that if the City pays the Purchase Price or all of the Rent Payments provided for in the Lease and exercises its option to purchase the Trustee's interest in the Leased Property pursuant to the Lease, then the Base Lease will be considered assigned to the City and terminated through merger of the leasehold interest under the Base Lease with the fee interest of the City if the City is the owner of the fee interest.

If an Event of Lease Default occurs or if the City terminates the Lease pursuant to an Event of Nonappropriation, the Trustee will have the right to possession of the Leased Property for the remainder of the term of the Base Lease and will have the right to sublease the Leased Property or sell its interest in the Leased Property and the Base Lease upon whatever terms and conditions it deems prudent.

* * *

APPENDIX C

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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CONTINUING DISCLOSURE UNDERTAKING

This **CONTINUING DISCLOSURE UNDERTAKING** dated as of November 1, 2026 (this “**Continuing Disclosure Undertaking**”), is executed and delivered by the **CITY OF HILLSBORO, MISSOURI** (the “**City**”).

RECITALS

1. This Continuing Disclosure Undertaking is executed and delivered in connection with the execution and delivery of \$2,065,000* aggregate principal amount of Certificates of Participation (City of Hillsboro, Missouri, Lessee), Series 2026 (the “**Series 2026 Certificates**”), pursuant to a Declaration of Trust dated as of November 1, 2026 (the “**Declaration of Trust**”) made by UMB Bank, N.A., as trustee (the “**Trustee**”), which Series 2026 Certificates evidence proportionate interests of the owners thereof in basic rent payments to be made by the City pursuant to a Lease Purchase Agreement dated as of November 1, 2026 (the “**Lease**”), between the City and the Trustee.

2. The City is entering into this Continuing Disclosure Undertaking for the benefit of the Beneficial Owners (defined below) of the Series 2026 Certificates and to assist the Participating Underwriter (defined below) in complying with Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “**Rule**”). The City is the only “**obligated person**” with responsibility for continuing disclosure hereunder.

The City covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Declaration of Trust and the Lease, which apply to any capitalized term used in this Continuing Disclosure Undertaking unless otherwise defined 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.**

“**Beneficial Owner**” means any registered owner of any Series 2026 Certificates and any person that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2026 Certificates (including persons holding Series 2026 Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2026 Certificates for federal income tax purposes.

“**Business Day**” means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the principal office or designated payment office of the Trustee or the Dissemination Agent is located are required or authorized by law to remain closed, or (c) a day on which the Securities Depository or the New York Stock Exchange is closed.

* Preliminary; subject to change.

“Dissemination Agent” means any entity designated in writing by the City to serve as dissemination agent pursuant to this Continuing Disclosure Undertaking and which has filed with the City a written acceptance of such designation.

“EMMA” means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org.

“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) or (b) in this definition; *provided however*, the term Financial Obligation does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

“Material Events” means any of the events listed in **Section 3**.

“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.

“Official Statement” means the final Official Statement dated November 2, 2026, relating to the Series 2026 Certificates.

“Participating Underwriter” means any of the original underwriter(s) of the Series 2026 Certificates required to comply with the Rule in connection with the offering of the Series 2026 Certificates.

Section 2. Provision of Annual Reports.

(a) The City shall, not later than **300** days after the end of the City’s Fiscal Year, commencing with the Fiscal Year ended June 30, 2026, file with the MSRB, through EMMA, the following financial information and operating data (the **“Annual Report”**):

- (1) The audited financial statements of the City for the prior Fiscal Year, prepared in accordance with the accounting principles described in the notes to the financial statements contained in the Official Statement. If audited financial statements are not available by the time the Annual Report is required to be provided pursuant to this Section, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall 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 certain financial information and operating data contained in the Official Statement, as described in **Exhibit A**, in substantially the same format contained in the Official Statement with such adjustments to formatting or presentation determined to be reasonable by the City.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an **“obligated person”** (as defined by the Rule), which have been provided to the MSRB and are available through EMMA or the

Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB on EMMA. The City shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in this Section; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the 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**.

(b) The Annual Report shall be filed with the MSRB in such manner and format as is prescribed by the MSRB.

Section 3. Reporting of Material Events. No later than **10 Business Days** after the occurrence of any of the following events, the City shall give, or cause to be given to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Series 2026 Certificates (**"Material Events"**):

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) 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 securities or other material events affecting the tax status of the securities;
- (g) modifications to rights of security holders, if material;
- (h) security calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the securities, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (m) 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;
- (n) appointment of a successor or additional trustee or the change of name of the trustee, if material;
- (o) incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material;
- (p) default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties; and
- (q) the occurrence of an Event of Nonappropriation under the Lease.

For purposes of the Material Events described above, the term “**security**” or “**securities**” means a Series 2026 Certificate or the Series 2026 Certificates, respectively, and “**obligated person**” means the City.

If the City has not submitted the Annual Report to the MSRB by the date required in **Section 2(a)**, the City shall, in a timely manner, send a notice to the MSRB, in substantially the form attached as **Exhibit B**, of the failure of the City to file on a timely basis the Annual Report, which notice shall be given by the City in accordance with this Section.

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 2026 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 2026 Certificates, the City shall give notice of such termination or substitution in the same manner as for a Material Event under **Section 3**.

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

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 Special Tax 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.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Undertaking, 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**, 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 or notice of occurrence of a Material Event.

