

NEW ISSUE
BOOK-ENTRY ONLY

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances may this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor may there be any sale of these securities in any jurisdictions in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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 Lease (as described in this Official Statement) and distributed to the Owners of the Series 2026A Certificates (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, except that Special Tax Counsel will not express any opinion for federal or Missouri tax purposes as to any money received in payment of or with respect to the Series 2026A Certificates subsequent to termination of the City's obligations under the Lease by reason of an Event of Nonappropriation or an Event of Default. The City's obligation to pay Basic Rent under the Lease and distributed to the Owners of the Series 2026A Certificates 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 and distributed to the Owners of the Series 2026A Certificates 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. The Interest Portion of Basic Rent paid by the City under the Lease and distributed to the Owners of the Series 2026B Certificates (including any original issue discount properly allocable to an Owner thereof) is included in gross income for federal and Missouri income tax purposes. See "TAX MATTERS."

CITY OF FARMINGTON, MISSOURI

\$6,520,000*
CERTIFICATES OF PARTICIPATION
(CITY OF FARMINGTON, MISSOURI, LESSEE)
SERIES 2026A

\$110,000*
TAXABLE CERTIFICATES OF PARTICIPATION
(CITY OF FARMINGTON, MISSOURI, LESSEE)
SERIES 2026B

Dated: Date of Delivery

Due: October 1, as shown on the inside cover

The Certificates of Participation (City of Farmington, Missouri, Lessee), Series 2026A (the "Series 2026A Certificates") and Taxable Certificates of Participation (City of Farmington, Missouri, Lessee), Series 2026B (the "Series 2026B Certificates") and, together with the Series 2026A Certificates, the "Series 2026 Certificates", representing undivided, proportionate interests in Basic Rent to be paid by the City of Farmington, Missouri (the "City"), are being delivered pursuant to a Declaration of Trust dated as of July 1, 2026 (the "Declaration of Trust"), executed by BOKF, 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 July 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 October 1, beginning on October 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 SERIES 2026 CERTIFICATES." The City will agree to pay the total Basic Rent due under the Lease for each Fiscal Year, but only if the City Council 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 Series 2026 Certificates are subject to prepayment prior to their stated payment dates under certain conditions. See "THE SERIES 2026 CERTIFICATES – Prepayment Provisions."

The Series 2026 Certificates are subject to certain risks. See "RISK FACTORS AND INVESTMENT CONSIDERATIONS."

The Series 2026 Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approval of legality 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 City by Schnapp, Silvey, Reid & Bollinger, LLC, Fredericktown, 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 through The Depository Trust Company in New York, New York, on or about July 7, 2026.



The date of this Official Statement is _____, 2026.

* Preliminary; subject to change.

CITY OF FARMINGTON, MISSOURI

\$6,520,000*
CERTIFICATES OF PARTICIPATION
(CITY OF FARMINGTON, MISSOURI, LESSEE)
SERIES 2026A

\$110,000*
TAXABLE CERTIFICATES OF PARTICIPATION
(CITY OF FARMINGTON, MISSOURI, LESSEE)
SERIES 2026B

MATURITY SCHEDULES*

Base CUSIP: 311326**

SERIES 2026A CERTIFICATES

<u>Maturity Date (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP**</u>
2027	\$415,000			
2028	550,000			
2029	580,000			
2030	610,000			
2031	640,000			
2032	675,000			
2033	705,000			
2034	745,000			
2035	780,000			
2036	820,000			

SERIES 2026B CERTIFICATES

<u>Maturity Date (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP**</u>
2027	\$110,000			

* Preliminary; subject to change.

** CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. None of the City, its agents, or counsel, or the Underwriter or its counsel, assumes responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to change after the issuance of the Series 2026 Certificates as a result of various subsequent actions including, but not limited to, a refunding, in whole or in part, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2026 Certificates.

CITY OF FARMINGTON, MISSOURI

110 West Columbia Street
Farmington, Missouri 63640

MAYOR

Chris Morrison

CITY COUNCIL

David Kennedy, *Councilman*
Adam Parks, *Councilman*
Chad Follis, *Councilman*
Joshua Smith, *Councilman*
Wayne Linnenbringer, *Councilman*
Vince Kauflin, *Councilman*
Dan Combs, *Councilman*
Venessa Pegram, *Councilman*

CITY ADMINISTRATION

Gregory S. Beavers, *City Administrator*¹
Tim Porter, *Development Services Director*
Casey Moore, *City Clerk*

CITY ATTORNEY

Schnapp, Silvey, Reid & Bollinger, LLC
Fredericktown, Missouri

TRUSTEE

BOKF, 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

¹ City Administrator Beavers recently announced his plan to retire on December 30, 2026. It is anticipated that the position will be filled by the current Development Services Director.

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.

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

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “anticipate,” “projected,” “budget” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THESE FUTURE RISKS AND UNCERTAINTIES INCLUDE THOSE DISCUSSED IN THE “RISK FACTORS 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 IN **APPENDIX D** HERETO.

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OFFICIAL STATEMENT

CITY OF FARMINGTON, MISSOURI

\$6,520,000*
CERTIFICATES OF PARTICIPATION
(CITY OF FARMINGTON, MISSOURI, LESSEE)
SERIES 2026A

\$110,000*
TAXABLE CERTIFICATES OF PARTICIPATION
(CITY OF FARMINGTON, MISSOURI, LESSEE)
SERIES 2026B

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 Farmington, Missouri, Lessee), Series 2026A (the “**Series 2026A Certificates**”), in the aggregate principal amount of \$6,520,000* and (2) Taxable Certificates of Participation (City of Farmington, Missouri, Lessee), Series 2026B (the “**Series 2026B Certificates**” and, together with the Series 2026A Certificates, the “**Series 2026 Certificates**”), in the aggregate principal amount of \$110,000*. The Series 2026 Certificates represent undivided interests in Basic Rent to be paid by the City of Farmington, Missouri (the “**City**”), pursuant to an annually-renewable Lease Purchase Agreement dated as of July 1, 2026 (the “**Lease**”), between BOKF, 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 July 1, 2026 (the “**Declaration of Trust**”). Basic Rent constitutes rent for use of the Equipment (as defined herein) pursuant to the Lease.

The City

The City was incorporated in 1879 and is a third-class city and political subdivision of the State of Missouri (the “**State**”). The City is located in St. Francois County, Missouri (the “**County**”), approximately 70 miles south of the City of St. Louis. The City consists of approximately 10 square miles. According to the 2020 official census count of the United States Census Bureau, the City’s population is 18,217. See *Appendix B* hereto for additional information related to the City.

Plan of Financing

Proceeds from the sale of the Series 2026 Certificates will be used to pay the costs of (1) various capital improvements including, among others, acquiring, constructing, furnishing, equipping, extending and improving the City’s sewerage system and electric system (collectively, the “**Project**”) and (2) executing and delivering the Series 2026 Certificates. Simultaneously with the delivery of the Series 2026 Certificates, the Trustee, as lessor, will convey and lease certain personal property installed in connection with the Project (collectively, the “**Equipment**”) to the City, as lessee, pursuant to the Lease, for an Original Term ending September 30, 2026, with successive one-year Renewal Terms commencing on October 1 of each year (the “**Renewal Terms**”), with the final Renewal Term beginning October 1, 2036 and ending October 2, 2036. Each Renewal Term is subject to annual appropriation by the City Council. See “**PLAN OF FINANCING**” for a further description of the Project and the Equipment.

* Preliminary; subject to change.

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 City Council annually appropriates sufficient money to pay Basic Rent coming due during each succeeding Renewal Term. The Series 2026 Certificates represent undivided, proportionate interests in 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 revenues generated from its sewerage system (the “**Sewer System**”) and its electric system (the “**Electric System**” and, together with the Sewer System, the “**Systems**”) as the primary source of funds for payment of Basic Rent under the Lease. See the captions “**THE SEWER SYSTEM**” and “**THE ELECTRIC SYSTEM**” herein.

Limited Obligations

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 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 Equipment at the times and upon the conditions described under the caption “**SUMMARY OF CERTAIN PROVISIONS OF THE LEASE – Option to Purchase the Trustee’s Interest in the Equipment**” in *Appendix C* 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.

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 “**SUMMARY OF CERTAIN PROVISIONS OF THE DECLARATION OF TRUST – Additional Certificates**” in *Appendix C* hereto.

Risk Factors

Payment of the Principal Portions and Interest Portions represented by the Series 2026 Certificates is subject to certain risks. See “**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 in *Appendix D* hereto.

The City made similar undertakings with respect to its prior obligations to annually file its audited financial statements and certain operating data (together, the “**Annual Report**”) and notices of certain events. To the best of the City’s knowledge and belief, the City has complied in all material respects with its prior continuing disclosure undertakings under the Rule during the past five years except as follows:

To the best of the City’s knowledge and belief, the City has complied in all material respects with its prior continuing disclosure undertakings under the Rule for the past five years, except as follows:

For fiscal year ended 2021, the City’s annual audited financial statements and financial and operating data were filed 25 days late, except certain financial and operating data related to the City’s water and sewer customers which was filed 867 days late. For fiscal year ended 2022, the City’s annual audited financial statements were filed 12 days late and certain financial and operating data related to the City’s water and sewer customers were filed 502 days late. For fiscal year ended 2023, certain financial and operating data related to the City’s tax levies and collections and the City’s water and sewer customers were filed 136 days late. For fiscal year ended 2024, the City’s annual audited financial statements and financial and operating data were filed 86 days late. For fiscal year ended 2025, the City’s annual audited financial statements and financial and operating data were filed 56 days late. Failure to file notices were filed in each instance. Pursuant to the City’s continuing disclosure undertaking with respect to its Series 2024 Certificates, the City agreed to file a material event notice for any new material financial obligation. The City did file an event notice with respect to two new material financial obligations; however, the notice was filed 100 days late with respect to the Development Agreement with SimonCRE and 51 days late with respect to the MHTC Loan Agreement (each as defined under the caption **“DEBT STRUCTURE OF THE CITY”** in *Appendix B* hereto).

The City has retained a third party to assist the City with complying with its continuing disclosure undertakings.

Definitions and Descriptions; Inspection of Documents

All capitalized terms used in this Official Statement not defined in the text hereof are defined under the caption **“DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF LEGAL DOCUMENTS – Definitions of Words and Terms”** set forth in *Appendix C* hereto. Brief descriptions of the Series 2026 Certificates, 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 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 Lease and the Declaration of Trust.

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 October 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.

Series 2026A Certificates. The Series 2026A Certificates that evidence Principal Portions of Basic Rent payable to Certificate Owners on or after October 1, 20____ will be subject to optional prepayment, as a whole or in part, on or after October 1, 20____, at a Prepayment Price equal to 100% of the Principal Portion of Basic Rent represented by the Series 2026A 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 Equipment or partially prepay Basic Rent Payments pursuant to the terms of the Lease.

Series 2026B Certificates. The Series 2026B Certificates are not subject to optional prepayment.

Extraordinary Optional Prepayment. The Series 2026 Certificates shall be subject to optional prepayment on any date prior to their respective stated maturities, 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 Equipment, 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 Lease or the Declaration of Trust becomes unenforceable and the City purchases the Trustee's interest in the Equipment pursuant to the Lease. See "**SUMMARY OF CERTAIN PROVISIONS OF THE LEASE – Damage, Destruction and Condemnation**" in *Appendix C* hereto.

Selection of Certificates to Be Prepaid. If less than all of the Outstanding Certificates are called for optional prepayment, Certificates shall be prepaid in such order of stated payment dates as is determined by the City. Within a stated payment date, the Trustee shall select the Certificates or any given portion thereof to be prepaid by lot or in such other 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 shall 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 unprepaid portion of the Certificate surrendered.

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

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

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

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

Effect of Prepayment. Notice of prepayment having been duly given as aforesaid, and upon funds for payment of the Prepayment Price of such Certificates (or portions thereof) being held by the Trustee, on the Prepayment Date designated in such notice, the Certificates (or portions thereof) so called for prepayment shall become due and payable at the Prepayment Price specified in such notice and the Interest Portion of Basic Rent represented by the Certificates so called for prepayment shall cease to accrue, said Certificates (or portions thereof) shall cease to be entitled to any benefit or security under this Declaration of Trust and the Owners of such Certificates shall have no rights in respect thereof except to receive payment of the Prepayment Price. All Certificates prepaid pursuant to the provisions of this Article shall be 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 Code, 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 SERIES 2026 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 made 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. 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 revenues generated from the Systems as the primary source of funds for payment of Basic Rent under the Lease. See the captions "**THE SEWER SYSTEM**" and "**THE ELECTRIC SYSTEM**" herein. **SUCH REVENUES ARE NOT PLEDGED AS SECURITY FOR THE PAYMENT 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 City 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.**

To secure the payment of all of the City's obligations under the Lease, the City has granted to the Trustee, to the extent permitted by law, a security interest in the Equipment and all additions, attachments and accessions thereto, substitutions therefor and proceeds therefrom. **The Equipment includes only personal property and does not include any interest in the underlying real property. The Equipment will not be deemed to be affixed to or a part of the real estate on or under which it may be situated, notwithstanding that the Equipment or any part thereof may be or hereafter become in any manner physically affixed to, buried in or otherwise attached to such real estate or any building or structure thereon.**

See "SECURITY FOR THE SERIES 2026 CERTIFICATES" and "RISK FACTORS AND INVESTMENT CONSIDERATIONS."

Parity Obligations

Additional Certificates may be issued 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 "**SUMMARY OF CERTAIN PROVISIONS OF THE DECLARATION OF TRUST – Additional Certificates**" in *Appendix C* hereto.

THE TRUSTEE

BOKF, 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. The Trustee may consult with counsel, and the opinion of such counsel will be full and complete authorization and protection with respect to any action taken or suffered by the Trustee in good faith in accordance with such opinion. The Trustee may execute any trusts or powers or perform the duties required by the Declaration of Trust or the Lease by or through attorneys, agents or receivers and will not be answerable for the default or misconduct of any such attorney, agent or receiver selected by it in good faith.

The Series 2026 Certificates are 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 or the Lease is to be construed as creating any liability on the Trustee, individually or personally, to perform any covenant either express or implied in the Series 2026 Certificates, the Declaration of Trust or the 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 with right of payment prior to payment on account of any principal or interest with respect to the Series 2026 Certificates for such compensation, expenses, disbursements and indemnification.

PLAN OF FINANCING

The Project

The City has identified the following capital improvements to be financed with proceeds of the Series 2026 Certificates (collectively, the “**Project**”):

Sewer System Improvements. The Sewer System improvements consist of equipment upgrades and replacement at each of the two wastewater treatment plants (“**WWTP**”) operated by the City. Equipment upgrades include replacement of the bar screen filter at the East WWTP and refurbishment of the screw pump. The West WWTP equipment will replace the existing aeration and mixing system with an energy efficient mixing system that will reduce electric usage and allow the plant to meet anticipated nutrient removal limits. The City has selected Cochran Engineering as engineer for this portion of the Project. The City estimates the cost of the Sewer System improvements at approximately \$5 million. Construction is expected to begin in September 2026 and to be complete by August 2027.

Electric System Improvements. The City will be constructing and equipping a 12 kV substation (the “**Old Fredericktown Road Substation**”) to be located on Old Fredericktown Road in the City together with certain associated area connections and other adjacent transmission assets required to interconnect the substation to Ameren UE Transmission Services. The City has selected Cochran Engineering as engineer for this portion of the Project and estimates the total cost at approximately \$2.5 million. The City intends to allocate approximately \$2 million of the Series 2026 Certificate proceeds to this portion of the Project and intends to pay the remaining costs using cash reserves. Construction is expected to begin in October 2026 and to be complete by March 2027.

Any remaining proceeds of the Series 2026 Certificates may be used by the City for any other capital improvement.

The Equipment

The Equipment is expected to consist of the following personal property:

<u>Description</u>	<u>Quantity</u>	<u>Location</u>	<u>Estimated Value</u>
Huber Screens	1	East WWTP ⁽¹⁾	\$ 376,900
Screw Pump	1	East WWTP ⁽¹⁾	337,078
Aeration Equipment	1	West WWTP	774,896
Submersible Pump	1	West WWTP	573,800
12 MVA Transformer	1	Old Fredericktown Road Substation	727,809
Regulators	3	Old Fredericktown Road Substation	<u>226,800</u>
Total			<u>\$3,017,283</u>

⁽¹⁾ No portion of the personal property installed at the East WWTP will become part of the Equipment until after October 1, 2026.

A portion of the proceeds of the Series 2026 Certificates will be deposited into the Project Fund held by the Trustee under the Declaration of Trust. The Trustee will disburse money from the Project Fund upon receipt

of requisitions of the City that identify the specific Equipment to be acquired in sufficient detail to provide the Trustee a security interest therein. See “**SUMMARY OF CERTAIN PROVISIONS OF THE DECLARATION OF TRUST – Disbursements from the Project Fund**” in *Appendix C*. The City is not obligated to purchase all of the Equipment described above, nor is the City limited by the estimated values shown above. The Equipment will consist of solely the Equipment that is described in the requisition certificates submitted to the Trustee pursuant to the Declaration of Trust, and the Equipment will be deemed to incorporate all Equipment listed on such requisition certificates (as well as any modifications, additions, improvements, replacements or substitutions thereto or therefor). **Notwithstanding the foregoing, no portion of the personal property installed at the East WWTP will become part of the Equipment until after October 1, 2026.**

The Equipment includes only personal property and does not include any interest in the underlying real property. The Equipment will not be deemed to be affixed to or a part of the real estate on or under which it may be situated, notwithstanding that the Equipment or any part thereof may be or hereafter become in any manner physically affixed to, buried in or otherwise attached to such real estate or any building or structure thereon.

See the caption “**RISK FACTORS AND INVESTMENT CONSIDERATIONS – Dilution of Security for the Series 2026 Certificates.**”

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:

	Series 2026A <u>Certificates</u>	Series 2026B <u>Certificates</u>
<i>Sources of Funds:</i>		
Principal Amount		
Net Original Issue Premium		
Total		
<i>Uses of Funds:</i>		
Project Costs		
Costs of Delivery ⁽¹⁾		
Total		

⁽¹⁾ Includes the Underwriter’s discount.

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Basic Rent Payments

The following table shows the annual rental payment requirements for the Series 2026 Certificates and other annual appropriations obligations attributable to the Systems:

Fiscal Year Ending September 30	Outstanding Lease Obligations ⁽¹⁾	<u>Series 2026 Certificates</u>			<u>Total</u>
		<u>Principal Portion*</u>	<u>Interest Portion</u>	<u>Total Basic Rent</u>	
2026	\$ 677,034.38				
2027	677,537.50				
2028	0.00	\$ 525,000.00			
2029	0.00	550,000.00			
2030	0.00	580,000.00			
2031	0.00	610,000.00			
2032	0.00	640,000.00			
2033	0.00	675,000.00			
2034	0.00	705,000.00			
2035	0.00	745,000.00			
2036	0.00	780,000.00			
2037	0.00	820,000.00			
Totals	<u>\$1,354,571.88</u>	<u>\$6,630,000.00</u>			

⁽¹⁾ Includes rental payments attributable to the City's Series 2016 Certificates (as defined under the caption "**THE SEWER SYSTEM - Financial Obligations of the Sewer System – Annual Appropriation Obligations**"). The payment of the principal of and interest on the Series 2016 Certificates may be made, subject to annual appropriation, from any funds of the City legally available for such purpose, however, the City intends to satisfy its obligations to make such payments out of revenues generated from the operation of the Sewer System.

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 revenues generated from its Systems as the primary source of funds for payment of Basic Rent under the Lease. **Purchasers of the Series 2026 Certificates should be aware, however, that such revenues are not pledged to the payment of the Series 2026 Certificates.** See the captions "**THE SEWER SYSTEM**" and "**THE ELECTRIC SYSTEM**" herein.

The City regularly reviews each of the Systems' rate structure to ensure that there are adequate revenues to effectively operate and maintain the applicable System. See the caption "**THE SEWER SYSTEM - Sewer System Charges**," for a discussion of the City's anticipated increases in Sewer System rates, and the caption "**THE ELECTRIC SYSTEM - Power Supply Planning**" for a discussion of the City's power planning process and anticipated increases in Electric System rates.

THE SEWER SYSTEM

Description of the Sewer System

The City's Sewer System consists of two wastewater treatment plants. In addition to the wastewater treatment facilities, the Sewer System also consists of 12 sewerage pump stations in various locations surrounding the City as well as approximately 101.25 miles of sewerage mains ranging in size from 8 to 24 inches. The City's wastewater treatment facilities are described further below:

* Preliminary; subject to change.

West Wastewater Treatment Plant (the “**West WWTP**”) was constructed in 1974, with major renovations in 1989 and 2002, and consists of headworks pumping and screen systems, six aeration activated treatment cells, three secondary clarifiers, aerobic digester cell, biosolids treatment process filter press, ultraviolet disinfection system, and storm water storage lagoon. The West WWTP has a design flow of 2.4 million gallons per day and actual average daily flow of 1.6 million gallons per day and an average daily dry weather flow rate of 0.9 million gallons per day. The West WWTP has a remaining useful life of approximately 30 years.

East Wastewater Treatment Plant (the “**East WWTP**”) was constructed in 1952, with major renovations in 1989, 1991 and 2010, and consists of headworks pumping and screen systems, two orbital aeration activated treatment cells, three secondary clarifiers, aerobic digester cell, biosolids treatment process filter press, ultraviolet disinfection system, and a storm water storage basin. The East WWTP has a design flow of 2.75 million gallons per day and actual average daily flow of 2.1 million gallons per day and an average daily dry weather flow rate of 1.4 million gallons per day. The East WWTP has a remaining useful life of approximately 30 years.

A portion of the proceeds of the Series 2026 Certificates are being used to replace various equipment at both wastewater treatment plants. See “PLAN OF FINANCING.”

Customer Growth and Service Area

The service area of the Sewer System is approximately 10 square miles and extends beyond the corporate limits of the City. The City currently serves approximately 5,286 residential and 955 commercial customers within its service area. The following tables provide information relating to the historic growth patterns since 2021:

<u>Year</u>	<u>Sewer Customers</u>
2021	5,964
2022	6,002
2023	6,058
2024	6,108
2025	6,211

Sewer charges are billed based on a customer’s water usage. The following table shows the number of gallons of water billed by the Sewer System for each of the following fiscal years ending September 30:

<u>Fiscal Year</u>	<u>Gallons Billed</u>
2021	913,194
2022	878,332
2023	874,416
2024	885,898
2025	897,266

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The following table shows the total gallons used by and amount billed to the City’s ten largest customers of the Sewer System for fiscal year ending September 30, 2025 (based on water sales):

	<u>Customer Name</u>	<u>Gallons Used</u>	<u>Dollar Billing</u>
1.	Farmington Correctional Center	129,997,164	\$ 580,805
2.	BJC Health Center	19,468,196	95,790
3.	Zumbiel Beverage Services LLC	17,185,300	89,169
4.	St. Francois Manor	10,916,312	53,508
5.	Club Carwash	10,214,688	49,964
6.	Timberland Missouri 3 LLC	9,615,540	50,947
7.	Presbyterian Home Life	6,934,708	35,416
8.	Farmington R-7 School District	5,778,300	28,601
9.	SEMO Mental Health Center	5,131,280	25,159
10.	US Tool Grinding Inc	4,859,008	24,070
	Total	<u>220,100,496</u>	<u>\$1,033,429</u>

The Farmington Correctional Center accounts for approximately 19.7% of the Sewer System’s total monthly billing.

Sewer System Charges

General. All utility rates to be imposed by the City require approval by the City Council. All Sewer System charges are billed and payable monthly. Bills are payable when mailed and are considered delinquent if not paid on or before the due date indicated on the bill. If any bill is not paid within ten days after the date thereof, the City may discontinue service to such customer. When service is disconnected due to nonpayment, the total amount of the outstanding bill plus applicable reconnect charges (\$50.00 during business hours or \$100.00 after business hours and on weekends or holidays) shall be paid before service is restored. A late fee is assessed at a rate of 1.5% of any unpaid balance remaining after the bill due date.

Connection Fees. All properties located within the City’s service area that utilize or intend to utilize the City’s sewer services are required to connect to the Sewer System. For initial connections for customers, the City charges a \$50.00 permit fee plus a “tap” fee based on the actual cost of materials used in connecting to the Sewer System. No connection the Sewer System is permitted unless there is also a connection the City’s water system.

Sewer Rates. The current user rates for the Sewer System, effective as of effective as of April 1, 2023, are as follows:

Customers Inside City Limits

All sewer services furnished to customers inside the City limits are subject to the following minimum monthly fee, regardless of the amount of water service used:

	<u>Rate</u>
Residential	\$8.00
General Service and Industrial	\$10.00

In addition to the minimum monthly fee, the following sewer charges per 100 cubic feet of water usage shall apply:

	<u>Rate</u>
Inside City limits - Residential	\$3.40
Inside City limits - General Service and Industrial	\$3.65

Residential sewer service provided to customers inside the City limits where there is no connection to the public water supply will be charged a monthly fee equal to 600 cubic feet of water use for each connection to the public sewer system.

Customers Outside City Limits

All sewer services furnished outside by the City to customers outside the City limits shall be charged the following minimum monthly fee, regardless of the amount of water service used:

	<u>Rate</u>
Residential	\$20.00
General Service and Industrial	\$25.00

In addition to the minimum monthly fee, the following sewer charges per 100 cubic feet of water usage apply:

	<u>Rate</u>
Outside City limits - Residential	\$8.50
Outside City limits - General Service and Industrial	\$9.13

Residential sewer service provided to customers outside City limits that do not receive water service from the City will be charged a monthly sewer fee equal to 600 cubic feet of water usage.

The City regularly reviews the Sewer System's rate structure to ensure that there are adequate revenues to effectively operate and maintain the system. The City annually performs rate analysis internally and engages the services of Toth & Associates, Springfield, Missouri, for cost-of-service studies every 3 to 5 years. The most recent rate study was completed in 2021 with recommended rate increases implemented in 2023. Toth & Associates is currently conducting a cost-of-service study for the Sewer System that will be completed mid-2026. The City anticipates implementing a phased rate increase beginning in October 2026.

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Summary of Revenues, Expenses and Changes in Net Position – Sewer System

The table below sets forth a summary of the statement of revenues, expenses and changes in net position for the City’s Sewer Fund for the Fiscal Years ended September 30, 2023 through 2025.

Summary of Revenues, Expenses and Changes in Net Position – Sewer Fund

	<u>2023</u>	<u>2024</u>	<u>2025</u>
OPERATING REVENUES			
Sewer Charges	\$ 3,454,132	\$ 3,609,816	\$ 3,679,462
Total Operating Revenues	\$ 3,454,132	\$ 3,609,816	\$ 3,679,462
OPERATING EXPENSES			
Sewer Expenses	\$ 2,394,633	\$ 2,620,901	\$ 2,422,537
Depreciation	<u>1,189,462</u>	<u>1,282,171</u>	<u>1,375,566</u>
Total Operating Expense	\$ 3,584,095	\$ 3,903,072	\$ 3,798,103
OPERATING INCOME (LOSS)	\$ (129,963)	\$ (293,256)	\$ (118,641)
NONOPERATING REVENUES (EXPENSES)			
Grant Income	\$ 464,627	\$ -	\$ -
Other Revenue	-	-	-
Interest and Investment Income	48,845	33,670	44,285
Lease Revenue	-	-	-
Bond Fees	(567)	-	-
Interest Expense	(56,087)	(42,700)	(28,944)
Gain (Loss) on Disposal of Assets	3,550	17,525	35,500
Insurance Proceeds and Settlements	<u>-</u>	<u>-</u>	<u>-</u>
Total Nonoperating Income (Expenses)	\$ 460,368	\$ 8,495	\$ 50,791
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	\$ 330,405	\$ -	\$ -
NET INCOME BEFORE TRANSFERS AND GRANTS	\$ -	\$ (284,761)	\$ (67,850)
Grant Income	-	817,206	-
Transfers In	-	-	926,622
Transfers Out Utility PILOT to General Fund	(173,425)	(179,280)	(184,624)
CHANGE IN NET POSITION	\$ 156,980	\$ 353,165	\$ 674,148
NET POSITION - BEGINNING OF YEAR	<u>\$18,944,918</u>	<u>\$19,101,898</u>	<u>\$19,455,063</u>
NET POSITION - END OF YEAR	<u>\$19,101,898</u>	<u>\$19,455,063</u>	<u>\$20,129,211</u>

Source: City’s Audited Financial Statements for Fiscal Years ended September 30, 2023 through September 30, 2025.

Financial Obligations of the Sewer System

Revenue Bonds. The City has no revenue obligations currently outstanding payable from the net revenues of the Sewer System.

Annual Appropriation Obligations. In 2016, the City caused the delivery of its Certificates of Participation (City of Farmington, Missouri, Lessee), Series 2016 (the “**Series 2016 Certificates**”) to finance certain improvements to the Sewer System. The Series 2016 Certificates are currently outstanding in the aggregate

principal amount of \$670,000 and will mature on October 1, 2026. See Note 10 of the City’s Audited Financial Statements for Fiscal Year ended September 30, 2025 attached as *Appendix A* to this Official Statement for additional information. The payment of the principal of and interest on the Series 2016 Certificates may be made, subject to annual appropriation, from any funds of the City legally available for such purpose, however, the City intends to satisfy its obligations to make such payments out of revenues generated from the operation of the Sewer System.

The City intends to make a portion of its Basic Rent Payments attributable to the Series 2026 Certificates from revenues generated from the operation of the Sewer System. **Purchasers of the Series 2026 Certificates should be aware, however, that such revenues are not pledged to the payment of the Series 2026 Certificates.** See the captions “**SECURITY FOR THE SERIES 2026 CERTIFICATES - Limited Obligations; Sources of Payment,**” “**PLAN OF FINANCING – Basic Rent Payments**” and “**PROJECTED LONG-TERM SYSTEM REVENUES AVAILABLE FOR RENTAL PAYMENTS.**”

See “**DEBT STRUCTURE OF THE CITY**” in *Appendix B* hereto for a discussion of other annual appropriation debt of the City.

Future Debt. The City currently has no plans to issue additional obligations payable from the Sewer System. But see “**DEBT STRUCTURE OF THE CITY - Future Debt Plans**” in *Appendix B* hereto for a discussion of the City’s future plans to finance improvements to its water system.

THE ELECTRIC SYSTEM

Description of Power Generation Facilities

The City’s Electric System (also known as Farmington City Light & Water) has a rated total installed generation capacity of 14 megawatts (“**MW**”)*, consisting of the following units:

<u>Description</u>	<u>Output Rating Per Unit (MW)</u>	<u>Year Placed in Service</u>
(8) Cummins Reciprocating Internal Combustion Diesel Engines and Onan 2.0 MW Generators	1.75	2002

These City-owned generation units are interconnected to the power grid through four of the City’s eight substations (i.e., the Overall Drive Substation, the Walton Street Substation, the Elm Street Substation, and the Jefferson Street Substation), which also allows the units to be interconnected to the AmerenUE distribution system for sales within the Midcontinent Independent System Operator (“**MISO**”), the regional load balancing authority. The units are also “pseudo-tied” to the Southwest Power Pool (“**SPP**”) load balancing authority for dispatch. Pursuant to the City’s agreement with the Missouri Joint Municipal Electric Utility Commission (“**MJMEUC**”), the energy and capacity generated from these units are dispatched by MJMEUC as needed. Energy generated from operations is billed to the Missouri Public Energy Pool #1 (“**MoPEP**”) and is included in the energy portfolio for all 35 members of the energy pool. See the caption “**THE ELECTRIC SYSTEM - Power Supply**” below for a discussion of the City’s membership in MJMEUC and MoPEP.

* Unless otherwise noted in this Official Statement, any numerical reference to the megawatt (“**MW**”) capacity of an energy generation facility is an estimate based on historical and market performance of such facility.

Power Supply

The City purchases wholesale energy through its membership in MJMEUC, a body public and corporate of the State created by the joint contract of several Missouri municipalities in 1979, to secure, by joint action among all parties to the joint contract (the “**Members**”), or by contract with other utilities, an adequate, reliable and economical supply of electric power and energy. MJMEUC’s Members currently consist of 72 municipally owned retail electric systems. MJMEUC supplies the electric power and energy requirements of several of its Members through three full requirements energy pools. The City is a member of MoPEP, MJMEUC’s largest energy pool, which consists of 35 Members.

MoPEP, which commenced operations on January 1, 2000, operates under the Amended and Restated Missouri Public Energy Pool #1 Agreement (the “**MoPEP Power Purchase Agreement**”), among MJMEUC and each member of MoPEP. The MoPEP Power Purchase Agreement requires MJMEUC to supply the full energy requirements of each member of MoPEP and includes a mechanism for members of MoPEP to dedicate their own generation capacity, if any, to MoPEP (including the City’s own generation capacity). MJMEUC provides billing credits to any member of MoPEP for the use of any member capacity and, if available, economically dispatches the member capacity as necessary to meet the obligations of other MoPEP members. In addition to Member capacity, MJMEUC presently obtains power and energy from a variety of additional resources to meet the power and energy requirements of its Members including: (1) MJMEUC-owned generation facilities; (2) power purchased under long-term firm energy contracts, unit-contingent energy contracts and interruptible contracts; and (3) spot market purchases.

The operations of MoPEP are governed by a separate pool committee consisting of one representative from each member of MoPEP. Each member of MoPEP is entitled to one vote of equal weight through its representative or alternate in any vote of the committee. The MoPEP pool committee is responsible for establishing rates that each member of MoPEP will pay for energy, capacity and services pursuant to procedures set forth in the MoPEP Power Purchase Agreement. Rates established by the MoPEP pool committee are based on recovery of all of MJMEUC’s expenses. Under the terms of the MoPEP Power Purchase Agreement, the allocation of expenses, including debt service on bonds issued by MJMEUC on behalf of MoPEP, is generally calculated based on a combination of each member of MoPEP’s proportion of coincident peak load and energy consumed. Rates are established so as to charge each Member of MoPEP its proportionate share of all costs associated with MJMEUC’s performance under the MoPEP Power Purchase Agreement. Charges based on such rates are assessed and billed monthly. Each Member of MoPEP is required to pay all such charges when due, as provided in the MoPEP Power Purchase Agreement. Rates are adjusted monthly to true-up revenues to actual costs. If the MoPEP pool committee fails to establish rates in accordance with the MoPEP Power Purchase Agreement, MJMEUC may establish rates as deemed necessary to prevent an event of default under any bond indenture, lease or loan agreement.

The MoPEP Power Purchase Agreement does not have an established termination date. Instead, it will remain in effect until canceled as to all MoPEP members by MJMEUC and/or the MoPEP members. The agreement restricts the circumstances under which it may be terminated as to a particular MoPEP member by either MJMEUC or such member. If the agreement is cancelled, each MoPEP member remains responsible for its allocated share of all of MJMEUC’s financial, power-supply, fuel-supply, delivery-related and other obligations entered into by MJMEUC for MoPEP (the “**Resource Obligations**”) prior to the notice of cancellation. MJMEUC will utilize or sell such member’s allocated share of output associated with the Resource Obligations in exchange for providing the member a credit or offset equal to the fair market value of such output up to the amount of the obligation. Currently, the City has no plans or intentions to cancel its membership in MoPEP or MJMEUC.

Transmission; Electric Distribution System

MJMEUC handles the day-to-day MISO operations on behalf of the City including administration of MISO settlements, financial transmission rights, and any other functions that are necessary for managing transmission costs for the City. Any transmission costs incurred by MJMEUC from MISO on behalf of the City will be passed along to the City in its MoPEP billing statement. The average monthly transmission cost for the City for 2025 was \$188,000.

The Electric System's distribution system consists of 136.32 miles of overhead and 80.45 miles of underground distribution circuit lines and are interconnected to transmission facilities owned by Ameren UE. The Electric System has a combined current distribution capacity of 96 MW to support a 2025 coincident peak capacity load of 48.6 MW. There are 8,576 electric meters in service, and eight distribution transformers with 12 kilovolt-ampere ("kVA") capacity. The distribution circuits are fed from the City's eight substations. A portion of the proceeds of the Series 2026 Certificates will be used to construct and equip a new substation (i.e., the Old Fredericktown Road Substation). See "**PLAN OF FINANCING.**" The substations are controlled and monitored by a Supervisory Control and Data Acquisition ("**SCADA**") system and can be monitored remotely from a control center located in the City and by MJMEUC Staff at its scheduling center in Columbia, Missouri.

Permitting

To date, all permits necessary for operation of the Electric System are in place. The City believes that the Electric System currently complies with all applicable State and federal regulations and permit conditions.

Power Supply Planning

Power supply planning for the City is conducted by MJMEUC staff. The City Administrator serves on the Board of Directors of MJMEUC and the MoPEP pool committee to provide local oversight in resource planning matters. Energy supply and transmission resources are based on retirement of existing contracts and MJMEUC-owned generation facility planned retirements. MJMEUC plans resources for each of the three electric energy pools and individual member cities who purchase electric resources from MJMEUC. In 2025, MJMEUC completed an Integrated Resource Plan to forecast resource requirements through 2044.

The City annually performs retail rate analysis internally and engages the services of Toth & Associates, Springfield, Missouri, for cost-of-service studies every 3 to 5 years depending on wholesale market volatility and financial performance of the Electric System. The most recent rate study was completed in 2021 with recommended rate increases implemented in 2023. Toth & Associates is currently conducting a cost-of-service study of the Electric System that will be completed mid-2026. The City anticipates implementing a phased retail rate increase beginning in October 2026.

In 2021, 2022, 2023, and 2025, the City's Electric System was awarded the American Public Power Association's Certificate of Excellence in Reliability, which recognizes utilities with a below average total duration of power outages experienced by a customer per year (using the System Average Interruption Duration Index or SAIDI).

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Electrical Demand, Capacity, Customers and Sales

The service area of the Electric System is approximately 9.35 square miles. The City currently serves approximately 7,290 residential and 1,309 commercial customers within its service area. The number of customers and megawatt per hour (“MWh”) sales distributed by customer classification served by the Electric System in each of the fiscal years ended September 30, 2021 through 2025 was as follows:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Total Number of Customers ⁽¹⁾	7,869	8,115	8,147	8,200	8,448
Peak Load (MWh)	53.7	48.8	54.7	45.2	47.7
Residential Sales (MWh)	87,785	90,435	86,237	79,159	89,768
Commercial Sales (MWh)	36,302	37,498	37,525	18,850	20,075
Industrial Sales (MWh)	<u>99,255</u>	<u>88,739</u>	<u>83,718</u>	<u>73,101</u>	<u>78,137</u>
Total Sales (MWh)	<u>223,342</u>	<u>216,672</u>	<u>207,480</u>	<u>171,110</u>	<u>187,950</u>
Total Energy Distributed (MWh)	235,897	225,932	220,294	214,907	217,065
Total Revenues (000)	<u>\$21,922</u>	<u>\$21,356</u>	<u>\$22,122</u>	<u>\$19,584</u>	<u>\$24,337</u>

⁽¹⁾ Based on actual number of accounts.

The following table shows the total MWh used and amount billed to the City’s ten largest customers of the Electric System for fiscal year ending September 30, 2025:

	<u>Customer Name</u>	<u>MWh Used</u>	<u>Dollar Billing</u>
1.	Parkland Health Center	9,318,723	\$ 965,048
2.	US Tool Grinding Inc	8,510,456	735,668
3.	Farmington R-7 Schools	6,131,086	760,126
4.	Centene Corporation	4,658,602	393,460
5.	Wal-Mart Supercenter	3,502,380	299,986
6.	The Molding Co – Forte	2,706,920	226,796
7.	Schnuck Markets	2,376,922	203,575
8.	SRG Global Coatings LLC	2,232,254	193,697
9.	Menard Inc	1,806,190	158,755
10.	Presbyterian Homelife	<u>1,623,022</u>	<u>204,639</u>
	Total	<u>42,866,555</u>	<u>\$4,141,750</u>

None of the City’s customers account for more than 5% of the Electric System’s total usage.

Electric System Charges

General. All utility rates to be imposed by the City require approval by the City Council. All Electric System charges are billed and payable monthly. The bills are payable when mailed and are considered delinquent if not paid on or before the due date indicated on the bill. If any bill is not paid within ten days after the date thereof, the City may discontinue service to such customer. When service is disconnected due to nonpayment, the total amount of the outstanding bill plus applicable reconnect charges (\$50.00 during business hours or \$100.00 after business hours and on weekends or holidays) shall be paid before service is restored. A late fee is assessed at a rate of 1.5% of any unpaid balance remaining after the bill due date.

Electric Rates. The current rates for the Electric System, effective as of April 1, 2023, are as follows:

Residential Customers

Customer Charge	\$22.00 per month
Energy Charge	\$0.1022/kWh
Winter Energy Charge ⁽¹⁾	\$0.1022/kWh first 1,500 kWh \$0.0958/kWh over 1,500 kWh
Monthly Charge	\$22.00 per month

⁽¹⁾ Winter energy charge is energy consumed as evidenced by bills issued November 21st through March 20th of the following calendar year.

School and Church Customers

Customer Charge, single phase	\$35.00 per month
Customer charge, three phase	\$45.00 per month
Energy Charge	\$0.1085/kWh
Minimum Monthly Charge:	
Single-phase service	\$35.00
Three-phase service	\$45.00

General Service-Small Customers

Customer Charge, single phase	\$35.00 per month
Customer charge, three phase	\$45.00 per month
Energy Charge	\$0.1059/kWh
Monthly Charge:	
Single-phase service	\$35.00
Three-phase service	\$45.00

General Service-Large Customers

Customer Charge, single phase	\$85.00 per month
All kWh	\$0.0809/kWh
All kWh demand ⁽¹⁾	\$7.30/kWh

⁽¹⁾ Demand charge is the maximum demand established by the consumer for any period of 15 consecutive minutes during the billing period for which charges are determined as indicated or recoded by a demand meters.

Rental Charge Including Electric Current for Dusk-to-Dawn Lights

Mercury Vaper – Monthly Charge

175 Watts	\$8.50
400 Watts	\$20.00
1,000 Watts	\$35.00

High Pressure Sodium and Metal Halide – Monthly Charge

100 Watts	\$8.50
150 Watts	\$10.50
250 Watts	\$15.50
400 Watts	\$18.50
1,000 Watts	\$35.00

Pole Rental is \$2.75 per month. A non-refundable and non-transferable installation fee of \$100.00 will be charged when the light is installed on an existing utility pole. If it is necessary to install a new pole the customer will be required to pay for the actual cost of the installation including all equipment, labor and materials.

In addition to the per kilowatt hour charge for energy, the City imposes a purchased power adjustment to compensate for any three-month period when the average budgeted wholesale energy cost per MWh is exceeded. A positive purchased power adjustment is applied to customer bills for when all-in energy costs exceed 1.04% of the base wholesale energy charge. A negative purchased power adjustment is applied in billing periods when the all-in costs are 93% or less than the base wholesale energy cost.

The City regularly reviews the Electric System’s rate structure to ensure that there are adequate revenues to effectively operate and maintain the system. See the caption “**THE ELECTRIC SYSTEM - Power Supply Planning**” for a discussion of the City’s power planning process and anticipated increases in Electric System rates.

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Summary of Revenues, Expenses and Changes in Net Position – Electric System

The table below sets forth a summary of the statement of revenues, expenses and changes in net position for the City’s Electric Fund for the Fiscal Years ended September 30, 2023 through 2025.

Summary of Revenues, Expenses and Changes in Net Position – Electric Fund

	<u>2023</u>	<u>2024</u>	<u>2025</u>
OPERATING REVENUES			
Electric Charges	<u>\$22,122,009</u>	<u>\$23,290,888</u>	<u>\$24,337,276</u>
Total Operating Revenues	\$22,122,009	\$23,290,888	\$24,337,276
OPERATING EXPENSES			
Electric Expenses	\$19,552,794	\$20,438,587	\$22,100,397
Depreciation	<u>585,907</u>	<u>629,371</u>	<u>623,836</u>
Total Operating Expense	\$20,138,701	\$21,067,958	\$22,724,233
OPERATING INCOME (LOSS)	\$ 1,983,308	\$ 2,222,930	\$ 1,613,043
NONOPERATING REVENUES (EXPENSES)			
Grant Income	\$ 66,665	\$ -	\$ -
Other Revenue	-	-	-
Interest and Investment Income	322,193	602,668	\$445,804
Lease Revenue	-	-	-
Bond Fees	-	-	-
Interest Expense	-	-	-
Gain (loss) on Disposal of Assets	6,900	-	\$34,000
Insurance Proceeds and Settlements	<u>-</u>	<u>-</u>	<u>-</u>
Total Nonoperating Income (Expenses)	\$ 395,758	\$ 602,668	\$ 479,804
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	\$ 2,379,066	\$ -	\$2,092,847
NET INCOME BEFORE TRANSFERS AND GRANTS	\$ -	\$ 2,825,598	\$ -
Grant Income	-	30,753	-
Transfers Out Utility PILOT to General Fund	(1,102,637)	(1,161,337)	(\$1,215,349)
CHANGE IN NET POSITION	\$ 1,276,429	\$ 1,695,014	\$ 877,498
NET POSITION - BEGINNING OF YEAR	<u>\$15,194,918</u>	<u>\$16,471,347</u>	<u>\$18,166,361</u>
NET POSITION - END OF YEAR	<u>\$16,471,347</u>	<u>\$18,166,361</u>	<u>\$19,043,859</u>

Source: City’s Audited Financial Statements for Fiscal Years ended September 30, 2023 through September 30, 2025.

In June 2026, the City expects to amend the Fiscal Year 2026 budget for the Electric System primarily due to revisions to capital improvement plans for the system and excessive wholesale electric costs in the amount of \$499,000 resulting from Winter Storm Fern in January 2026.

Financial Obligations of the Electric System

Revenue Bonds. The City has no revenue obligations currently outstanding payable from the net revenues of the Electric System.

Annual Appropriation Obligations. The City has no outstanding leases or annual appropriation obligations that are paid from surplus revenues of the Electric System. The City intends to make a portion of its Basic Rent Payments attributable to the Series 2026 Certificates from revenues generated from the operation of the Electric System. **Purchasers of the Series 2026 Certificates should be aware, however, that such revenues are not pledged to the payment of the Series 2026 Certificates.** See the captions “SECURITY FOR THE SERIES 2026 CERTIFICATES - Limited Obligations; Sources of Payment,” “PLAN OF FINANCING – Basic Rent Payments” and “PROJECTED LONG-TERM SYSTEM REVENUES AVAILABLE FOR RENTAL PAYMENTS.”

See “DEBT STRUCTURE OF THE CITY” in *Appendix B* hereto for a discussion of other annual appropriation debt of the City.

Future Debt. The City currently has no plans to issue additional obligations payable from the Electric System. But see “DEBT STRUCTURE OF THE CITY - Future Debt Plans” in *Appendix B* hereto for a discussion of the City’s future plans to finance improvements to its water system.

PROJECTED LONG-TERM SYSTEM REVENUES AVAILABLE FOR RENTAL PAYMENTS

The City intends to satisfy its obligation to pay a portion of Basic Rent Payments related to the Series 2026 Certificates from surplus revenues generated from the operations of the Systems after (1) payment of operation and maintenance expenses and (2) payment of debt service on any outstanding system revenue bonds of the City that are secured by and payable from a pledge of the net revenues of the Systems. Currently, the City has no outstanding revenue obligations payable from a pledge of the net revenues of the Systems but may in the future, which could reduce surplus net revenues. **Purchasers should be aware that 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.** See the captions “THE SERIES 2026 CERTIFICATES - Security for the Series 2026 Certificates,” and “PLAN OF FINANCING – Basic Rent Payments.” The following table shows the projected long-term debt coverage on any outstanding obligations of the City payable from revenues of the Systems and on the Series 2026 Certificates:

	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Operating Revenues ⁽¹⁾	\$28,892,650	\$30,515,945	\$31,393,600	\$31,707,500
Operating Expenses ⁽²⁾	\$27,822,700	\$28,657,400	\$29,517,100	\$30,402,600
Net Revenue Available for Rental Payments	\$1,069,950	\$1,858,545	\$1,876,500	\$1,304,900
Debt Service/Rental Payments ⁽³⁾	\$677,034	\$920,447	\$843,245	\$841,500
Coverage	1.58x	2.02x	2.23x	1.55x

⁽¹⁾ Includes Sewer and Electric operating revenues. Operating Revenues assume an annual 2% increase in Sewer System rates and an annual 3% increase in Electric System rates.

⁽²⁾ Includes Sewer and Electric operating expenses. Operating Expenses exclude interest expense, depreciation and amortization. Operating Expenses assume a 3% annual increase in operating expenses of the Sewer System and the Electric System.

⁽³⁾ Includes rental payments attributable to the City’s Series 2016 Certificates and Series 2026 Certificates.

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 in order 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 City Council 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 September 30, 2026. The Lease is thereafter subject to successive one-year Renewal Terms commencing on October 1 of each year, except that the final Renewal Term will commence on October 1, 2036 and will end on October 2, 2036. **The City's obligations under the Lease do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.**

Expiration or Termination of the Lease

The Lease will expire by its terms on September 30 of each year commencing in 2026, 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 September 30 of the then-current Renewal Term. Upon (1) the expiration of any Renewal Term during which an Event of Nonappropriation occurs or (2) a default under the Lease (which is not waived by the Trustee as provided in the Declaration), the Trustee has the right to possession of the Equipment and has the right to sell or lease its interest in the Equipment upon such terms as it deems prudent.

If the City's right of possession and use of the Equipment 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 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 **"SUMMARY OF CERTAIN PROVISIONS OF THE LEASE – Nonappropriation," "– Events of Lease Default" and "– Remedies on Default"** in *Appendix C* hereto.

Upon 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 Equipment after notice from the Trustee. Thereafter, the Trustee may enforce its interest in the Equipment 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 Equipment.

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 Equipment under the Lease, the nature of the Equipment may impair the Trustee's ability to realize any revenues from the Equipment. No assurance can be given that the Trustee could sell or sublease the Equipment 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 sale or sublease of the Trustee's interest in the Equipment will be available to provide for the payment of the Series 2026 Certificates on a timely basis.

IF THE SERIES 2026 CERTIFICATES ARE PREPAID SUBSEQUENT TO AN EVENT OF NONAPPROPRIATION OR AN EVENT OF DEFAULT FOR AN AMOUNT LESS THAN THE

AGGREGATE PRINCIPAL AMOUNT THEREOF AND ACCRUED INTEREST THEREON, NO OWNER OF ANY SERIES 2026 CERTIFICATE SHALL HAVE ANY FURTHER CLAIM FOR PAYMENT UPON THE CITY.

Delays in Exercising Remedies

A termination of the Lease will give the Trustee the right to possession and use of the Equipment, and its rights thereunder or to sell or sublease the Equipment, all in accordance with the provisions of the Lease and the Declaration of Trust. However, the Equipment 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 Equipment, 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 Equipment 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.

Factors Affecting the Business Operations of the Systems

The City intends to use revenues generated from the Systems, subject to annual appropriation, as the primary source of funds for payment of Basic Rent under the Lease. See the captions "**THE SEWER SYSTEM**" and "**THE ELECTRIC SYSTEM**" herein. Purchasers of the Series 2026 Certificates should be aware, however, that such revenues are not 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 and/or the Systems' operations and financial performance to an extent that cannot be determined at this time:

1. *Future Economic Conditions.* Increased unemployment, increased costs of supplies, material, labor, fuel power, energy or other adverse economic conditions or changes in demographics in the service area of the Systems.
2. *Insurance Claims.* Increases in the cost of general liability insurance coverage and the amounts paid in settlement of liability claims not covered by insurance. There can be no assurance that future claims would not exceed the City's reserve and insurance or materially adversely affect its operations or financial condition.
3. *Weather and Natural Disasters.* Weather conditions may affect the demand for both water and electricity. The occurrence of natural disasters, such as tornadoes, ice storms, snowstorms, floods, earthquakes or droughts, could damage the facilities, affect fuel, power, energy or water supply or power and energy production facilities, interrupt services or otherwise impair operations and the ability of the City to produce revenues. There can be no assurance that future occurrences would not exceed the City's insurance or materially adversely affect its operations or financial condition.
4. *Environmental Requirements.* Utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that facilities in operation will remain subject to the regulations currently in effect, will always be in compliance with further regulations, or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of facilities not in compliance. Legislative, regulatory,

administrative or enforcement action involving environmental controls could adversely affect the operation of the facilities of the City. For example, if property of the City is determined to be contaminated by hazardous materials, the City could be liable for significant clean-up costs even if it were not responsible for the contamination.

5. *Federal and State Energy Policy.* The federal and state governments could adopt new regulations and rules relating to how the Systems operates, which could materially adversely affect its financial condition.

6. *Changes in Management.* Changes in key management personnel could affect the operations of the System.

7. *Organized Labor Efforts.* Efforts to organize employees of the City into collective bargaining units could result in adverse labor actions or increased labor costs.

8. *Miscellaneous Factors.* The utility industry in general has experienced, or may in the future experience, problems including (a) the effects of inflation upon the costs of operation of facilities, (b) uncertainties in predicting future demand requirements, (c) increased financing requirements coupled with the increased cost and uncertain availability of capital, and (d) compliance with rapidly changing environmental, safety, rate and licensing regulations and requirements.

See also “**FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY**” herein.

Assumptions in Projections

This Official Statement contains certain projected results of operations of the City and projections regarding the ability of the City to generate revenues sufficient to pay the Basic Rent under the Lease. Such projections are based on certain assumptions made by the City and its management that may not materialize due to unanticipated events or circumstances. No financial or feasibility study has been performed by the City’s accountants or any other independent persons.

The Hancock Amendment

Although the City may pay Basic Rent under the Lease from any legally available funds of the City in any year that it has elected to appropriate funds, the City intends to satisfy its obligation to pay Basic Rent under the Lease from the revenues collected from the operations of the Systems. The City Council approves all utility rates to be imposed by the City. An amendment to the Missouri Constitution limiting taxation and government spending was approved by Missouri voters on November 4, 1980. This amendment limits the ability of a city to impose new or increased taxes to provide funding for the payment of bonds, or other governmental purposes of the city, without voter approval. The amendment (popularly known as the Hancock Amendment) limits the rate of increase and the total amount of taxes that may be imposed in any fiscal year, and the limit may not be exceeded without voter approval. Provisions are included in the amendment for rolling back property tax rates to produce an amount of revenue equal to that of the previous year if the definition of tax base is changed or if property is reassessed. The tax levy on the assessed valuation of new construction is exempt from this limitation. The limitation on local governmental units does not apply to taxes imposed for the payment of principal of and interest on general obligation bonds approved by the requisite percentage of voters.

The Hancock Amendment also requires political subdivisions of the State to obtain voter approval in order to increase any “*tax, license or fee.*” The precise meaning and application of the phrase “*tax, license or fee*” is unclear, but decisions of the Missouri Supreme Court have indicated that it does not apply to traditionally set user fees, which would include rates imposed by the City and the City. Nevertheless, if the Missouri Supreme Court were to subsequently change its interpretation of the Hancock Amendment, or if future initiatives limited

the ability of the City and the City to raise rates and charges of the Systems without voter approval, the City's ability to generate revenues sufficient to pay the Series 2026 Certificates could be adversely impacted.

Destruction of the Equipment

The Lease requires the Equipment to be insured as described in **“SUMMARY OF CERTAIN PROVISIONS OF THE LEASE – Insurance”** in *Appendix C* hereto. If the Equipment is damaged or destroyed and if the City determines that replacing, repairing, restoring, modifying or improving the Equipment is desirable, the City shall proceed with replacing, repairing, restoring, modifying or improving the Equipment damaged or destroyed so as to place the Equipment in substantially the same condition as existed prior to the event causing such damage or destruction, with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the City and as will not impair the utility of the Equipment. The City and the Trustee will cause the Net Proceeds of any insurance claim to be applied to the prompt replacement, repair, restoration, modification or improvement of the Equipment. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the City and shall be held and appropriated by the City for the exclusive purpose of paying Rent under the Lease. If the Net Proceeds are not sufficient to pay in full the costs of such replacement, repair, restoration, modification or improvement, the City shall nonetheless complete the work thereof and shall pay that portion of the costs thereof in excess of the amount of the Net Proceeds.

If the City determines that replacing, repairing, restoring, modifying or improving the Equipment is not practicable and desirable, then, in lieu of replacing, repairing, restoring, modifying or improving the Equipment, the City shall promptly purchase the Equipment by paying the Purchase Price to the Trustee and any Net Proceeds of casualty insurance received with respect to any such damage to or loss of the Equipment shall be applied to such payment.

The City shall not, by reason of its inability to use all or any part of the Equipment during any period in which the Equipment is damaged or destroyed, or is being replaced, repaired, restored, modified or improved, or by reason of the payment of the costs of such replacing, repairing, restoring, modifying or improving, be entitled to any reimbursement from the Trustee or the Owners of the Series 2026 Certificates, or any abatement or diminution of the rentals payable by the City 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 **“SUMMARY OF CERTAIN PROVISIONS OF THE LEASE – Damage, Destruction and Condemnation”** in *Appendix C* hereto.

In the event of a casualty loss, the proceeds of any insurance claim may be insufficient to fund the City's purchase of the Equipment, pursuant to the Lease, if the City determines that the repair, restoration, modification or improvement of the Equipment is not economically feasible or in the best interest of the City, and accordingly, could increase the likelihood of an Event of Nonappropriation by the City.

Amendment of the Declaration of Trust and Lease

Certain amendments to the Declaration of Trust and the 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 may adversely affect the security of the Owners of the Certificates.

Dilution of Security for the Series 2026 Certificates

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 **“SECURITY FOR THE SERIES 2026 CERTIFICATES – Parity Obligations.”** 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.

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

Taxability

The Series 2026A Certificates are not subject to prepayment nor are the interest rates on the Series 2026A 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 2026A Certificate is or was includible in the gross income of the Certificate Owner for federal income tax purposes. *Under such circumstances, Owners of Series 2026A Certificates would continue to hold their Series 2026A 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 2026A 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 2026A Certificates are Outstanding, there is no assurance that any portion of the payments made to Series 2026A 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 2026A Certificates. Owners of the Series 2026A Certificates are advised that, if an audit of the Series 2026A 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 2026A 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 2026A Certificates during the pendency of the audit, regardless of the ultimate outcome of the audit.

Defeasance

When all Certificates are deemed paid as provided in the Declaration of Trust (in *Appendix C*, see “**SUMMARY OF CERTAIN PROVISIONS OF THE DECLARATION OF TRUST – Discharge of Declaration of Trust**”), the Declaration of Trust will be released and terminated, and the Equipment encumbered by the Lease as security for the Certificates will be released. Any Certificate shall be deemed paid when (1) payment of the Principal Portion of Basic Rent Payments evidenced by such Certificate and premium, if any, thereon and the Interest Portion of Basic Rent Payments payable with respect thereto whether such payment is by reason of the stated payment date or upon prepayment as provided in the Declaration of Trust either (a) has been made in accordance with the terms of such Certificate (determined assuming the City has appropriated funds to pay all Basic Rent Payments through the final Renewal Term of the Lease or through the Prepayment Date), or (b) has been provided by irrevocably depositing, in trust and irrevocably set aside exclusively for such payment, (i) cash sufficient to make such payment and/or (ii) Government Obligations, maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment, and (2) all necessary and proper fees, compensation and expenses of the Trustee pertaining to such Certificate have been paid or the payment thereof provided for to the satisfaction of the Trustee. 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 one of the two highest rating categories by the rating agencies. There is no legal requirement in the Declaration of Trust or the Lease that Government Obligations consisting of such United States obligations be or remain rated in one of the two highest rating categories by any rating agency. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and that could include the rating of 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 a cybersecurity incident that required remediation. The probability of a cybersecurity attack and the magnitude of an incident has been analyzed by the City. The City has engaged Parsons Cybercape and Sophos MDR software solutions to monitor for threats in real time and block any attempts to change or access City data. The City maintains a cybersecurity insurance policy through Evolve Cyber Security Insurance to mitigate any losses due to a cybersecurity event if one should occur.

Potential Impact of Pandemics

Recent events with the COVID-19 pandemic have shown that an outbreak of infectious disease can trigger governmentally-imposed restrictions and changes in consumer behavior that could negatively impact local economic conditions. Such changes can cause supply chain disruptions, unemployment rates to rise, taxable sales to decrease, delinquencies in tax payments and other negative pressures on economic activity that

could result in decreased or delayed revenue collections for the City or otherwise adversely affect the City's operations and finances.

While conditions have significantly improved and, in May 2023, the World Health Organization and the U.S. Department of Health and Human Services declared ends to COVID-19 public health emergencies, new, more harmful variants of the virus or significant spreading of existing variants of the virus (or other viruses or public health emergencies) could still cause reduced healthcare availability and reduced economic activity. Such reduced economic activity could in turn negatively impact the operations and finances of the City.

FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

General

The electric utility industry has been, and in the future may be, affected by a number of actions which could impact the financial condition of any public electric power utility. Such factors include, among others: (i) effects of inflation on the operation and maintenance costs of an electric utility and its facilities or other increases in costs, (ii) changes from projected future load requirements and relative costs and availability of different fuels, (iii) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (iv) changes resulting from conservation and demand side management programs on the timing and use of electric energy, (v) changes that might result from a national energy policy and a renewable energy portfolio or other federal or state legislative changes, (vi) effects of competition from other suppliers of electricity (including increased competition resulting from mergers, acquisitions, and "strategic alliances" of competing electric (and gas) utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of producing low cost electricity, (vii) increased competition from independent power producers and marketers and brokers, (viii) "self-generation" or "distributed generation" (such as microturbines, fuel cells, and solar installations) by certain industrial and commercial customers, (ix) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity, (x) effects of possible manipulation of electric markets, (xi) effects on the integration and reliability of the power supply from the increased usage of renewables, (xii) potential repeal of certain federal statutes that would have the effect of increasing the competitiveness of many investor-owned utilities, (xiii) financial difficulties, including bankruptcy, of fuel suppliers and/or renewable energy suppliers, (xiv) changes in the electric market structure for neighboring electric grids, (xv) sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, (xvi) effects of changes in the economy, population and demand of customers, (xvii) pandemics, (xviii) acts of terrorism or cyberterrorism, (xix) natural disasters or other physical calamities, including but not limited to, rising water levels, floods, drought, winter storms, and wildfires, and potential liabilities of electric utilities in connection therewith, (xx) changes in revenues due to unseasonable changes in the weather, and (xxi) adverse impacts to the market for insurance relating to natural disasters or other physical calamities, leading to higher costs or prohibitively expensive coverage, or limited or unavailability of coverage for certain types of risk. Public power utilities also are affected by factors related to their ability to issue tax-exempt obligations and restrictions on the ability to sell, to non-governmental entities, power and energy from generation projects that are financed with outstanding, tax-exempt debt. The City also could be adversely affected by technological or market developments that change the relative costs of the electric power and energy in comparison with the costs of electric power and energy available in the region.

The City cannot predict what effects these factors will have on the business, operations and financial condition of the City. Information on the electric utility industry is available from legislative and regulatory bodies and other sources in the public domain.

RTO-Operated Markets

In addition to coordinating wholesale transmission operations and services, Regional Transmission Organizations (“**RTOs**”) operate centralized markets for wholesale electricity products such as capacity, energy and ancillary services. By virtue of having generating resources located in SPP, the City is subject to the tariff provisions and business practices governing the operation of wholesale electricity markets in these RTOs. As a result, the City’s costs of securing power are affected by the market and administrative mechanisms approved by the Federal Energy Regulatory Commission (“**FERC**”) for use in setting prices for energy, capacity and ancillary services (as well as transmission service) in SPP.

The nature and operations of RTOs and RTO markets continue to evolve, and the City cannot predict whether their existence will meet FERC’s goal of reducing transmission congestion and costs and creating a competitive power market.

Energy Policy Act of 2005

The Energy Policy Act of 2005 (the “**2005 Energy Policy Act**”) addressed a wide array of energy matters that could affect the entire electric utility industry, including the City. Among other things, the 2005 Energy Policy Act: (a) authorizes FERC to require non-FERC jurisdictional utilities to provide open access to their transmission systems and to comply with certain rate change provisions of the FPA; (b) authorizes FERC to order refunds for certain short-term, wholesale sales by state and municipal power entities if such sales violate FERC-approved tariffs or FERC rules; (c) allows load-serving entities that hold certain firm transmission rights to continue to use those rights to serve their customers; (d) provides for the establishment of a national electric reliability organization to develop and enforce, subject to FERC’s oversight, mandatory reliability standards for operation of the transmission grid; (e) prohibits market manipulation and submission of false information; (f) gives FERC certain authority to issue construction permits for transmission projects that are to be located in “national interest electric transmission corridors” to be designated by the Department of Energy, as subsequently clarified by the Infrastructure Investment and Jobs Act; (g) eliminates certain ownership restrictions on qualifying cogeneration and small power production facilities under the Public Utility Regulatory Policies Act and authorizes FERC to eliminate prospectively utilities’ obligation to purchase from these qualifying facilities under certain circumstances; (h) requires state utility regulatory commissions and “non regulated electric utilities” to consider adopting certain standards on net metering, fuel diversity, fossil fuel plant diversity, certain metering and time-based rate schedules and demand response, and interconnection with distributed generation facilities; (i) replaces regulation of utility holding companies under the Public Utility Holding Company Act of 1935 with more limited oversight of such companies; (j) increases FERC’s authority to review mergers of public utility companies; and (k) directs FERC to establish, for transmission companies whose rates are regulated by FERC, rate incentives to invest in transmission.

Pursuant to the 2005 Energy Policy Act, certain reliability standards that have been promulgated by the North American Electric Reliability Corporation (“**NERC**”) and adopted by FERC apply to municipally owned electric utilities. In March 2007, FERC issued Order No. 693 entitled “Mandatory Reliability Standards for the Bulk-Power System” or “Reliability Standards Order.” In Order No. 743, following a series of related orders and filings from NERC, FERC revised its definition of bulk-electric system to establish a bright-line threshold that includes all facilities operated at or above 100-kV, remove regional entity discretion, and adopt specific facility inclusions or exclusions from the definition proposed by NERC. FERC has more recently issued a series of orders requiring that NERC implement new standards relating to cybersecurity and risks associated with the supply chain for the bulk-electric system. In Order No. 848, FERC directed NERC to promulgate a new rule requiring users to report incidents that both compromise or attempt to compromise the bulk-electric system. FERC followed this up with Order No. 850 in which it approved supply chain risk management reliability standards submitted by NERC. The Order No. 850 standards included requirements that covered entities develop plans to address cybersecurity risks from vendor supplied products and services, vendor remote access sessions, and the integrity of software and patches. In Order No. 851, FERC approved enhanced requirements related to geomagnetic disturbances. In August 2021, FERC approved cold weather reliability standards that require

generators to implement plans to prepare for cold weather and exchange certain generator cold weather operating parameters. FERC Order No. 901, issued in 2023, directed NERC to develop new or modified reliability standards to address gaps related to inverter-based resources (“IBRs”) such as solar and wind energy.

NERC continues to propose and implement reliability rules and requirements to support reliability. The City cannot predict whether these new reliability requirements will impact adversely the City’s operations.

RATING

Moody’s Investors Service, Inc. (the “**Rating Agency**”), has assigned the Series 2026 Certificates a rating of “A2” based on the Rating Agency’s evaluation of the creditworthiness of the City. Such rating reflects only the view of the Rating Agency at the time the rating is given, and the City makes no representation as to the appropriateness of such rating. An explanation of the significance of such rating may be obtained only from the Rating Agency.

The City furnished the Rating Agency with certain information and materials relating to the Series 2026 Certificates and the City that has not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances warrant. The Underwriter (hereinafter defined) has not undertaken any responsibility to bring to the attention of the holders of the Series 2026 Certificates any proposed revision or withdrawal of the rating of the Series 2026 Certificates or to oppose any such proposed revision or withdrawal. Pursuant to the Continuing Disclosure Undertaking, the City is required to bring to the attention of the holders of the Series 2026 Certificates any revision or withdrawal of the rating of the Series 2026 Certificates but has not undertaken any responsibility to oppose any such revision or withdrawal. Any such revision or withdrawal of the rating could have an adverse effect on the market price and marketability of the Series 2026 Certificates.

FINANCIAL STATEMENTS

The City maintains its financial records on the basis of a Fiscal Year ending September 30. Set forth in *Appendix A* are the audited financial statements of the City for the Fiscal Year ended September 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 September 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 City by Schnapp, Silvey, Reid & Bollinger, LLC, Fredericktown, 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 of Missouri, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 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.

Series 2026A Certificates

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

Federal and State of Missouri Tax Exemption. The Interest Portion of the Basic Rent Payments paid by the City under the Lease and distributed to the Owners of the Series 2026A 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 the Basic Rent Payments paid by the City under the Lease and distributed to the Owners of the Series 2026A Certificates 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 Payments under the Lease is a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code.

Special Tax Counsel's opinions are provided as of the date of delivery of the Series 2026A 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 2026A Certificates in order that the Interest Portion be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of the Interest Portion in gross income for federal and State income tax purposes retroactive to the date of delivery of the Series 2026A Certificates.

The proposed form of the opinion of Special Tax Counsel is set forth in ***Appendix E*** hereto.

Other Tax Consequences - Series 2026A Certificates

Original Issue Discount. For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Series 2026A Certificate over its issue price. The stated redemption price at maturity of a Series 2026A Certificate is the sum of all payments on the Series 2026A 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 2026A Certificate is generally the first price at which a substantial amount of the Series

2026A 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 2026A Certificate during any accrual period generally equals (1) the issue price of that Series 2026A Certificate, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2026A 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 2026A 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 2026A Certificate. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.

Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of a Series 2026A Certificate over its stated redemption price at maturity. The stated redemption price at maturity of a Series 2026A Certificate is the sum of all payments on the Series 2026A 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 2026A Certificate is generally the first price at which a substantial amount of the Series 2026A 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 the Series 2026A Certificate using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Series 2026A 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 the sale or disposition of the Series 2026A Certificate prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of premium.

Sale, Exchange or Retirement of Series 2026A Certificates. Upon the sale, exchange or retirement (including prepayment) of a Series 2026A Certificate, an owner of the Series 2026A 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 2026A Certificate (other than in respect of the accrued and unpaid Interest Portion) and such owner's adjusted tax basis in the Series 2026A Certificate. To the extent a Series 2026A 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 2026A Certificate has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of Principal Portion, Interest Portion and prepayment premium paid on the Series 2026A Certificates, and to the proceeds paid on the sale of the Series 2026A 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 2026A Certificates should be aware that ownership of the Series 2026A 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 2026A Certificates. Special Tax Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2026A 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 2026A Certificates, including the possible application of state, local, foreign and other tax laws.

Special Tax Counsel notes that Interest Portion on the Series 2026A Certificates 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.

Series 2026B Certificates

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

No Federal or State of Missouri Tax Exemption. The Interest Portion of the Basic Rent Payments paid by the City under the Lease and distributed to the Owners of the Series 2026B Certificates (including any original issue discount properly allocable to an Owner thereof) is *included* in gross income for federal income tax purposes, in accordance with an owner's normal method of accounting, and is *not* exempt from income taxation by the State of Missouri.

No Other Opinions

Special Tax Counsel is expressing no other opinion regarding federal, state or local tax consequences arising with respect to the Series 2026 Certificates. Purchasers of the Series 2024 Certificates should consult their tax advisors as to the applicability of these tax consequences and other 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 but has reviewed the discussion under this section “**TAX MATTERS.**”

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, 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 2026A Certificates at a purchase price of \$_____ (which amount is equal to the principal amount of the Series 2026A Certificates, plus a net original issue premium of \$_____, less an Underwriter's discount of \$_____). The Underwriter has agreed, subject to certain conditions, to purchase the Series 2026B Certificates at a purchase price of \$_____ (which amount is equal to the principal amount of the Series 2026B Certificates, plus a 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 has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction. The Underwriter has not, however, independently verified the factual and financial information contained in this Official Statement and, accordingly, expresses no view as to the sufficiency or accuracy thereof.

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.

MISCELLANEOUS

References herein to the Declaration of Trust, the 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 FARMINGTON, MISSOURI

By: _____
Mayor

APPENDIX A

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2025

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**CITY OF FARMINGTON,
MISSOURI**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Farmington, Missouri

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Farmington, Missouri as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Farmington, Missouri's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Farmington, Missouri, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 Farmington, 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

Our 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 our 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 generally accepted auditing standards, we:

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

We are 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 we 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, budgetary comparison information, and pension plan schedules on pages 4-22 and 61-66 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the combining and budget to actual of nonmajor funds and capital projects fund but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.


Decker & Pace, LLC

Springfield, Missouri
May 12, 2026

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

As management of the City of Farmington (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2025. We encourage readers to review the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

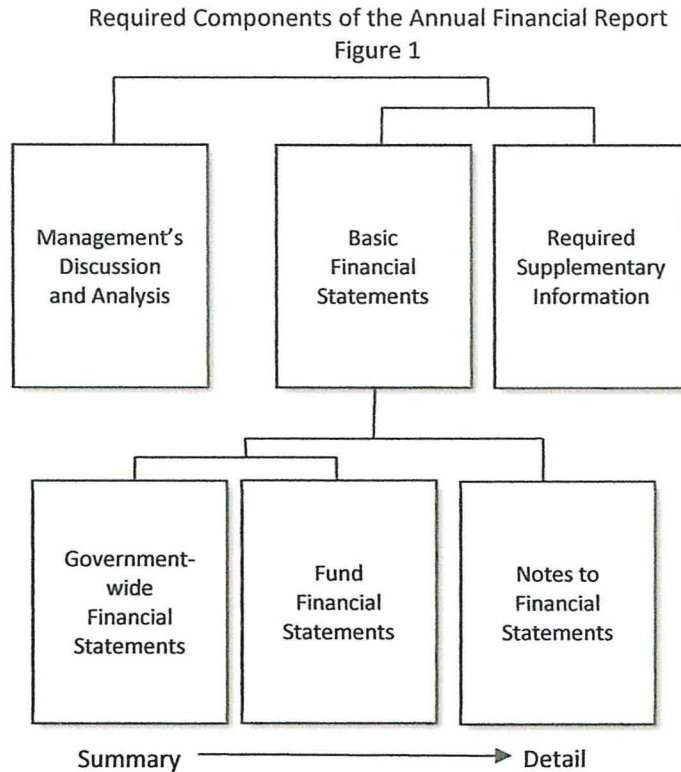
The City of Farmington continues to be a growing city. The City provides a full range of governmental and proprietary services that include five enterprise activities.

- The City of Farmington had a positive net position at the close of the fiscal year in the total amount of \$137.2 million, a 4.9% increase over the prior year net position of \$130.8 million (net position = assets + deferred outflows - liabilities - deferred inflows).
- The government's total change in net position due to activities during the fiscal year was an increase of approximately \$6.4 million. This increase was representative of a \$4.5 million increase in governmental activities and a \$1.9 million increase in position in business-type activities.
- Of the governmental fund balances, approximately \$15.93 million was available for spending at the government's discretion (unassigned, assigned, and committed fund balances). This was a 20% increase over the prior year amount of \$13.28 million.
- At the end of the fiscal year, the governmental funds full unassigned balance of \$14,119,951 was held in the General Fund. This amounted to approximately 88.5% of General Fund operating expenditures for the fiscal year (capital outlay and debt service principal not included).
- Governmental activities general revenues were \$20.2 million in comparison to \$20.7 million the prior year, a 2.4% decrease. This decrease was made up of decreases in tax revenues, TIF proceeds, interest income, and insurance proceeds.
- The General Fund receives a payment in lieu of taxes (PILOT) from the Electric, Water, and Sewer Funds. The PILOT was set at 5% resulting in a total payment amount of \$1.588 million in Fiscal Year 2025. It is important to note that this 5% is imposed pursuant to the guidance provided by the Missouri State Auditor in an audit report delivered in 2006 referencing payments in lieu of taxes and was upheld by an opinion of the Missouri Supreme Court issued May 2011.
- The City of Farmington's total debt decreased by \$2.4 million, 19.1%, during the fiscal year. This decrease was the result of a reduction in principal due to debt service payments.
- The City has continued to appropriate for and make all debt payments and pension contributions while continuing to invest in infrastructure.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Farmington's annual report. The City's report consists of four components: 1) management's discussion and analysis, 2) the basic financial statements, 3) required supplementary information, and 4) an optional section that presents combining statements for non-major governmental funds (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide financial statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Farmington.



Basic Financial Statements

The first statements in the basic financial statements are the **Government-wide Financial Statements**. These statements provide both short- and long-term information about the City's financial status. The government-wide financial statements can be found on pages 23 and 24.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide financial statements. The Fund Financial Statements include the governmental activities financial statements and the proprietary activities statements. The Fund Financial Statements can be found on pages 25 to 31.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. The Notes can be found on pages 32 to 59.

Government-wide Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

statements are presented on a full accrual basis and provide short- and long-term information about the City's financial status as a whole.

There are two government-wide financial statements included in the basic financial statements: *the Statement of Net Position* and *the Statement of Activities*. The Statement of Net Position presents all the assets, deferred outflows, liabilities, and deferred inflows of the City, the net of which is the City's net position. An evaluation of the measure of net position is one way to gauge the City's financial position and determine if it is improving or deteriorating. The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year.

Each of the government-wide financial statements is divided into two categories: Governmental Activities and Business-type Activities. The Governmental Activities include most of the City's basic services such as public safety, library, parks and recreation, and general administration. These activities are financed primarily through taxes and the general revenue of the City. The Business-type Activities are those activities that the City intends to recover all, or a significant portion, of their costs through user fees and charges to customers. These include the airport, sewer services, electric services, and water services offered by the City of Farmington.

The government-wide financial statements are required to also include legally separate entities (if any) for which the City is financially accountable. The Farmington Tourism and Convention Bureau has been included as a discretely presented component unit.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Farmington, like all other governmental entities in Missouri, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the State of Missouri Revised Statutes or the City's budget ordinance. All of the funds of the City of Farmington can be divided into two categories: governmental funds and proprietary funds.

- *Governmental Funds* - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out and what monies are left at year-end that will be available for spending in the next year. Governmental fund financial statements are reported using an accounting method called *modified accrual accounting*, which provides a near-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. Capital assets and other long-term assets and liabilities are not included in the governmental fund financial statements. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds (reported in the Governmental Funds' Balance Sheet and Statement of Revenues, Expenditures and Change in Fund Balances) is described in a reconciliation that is a part of the fund financial statements. Revenues are recognized when they are both measurable and available and expenses for the fiscal year are reported when incurred. Debt service payments are reported as expenditures in the year due. Therefore, some revenues will result in cash flows in future fiscal years, and some expenses will result in cash outlays in future fiscal years. The City presents the General Fund, Storm Water and Parks Tax Fund, Transportation Tax Fund, Capital Projects Tax Fund, Transient Tax Fund, and Special Allocation Fund as major governmental funds. The Debt Service Fund, District Municipal Fund, and Opioid Settlement Fund are presented as combined non-major funds in a single column.
- *Proprietary Funds* - The City of Farmington utilizes *Enterprise Funds* to report the functions presented as business-type activities in the government-wide financial statements. Accounted for under proprietary funds are the enterprise funds which include airport, electric, water, and sewer activities. These funds are the same as those functions shown in the business-type activities in the Statement of

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. The enterprise funds are reported using a full accrual basis. All revenues and expenses for the fiscal year are reported when earned and incurred regardless of when cash is received or paid. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Therefore, some revenues will result in cash flows in future fiscal years, and some expenses will result in cash outlays in future fiscal years.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information which contains budget to actual comparison schedules for all of the City's governmental general and major special revenue funds along with certain pension information.

Other Supplementary Information

In addition to the basic financial statements, accompanying notes and required supplementary information, this report is followed by other information that contains a combining fund balance sheet, combining fund statement of revenues, expenditures, and changes in fund balances, and budget to actual comparison schedules for all of the City's governmental non-major funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects a condensed comparative statement of net position for September 30, 2025, and September 30, 2024.

City of Farmington's Statement of Net Position
Figure 2

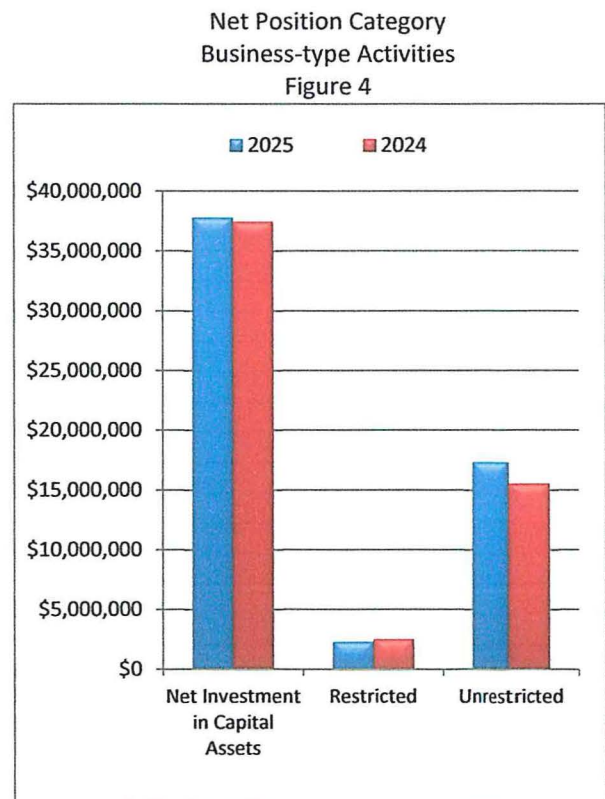
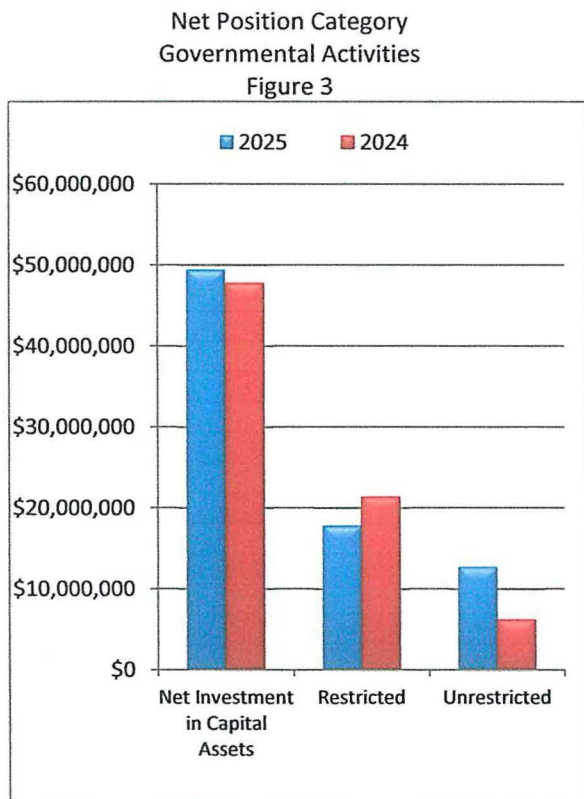
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current Assets	\$ 18,334,495	\$ 17,278,932	\$ 20,184,124	\$ 19,506,702	\$ 38,518,619	\$ 36,785,634
Restricted Assets	15,639,684	17,929,227	1,110,525	1,174,264	16,750,209	19,103,491
Lease Receivables	44,599	457,789	140,870	141,329	185,469	599,118
Capital Assets (Net)	54,654,294	49,903,121	39,586,331	39,394,131	94,240,625	89,297,252
SBITA (Net)	43,551	87,102	130,653	261,306	174,204	348,408
Net Pension Asset	600,485	1,780,795	553,834	928,598	1,154,319	2,709,393
Total Assets	89,317,108	87,436,966	61,706,337	61,406,330	151,023,445	148,843,296
Deferred Outflows	2,666,461	2,078,384	1,166,852	986,396	3,833,313	3,064,780
Current Liabilities	2,263,169	3,313,862	2,905,005	5,383,296	5,168,174	8,697,158
Noncurrent Liabilities	8,686,115	9,250,595	2,199,637	1,092,490	10,885,752	10,343,085
Total Liabilities	10,949,284	12,564,457	5,104,642	6,475,786	16,053,926	19,040,243
Deferred Inflows	1,152,710	1,401,739	421,038	473,105	1,573,748	1,874,844
Net Position:						
Net Investment in Capital Assets	49,382,104	47,772,947	37,762,076	37,424,864	87,144,180	85,197,811
Restricted	17,786,171	21,378,093	2,292,995	2,499,877	20,079,166	23,877,970
Unrestricted	12,713,300	6,191,519	17,292,437	15,519,094	30,005,737	21,710,613
Total Net Position	\$ 79,881,575	\$ 75,342,559	\$ 57,347,508	\$ 55,443,835	\$ 137,229,083	\$ 130,786,394

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. A review of the government-wide financial statement of net position reveals the following:

- At September 30, 2025, the combined assets and deferred outflows of the City of Farmington exceeded the liabilities and deferred inflows by \$137,229,083. This equates to a 4.9%, or \$6,442,689, increase in combined net position as compared to September 30, 2024. This increase was the combination of an increase in governmental activities of \$4,539,016, 6.0%, and an increase in business-type activities of \$1,903,673, 3.4%.
- Comparatively, the City's net investment in capital assets was approximately 63.5% of the total net position compared to 65.1% in 2024. The City of Farmington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Farmington's investment in its capital assets is reported net of the outstanding related debt less project funds unspent as of September 30, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.
- An additional portion of the City's net position 14.6%, \$20,079,166, represented resources that were subject to external restrictions on how they may be used. This consisted of \$17,786,171 for governmental activities and \$2,292,995 for business activities. The restricted amounts were for the sewer system, capital projects, tax increment finance districts, opioid treatment, prevention, and abatement, and pensions.
- The remaining balance of \$30,005,737, 21.9%, of the City's net position was unrestricted. This compared to \$21,710,613, or 16.6%, in the prior year. Of the unrestricted net position, approximately 42.4% was attributable to governmental type activities, and 57.6% was attributable to business-type activities.

The following charts depict a fiscal year comparison of the City's net position by activity type and category between fiscal years ending September 30, 2025, and September 30, 2024. (Figures 3 and 4).



**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

Figure 5 shown below reflects the changes to the net position resulting from the City's activities for the years ended September 30, 2025, and September 30, 2024.

City of Farmington's Statement of Activities
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
<i>Program revenues:</i>						
Charges for goods and services	\$ 1,820,881	\$ 1,927,858	\$ 0	\$ 0	\$ 1,820,881	\$ 1,927,858
Airport Charges	0	0	398,456	369,749	398,456	369,749
Sewer Charges	0	0	3,679,462	3,609,816	3,679,462	3,609,816
Electric Charges	0	0	24,337,276	23,290,888	24,337,276	23,290,888
Water Charges	0	0	3,750,511	3,760,541	3,750,511	3,760,541
Operating grants and contributions	1,570,431	1,590,244	0	0	1,570,431	1,590,244
Capital grants and contributions	503,517	41,270	663,583	1,694,790	1,167,100	1,736,060
<i>General revenues:</i>						
Sales Taxes	14,873,201	14,659,843	0	0	14,873,201	14,659,843
Use Taxes	1,353,759	1,412,845	0	0	1,353,759	1,412,845
Property Taxes	1,143,491	1,110,685	0	0	1,143,491	1,110,685
Gross Receipts, Utility, and Other Taxes	253,110	531,946	0	0	253,110	531,946
Transient Guest Tax (Hotel/Motel)	378,841	342,580	0	0	378,841	342,580
TIF Proceeds	1,298,769	1,562,427	0	0	1,298,769	1,562,427
Interest Income	608,170	663,699	599,748	777,817	1,207,918	1,441,516
Insurance Proceeds	11,809	147,766	0	24,317	11,809	172,083
Other Income	109,574	176,663	20,887	16,034	130,461	192,697
Operating Lease	121,191	129,645	0	0	121,191	129,645
Gain on Sale of Capital Assets	100,571	(176,017)	69,500	30,600	170,071	(145,417)
Total Revenues	24,147,315	24,121,454	33,519,423	33,574,552	57,666,738	57,696,006
Expenses:						
General government	4,057,484	4,767,918		0	4,057,484	4,767,918
Public safety	7,100,192	6,806,054		0	7,100,192	6,806,054
Streets and Public Works	3,527,221	3,671,367		0	3,527,221	3,671,367
Cultural and recreation	5,060,658	4,551,842		0	5,060,658	4,551,842
Governmental - Interest Expense	267,637	104,950		0	267,637	104,950
Airport		0	864,787	781,718	864,787	781,718
Sewer		0	3,827,097	3,945,772	3,827,097	3,945,772
Electric		0	22,724,233	21,067,958	22,724,233	21,067,958
Water		0	3,794,740	3,460,662	3,794,740	3,460,662
Total Expenses	20,013,192	19,902,131	31,210,857	29,256,110	51,224,049	49,158,241
Change in net position before transfers	4,134,123	4,219,323	2,308,566	4,318,442	6,442,689	8,537,765
Transfers	404,893	1,525,358	(404,893)	(1,525,358)	0	0
Change in net position	4,539,016	5,744,681	1,903,673	2,793,084	6,442,689	8,537,765
Net Position, October 1	75,342,559	69,597,878	55,443,835	52,650,751	130,786,394	122,248,629
Net Position, September 30	<u>\$ 79,881,575</u>	<u>\$ 75,342,559</u>	<u>\$ 57,347,508</u>	<u>\$ 55,443,835</u>	<u>\$ 137,229,083</u>	<u>\$ 130,786,394</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

A review of the changes in net position due to activities reflects the following government-wide changes. These changes will be discussed in more detail in each respective section of the activity types.

- Total revenues were 0.1%, or \$29,268 under the prior year. Governmental-type activities revenue was \$25,861 above the prior year. Business-type activities were down by \$55,129 which was the net effect of an increase in revenues from charges for services of \$1,134,711 and a decrease in grants, interest, and other revenue of interest \$1,189,840.
- Total expenses increased by 4.2%, or \$2,065,806. This increase is the net result of an increase in governmental-type activities of \$111,061, 0.6%, and an increase in in the business-type activities of \$1,954,747, 6.7%.

Governmental Activities

Governmental activities increased the City's net position by \$4,134,123 before transfers. Key elements of this change are as follows:

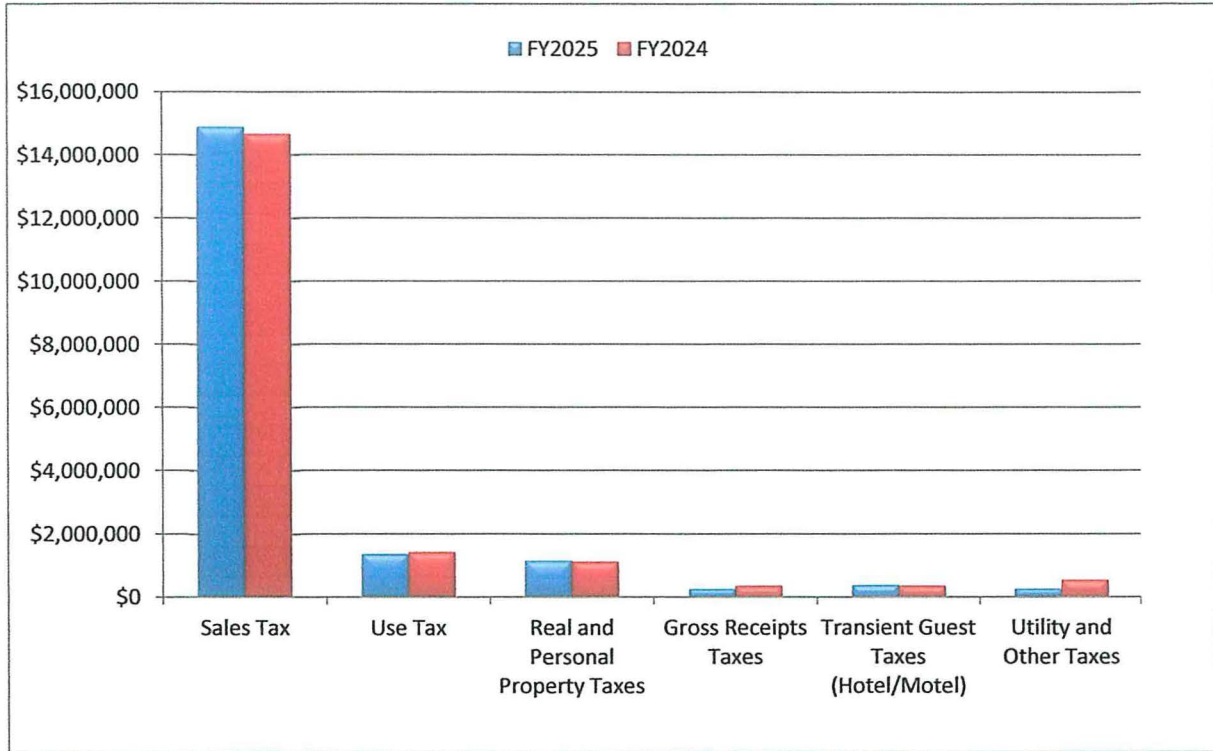
Revenue

- Sales tax revenues grew with an increase of \$213,358, 1.5%. The Fiscal Year 2025 increase marked twelve consecutive years of increased sales tax for the City (1.5%, 6.7%, 11.7%, 20.0%, 10.7%, 7.4%, 0.1%, 5.7%, 2.5%, 6.2%, 8.4%, and 6.6%). The City anticipates increases to continue as the economy grows.
- The City collected \$1,353,759 in use tax, which was \$59,086, 4.2%, lower than the prior year collections.
- Other tax revenue changes for the City included:
 - A 3.0%, \$32,806, increase in property taxes;
 - A 52.4%, \$278,836, decrease in gross receipts, utility, and other taxes due primarily to a settlement on some gross receipts protested taxes being received in the prior year; and
 - A 10.6%, \$36,261, increase in transient guest taxes.
- Interest income decreased \$55,529, 8.4%, due primarily to changes in cash balances and interest rate fluctuation.
- Operating contributions and grants decreased by \$19,813, 1.2%, from the prior year to a total of \$1,570,431. General governmental activities recorded private donations and cost-sharing reimbursements in the amount of \$4,799. Public safety received operating grants in the amount of \$469,666. These operating grants consisted of \$261,412 for a pass-thru grant to Mineral Area Drug Task Force, \$132,740 from the Farmington R-7 School District as a cost-sharing contribution in support of the school resource officer program, \$35,718 from the Mineral Area Drug Task Force and Homeland Security under a cost reimbursement agreement, and other private contributions in the amount of \$39,796. Culture and recreation contributions in the amount of \$31,853 for the operation of the library, parks, and bike hostel from a combination of state aid and donations by individuals. The operating contribution for the streets and public works was made up of motor fuel and vehicle tax sharing revenue from the State of Missouri in the amount of \$1,064,113.
- Capital grants and contributions increased by \$462,247 to \$503,517. Public Safety recorded capital grants and contributions in the amount of \$20,000. Culture and recreation received \$2,040 in capital grants and contributions. Capital grants received in streets and public works amounted to \$481,477 for transportation projects.
- Changes in revenue from charges for services decreased \$106,977, 5.5% primarily attributable to a combination of culture and recreation decreases in membership fees at the civic center and daily fees at the water park and street and public works decreases in permit fees received.

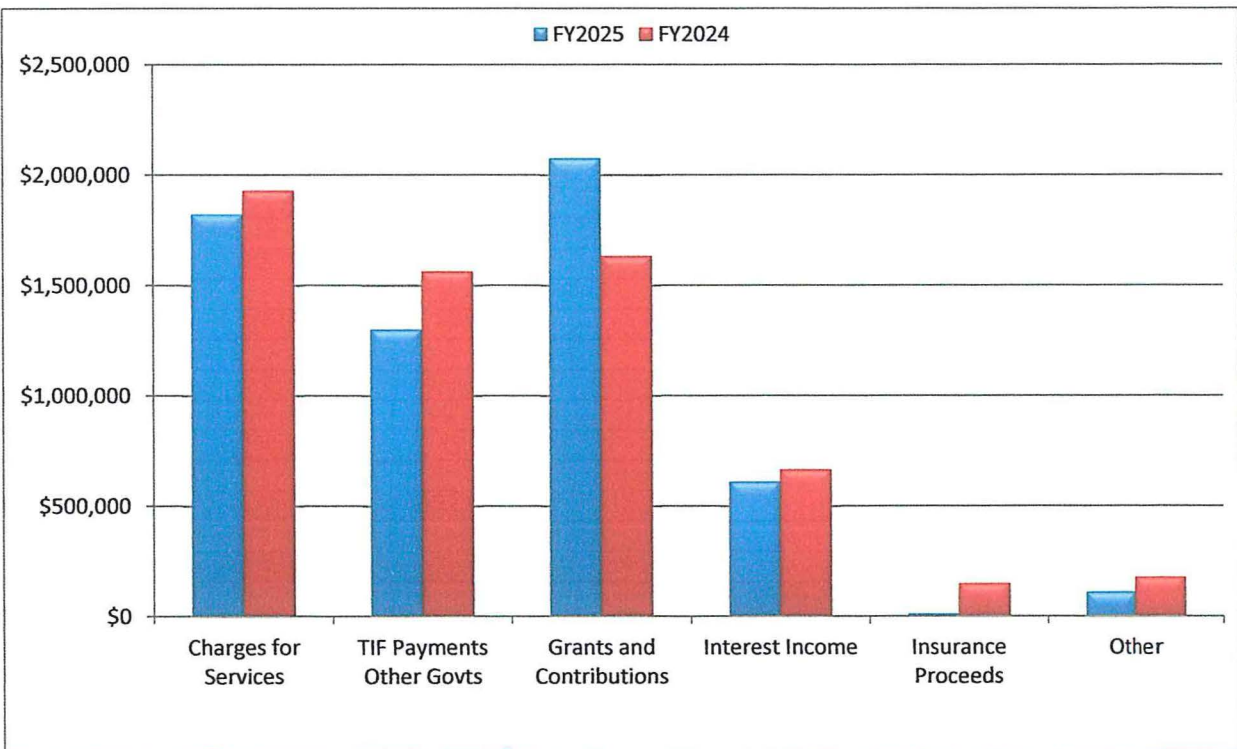
**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

Figures 6 and 7 provide a prior year comparison of the revenues by category for the City of Farmington governmental activities.

Tax Revenues
Figure 6



General Revenues by Source
Figure 7



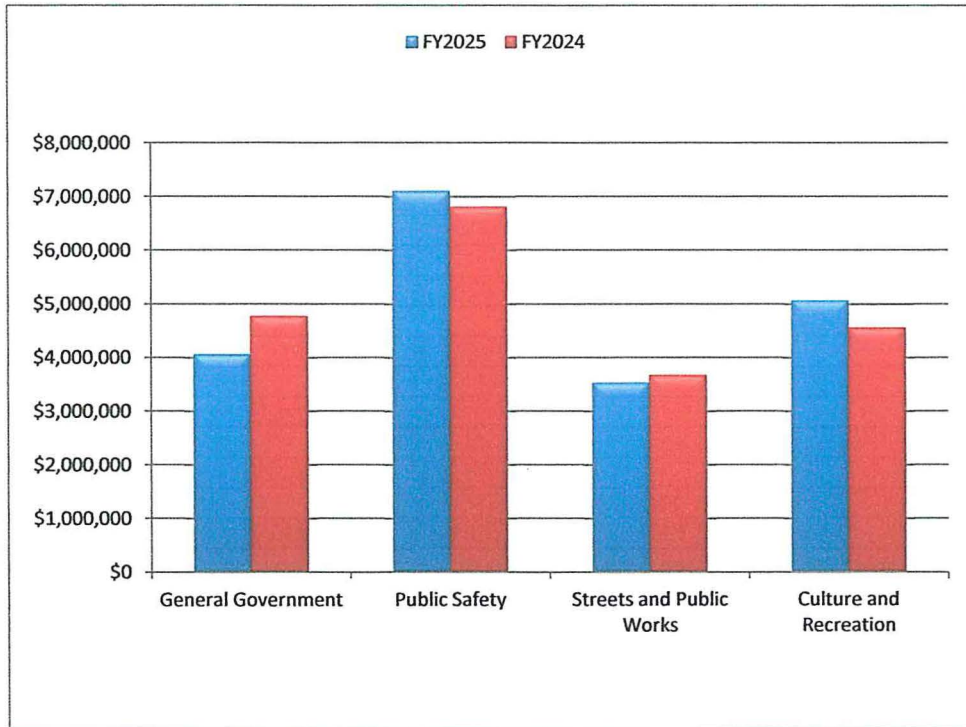
**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

Expenses

- Overall, there was an increase of \$111,061, or 0.6%, in governmental activities operating expenses (debt service principal and capital outlay not included).
- Changes by program area were:
 - A 14.9%, \$710,434, decrease in general government, (Prior year change: +25.6%, \$970,911));
 - A 4.3%, \$294,138, increase in public safety, (Prior year change: +2.9%, \$193,418);
 - A 3.9%, \$144,146, decrease in streets and public works, (Prior year change: +7.0%, \$238,861));
 - A 11.2%, \$508,816, increase in culture and recreation, (Prior year change: +4.4%, \$191,613); and
 - A 155.0%, \$162,686, increase in interest expense related to debt (Prior year change: -30.8%, (\$46,668)).
- Personnel related expenses as a whole for the governmental activities had a 5.6% increase, \$513,109, compared to a 5.6% increase in the prior year.
- Pension plan related expenses were \$1,255,544. Primary components of these expenses included service cost (the actuarial present value of projected benefit payments attributed to a valuation year), interest, administrative expenses, amortization of changes in actuarial assumptions, changes in casualty and benefit reserve fund allocations, differences between expected and actual experience, and differences between projected and actual earnings on plan investments.

Figure 8 provides a prior year comparison of the functional expenses for the City of Farmington governmental activities exclusive of debt service and capital outlays.

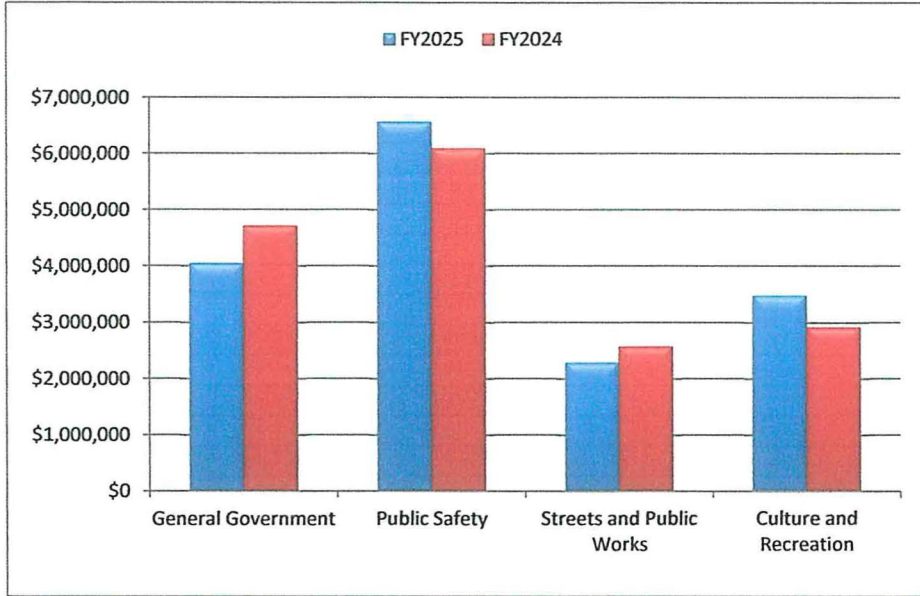
Expenses by Function
Figure 8



**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

Figure 9 depicts the net cost of service for each activity area (*expenses - charges for service – operating grants and contributions*) for Fiscal Years ending September 30, 2025, and September 30, 2024.

Net Cost of Service Comparison
Figure 9



Business-type Activities

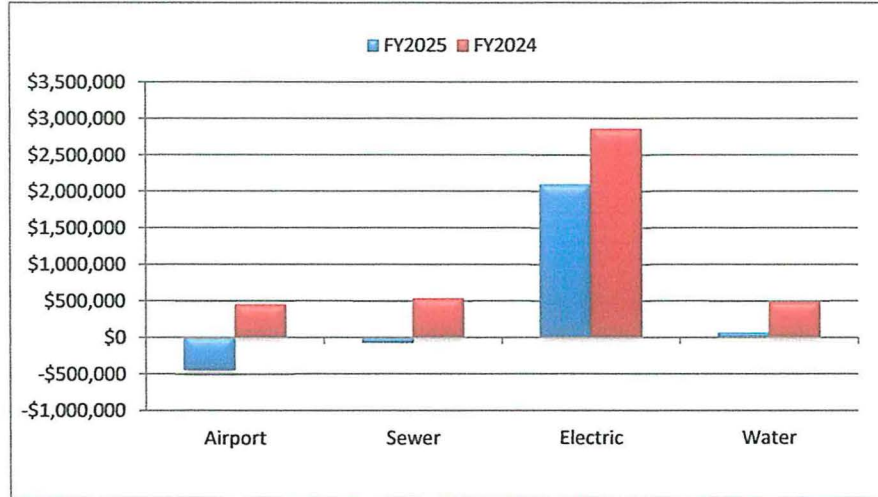
Business-type activities increased the City of Farmington's net position by \$2,308,566 before transfers. Key elements of the changes were as follows:

- The Airport Fund recorded a net gain before transfers and depreciation of \$60,858. Charges for goods and services had an increase of \$28,707, or 7.8%, due primarily to increases in fuel sales revenue. Expenses net of depreciation increased \$12,959, or 3.1%. This increase is primarily due to increased personnel and maintenance costs.
- The Sewer Fund had a net gain of \$1,307,716 before transfers and depreciation. Sewer charges for services increased \$69,646, 1.9%, primarily due to usage fluctuations from year to year. Sewer expenses net of depreciation showed a decrease of \$212,070, or 8.0%. Key components of this net decrease included personnel cost increases of \$8,000, an increase of \$24,342 in power costs, a \$286,526 decrease in meter and mxu costs, and a combination of increases and decreases in other various categories.
- The Electric Fund had a net gain of \$2,648,683 before transfers and depreciation. The electric utility charges for goods and services increased by \$1,046,388, 4.5%, primarily due to normal usage fluctuations. The electric utility expenses net of depreciation increased \$1,661,810, 8.1%, which consisted primarily of an increase of \$1,603,808, 9.8%, in power purchased costs, an increase of \$147,514, 7.4%, increase in personnel related costs, and a combination of increases and decreases in other various categories.
- The Water Fund had a net gain of \$678,213 before transfers, depreciation, and capital grants. The water utility charges for goods and services decreased \$10,030, 0.3%, due to usage fluctuations from the prior year. Water utility expenses net of depreciation increased \$295,487, 10.2%. This was the net effect of a decrease in personnel related costs of \$7,657, 0.8%, an increase of \$38,929, 18.0%, in power costs, an increase of \$177,813, 60.0%, in system maintenance and repair costs, an increase of \$27,747, 2.9%, in radionuclide operating costs, and a combination of increases and decreases in other various categories.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

Figure 10 depicts the change in net position before capital contributions and transfers for each enterprise activity for Fiscal Years ending September 30, 2025, and September 30, 2024.

Change in Net Position before Capital Contributions and Transfers
Figure 10



FINANCIAL ANALYSIS OF THE CITY'S INDIVIDUAL FUNDS

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

Governmental Funds

The focus of the City of Farmington's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements, specifically unassigned fund balance, which can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The total governmental fund balance at September 30, 2025, was \$30,865,485, compared to \$31,345,583 in the prior year, a 1.5% decrease. The City reports the General Fund, Storm Water & Parks Tax Fund, Transportation Tax Fund, Capital Projects Fund, Transient Guest Tax Fund, and Special Allocation Fund as major funds. All other governmental funds are combined and reported as non-major funds. Following is information for each of the major governmental funds.

General Fund

The General Fund is the chief operating fund of the City. As of September 30, 2025, the General Fund had a balance of \$15,961,752 of which \$14,119,951 was unassigned. As a financial management indicator, it is important to compare unassigned fund balance to total fund expenditures as a general measure of fund liquidity and for adherence to minimum reserve levels as set in the financial policy approved by the City Council. The unassigned fund balance represented approximately 93.0% of total General Fund expenditures (capital and debt payments included) which was well over the range of 17% to 34% as established by the City's Reserve Policy. The General Fund has an additional \$1,467,000 assigned to contingency reserves to be utilized as defined in the reserve policy.

Storm Water and Parks Tax Fund

The Storm Water and Parks Tax Fund is used to account for resources designated to and expenses related to the capital storm water projects and operation of and capital improvements to the parks. The balance of the Storm Water and Parks Tax Fund at September 30, 2025, was \$2,694,058. A portion of the tax is designated in the budget each year to be transferred for the parks operations. The remaining funds are held in the Storm Water and Parks Tax Fund and restricted

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

for capital projects, but can be released for parks projects if so decided. For year ended September 30, 2025, 60% of the tax was budgeted to be transferred to the General Fund for the operations of the parks. The fund balance is restricted, and per policy, no minimum reserve balance policy exists for this fund.

Transportation Tax Fund

The Transportation Tax Fund is used to account for resources designated to and expenses related to the construction and operation of the transportation system (e.g., roads, sidewalks, and airport). The balance of the Transportation Tax Fund at September 30, 2025, was \$2,216,940. The fund balance is restricted, and per policy, no minimum reserve balance policy exists for this fund.

Capital Projects Fund

The Capital Projects Fund is used to account for resources designated to and expenses related to the acquisition of major capital assets or facilities. The balance of the Capital Projects Fund at September 30, 2025, was \$7,996,778. The fund balance is restricted for capital projects. Per policy, no minimum reserve balance policy exists for this fund.

Transient Guest Tax Fund

The Transient Guest Tax Fund is used by the City to account for those tax revenues received from the transient tax charged on hotel/motel guests. The City contracts with the Farmington Tourism Bureau to provide marketing and promotion of the City with the funds generated by the transient guest tax. At September 30, 2025, the balance of the Transient Guest Tax Fund was \$0. Per policy, no minimum reserve balance policy exists for this fund.

Special Allocation Fund

The Special Allocation Fund is used by the City to account for those tax revenues transferred and revenues received under tax increment financing districts. Expenses of this fund consists of district related improvements and disbursements to developers under tax sharing agreements. At September 30, 2025, the balance of the fund was \$1,943,819, all restricted to the Karsch-Downtown Tax Increment Financing District. Due to the nature of the fund, there is no minimum reserve policy for this fund.

The non-major funds had a total fund balance amount of \$52,138 at September 30, 2025. This was made up of the following:

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest. The balance of the Debt Service Fund at September 30, 2025, was \$0. Per policy, no minimum reserve balance exists for this fund.

District Municipal Fund

The District Municipal Fund is used by the City to account for those tax revenues transferred for and disbursed to developers under tax sharing agreements. All monies transferred to this fund are due to developers, therefore, at September 30, 2025, the balance of the fund was \$0. Due to the nature of the fund, there is no minimum reserve policy for this fund.

Opioid Settlement Fund

The Opioid Settlement Fund is used to account for the financial resources received from the Missouri Opioid Settlement. These funds are to be used for the purpose of opioid treatment, prevention, and other opioid abatement strategies. At September 30, 2025, the balance of the fund was \$52,138. Due to the nature of the fund, there is no minimum reserve policy for this fund.

Proprietary Funds

The City of Farmington's proprietary fund financial statements provide the same type of information found in the government-wide statements, but in more detail. The total net position of the proprietary funds at September 30, 2025, was \$57,347,508. The unrestricted portion of the total net position equaled \$17,292,437, an 8.6% increase from September 30, 2024. Changes in individual funds were as follows:

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

Airport Fund

The Airport Fund accounts for the activities of the Farmington Regional Airport. These activities include fuel sales, property and hangar rentals, personnel and operating expenses, and capital expansion. The airport offers a self-service fueling station, fuel truck service, and pilot's lounge with showers. The fund net position at September 30, 2025, was \$6,344,801. The amount that was unrestricted was \$113,962.

Sewer Fund

The Sewer Fund accounts for the activities of the sewer utility. Sewer rates are set to cover the cost of operations, debt, and capital improvements. Sewer Fund total net position at September 30, 2025, was \$20,129,211. There was \$1,381,654 unrestricted net position in the Sewer Fund. The unrestricted amount, which is available for sewer operations, equates to 57% of operating expenditures (depreciation, capital outlay, and debt principal payments not included).

Electric Fund

The Electric Fund accounts for the activities of the electric utility. Electric rates are set to cover the cost of operations, debt, and capital improvements. The Electric Fund total net position at September 30, 2025, was \$19,043,859. Of this amount, \$12,058,704 was unrestricted. The unrestricted amount equals 55% of operating expenditures (depreciation, capital outlay, and debt principal payments not included).

Water Fund

The Water Fund accounts for the activities of the water utility. Water rates are set to cover the cost of operations, debt, and capital improvements. The Water Fund total net position at September 30, 2025, was \$11,829,637. Of this amount, \$3,738,117 was unrestricted. The unrestricted amount equals 117% of operating expenditures (depreciation, capital outlay, and debt principal payments not included).

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the City revised the budget on multiple occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Differences between the original and final amended budget can be summarized as follows:

- The General Fund budget for revenues and financing sources net of transfers and lease proceeds was increased by \$563,600. Primary components of this change included:
 - An increase of \$115,000 to account for additional sales tax proceeds
 - An increase of \$20,000 to account for the additional use tax;
 - An increase of \$30,000 for property taxes;
 - An increase of \$45,800 in grants and donations;
 - An increase of \$100,000 for motor fuel and vehicle taxes;
 - A decrease of \$10,500 for utility, gross receipts and other taxes;
 - An increase of \$70,000 for interest income;
 - An increase of \$117,900 for charges and services;
 - A decrease of \$38,600 for operating lease revenue;
 - An increase of \$72,000 for sale of assets;
 - An increase of \$7,000 for insurance proceeds;
 - An increase of \$25,000 for PILOT transfers from utilities; and
 - Other various smaller adjustments in response to actual revenue trends at the time of the amendment.
- The General Fund expenditures budget was increased by \$1,150,300. Primary components of this increase included:
 - A \$227,000 increase in general administration activities primarily due to salaries and contracted expenses;
 - A \$108,900 increase in public safety expenses primarily driven by personnel and equipment related expenses;

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

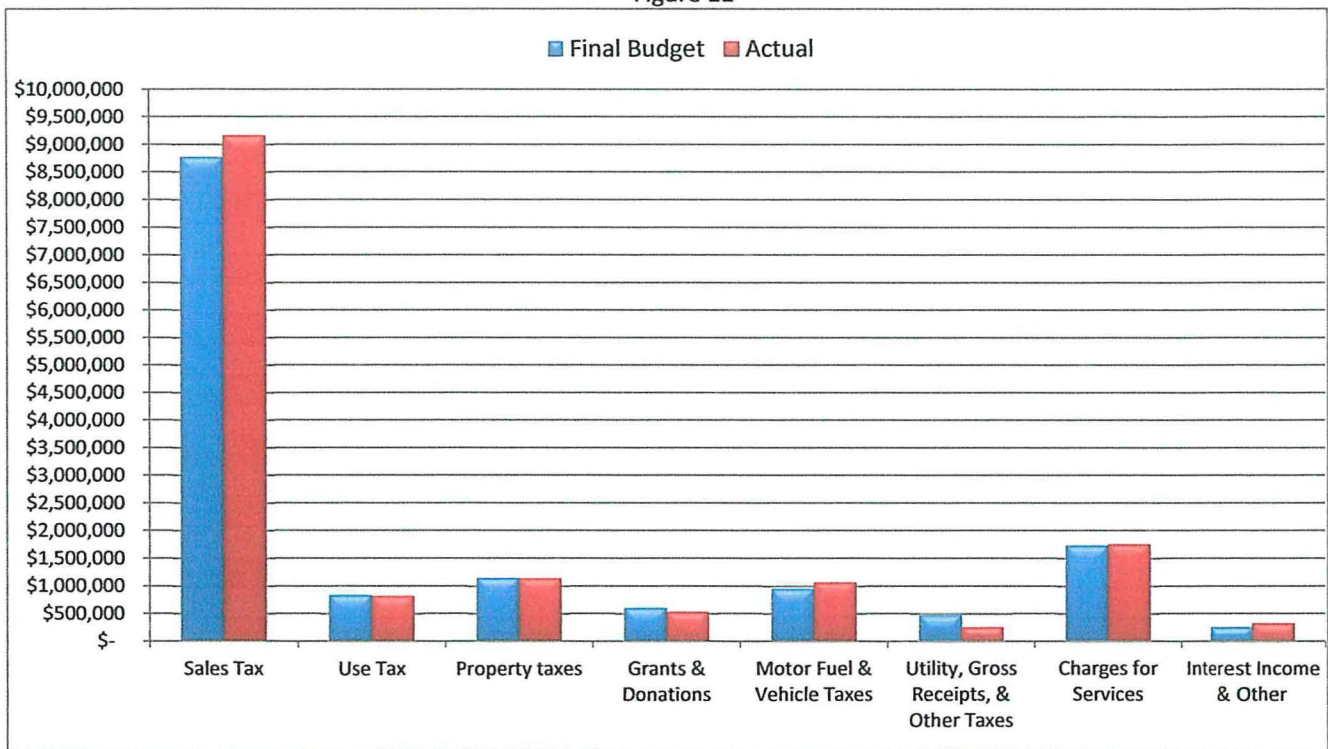
- A \$213,800 increase in streets and public works budgets primarily related to personnel related expenses, maintenance, and contract expenses; and
- A \$246,400 increase in culture and recreation expenditures primarily driven by increased personnel costs and repair and maintenance expenses.
- The General Fund capital outlay budget was increased by \$349,900 for additional capital project expenses, while debt service costs were increased by \$4,300.

PERFORMANCE TO BUDGET - GENERAL FUND

Revenues

Actual revenues in the General Fund were \$406,155, or 4% more than budgeted. This is primarily due to increased tax collections and interest income.

General Fund Revenues
Final Budget versus Actual
Figure 11



Expenditures

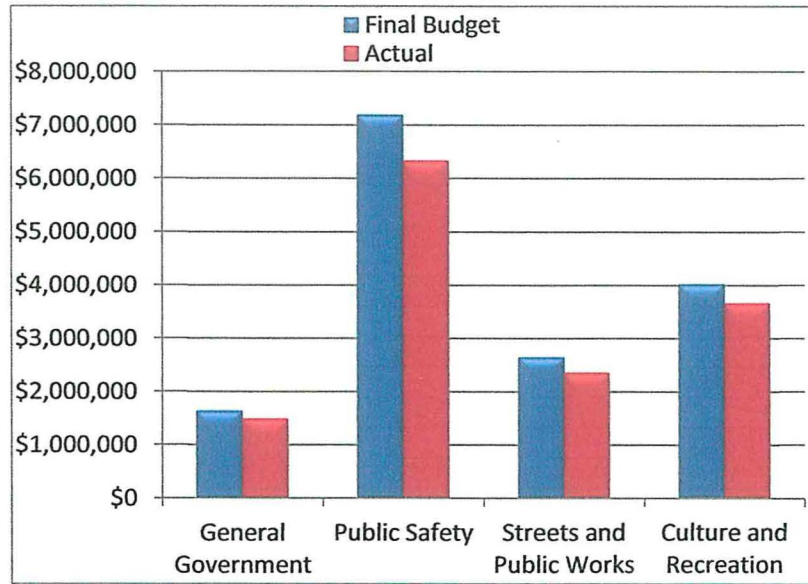
Actual expenditures of the General Fund were \$5,512,980, or approximately 26.6%, below budget. This variance consisted of the following by program area.

- The general government had a variance of \$144,871 below budget primarily due to personnel and contract related costs.
- The public safety function was \$852,819 below budgeted amounts primarily due to personnel and non-capital equipment and hazmat trailer costs.
- The streets and public works activities were \$293,257 below budget primarily due to costs related to engineering, street cut repairs, snow removal, and nuisance abatement.
- The culture and recreation activity expenses were \$349,207 below budget primarily due to personnel, system maintenance, building and grounds maintenance.
- Capital and debt service expenditures were \$3,872,826 below budget primarily due to two fire trucks still in production.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

Actual to budget reviews are completed on a monthly basis. Based on this monitoring, some hiring, projects, or purchases may be postponed to later in the budget year or into a future budget year when practicable. Other expenditures below budget are a combination of projects in process and postponement of projects and purchases. The graph below depicts actual expenditures to the final budgeted expenditures by program area.

General Fund Expenditures
Final Budget versus Actual
Figure 12



CAPITAL ASSET ACTIVITY

The City's capital assets less accumulated depreciation as of September 30, 2025, totaled \$49,831,037. These assets included buildings, roads and bridges, land, machinery and equipment, park facilities, library collections, easements, and vehicles. This was a \$4,943,372, or 5.5%, increase from the prior year. Figure 13 depicts a comparison to prior year of the capital assets net of depreciation (related debt not considered).

City of Farmington's Capital Assets
Figure 13

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 2,816,531	\$ 2,816,531	\$ 1,881,156	\$ 1,881,156	\$ 4,697,687	\$ 4,697,687
Buildings & Land Improvements	37,357,977	35,475,398	3,562,838	3,550,338	40,920,815	39,025,736
Equipment, Furniture, Collections, and Vehicles	14,314,272	13,568,269	5,684,291	4,758,292	19,998,563	18,326,561
Infrastructure	48,469,575	44,728,334	75,589,623	74,548,959	124,059,198	119,277,293
Intangible Assets	0	0	207,312	207,312	207,312	207,312
Construction in Progress	2,006,726	404,901	1,012,959	0	3,019,685	404,901
Total	104,965,081	96,993,433	87,938,179	84,946,057	192,903,260	181,939,490
Less - Accumulated Depreciation	50,310,787	47,090,310	48,351,848	45,551,926	98,662,635	92,642,236
Total	\$ 54,654,294	\$ 49,903,123	\$ 39,586,331	\$ 39,394,131	\$ 94,240,625	\$ 89,297,254

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

Major capital asset transactions during the year included the following:

Governmental Funds

In the governmental funds, a total of \$8,068,791 in new assets was added and a total of \$97,142 was disposed for the year ended September 30, 2025. These changes were comprised of the following:

- General government additions in the amount of \$107,581 consisted of an HVAC system for the information technology office, new enterprise software and related implementation costs, and in process costs for new windows at City Hall;
- No general government disposals;
- Public safety asset additions in the amount of \$345,620 consisting of police vehicles and related equipment and new fiber lines to the police station;
- No public safety disposals;
- Streets and public works asset increases in the amount of \$3,612,526, which included improvements related to storm water drainage, transportation infrastructure improvements, maintenance related equipment, trucks, a bobcat, and construction in process on a new facility;
- Streets and public works disposals in the amount of \$23,727 included a truck;
- Culture and Recreation asset additions in the amount of \$4,003,064 consisting of a new roof, locker room, natatorium, and other facility improvements at the community center, park system improvements, mowers, and a truck; and
- Culture and recreation disposals in the amount of \$73,415 included a mower and vehicles.

Proprietary Funds

In the proprietary funds, a total of \$3,239,744 in assets was added and a total of \$247,622 in assets was disposed during the year ended September 30, 2025. These changes to the proprietary capital assets were comprised of:

- Airport Fund asset additions of \$45,577 for airport improvements;
- No disposed assets in the Airport Fund;
- Sewer Fund asset additions in the amount of \$974,882 consisting sewer main and manhole linings, vehicles and equipment, and enterprise software and related implementation costs;
- Sewer Fund asset disposals in the amount of \$89,357 for trucks;
- Electric Fund asset additions in the amount of \$802,253 consisting of a substation transformer, enterprise software and related implementation costs, equipment, and vehicles;
- Electric Fund asset disposals in the amount of \$158,265 for trucks;
- Water Fund asset additions in the amount of \$1,417,031 consisting of enterprise software and related implementation costs, infrastructure improvements, and vehicles; and
- No disposed assets in the Water Fund.

Additional information on the City's capital assets can be found in Note 6 of the Basic Financial Statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
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LONG-TERM DEBT

The City of Farmington's total debt decreased by \$2,257,992, 19.1%, during the fiscal year due to principal payments. An overview of the debt held by the City is shown below.

Notes Payable, Certificates of Participation, and Capital Leases
Figure 14

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Note Payable - MoPEP	\$ 0	\$ 0	\$ 339,850	\$ 792,983	\$ 339,850	\$ 792,983
Certificates of Participation	7,510,000	7,510,000	1,325,000	1,970,000	8,835,000	9,480,000
Capital Leases	392,661	1,552,520	0	0	392,661	1,552,520
Total	\$ 7,902,661	\$ 9,062,520	\$ 1,664,850	\$ 2,762,983	\$ 9,567,511	\$ 11,825,503

State of Missouri Revised Statutes limit the amount of general obligation debt that a unit of government can issue up to twenty percent (20%) of the total assessed value of taxable property located within that government's boundaries. The total assessed valuation as of October 2024 was \$283,414,809, resulting in a legal general obligation debt margin for the City of Farmington of \$56,682,962, which is well above the City's current total debt obligations. The City holds no general obligation debt related to payment from property taxes.

* Section 95.115 of the 1978 Missouri Revised Statutes permits any county or city, by vote of two-thirds of qualified electors voting thereon, to incur indebtedness for City purposes not to exceed five percent (5%) of the taxable tangible property therein, as shown by the last assessment.

* Section 95.120 of the 1978 Missouri Revised Statutes permits any county or city, by a vote of two-thirds of qualified electors voting thereon, to incur additional indebtedness for City purposes not to exceed five percent (5%) of the taxable tangible property therein, as shown by the last assessment.

* Sections 95.125 and 95.130 of the 1978 Missouri Revised Statutes provide that any city may become indebted not exceeding in the aggregate an additional ten percent (10%) for the purpose of acquiring right-of-ways, constructing, extending, and improving streets and avenues and/or sanitary or storm sewer system, and an additional ten percent (10%) for purchasing or construction of waterworks, electric, or other light plants, provided the total general obligation indebtedness of the City does not exceed twenty percent (20%) of the assessed valuation.

Additional information regarding the City of Farmington's debt can be found in Notes 9 and 10 in the Notes to Financial Statements.

ECONOMIC FACTORS

The following key economic indicators reflect the economic environment of the City.

Sales Tax. Retail growth in Farmington continues to be stable-growing at a moderate pace with retail development and retention similar to prior years. Sales tax revenues from imposition of the local option use tax was substantially higher than initial projections and is expected to meet or exceed growth from traditional retail sales. In December 2025 the City approved a development agreement with SimonCRE to provide \$10.5M in tax incentives for the development of Farmington Crossings with more than 300,000 square feet of proposed national brand retail and restaurant businesses. The development is expected to reach full maturity within five years. The City committed 2/3 of the one-cent general sales tax and 2/3 of the capital improvement sales tax generated in the development to fund the public improvements. St. Francois County agreed to

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

commit ½ of its one cent general sales tax generated from the development to retire the notes issued for the public improvements.

Property Tax. Property tax rate for Fiscal Year 2026 remained constant at \$0.4099 per \$100 of assessed valuation. Assessed valuation October 2025 was \$294,509,855 compared to \$283,414,809 the prior year. Included in the October 2025 valuation is \$3,754,320 of real property new construction and (\$852,305) of new personal property.

Unemployment. The October 2025 unemployment rates was reported as 3.8% by the U. S. Census Bureau, U. S. Bureau of Labor Statistics. That labor force in St. Francois County was reported as 28,842. The long-term unemployment rate is generally higher in St. Francois County than the reported rate for Missouri in general. New employers are continuing to express interest in locating in Farmington and existing businesses are unable to fully meet employment needs. Communication Solutions, LLC, a call servicing center laid-off its workforce of approximately 150 in January 2026. Koch sold SR Global to Atlas Holdings in April 2025 and the City was notified in January 2026 that Atlas plans to cease the cross-docking warehouse operations in mid-year 2026. It is anticipated that low unemployment rates will continue into the foreseeable future based on consistent employment levels in local retail, industrial and medical services.

Funding. The city continues to receive funding for capital projects through its traditional grant sources for public safety, airport and other uses. The City anticipates termination of the Karsch Boulevard – Downtown Tax Increment Financing District in April 2026. The Maple Valley Tax Increment Financing District and Community Improvement District were terminated in 2025. Each of those terminations will result in an increase in general fund revenue, but a reduction in overall revenue due to loss of the County funds deposited to the Special Allocation Fund.

Utility Rates. The city purchases power from the Missouri Public Utility Alliance - Public Energy Pool (MoPEP). The Pool expects wholesale electric costs to increase in 2025-2026 due to retirement of fossil fuel generation plants and increased demand in electric power. The Pool experienced a substantial increase in wholesale electric costs in January 2026 due to Winter Storm Fern. Increases in the cost of goods and materials for the electric utility are exceptional. The City is currently undertaking a cost-of-service study for the electric, water and sewer utility and anticipates adopting rate increases to be effective in October 2026.

The electric rate code includes a purchase power adjustment factor. The adjustment is applied to the billing when a three-month rolling average of the power cost is either in excess of 104% of the base power cost estimated for the fiscal year or is below 93% of the base power cost estimated. This adjustment helps protect the utility against significant losses because of increased wholesale rates due to unplanned outages and other economic issues, as well as providing an avenue to credit customers when power rate decreases are realized during the fiscal year.

The city provides water and sanitary sewer services to commercial and residential customers. Water is billed monthly based on 100 CF of consumption and sewer is charged based on water consumption for the service location.

The City entered into an agreement with the State of Missouri Office of Administration to resolve a deed reversion for the Farmington Industrial Park. The City agreed to discount the water and sewer utility bill for the Farmington Correctional Center in the amount of twenty thousand dollars (\$20,000) each year for five years to resolve the disputed deed. The first credit was applied in October 2022.

Business Environment. The local economy is expected to remain stable –growing. Employment levels are expected to remain stable with many local businesses reporting difficulty fully staffing their work requirements. In addition to Farmington Crossings, commercial developers have recently expressed interest in opening additional retail space on the west side of US 67 and new housing developments are planned along the west outer road. Several local industries are experiencing growth and are planning to add to their workforce. Farmington is expected to retain its position as a regional center for medical services, retail, and entertainment. A notable change in building construction is a continuation of the current trend in the construction of multi-family residential units versus single-family dwellings

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

BUDGET HIGHLIGHTS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2026

The Fiscal Year 2026 budget is structured to maintain and support municipal operations at a service level consistent with current and past operations.

The budget includes a general increase in wages and salaries based on the outcomes of a pay and benefit study completed in 2025. Part-time wages were adjusted to conform to Missouri Proposition A and 2025 HB 567 which eliminated the exemption for public employees.

Property & Casualty and Liability insurance increased at a rate consistent with normal trends due in part to the expected cost of replacement or damage.

The City was awarded a grant from the Missouri Department of Transportation in the amount of \$2,950.880 and an additional loan from the Missouri Transportation Finance Corporation for the same amount to fund construction of a turbo-roundabout on MoDOT right-of-way in support of the development of Farmington Crossings and other future development on the west side of US67. The City plans to utilize net sales tax revenue generated on the development site to service the debt of the project.

The City will complete all projects associated with the 2024 COPs Issue during the budget period.

The City plans to issue an additional \$7M in COPs in 2026 to fund capital replacement and improvements to the sewer and electric utilities.

Governmental Activities. Revenues in the governmental funds (net of transfers and lease proceeds) are budgeted to increase in 2026 versus 2025 due to increasing sales tax revenue. Major revenue components also include transfers from the Electric, Water and Sewer funds to cover administrative costs allocation as well as a five percent (5%) payment in lieu of taxes from the Electric, Water, and Sewer Funds to the General Fund is budgeted. A sixty percent (60%) transfer from the Storm Water Parks Tax is budgeted for expenses in parks operations. Revenue from the gross receipts taxes for cable communication services will be reduced steadily from the original 5% fee to a final cap of 2.5% in 2027 due to legislation passed in 2024.

Business-type Activities. Overall revenues in the proprietary funds are budgeted to be consistent with prior year growth due to increased sales of utility services. Ending fund balances are forecasted to be lower than prior years due to funding capital projects and revenue generally not currently funding operating expenses.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to City Clerk, City of Farmington, 110 West Columbia Street, Farmington, Missouri 63640.

CITY OF FARMINGTON, MISSOURI
STATEMENT OF NET POSITION
September 30, 2025

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 13,773,932	\$ 5,893,444	\$ 19,667,376	\$ 359,506
Investments	1,652,860	5,546,780	7,199,640	-
Receivables (Net of allowance for uncollectibles)	3,607,979	4,220,988	7,828,967	-
Lease Receivable	251,194	149,069	400,263	-
Interest Receivable	894	2,213	3,107	-
Prepaid Items	30,217	50,961	81,178	-
Inventory	-	4,461,538	4,461,538	-
Due From / (To) Other funds	(937,982)	-	(937,982)	937,892
Restricted Cash and Cash Equivalents	15,639,684	1,110,525	16,750,209	-
Net Pension Asset	600,485	553,834	1,154,319	-
Capital Assets (Net):				
Non Depreciable	4,823,257	3,101,427	7,924,684	-
Depreciable	49,831,037	36,484,904	86,315,941	-
Subscription Based Intangible Assets (Net)	43,551	130,653	174,204	-
Total Assets	89,317,108	61,706,336	151,023,444	1,297,398
<u>DEFERRED OUTFLOW OF RESOURCES</u>				
Pension Related	2,666,461	914,277	3,580,738	-
Asset Retirement Obligations	-	252,575	252,575	-
Total Deferred Outflow of Resources	2,666,461	1,166,852	3,833,313	-
<u>LIABILITIES</u>				
Accounts Payable	1,356,025	1,979,546	3,335,571	-
Accrued Salaries	348,765	111,288	460,053	-
Accrued Interest	188,448	16,591	205,039	-
Taxes Payable	52,033	145,223	197,256	-
Builder's Deposits	-	103,425	103,425	-
Customer Deposits	-	411,532	411,532	-
Other Payable	318,398	137,400	455,798	-
Long-term Liabilities:				
Due within one year	1,197,243	1,249,637	2,446,880	-
Due within more than one year	7,488,372	950,000	8,438,372	-
Total Liabilities	10,949,284	5,104,642	16,053,926	-
<u>DEFERRED INFLOW OF RESOURCES</u>				
Leases Related	768,202	135,397	903,599	-
Pension Related	384,508	285,641	670,149	-
Total Deferred Inflow of Resources	1,152,710	421,038	1,573,748	-
<u>NET POSITION</u>				
Net Investment in Capital Assets	49,382,104	37,762,076	87,144,180	-
Restricted for:				
Sewer System	-	1,110,525	1,110,525	-
Capital Projects	12,907,776	-	12,907,776	-
Tax Increment Finance District Projects	1,943,819	-	1,943,819	-
Opioid Treatment, Prevention, and Abatement	52,138	-	52,138	-
Pension	2,882,438	1,182,470	4,064,908	-
Unrestricted	12,713,300	17,292,437	30,005,737	1,297,488
TOTAL NET POSITION	\$ 79,881,575	\$ 57,347,508	\$ 137,229,083	\$ 1,297,488

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

CITY OF FARMINGTON, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2025

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position - Primary Government			Component Unit
	Expenses	Charges for Services	Capital Contributions and Grants	Operating Contributions and Grants	Governmental Activities	Business-type Activities	Totals	
Governmental Activities:								
General Government	\$ 4,057,484	\$ 7,900	\$ -	\$ 4,799	\$ (4,044,785)	\$ -	\$ (4,044,785)	
Public Safety	7,100,192	72,156	20,000	469,666	(6,538,370)	-	(6,538,370)	
Streets and Public Works	3,527,221	182,218	481,477	1,064,113	(1,799,413)	-	(1,799,413)	
Culture and Recreation	5,060,658	1,558,607	2,040	31,853	(3,468,158)	-	(3,468,158)	
Interest on Long-term Debt	267,637	-	-	0	(267,637)	-	(267,637)	
Total Governmental Activities	<u>20,013,192</u>	<u>1,820,881</u>	<u>503,517</u>	<u>1,570,431</u>	<u>(16,118,363)</u>	<u>-</u>	<u>(16,118,363)</u>	
Business-type Activities:								
Airport	864,787	398,456	70,943	-	-	(395,388)	(395,388)	
Sewer	3,827,097	3,679,462	0	-	-	(147,635)	(147,635)	
Electric	22,724,233	24,337,276	0	-	-	1,613,043	1,613,043	
Water	3,794,740	3,750,511	592,640	-	-	548,411	548,411	
Total Business-type Activities	<u>31,210,857</u>	<u>32,165,705</u>	<u>663,583</u>	<u>-</u>	<u>-</u>	<u>1,618,431</u>	<u>1,618,431</u>	
Total Primary Government	<u>\$ 51,224,049</u>	<u>\$ 33,986,586</u>	<u>\$ 1,167,100</u>	<u>\$ 1,570,431</u>	<u>(16,118,363)</u>	<u>1,618,431</u>	<u>(14,499,932)</u>	
Component Unit								
Farmington Tourism Bureau	<u>\$ 310,537</u>	<u>\$ 11,352</u>	<u>\$ -</u>	<u>\$ 306,011</u>				<u>\$ 6,826</u>
General Revenues and Transfers								
General revenues:								
Taxes								
Sales Taxes					14,873,201		14,873,201	-
Use Taxes					1,353,759		1,353,759	-
Real and Personal Property Taxes					1,143,491		1,143,491	-
Transient Guest Tax (Hotel/Motel)					378,841		378,841	-
Utility, Gross Receipts, and Other Taxes					253,110		253,110	-
TIF Proceeds					1,298,769		1,298,769	-
Interest Income					608,170	599,748	1,207,918	25,147
Insurance Proceeds					11,809	0	11,809	-
Other					109,574	20,887	130,461	-
Operating Lease					121,191	-	121,191	-
Gain on Sale of Capital Assets					100,571	69,500	170,071	-
Transfers					404,893	(404,893)	-	-
Total General Revenues and Transfers					<u>20,657,379</u>	<u>285,242</u>	<u>20,942,621</u>	<u>25147</u>
Change in Net Position for the Year					4,539,016	1,903,673	6,442,689	31,973
Net Position - September 30, 2024					<u>75,342,559</u>	<u>55,443,835</u>	<u>130,786,394</u>	<u>1265515</u>
Net Position - September 30, 2025					<u>\$ 79,881,575</u>	<u>\$ 57,347,508</u>	<u>\$ 137,229,083</u>	<u>\$ 1,297,488</u>

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

CITY OF FARMINGTON, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2025

	Major Funds						Nonmajor Funds	Total Governmental Funds
	General Fund	Storm Water & Parks Tax Fund	Transportation Tax Fund	Capital Projects Fund	Transient Guest Tax Fund	Special Allocation Fund		
ASSETS								
Cash and Cash Equivalents	\$ 13,773,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,773,932
Investments	1,652,860	-	-	-	-	-	-	1,652,860
Accounts Receivable (net)	2,106,256	261,739	382,516	523,477	63,753	270,238	-	3,607,979
Lease Receivable	251,194	-	-	-	-	-	-	251,194
Interest Receivable	894	-	-	-	-	-	-	894
Prepaid Items	30,217	-	-	-	-	-	-	30,217
Due From Other Funds	-	-	-	-	-	51,374	67,853	119,227
Restricted Assets	-	-	-	-	-	-	-	-
Cash and Cash Equivalents	-	2,438,868	1,868,302	8,508,232	879,054	1,892,769	52,459	15,639,684
TOTAL ASSETS	\$ 17,815,353	\$ 2,700,607	\$ 2,250,818	\$ 9,031,709	\$ 942,807	\$ 2,214,381	\$ 120,312	\$ 35,075,987
LIABILITIES								
Accounts Payable	\$ 260,472	\$ 127	\$ 27,456	\$ 999,472	\$ 937,982	\$ 324	\$ 68,174	\$ 2,294,007
Accrued Salaries	345,587	-	-	-	3,178	-	-	348,765
Taxes Payable	52,033	-	-	-	-	-	-	52,033
Compensated Absences	103,596	-	-	-	-	-	-	103,596
Due to Other Funds	70,924	6,422	6,422	35,459	-	-	-	119,227
Other Liabilities	212,655	-	-	-	1,647	-	-	214,302
Total Liabilities	1,045,267	6,549	33,878	1,034,931	942,807	324	68,174	3,131,930
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue - Lease	768,202	-	-	-	-	-	-	768,202
Unavailable Revenue - Other	40,132	-	-	-	-	270,238	-	310,370
Total Deferred Inflows of Resources	808,334	-	-	-	-	270,238	-	1,078,572
FUND BALANCE								
Nonspendable								
Prepays	30,217	-	-	-	-	-	-	30,217
Restricted								
Capital Projects	-	2,694,058	2,216,940	7,996,778	-	-	-	12,907,776
Karsch - Downtown TIF District	-	-	-	-	-	1,943,819	-	1,943,819
Opioid Treatment, Prevention, and Abatement	-	-	-	-	-	-	52,138	52,138
Committed								
Acquisition/Improvement of Public Spaces	53,022	-	-	-	-	-	-	53,022
Assigned								
Contingency Reserves	1,467,000	-	-	-	-	-	-	1,467,000
Other Purposes	45,480	-	-	-	-	-	-	45,480
Storm Water Improvements	193,015	-	-	-	-	-	-	193,015
Wilson Rozier Ballpark	53,067	-	-	-	-	-	-	53,067
Unassigned								
Total Fund Balances	15,961,752	2,694,058	2,216,940	7,996,778	-	1,943,819	52,138	30,865,485
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 17,815,353	\$ 2,700,607	\$ 2,250,818	\$ 9,031,709	\$ 942,807	\$ 2,214,381	\$ 120,312	\$ 35,075,987

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

CITY OF FARMINGTON, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
Year Ended September 30, 2025

Total Fund Balances - Governmental Funds		\$ 30,865,485
Amounts reported for governmental activities in the statement of net position are different because:		
Pensions - Net pension assets, pension related deferred outflows and pension related deferred inflows are not current financial resources and liabilities and therefore are not reported in the funds.		
Net Pension Asset	\$ 600,485	
Deferred Outflows	2,666,461	
Deferred Inflows	<u>(384,508)</u>	
		2,882,438
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds.		
Governmental capital assets	104,965,081	
Less - Accumulated depreciation	<u>(50,310,787)</u>	
		54,654,294
Intangible assets are not current financial resources, and therefore, are not reported in the governmental funds.		
Subscription Based Information Technology Agreements	43,551	43,551
Long-term liabilities, including leases payable, and loans payable are not due and payable in the current period, and therefore are not reported as liabilities in the governmental funds.		
Accrued Compensated Absences	(209,850)	
Leases Payable	(392,661)	
Certificates of Participation, including unamortized premiums and discounts	(8,044,038)	
Subscription Based Information Technology Agreements	(39,566)	
Accrued Interest Payable	<u>(188,448)</u>	
		(8,874,563)
Some of the City's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures. Therefore, these revenues are reported as a deferred inflow of resources on the Governmental Funds Statement.		
		<u>310,370</u>
Net Position of Governmental Activities		<u><u>\$ 79,881,575</u></u>

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

CITY OF FARMINGTON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended September 30, 2025

	Major Funds						Nonmajor Funds	Total Governmental Funds
	General Fund	Storm Water & Parks Tax Fund	Transportation Tax Fund	Capital Projects Fund	Transient Guest Tax Fund	Special Allocation Fund		
REVENUES								
Sales Tax	\$ 9,158,166	\$ 1,428,655	\$ 1,428,655	\$ 2,857,725	\$ -	\$ -		\$ 14,873,201
Use Tax	812,255	135,376	135,376	270,752	-	-		1,353,759
Real and Personal Property Tax	1,134,939	-	-	-	-	-		1,134,939
Grants and Donations	528,358	-	481,477	-	-	-		1,009,835
Motor Fuel and Vehicle Tax	1,064,113	-	-	-	-	-		1,064,113
Utility, Gross Receipts and Other Taxes	253,110	-	-	-	-	-		253,110
Charges for Services	1,749,331	-	-	-	-	-		1,749,331
Municipal Court Fines and Fees	220,985	-	-	-	-	-		220,985
Transient Guest (Hotel/Motel) Tax	-	-	-	-	378,841	-		378,841
Interest Income	319,184	30,003	28,679	174,584	9,617	44,197	1,906	608,170
TIF Proceeds From Other Governments	-	-	-	-	-	1,564,019	-	1,564,019
Other	69,214	-	-	-	-	-	40,360	109,574
Total Operating Revenues	<u>15,309,655</u>	<u>1,594,034</u>	<u>2,074,187</u>	<u>3,303,061</u>	<u>388,458</u>	<u>1,608,216</u>	<u>42,266</u>	<u>24,319,877</u>
EXPENDITURES								
General Government								
Administration	1,483,629	-	-	-	-	-		1,483,629
Tourism	-	-	-	-	388,458	1,017,395	441,008	1,846,861
Public Safety								
Police	3,781,027	-	-	-	-	-		3,781,027
Municipal Court	100,026	-	-	-	-	-		100,026
Fire	2,449,728	-	-	-	-	-		2,449,728
Streets and Public Works								
Street	1,102,571	-	-	-	-	-		1,102,571
Public Works	552,114	34,219	79,703	-	-	-		666,036
Maintenance	691,658	-	-	-	-	-		691,658
Culture and Recreation								
Parks, Civic Center, and Water Park	3,059,740	-	-	-	-	-		3,059,740
Library	600,053	-	-	-	-	-		600,053
Capital Outlay	864,034	18,720	1,659,014	5,527,023	-	-		8,068,791
Debt Service - Interest	29,135	-	-	-	-	-	238,502	267,637
Debt Service - Principal	461,905	-	-	-	-	-	691,000	1,152,905
Total Expenditures	<u>15,175,620</u>	<u>52,939</u>	<u>1,738,717</u>	<u>5,527,023</u>	<u>388,458</u>	<u>1,017,395</u>	<u>1,370,510</u>	<u>25,270,662</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>134,035</u>	<u>1,541,095</u>	<u>335,470</u>	<u>(2,223,962)</u>	<u>-</u>	<u>590,821</u>	<u>(1,328,244)</u>	<u>(950,785)</u>
OTHER FINANCING SOURCES (USES)								
Transfer In	1,218,603	11,644	11,644	23,287	-	489,796	1,368,604	3,123,578
Administrative Pilot Transfer from Utilities	1,587,735	-	-	-	-	-	-	1,587,735
Transfer Out	(511,283)	(929,648)	(311,972)	(1,657,395)	-	(837,254)	(58,868)	(4,306,420)
Operating Lease	121,191	-	-	-	-	-	-	121,191
Sale of Capital Asset	100,571	-	-	-	-	-	-	100,571
Insurance Proceeds	11,809	-	-	-	-	-	-	11,809
Intergovernmental expense	-	-	-	-	-	(167,777)	-	(167,777)
Total Other Financing Sources and Uses	<u>2,528,626</u>	<u>(918,004)</u>	<u>(300,328)</u>	<u>(1,634,108)</u>	<u>-</u>	<u>(515,235)</u>	<u>1,309,736</u>	<u>470,687</u>
NET CHANGE IN FUND BALANCES	<u>2,662,661</u>	<u>623,091</u>	<u>35,142</u>	<u>(3,858,070)</u>	<u>-</u>	<u>75,586</u>	<u>(18,508)</u>	<u>(480,098)</u>
FUND BALANCES - SEPTEMBER 30, 2024	<u>13,299,091</u>	<u>2,070,967</u>	<u>2,181,798</u>	<u>11,854,848</u>	<u>-</u>	<u>1,868,233</u>	<u>70,646</u>	<u>31,345,583</u>
FUND BALANCES - SEPTEMBER 30, 2025	<u>\$ 15,961,752</u>	<u>\$ 2,694,058</u>	<u>\$ 2,216,940</u>	<u>\$ 7,996,778</u>	<u>\$ -</u>	<u>\$ 1,943,819</u>	<u>\$ 52,138</u>	<u>\$ 30,865,485</u>

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

City of Farmington, Missouri
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
Year Ended September 30, 2025

Amounts Reported for Governmental Activities in the Statement of Activities and Change in Net Position were different because:

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (480,098)**

Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Additionally, contributions of capital assets to the City are recorded as capital contributions on the Statement of Activities.

Capital Additions (Outlay + Trade Proceeds)	8,068,791
Depreciation	(3,317,618)

Governmental funds report all proceeds from the sale or trade of assets as revenue while on the Government-Wide Statement of Activities this amount is netted against accumulated depreciation.

Cost of Disposed Assets	(97,142)
Accumulated Depreciation	97,142

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

Change in unavailable revenues	(406,134)
--------------------------------	-----------

Principal payments on long-term liabilities of governmental funds are expensed. However on the Government-wide Statement of Activities they are shown as a reduction of debt.

Payment of debt principal	1,152,905
---------------------------	-----------

Proceeds from the issuance of long-term debt and the associated premiums and underwriter discounts are reported as providing current financial resources in governmental funds, but are reported as long-term debt in the government-wide financials statements.

59,707

In the Government-wide Statement of Activities, compensated absences are accrued whereas in the Governmental Funds, an expenditure is reported when due and matured.

Change in compensated absences	82,074
--------------------------------	--------

In the Government-wide Statement of Activities, interest is accrued whereas in the Governmental Funds, an expenditure is reported when due.

Change in accrued interest payable	(166,296)
------------------------------------	-----------

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned is reported as pension expense.

Pension Expense	(449,163)
-----------------	-----------

Governmental funds report payments on subscription based information technology agreements as expenditures. However, in the Government-wide Statement of Activities, the subscription is amortized over the life of the subscription.

Change in subscription asset (net of subscription liability)	(5,152)
--	---------

Change in Net Position of Governmental Activities as Reported on the Statement of Activities

\$ 4,539,016

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

CITY OF FARMINGTON, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2025

	Airport Fund	Sewer Fund	Electric Fund	Water Fund	Totals
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ -	\$ -	\$ 4,114,526	\$ 1,778,918	\$ 5,893,444
Investments	53,498	883,490	4,128,311	481,481	5,546,780
Accounts Receivable	16,355	518,162	3,177,984	508,487	4,220,988
Lease Receivable	4,996	-	-	3,203	8,199
Interest Receivable	-	-	-	2,213	2,213
Prepays	-	16,987	16,987	16,987	50,961
Inventory	50,994	180,055	3,326,608	903,881	4,461,538
Total Current	<u>125,843</u>	<u>1,598,694</u>	<u>14,764,416</u>	<u>3,695,170</u>	<u>20,184,123</u>
Noncurrent Assets:					
Restricted Assets:					
Cash and Investments	-	1,110,525	-	-	1,110,525
Lease receivable	93,478	-	-	47,392	140,870
Net Pension Asset	19,365	229,873	192,739	111,857	553,834
Capital Assets (Net of Accumulated Depreciation)					
Non-Depreciable	1,791,471	24,830	544,517	740,609	3,101,427
Depreciable	4,407,944	18,778,973	5,914,655	7,383,332	36,484,904
Subscription Based Intangible Assets (Net of Amortization)	-	43,551	43,551	43,551	130,653
Total Noncurrent Assets	<u>6,312,258</u>	<u>20,187,752</u>	<u>6,695,462</u>	<u>8,326,741</u>	<u>41,522,213</u>
Total Assets	<u>6,438,101</u>	<u>21,786,446</u>	<u>21,459,878</u>	<u>12,021,911</u>	<u>61,706,336</u>
DEFERRED OUTFLOW OF RESOURCES					
Pension Related	20,040	281,569	436,472	176,196	914,277
Asset Retirement Obligations	-	-	-	252,575	252,575
Total Deferred Outflow of Resources	<u>20,040</u>	<u>281,569</u>	<u>436,472</u>	<u>428,771</u>	<u>1,166,852</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCI	<u>6,458,141</u>	<u>22,068,015</u>	<u>21,896,350</u>	<u>12,450,682</u>	<u>62,873,188</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	5,020	284,930	1,567,619	121,977	1,979,546
Accrued Salaries	2,179	32,812	54,576	21,721	111,288
Accrued Interest	-	15,195	698	698	16,591
Taxes Payable	333	4,930	116,735	23,225	145,223
Builder's Deposits	-	-	103,425	-	103,425
Other Liabilities	1,913	19,835	95,822	19,830	137,400
Current Portion of Long-term Debt	583	742,361	449,761	56,932	1,249,637
Total	<u>10,028</u>	<u>1,100,063</u>	<u>2,388,636</u>	<u>244,383</u>	<u>3,743,110</u>
Noncurrent Liabilities:					
Customer Deposits Payable	-	32,785	356,642	22,105	411,532
Compensated Absences	583	34,456	70,345	17,366	122,750
Asset Retirement Obligation	-	-	-	280,000	280,000
Capital Leases Payable	-	1,338,339	-	-	1,338,339
Notes Payable	-	-	339,850	-	339,850
Subscription Based IT Agreements Payable	-	39,566	39,566	39,566	118,698
Less - Current Maturities	(583)	(742,361)	(449,761)	(56,932)	(1,249,637)
Total Noncurrent Liabilities	<u>-</u>	<u>702,785</u>	<u>356,642</u>	<u>302,105</u>	<u>1,361,532</u>
Total Liabilities	<u>10,028</u>	<u>1,802,848</u>	<u>2,745,278</u>	<u>546,488</u>	<u>5,104,642</u>
DEFERRED INFLOW OF RESOURCES					
Lease Related	95,331	-	-	40,066	135,397
Pension Related	7,981	135,956	107,213	34,491	285,641
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOUFI	<u>113,340</u>	<u>1,938,804</u>	<u>2,852,491</u>	<u>621,045</u>	<u>5,525,680</u>
NET POSITION					
Net Investment in Capital Assets	6,199,415	17,261,546	6,463,157	7,837,958	37,762,076
Restricted	31,424	1,486,011	521,998	253,562	2,292,995
Unrestricted	<u>113,962</u>	<u>1,381,654</u>	<u>12,058,704</u>	<u>3,738,117</u>	<u>17,292,437</u>
TOTAL NET POSITION	<u>\$ 6,344,801</u>	<u>\$ 20,129,211</u>	<u>\$ 19,043,859</u>	<u>\$ 11,829,637</u>	<u>\$ 57,347,508</u>

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

CITY OF FARMINGTON, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
Year Ended September 30, 2025

	Airport Fund	Sewer Fund	Electric Fund	Water Fund	Totals
<u>OPERATING REVENUES</u>					
Charges for Services:					
Airport Charges	\$ 398,456	\$ -	\$ -	\$ -	\$ 398,456
Sewer Charges	-	3,679,462	-	-	3,679,462
Electric Charges	-	-	24,337,276	-	24,337,276
Water Charges	-	-	-	3,750,511	3,750,511
Total Operating Revenues	<u>398,456</u>	<u>3,679,462</u>	<u>24,337,276</u>	<u>3,750,511</u>	<u>32,165,705</u>
<u>OPERATING EXPENSES</u>					
Airport Expenses	427,766	-	-	-	427,766
Sewer Expenses	-	2,422,537	-	-	2,422,537
Electric Expenses	-	-	22,100,397	-	22,100,397
Water Expenses	-	-	-	3,183,619	3,183,619
Depreciation	437,021	1,375,566	623,836	611,121	3,047,544
Total Operating Expenses	<u>864,787</u>	<u>3,798,103</u>	<u>22,724,233</u>	<u>3,794,740</u>	<u>31,181,863</u>
OPERATING INCOME (LOSS)	<u>(466,331)</u>	<u>(118,641)</u>	<u>1,613,043</u>	<u>(44,229)</u>	<u>983,842</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Other Revenue	8,730	-	-	-	8,730
Interest and Investment Income	1,973	44,285	445,804	107,686	599,748
Lease Revenue	8,522	-	-	3,635	12,157
Interest Expense	-	(28,994)	-	-	(28,994)
Gain on Disposal of Assets	-	35,500	34,000	-	69,500
Total Non-operating Revenues (Expenses)	<u>19,225</u>	<u>50,791</u>	<u>479,804</u>	<u>111,321</u>	<u>661,141</u>
NET INCOME BEFORE TRANSFERS AND GRANTS	<u>(447,106)</u>	<u>(67,850)</u>	<u>2,092,847</u>	<u>67,092</u>	<u>1,644,983</u>
Grant Income	70,943	-	-	592,640	663,583
Transfers in	230,903	926,622	-	25,317	1,182,842
Transfers Out Utility Pilot to General Fund	-	(184,624)	(1,215,349)	(187,762)	(1,587,735)
CHANGE IN NET POSITION	<u>(145,260)</u>	<u>674,148</u>	<u>877,498</u>	<u>497,287</u>	<u>1,903,673</u>
NET POSITION - SEPTEMBER 30, 2024	<u>6,490,061</u>	<u>19,455,063</u>	<u>18,166,361</u>	<u>11,332,350</u>	<u>55,443,835</u>
NET POSITION - SEPTEMBER 30, 2025	<u>\$ 6,344,801</u>	<u>\$ 20,129,211</u>	<u>\$ 19,043,859</u>	<u>\$ 11,829,637</u>	<u>\$ 57,347,508</u>

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

**CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies utilized by the City in the preparation of the accompanying basic financial statements.

A. The Reporting Entity

The City of Farmington, Missouri currently operates as a third class city of the State of Missouri under the Mayor, Council-City Administrator form of government and provides municipal services to its residents. The accompanying financial statements include the accounting information for all City operations.

Under accounting principles generally accepted in the United States of America, the reporting entity consists of the City and other organizations for which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Based upon this criterion, the City has no component units and the accompanying financial statements represent only the City of Farmington. Following are other legally separate organizations which have been examined to determine if their inclusion is necessary to fairly present the financial position and activities of the City.

The Industrial Development Authority of the City of Farmington (IDA) is considered to be a related organization. The IDA is excluded from the reporting entity because the City's accountability does not extend beyond appointing a voting majority of the IDA's board members.

The Farmington Tourism and Convention Bureau is considered to be a component unit. The City of Farmington is financially accountable for the legally separate entity; however, the Bureau does not provide services entirely or almost entirely to the City. The component unit is reported in a separate column on the combined financial statements. The Bureau is discretely included in the reporting entity. The City's appoints the Bureau's board members and holds hiring authority for the Tourism and Marketing Director, which provides operational support to the Bureau. The duly elected Mayor of the City and the duly appointed City Administrator for the City shall serve as two of the seven members of the Board of Directors.

B. Government-wide and Fund Financial Statements Basis of Presentation

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and City general revenue, from business-type activities, generally financed in whole or in part with fees charged to external customers. It is the City's policy to eliminate the effect of all inter-fund activity on the entity wide financial statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which reports fees, fines, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets of a particular function. Taxes and other revenue sources not properly included with program revenues are reported as general revenues. The program expenses include those expenses that can clearly be identified with a specific function or segment.

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds in the fund financial statements.

CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The City utilizes the following funds:

Governmental Fund Types:

The City reports four major governmental funds, the General Fund, Transient Guest Tax Fund, Capital Projects Fund, and Special Allocation Fund. The Storm Water Tax Fund and Transportation Tax Fund, although not quantitatively major, are shown independently on the financial statements for transparency and accountability to tax payers.

General Fund - The General Fund is the primary fund of the City. It is used to account for all financial resources not accounted for and reported in another fund.

Storm Water and Parks Tax Fund - The Storm Water and Parks Tax Fund is used to account for the financial resources derived from the Storm Water and Parks Tax. Storm Water and Parks taxes are to be used solely for the purpose of storm water control and the operation of local parks.

Transportation Guest Tax Fund - The Transportation Guest Tax Fund is used to account for the financial resources derived from the Transportation Tax. Transportation taxes are to be used solely for the purpose of the construction, reconstruction, repair and maintenance of streets and sidewalks within the City and construction, reconstructions, repair and maintenance of the municipal airport.

Capital Projects Fund - The Capital Projects Fund accounts for all financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities which are not financed by proprietary and trust funds.

Transient Guest Tax Fund - The Transient Guest Tax Fund is used to account for the financial resources derived from the Transient Guest Tax. Transient Guest taxes are to be used solely for the purpose of promoting Farmington as a visitor and tourist center.

Special Allocation Fund - The Special Allocation Fund is used to account for the financial resources derived from the Tax Increment Finance (TIF) districts. TIF district funds are to be used for those purposes outlined in the respective district plans.

The City reports three funds in aggregate under non-major funds, the Debt Service Fund, District Municipal Fund, and Opioid Settlement Fund.

Debt Service Fund - The Debt Service Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditure for, and the payment of, general long-term debt including capital lease obligations principal, interest and related costs.

District Municipal Fund - The District Municipal Fund is used to account for the financial resources related to multiple tax sharing agreements.

Opioid Settlement Fund - The Opioid Settlement Fund is used to account for the financial resources received from the Missouri Opioid Settlement. These funds are to be used for the purpose of opioid treatment, prevention, and other opioid abatement strategies.

Proprietary Fund Types:

Enterprise funds - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The City has the following enterprise funds: Airport Fund, Sewer Fund, Electric Fund, and Water Fund.

CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Property tax revenues are recognized when billed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Primary revenue sources susceptible to accrual include: property taxes, sales taxes, gross receipts taxes, transient guest taxes, grants, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received. Expenditures are recorded when the related fund liability is incurred, except for debt service payments which are reported as expenditures in the year due.

Proprietary funds distinguish operating revenue and expenses from non-operating revenue and expenses. Operating revenue and expenses generally result from providing goods or services as a part of the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for services. Principal operating expenses are the costs of providing goods or services and include administrative expenses (i.e., salaries, benefits, supplies, etc.) and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, the City customarily utilizes restricted funds prior to unrestricted funds. It is the City's policy to utilize the method defined at the time the expenditure was budgeted.

The effect of all inter-fund activity has been eliminated from the government-wide financial statements.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Balance/Net Position

1. Deposits and Investments

For the purpose of reporting, "cash" and "cash equivalents" includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three months or less. Restricted cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and investments whose maturity is greater than three months or whose use is subject to constraints by creditors, grantors, contributors, or laws or regulations.

Cash resources of certain individual funds are combined to form a pool of cash. Interest income earned is distributed to the appropriate funds based on the ending monthly balance of cash for each fund. In the event a fund overdraws its share of the pooled cash, the overdraft is reported as an inter-fund payable in that fund and an inter-fund receivable in the General Fund.

The excess amount of demand deposits and certificates of deposit not covered by FDIC insurance are required to be 100% collateralized. Obligations that may be pledged as collateral include the same type as those authorized for investment by the City. All legal requirements were met during the year ended September 30, 2025.

2. Accounts Receivable - Unbilled Revenue

The City records as accounts receivable in the enterprise fund financial statements the amount of accrued, but unbilled revenue for the Sewer, Electric, and Water Funds determined by prorating actual subsequent billings.

**CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

3. Property Tax Recognition

Property assessed values are determined by the St. Francois County Assessor. The City levied a property tax at the rate of \$0.4099 per \$100 of assessed valuation to be used for general revenue purposes. The City's property taxes are billed and collected by the St. Francois County Collector and subsequently remitted to the City. Taxes are levied on October 1, mailed to residents in November, and are payable on or before January 1 of the following year. Property tax revenues are recognized when billed. All unpaid taxes become delinquent after January 1 at which time the property taxes attach as an enforceable lien on the property if unpaid. Delinquent taxes expected to be received later than 60 days after the close of the fiscal year are classified as a deferred inflow of resources within the governmental fund financial statements. The City's aggregate assessed valuation for 2024 used for the Fiscal Year 2025 tax bills was \$283,414,809.

4. Lease Receivables

The City's lease receivables are measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the leases. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording for the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

4. Prepaid Items

Payments made for services that will benefit periods beyond September 30, 2025, are recorded as prepaid items. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure is reported in the year in which the services are consumed. The City prepaid items consists of insurance and software maintenance agreements.

6. Inventories

The enterprise funds have parts and supplies on hand for use in maintaining the utility systems and aviation fuel for resale at the airport. Inventories are physically counted both periodically and annually. These items are recorded at cost and expensed as used based off of the annual count for utility systems inventory and monthly for aviation fuel. The average cost basis is applied for valuation.

7. Restricted Assets

Certain proceeds of the City's certificates of participation (COP) issues, as well as certain resources, are set aside for debt service, capital projects, and other special purposes. These items are classified as restricted on the balance sheet and on the statement of net position because their use is limited by debt covenants, COP financing agreements, or other statutory provisions.

8. Capital Assets and Depreciation

Capital assets, which include the City's property, plant and equipment, infrastructure, and intangible property with useful lives of more than one year are stated at actual cost or estimated historical cost and comprehensively reported in the government-wide financial statements. If actual cost was not available, historical cost was estimated using a price deflator related to the assets' year of acquisition. Donated capital assets acquired prior to October 1, 2015, are recorded at estimated fair value at the date of donation. Donated capital assets acquired after October 1, 2015, are recorded at acquisition value. Additionally reported in Capital Assets are items related to leases with the adoption of GASB Statement No. 87 and subscription based information technology software agreements with the adoption of GASB Statement No. 96.

To meet the definition of a capital asset for the City, an item must have a useful life of more than one year and a minimum initial value as follows:

Buildings	\$ 25,000	Vehicles	\$ 15,000
Equipment – Office	\$ 5,000	Infrastructure/Improvements	\$ 25,000
Equipment – Non-office	\$ 15,000		

CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

9. Capital Assets and Depreciation - continued

In accordance with GASB Statement No. 34, general government infrastructure assets (streets, sidewalks, curbs and gutters) have been capitalized retroactively to 1980 at historical cost. Additionally, the costs of normal maintenance and repairs that do not add to the value of an asset or significantly extend asset lives are expensed rather than capitalized.

Land assets, certain intangible assets, and construction in progress projects are not depreciated; however all other capital assets are depreciated using the straight-line method over the useful life of the assets. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	20 - 50
Improvements/Infrastructure	5 - 50
Water and Wastewater Infrastructure	15 - 40
Furniture, Vehicles, Equipment & Collections	5 - 15

Subscription based information technology software is amortized over the life of the subscription.

10. Deferred Outflow of Resources

The consumption of net position or fund balance in one period that is applicable to a future reporting period is recorded as a deferred outflow of resources. The City has government-wide deferred outflows of resources as of September 30, 2025, representative of the difference between projected and actual earnings on pension plan investments, the difference in pension asset due to changes in assumptions, the difference in expected and actual experience on plan assumptions and plan investments, and the pension plan payments made subsequent to the pension plan measurement date of June 30, 2025.

11. Compensated Absences

City employees earn sick leave benefits and varying amounts of paid vacation based on their length of service with the City. Vacation days may not be carried over or accrued past one year. Accumulated unpaid vacation is payable to employees upon termination. Under certain circumstances, accumulated sick leave is payable at fifty percent (50%). Compensated absences are reported in the government-wide and proprietary fund financial statements. With the adoption of GASB Statement No.101, compensated absences are recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means.

12. Pensions

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

13. Other Post-Employment Benefits

The City does not provide any type of other post-employment benefits to its employees except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the City.

14. Long-term Debt

In the government-wide and proprietary financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the governmental fund financial statements, governmental funds recognize the face amount of the debt as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, are reported as debt service expenditures.

CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

15. Deferred Inflows of Resources

The acquisitions of resources which are applicable to a future reporting period are referred to as Deferred Inflows of Resources. Certain receipts of the City are applicable to services provided in future accounting periods and only become revenue upon the use of the service or commencement of contract. Government-wide deferred inflows realized by the City may include prepayment of administrative and legal costs related to tax increment financing districts, the unamortized difference between projected and actual earnings on pension plan investments, the difference in pension asset due to changes in assumptions, the difference in expected and actual experience of the total pension liability, and future payments to be received under capital leases. Governmental funds statements include deferred inflows for unavailable revenues associated with property taxes, court fines, and tax increment finance payments from other governments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

16. Fund Balance

There are five classifications of fund balance in the governmental fund financial statements. These classifications are based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the City's governmental funds, which include the General Fund, Transient Guest Tax Fund, Storm Water and Parks Tax Fund, Transportation Tax Fund, Special Allocation Fund, Capital Projects Fund, and non-major governmental funds (Debt Service Fund, Municipal District Fund, and Opioid Settlement Fund).

- *Non-spendable fund balances* include amounts that cannot be spent because they are either: a) not in spendable form (inventory and prepaid items), or b) legally or contractually required to be maintained intact.
- *Restricted fund balances* are amounts that are restricted to specific purposes either by: a) constraints placed on the use of the resources by external resource providers such as creditors, grantors, contributors, or laws or regulation of other governments, or b) imposed by law through the constitutional provisions or enabling legislation.
- *Committed fund balances* are those amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution.
- *Assigned fund balances* are any amounts for which it is the City's intent that the funds be used for specific purposes, but no legal or binding restrictions or commitments exist. Assignments are made based on the recommendation of City management and approval by the City Administrator.
- *Unassigned fund balance* is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Unassigned balances represent the amount available for budgeting future operations.

When committed, assigned, and unassigned funds are available for use, it is the City's policy to spend the funds in this respective order. However, in the event that the unassigned funds exceed the City's fund balance policy threshold of thirty-four percent (34%) of combined regular general fund, and airport fund operating expenditures for the adopted budget, unassigned funds may be utilized prior to committed and assigned funds

The City's policy is to maintain a minimum unassigned General Fund balance equal to seventeen percent (17%) of combined regular general fund and airport fund operating expenses for the adopted budget. These funds will be used to avoid cash flow interruptions, generate interest income, reduce the need for short-term borrowing, and assist in maintaining financial ratings.

CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

17. Net Position

There are three segments that make up the City's net position in the government-wide and proprietary fund financial statements; these are Net Investment in Capital Assets, Restricted, and Unrestricted.

- The amounts listed as *Net Investment in Capital Assets* represent capital assets, net of accumulated depreciation, less the outstanding balances for any notes, lease, or other borrowings that are attributable to the acquisition, construction, or improvements of the assets net of funds remaining in the project account, leases of capital assets net of deferred inflows, and subscription based information technology agreements net of amortization. As of September 30, 2025, the City had a total of \$87,144,180 net investment in capital assets.
- *Restricted net position* is legally restricted or identified for specific purposes by outside parties or by law through constitutional provisions or enabling legislation. At September 30, 2025, the City's restricted net position of \$20,079,166 was comprised of debt service, capital projects, tax increment financing districts, opioid treatment, prevention, and abatement, and pensions. Governmental activities restricted net position at September 30, 2025, is \$17,786,171. Restricted net position of the business-type activities totals \$2,292,995.
- *Unrestricted net position* is the residual and represents amounts available for future operations or distribution. Government-wide unrestricted net position at September 30, 2025, is \$30,005,738.

E. Budgets and Budgetary Accounting

In accordance with Chapter 67, RSMo., the City adopts an annual operating budget, which can be amended by the Council throughout the year. Formal budgetary accounting is employed as a management control for all funds of the City. The budget for the year ended September 30, 2025, was prepared and adopted using the modified accrual basis of accounting for governmental funds and accrual accounting for proprietary funds.

Per state statute, at the fund level, actual expenditures are not to exceed budgeted appropriations; however, with proper approval by the City Council, budgetary transfers between departments can be made. The budgeted financial statements represented in the report reflect final budget authorization, including all amendments. There were no governmental funds in which actual expenditures exceeded budget.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

G. Intra-governmental Revenue

The proprietary funds remit to the General Fund a budgeted percent of revenue as a payment in lieu of taxes typically charged to an outside utility on gross receipts for the use of easements. The percent remitted for the year ending September 30, 2025, is 5%. Additionally, the city utilities transfer to reimburse the general fund a pro-rata share of administration costs for management and administration services and information technology related expenses.

**INFORMATION FOR THE FOOTNOTES TO THE FINANCIAL STATEMENTS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

H. Adoption of Accounting Pronouncements

Newly Adopted Accounting Pronouncements

The City adopted GASB Statement No 100, *Accounting Changes and Error Corrections - an Amendment of GASB 62* and GASB Statement No. 101, *Compensated Absences*. The incorporation of these statements resulted additional liabilities related to paid sick leave.

I. Municipal Court Traffic Violations Fines and Costs

Missouri Revised Statute 479.359.1 requires that municipalities annually calculate the percentage of annual general operating revenue received from fines, bond forfeitures, and court costs for minor traffic violations, including amended charges for any minor traffic violations. Any funds generated from fines and court costs for traffic violations, including amended charges, which are in excess of 20% of the annual general operating revenue of a City, must be sent to the director of the department of revenue for distribution to the schools within the county.

In section 479.350 of the Missouri Revised Statutes, the following definitions are given. "Annual general operating revenue" is defined as revenue that can be used to pay any bill or obligation of a county, city, town, or village, including general sales tax; general use tax; general property tax; fees from licenses and permits; unrestricted user fees; fines, court costs, bond forfeitures, and penalties. "Court costs" are defined as costs, fees, or surcharges which are retained by a county, city, town, or village upon a finding of guilty or plea of guilty, and shall exclude any costs, fees, or surcharges disbursed to the state or other entities by a county, city, town, or village. "Minor traffic violation" is defined as a violation of a municipal or county ordinance that is prosecuted and does not involve an accident or injury, that does not involve the operation of a commercial motor vehicle, and for which the department of revenue is authorized to assess no more than four points to a person's driving record upon conviction. Minor traffic violation shall exclude a violation for exceeding the speed limit by more than nineteen miles per hour or a violation occurring within a construction zone or school zone.

The City's general operating revenue for the year ending September 30, 2025, is \$15,309,767, of which \$220,985, 1.4%, represents monies received from all Municipal Court Fines and Fees. Therefore, it is evident that the "minor traffic violation" amount is below the 20% threshold.

<u>Revenue Source</u>	<u>Amount</u>
General Sales Tax	\$ 9,158,166
General Use Tax	812,255
Real and Personal Property Tax	1,134,939
Motor Fuel and Vehicle Tax	1,064,113
Utility, Gross Receipts, and Other Taxes	253,109
Charges for Services	1,749,331
Municipal Court Fines and Fees	220,985
Other	916,869
Total	<u>\$ 15,309,767</u>

CITY OF FARMINGTON, MISSOURI
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

J. Stewardship, Compliance and Accountability

1. Excess of expenditures over appropriations

For the year ended September 30, expenditures did not exceed appropriations in any fund.

2. Bond Reserve Compliance

The City had no required compliance related to bonded debt reserves for the year.

3. Debt restrictions

General obligation debt Article VI, Sections 26 (b) and (c), Constitution of Missouri, limits the outstanding amount of authorized general obligation debt of a City to 20 percent of the assessed valuation of taxable tangible property as shown by the last completed assessment for state or county purposes. Authorization for debt issuance requires four-sevenths at the general municipal election day, primary or general elections and two-thirds at all other elections, vote of the qualified electors thereof. The City on September 30, 2025, had no outstanding general obligation debt.

NOTE 2 - CASH AND INVESTMENTS

Deposits include all funds held in checking accounts, money market accounts, and cash on hand. Cash equivalents include certificates of deposit with original maturities of not greater than three months. Deposits and investments are stated at either cost or fair value based on which best approximates market. Restricted investments include amounts held in trust as required by certain bond covenants and certificates of deposit with maturities of greater than three months.

The City complies with Missouri state statutes and allows investments in obligations of the United States, the State of Missouri, certain bonds of political subdivisions within Missouri, and out-of-state municipal bonds, provided they are rated in the highest nationally ranked category.

Missouri state statutes require that the depository institution must collateralize all funds on deposit in financial institutions with appropriate securities to the extent not provided by FDIC insurance.

At September 30, 2025, the combined bank balances in the City's checking accounts and certificates of deposit totaled \$38,833,965. These funds were secured by a combination of pledged securities held by the bank in the City's name with a market value of \$9,157,204 and a combined total of FDIC insurance coverage at the local bank and under an insured sweep deposit placement agreement totaling \$30,980,524.

A reconciliation of cash and cash equivalents as shown on the government-wide financial statement of net position at September 30, 2025, consists of the following:

Type	Amount	Reconciliation to the Statement of Net Position	Amount
Cash on Hand	\$ 2,184	Cash and Cash Equivalents	\$ 19,667,376
Deposits	31,530,816	Investments	7,199,640
Money Market Accounts (Demand)	5,554,083	Restricted Cash and Cash Equivalents	15,866,719
Certificates of Deposit	<u>6,530,142</u>	Restricted Investments	<u>883,490</u>
Total Deposits and Investments	<u>\$ 43,617,225</u>	Total	<u>\$ 43,617,225</u>

CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 2 - CASH AND INVESTMENTS - continued

Fair Value Measurement

The City measures and records any investments, other than money market accounts, using fair value measurement guidelines established by accounting principles generally accepted in the United States of America. The definition of “fair value” is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These guidelines recognize a three-tiered hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs; and
- Level 3 inputs are significant unobservable inputs.

As of September 30, 2025, the City had no investments under fair value measurement.

Interest Rate Risks

Interest rate risk is the risk that the fair value of investments will fall due to changes in general interest rates. The City does not have a formal interest rate risk policy.

Credit Risks and Concentration of Credit Risks

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer.

The City does not have a formal credit risk policy, and there is no limit on the amount that may be invested in one issuer. The City's investment policy states that the investments are to be purchased using the “Prudent Person” standard. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Restricted Cash and Cash Equivalents

Certain proceeds of the City's bonds (when applicable), as well as certain resources, are set aside for debt service, capital projects, and other special purposes. These funds are classified as restricted on the balance sheets and statement of net position because their use is limited by debt covenants or other statutory provisions. At September 30, 2025, the balance of the restricted cash and cash equivalents is \$16,750,209.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts Receivable

In the governmental funds, the majority of the accounts receivable balance consists of sales tax revenues due from the state and economic activity taxes due to the Tax Increment Finance Districts from outside entities. Other receivables due include cost-sharing payments due from Farmington R-7 School District, property taxes, gross receipts taxes, municipal court receivables, Civic Center memberships, transient taxes, grant receivables, and costs reimbursements. These receivables are recorded when they are both measurable and available.

In the proprietary funds, the accounts receivable balances consist primarily of amounts due from customers for utility services provided. Utility receivables are recorded when the earning process is complete and services have been provided. Other receivables due include cost reimbursements, payments for airport fuel purchases, and airport rentals.

**INFORMATION FOR THE FOOTNOTES TO THE FINANCIAL STATEMENTS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

NOTE 3 - ACCOUNTS RECEIVABLE

The City considers these accounts receivable fully collectible, except for the municipal court and property tax receivables. Therefore, an allowance of \$267,928 is recorded for uncollectible balances (municipal court receivables uncollectible allowance of \$255,092; property tax receivables uncollectible allowance balance of \$12,836).

Accounts receivable balances at September 30, 2025, are as follows:

	<u>Accounts Receivable</u>	<u>Grants Receivable</u>	<u>Taxes Receivable</u>	<u>Total Receivable</u>	<u>Bad Debt Allowance</u>	<u>Net Receivable</u>
Governmental Activities:						
General	\$ 537,834	\$ 7,457	\$ 1,828,893	\$ 2,374,184	\$ 267,928	\$ 2,106,256
Capital Projects	0	0	523,477	523,477	0	523,477
TIF and Tax Sharing Agreements	270,238	0	0	270,238	0	270,238
Transient Guest Tax	0	0	63,753	63,753	0	63,753
Stormwater and Parks Tax	0	0	261,739	261,739	0	261,739
Transportation Tax	0	120,777	261,739	382,516	0	382,516
Total Governmental Activities	<u>\$ 808,072</u>	<u>\$ 128,234</u>	<u>\$ 2,939,601</u>	<u>\$ 3,875,907</u>	<u>\$ 267,928</u>	<u>\$ 3,607,979</u>
Business-type Activities:						
Airport	16,355	0	0	16,355	0	16,355
Sewer Utility	518,162	0	0	518,162	0	518,162
Electric Utility	3,177,984	0	0	3,177,984	0	3,177,984
Water Utility	508,487	0	0	508,487	0	508,487
Total Business-type Activities	<u>\$ 4,220,988</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,220,988</u>	<u>\$ 0</u>	<u>\$ 4,220,988</u>

Concentration of Revenue

Approximately 19% of the sales tax revenue of the City is generated by one entity.

NOTE 4 - LEASES

Lease Receivables and Related Deferred Inflows

The City entered into an operating lease with Farmington R7 School District in November 2022 for a term of ten years with no extensions. The lease includes an initial rent payment of \$300,000 due on execution with \$17,250 monthly rent beginning January 1, 2023, and lasting for 48 months with an interest rate of 4.48%. In the year ended September 30, 2025, the City recognized revenues of \$105,959 in principal and \$15,232 in interest related to the leases.

The City has eight ground leases related to private hangars at the airport. The leases were entered into between 2007 and 2024 each having an initial term of thirty years with two five year extension options. The leases include annual payments ranging from \$252 to \$1,440 and are recorded with an imputed rate of 2%. In the year ending September 30, 2025, the City recognized \$2,965 in principal and \$2,030 in interest related to leases.

The City has two agreements related to attachments to water towers. The leases were entered into in 2012 and 2013 with amounts varying depending on attachments. The initial term with renewals has the leases expiring in 2036 and 2042. In the year ending September 30, 2024, the City recognized \$1,420 of principal revenue and \$464 of lease revenue related to the attachment agreements.

**INFORMATION FOR THE FOOTNOTES TO THE FINANCIAL STATEMENTS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

NOTE 4 - LEASES— *continued*

Future minimum lease receipts (including interest payments) and the net present value of these minimum lease receipts as of September 30, 2025, are as follows:

Year Ended September 30	Governmental Activities	Business-type Activities	Total
2026	\$ 207,000	\$ 7,946	\$ 214,946
2027	51,750	8,001	59,751
2028	0	8,001	8,001
2029	0	8,106	8,106
2030	0	8,106	8,106
Thereafter	0	133,891	133,891
Total Minimum Lease Payments	258,750	174,051	432,801
Less Amount Representing Interest	7,556	24,982	32,538
Present Value of Minimum Lease Payments	<u>\$ 251,194</u>	<u>\$ 149,069</u>	<u>\$ 400,263</u>

Amounts reported as deferred inflows of resources related to leases will be recognized as lease and interest revenues as follows:

Net Deferred Intflows of Resources		
Year Ended	Governmental Activities	Business-type Activities
2026	\$ 105,959	\$ 10,752
2027	105,959	6,388
2028	105,959	6,388
2029	105,959	6,388
2030	105,959	6,388
Thereafter	238,407	99,093
Total	<u>\$ 768,202</u>	<u>\$ 135,397</u>

NOTE 5 - SUBSCRIPTION BASED INFORMATION TECHNOLOGY AGREEMENTS AND RELATED LIABILITIES

As of October 1, 2021, the city entered into a subscription-based information technology agreement (SBITA) with a vendor for the an enterprise resource planning software to manage day-to-day operations of the City including finance, human resources, procurement, utility billings and collections, licensing, permitting, etc. The financial system went live October 1, 2022, and is discounted at a rate of 3.95%. For the year ended September 30, 2025, a net SBITA right-to-use intangible asset was reported in the amount of \$174,204 (governmental activities \$43,551, business-type activities \$130,653). The City reported a corresponding SBITA liability in the amount of \$158,264 (governmental activities \$39,566, business-type activities \$118,698).

Future minimum payments (including interest) and the net present value of these payments as of September 30, 2023, are as follows:

Year Ended September 30	Governmental Activities	Business-type Activities	Total
2026	\$ 44,249	\$ 132,748	\$ 176,997
Total Minimum SBITA Payments	44,249	132,748	176,997
Less Amount Representing Interest	698	2,095	2,793
Present Value of Minimum SBITA Payments	<u>\$ 43,551</u>	<u>\$ 130,653</u>	<u>\$ 174,204</u>

CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 6 - CAPITAL ASSETS

Changes in fixed assets for the fiscal year are as follows:

	Balance, September 30, 2024	Increases - Acquisitions and Transfers	Decreases - Disposals and Transfers	Balance, September 30, 2025
Governmental Activities:				
Capital Assets, not depreciated:				
Land	\$ 2,816,531	\$ 0	\$ 0	\$ 2,816,531
Construction in Progress	424,095	1,950,126	367,495	2,006,726
Total Capital Assets, Not Depreciated	<u>3,240,626</u>	<u>1,950,126</u>	<u>367,495</u>	<u>4,823,257</u>
Capital Assets, depreciated:				
Buildings & Land Improvements	35,456,204	1,882,579	0	37,338,783
Infrastructure	44,728,334	3,760,435	0	48,488,769
Furniture, Equipment & Collections	7,760,676	424,173	16,226	8,168,623
Vehicles	5,807,593	418,973	80,916	6,145,650
Total Capital Assets, Depreciated	<u>93,752,807</u>	<u>6,486,160</u>	<u>97,142</u>	<u>100,141,825</u>
Less - Accumulated Depreciation:				
Buildings & Land Improvements	16,980,545	1,055,251	0	18,035,796
Infrastructure	21,242,814	1,326,328	0	22,569,142
Furniture, Equipment & Collections	4,763,749	538,123	16,226	5,285,646
Vehicles	4,103,204	397,916	80,916	4,420,204
Total Accumulated Depreciation	<u>47,090,312</u>	<u>3,317,618</u>	<u>97,142</u>	<u>50,310,788</u>
Total Capital Assets, Depreciated	<u>46,662,495</u>	<u>3,168,542</u>	<u>0</u>	<u>49,831,037</u>
Capital Assets, Net	<u>\$ 49,903,121</u>	<u>\$ 5,118,668</u>	<u>\$ 367,495</u>	<u>\$ 54,654,294</u>
Proprietary Activities:				
Capital Assets, not depreciated:				
Land	\$ 1,881,156	\$ 0	\$ 0	\$ 1,881,156
Intangible Assets	207,312	0	0	207,312
Construction in Progress	0	1,012,959	0	1,012,959
Total Capital Assets, Not depreciated	<u>2,088,468</u>	<u>1,012,959</u>	<u>0</u>	<u>3,101,427</u>
Capital Assets, depreciated:				
Buildings	3,550,338	12,500	0	3,562,838
Infrastructure	74,548,959	1,040,664	0	75,589,623
Furniture, Machinery and Equipment	2,602,190	340,966	0	2,943,156
Vehicles	2,156,102	832,655	247,622	2,741,135
Total Capital Assets, Depreciated	<u>82,857,589</u>	<u>2,226,785</u>	<u>247,622</u>	<u>84,836,752</u>
Less - Accumulated Depreciation:				
Buildings	1,403,690	109,109	0	1,512,799
Infrastructure	40,838,964	2,606,995	0	43,445,959
Furniture, Machinery and Equipment	1,580,892	195,840	0	1,776,732
Vehicles	1,728,380	135,600	247,622	1,616,358
Total Accumulated Depreciation	<u>45,551,926</u>	<u>3,047,544</u>	<u>247,622</u>	<u>48,351,848</u>
Total Capital Assets, Depreciated	<u>37,305,663</u>	<u>(820,759)</u>	<u>0</u>	<u>36,484,904</u>
Capital Assets, Net	<u>\$ 39,394,131</u>	<u>\$ 192,200</u>	<u>\$ 0</u>	<u>\$ 39,586,331</u>

**CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 6 - CAPITAL ASSETS - *continued*

Capital assets are depreciated over the useful life of the asset as outlined in Note 1. Governmental fund financial statements do not report depreciation. Total depreciation expense for the year, as reported on the government-wide statement of activities was \$6,365,163. Depreciation is charged to the City functions as follows:

Function/Program	Current Depreciation	
	Governmental Activities	Business-type Activities
General Government	\$ 123,930	\$ 0
Public Safety	807,449	0
Streets and Public Works	1,100,074	0
Culture and Recreation	1,286,165	0
Airport	0	437,021
Sewer	0	1,375,566
Electric	0	623,836
Water	0	611,121
Total	\$ 3,317,618	\$ 3,047,544

NOTE 7 – CURRENT PAYABLES

Current Payables

Current payable balances consist of amounts due and expected to be paid within one year.

Payable balances at September 30, 2025, as reported on the government-wide financial statements, were as follows:

	Payments to Vendors	Payments to Employees	Interest Payable	Taxes Payable	Total Payables
<u>Governmental Activities</u>					
General	\$ 260,472	\$ 345,587	\$ 188,448	\$ 52,033	\$ 846,540
Transient Tax	937,982	3,178	0	0	941,160
TIF and Tax Sharing Agreements	324	0	0	0	324
Stormwater and Parks Tax	127	0	0	0	127
Transportation Tax	27,456	0	0	0	27,456
Capital Projects	999,472	0	0	0	999,472
District Municipal Fund	68,174	0	0	0	68,174
Total Governmental Activities	\$ 2,294,007	\$ 348,765	\$ 188,448	\$ 52,033	\$ 2,883,253
	Payments to Vendors	Payments to Employees	Interest Payable	Taxes Payable	Total Payables
<u>Business-type Activities</u>					
Airport	\$ 5,020	\$ 2,179	\$ 0	\$ 333	\$ 7,532
Sewer Utility	284,930	32,812	15,195	4,930	337,867
Electric Utility	1,567,619	54,576	698	116,735	1,739,628
Water Utility	121,977	21,721	698	23,225	167,621
Total Business-type Activities	\$ 1,979,546	\$ 111,288	\$ 16,591	\$ 145,223	\$ 2,252,648

**CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 8 - CONTINGENCIES AND COMMITMENTS

A. Contingencies

1. Grants

The City receives financial assistance from various federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, based upon prior experience, management believes the level of such potential reimbursements, if any, would be immaterial and no provisions have been made within the financial statements for the refund or repayment of grant monies.

2. Litigation

Various claims or suits against the City are presently pending involving claims for personal injury and other miscellaneous claims. In the opinion of management, both individually and in the aggregate, such suits or claims will not have a material effect on the financial position of the City. Sovereign immunity laws in Missouri limit liability exposure for public entities and the City maintains liability insurance that exceeds the sovereign immunity liability limits. Sovereign immunity limits are waived to the limit of liability insurance coverage if the City elects to maintain coverage that exceeds the statutory limit.

B. Commitments

1. Construction and System Improvement Commitments

The contract commitments including retainage and source of funding at September 30, 2025, were as follows:

	Amount	Source of Funding
<u>Governmental Activities</u>		
General Fund	\$ 3,945,298	General Revenues
Transportation Tax Fund	83,650	Transportation Tax
Capital Projects Fund	4,247,175	Capital Projects Tax and COP Project Accou
Total Governmental Activities	8,276,123	
<u>Business-type Activities</u>		
Airport Fund	\$ 74,168	Capital Projects Tax and Grant Funding
Sewer Fund	714,737	Sewer Revenues
Electric Fund	1,140,826	Electric Revenues
Water Fund	292,807	Water Revenues
Total Business-type Activities	2,222,538	
Total	\$ 10,498,661	

2. Long-term Contract for the Purchase of Electric Power

The City is a member of the Missouri Joint Municipal Electric Utility Commission (MJMEUC). The City Administrator represents the City with respect to MJMEUC matters. MJMEUC manages a power pool known as Missouri Public Energy Pool #1 ("MoPEP"). The City is a member of MoPEP. All MoPEP members (including the City) have an agreement (the "MoPEP Agreement") with MJMEUC for the purchase of electric capacity and energy from MJMEUC. The MoPEP Agreement requires MJMEUC to supply the full energy requirements of the City and includes a procedure for the City to dedicate its capacity to MoPEP.

**CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 8 - CONTINGENCIES AND COMMITMENTS – continued

MoPEP operations are governed by a committee (“Pool Committee”) consisting of one representative from each MoPEP member and is comprised of 35 members as of September 30, 2025. The Pool Committee is charged with setting rates for all services provided by MJMEUC to MoPEP members. These rates include recovery of all of MJMEUC’s costs (the “Direct Costs”) incurred in connection with acquiring, providing, arranging or financing the provision of full requirements service to MoPEP members. Such rates are based upon an annual budget and include, but are not limited to, all payments MJMEUC is required to make, or reserves or coverage MJMEUC is required to maintain, pursuant to any bond indenture, financing lease or loan agreement or other financial contract in order to procure, deliver, or finance resources intended to provide full requirements service, without regard to whether any particular resource is available to or used by any particular MoPEP member. Direct Costs also include amounts required to fund MoPEP capital and/or operating reserves as may be established from time to time by the Pool Committee. The rates are established so as to charge each MoPEP member (including the City) its proportionate share of all costs associated with MJMEUC’s performance under the MoPEP Agreement. Charges based on such rates are assessed and billed monthly. Rates are required to be established at least annually and adjusted to recognize variances between budgeted and actual costs at least every six months.

To meet the power and energy requirements of the City and the other MoPEP members, MJMEUC presently obtains power and energy from the following resources: (i) power purchased under long-term firm energy contracts, unit-contingent energy contracts and interruptible contracts; (ii) MJMEUC owned generation; (iii) member capacity; and (iv) spot market purchases. The City purchases its full energy requirements from MJMEUC pursuant to the MoPEP Agreement, but does not have any ownership interest in MJMEUC’s resources.

In the event a MoPEP member would cancel the MoPEP Agreement, the member would remain responsible for its allocated share of MJMEUC’s Direct Costs associated with all resource obligations entered into by MJMEUC for MoPEP prior to the notice of cancellation. MJMEUC would utilize or sell the member’s allocated share of output in exchange for providing the member a credit or offset equal to the fair market value of the output up to the amount of the member’s obligation. As a result, the member would have a financial obligation after cancellation in the event that the fair market value of the output is less than the member’s allocated share of MJMEUC’s Direct Costs with respect to the resource obligations at the time of cancellation. Since the amount of the cancelling member’s obligation would depend on MJMEUC’s Direct Costs after cancellation and the fair market value of the output at such times in the future, the amount of the obligation is not reasonably determinable. Currently, the City has no plans or intentions to begin cancellation proceedings.

NOTE 9 - CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended September 30, 2025, was as follows:

<u>Direct Borrowings and Placements</u>	Balance September 30, 2024	Additions	Deductions	Balance September 30, 2025	Current Portion
<u>Governmental Activities</u>					
Capital Leases:					
Firestation Lease	\$ 691,000	\$ 0	\$ (691,000)	\$ 0	\$ 0
Fire Aerial Truck	187,631	0	(187,631)	0	0
Ragsdale Field Turf	673,889	0	(281,228)	392,661	293,121
Total Governmental Activities	<u>\$ 1,552,520</u>	<u>\$ 0</u>	<u>\$ (1,159,859)</u>	<u>\$ 392,661</u>	<u>\$ 293,121</u>

**INFORMATION FOR THE FOOTNOTES TO THE FINANCIAL STATEMENTS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

NOTE 9 - CHANGES IN LONG-TERM LIABILITIES – continued

<u>Other Debt</u>	Balance September 30, 2024	Additions	Deductions	Balance September 30, 2025	Current Portion
<u>Governmental Activities</u>					
Certificates of Participation:					
Series 2024-Facility Construction & Improvements	\$ 7,510,000	\$ 0	\$ 0	\$ 7,510,000	\$ 595,000
Series 2024-Premium and Underwriter Discount	593,245	0	(59,707)	533,538	59,706
Subscription-based IT Liability	77,965	0	(38,399)	39,566	39,566
Compensated Absences	291,924	209,850	(291,924)	209,850	209,850
Total Governmental Activities	<u>\$ 8,473,134</u>	<u>\$ 209,850</u>	<u>\$ (390,030)</u>	<u>\$ 8,292,954</u>	<u>\$ 904,122</u>
<u>Business-type Activities</u>					
Capital Leases:					
COP Sr2016 -Sewer System	\$ 1,970,000	\$ 0	\$ (645,000)	\$ 1,325,000	\$ 655,000
Premium	26,678	0	(13,339)	13,339	13,339
MOPEP 2021 Winter Storm Relief	792,983	0	(453,133)	339,850	339,850
Subscription-based IT Liability	233,895	0	(115,197)	118,698	118,698
Compensated Absences	103,225	122,750	(103,225)	122,750	122,750
Asset Retirement Obligations	280,000	0	0	280,000	0
Total Business-type Activities	<u>\$ 3,406,781</u>	<u>\$ 122,750</u>	<u>\$ (1,329,894)</u>	<u>\$ 2,199,637</u>	<u>\$ 1,249,637</u>

Governmental activities Series 2024 debt is paid from the Capital Projects Fund; compensated absences and subscription-based information technology lease liabilities are paid from the General Fund.

NOTE 10 – CAPITAL LEASES

Governmental Activities:

The City entered into leases for the financing of various equipment and facility construction and improvements. A description of the properties leased and details of the leases are described below. Obligations under these leases are stated at the original fair market value of the leased assets capitalized, less the payments made, discounted at the interest rate implicit in the lease.

Certificates of Participation

On September 10, 2024, the City entered into a lease with US Bank National Association to finance the construction of new and improvements to current City facilities and parks. Under the arrangement, the bank issued certificates of participation in the amount of \$7,510,000. The scheduled lease payments the City makes to the bank will be used to pay the debt service on these certificates. The lease payments are due in installments ranging from \$595,000 to \$930,000. Interest is payable each October 1st and April 1st at 5.0%. Final payment and retirement of the debt will occur on October 1, 2034. However, the payments required do not constitute an obligation of the city in any fiscal year subsequent to a fiscal year in which the city has appropriated funds for debt service. As of September 30, 2025, there was a balance due of \$7,510,000.

Lease Obligations

The fire station project lease was entered into on September 10, 2009, with Missouri Association of Municipal Utilities in the amount of \$4,305,000. Lease payments are due in monthly installments including variable interest ranging from \$12,000 to \$25,000, beginning October 20, 2009, until an original final payment on August 20, 2029. The difference between projected interest and actual interest was historically applied to the principal upon reconciliation each year in addition to an application of surplus funds to accelerate the reduction in principal. The fire station and associated land represent collateral for this lease obligation. Surplus funds payments have resulted in the lease being paid in full with no balance due at September 30, 2025.

**INFORMATION FOR THE FOOTNOTES TO THE FINANCIAL STATEMENTS
CITY OF FARMINGTON, MISSOURI
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025**

NOTE 10 – CAPITAL LEASES - *continued*

Lease Obligations

In May 2020, the City added Property Schedule 4 in the amount of \$1,543,404 to the Master lease with US Bancorp dated February 24, 2014. The added schedule provided for