Section 8. Default. If the City fails to comply with any provision of this Continuing Disclosure Undertaking, any Participating Underwriter or any Beneficial Owner of the Series 2026 Certificates may 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 of Trust, the Base Lease, the Lease or the Series 2026 Certificates, and the sole remedy under this Continuing Disclosure Undertaking in the event of any failure of the City to comply with this Continuing Disclosure Undertaking shall be an action to compel performance.

Section 9. Beneficiaries. This Continuing Disclosure Undertaking shall inure solely to the benefit of the City, the Participating Underwriter and the Beneficial Owners from time to time of the Series 2026 Certificates and shall create no rights in any other person or entity.

Section 10. Severability. If any provision in this Continuing Disclosure Undertaking, the Declaration of Trust, the Lease or the Series 2026 Certificates shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of this Continuing Disclosure Undertaking shall not in any way be affected or impaired thereby.

Section 11. Electronic Transactions. The arrangement described herein may be conducted and related documents may be sent, received or 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 12. Governing Law. This Continuing Disclosure Undertaking shall be governed by and construed in accordance with the laws of the State of Missouri.

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

CITY OF HILLSBORO, MISSOURI

By: _____
Title: Mayor

EXHIBIT A

FINANCIAL INFORMATION AND OPERATING DATA TO BE INCLUDED IN ANNUAL REPORT

The financial information and operating data contained in the tables under the following described sections in the Official Statement (but only to the extent not otherwise provided under Section 2(a)(1) above):

1. **“FINANCIAL INFORMATION CONCERNING THE CITY – Sources of Revenue;”**
2. **“FINANCIAL INFORMATION CONCERNING THE CITY – Retail Sales Taxes;”**
3. **“FINANCIAL INFORMATION CONCERNING THE CITY – The General Fund;”**
4. **“DEBT STRUCTURE OF THE CITY – Lease Obligations of the City;”**
5. **“PROPERTY TAX INFORMATION – Property Valuations – *Current Assessed Valuation*;”**
6. **“PROPERTY TAX INFORMATION – Property Tax Levies and Collections – *Property Tax Levies*;”**
7. **“PROPERTY TAX INFORMATION – Property Tax Levies and Collections – *Property Tax Collections*;”**
8. **“THE SYSTEM – Rates and Charges;”**
9. **“THE SYSTEM – Customers and Usage;”**
10. **“THE SYSTEM – Billings and Collections;” and**
11. **“THE SYSTEM – Summary of Historical Operating Results (Water and Sewer Fund).”**

EXHIBIT B

FORM OF FAILURE TO FILE NOTICE

Event Notice Pursuant to SEC Rule 15c2-12(b)(5)(i)(D)

Issuer/Obligated Person: City of Hillsboro, Missouri

Issue to which this

Notice relates: \$2,065,000* Certificates of Participation (City of Hillsboro, Missouri, Lessee), Series 2026

CUSIP Numbers for Issue to which this Notice relates:

Maturity Date

CUSIP Number

April 1, 20__

April 1, 20__

April 1, 20__

Event Reported: Failure to Timely File Annual Financial Information/Audited Financial Statements

The Obligated Person did not timely file its operating data for the fiscal year ended June 30, 20___. Such operating data [*will be*] [*was*] filed with the MSRB through EMMA on ____, 20__.

The Obligated Person did not timely file its audited financial statements for the fiscal year ended June 30, 20___. Such audited financial statements [*will be*] [*were*] filed with the MSRB through EMMA on ____, 20__.

The information contained in this Notice has been submitted by the Obligated Person pursuant to contractual undertakings the Obligated Person made in accordance with SEC Rule 15c2-12. Nothing contained in the undertaking or this Notice is, or should be construed as, a representation by the Obligated Person that the information included in this Notice constitutes all of the information that may be material to a decision to invest in, hold or dispose of any of the securities listed above, or any other securities of the Obligated Person.

For additional information, contact:

Mr./Ms. _____
City Administrator
City of Hillsboro, Missouri
101 Main Street
P.O. Box 19
Hillsboro, Missouri 63050
(636) 797-3334

Date Submitted: [Date]

CITY OF HILLSBORO, MISSOURI

* Preliminary; subject to change.

APPENDIX D

BOND INSURANCE AND SPECIMEN MUNICIPAL BOND INSURANCE POLICY

Bond Insurance Policy

Concurrently with the delivery of the Series 2026 Certificates, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Series 2026 Certificates (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2026 Certificates when due as set forth in the form of the Policy included in this *Appendix D*.

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all 50 states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the Code. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: www.bambonds.com.

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

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en>. The rating of BAM should be evaluated independently. The rating reflects S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series 2026 Certificates, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Series 2026 Certificates. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Series 2026 Certificates on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Series 2026 Certificates, nor does it guarantee that the rating on the Series 2026 Certificates will not be revised or withdrawn.

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$505.6 million, \$295.6 million and \$210.0 million, respectively.

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

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

BAM makes no representation regarding the Series 2026 Certificates or the advisability of investing in the Series 2026 Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented in this *Appendix D*.

Additional Information Available from BAM

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

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://bambonds.com/credit-profiles>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Series 2026 Certificates, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Series 2026 Certificates. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2026 Certificates, whether at the initial offering or otherwise.

[Remainder of Page Intentionally Left Blank]



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

28 Liberty Street, 59th Floor
New York, New York 10005

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN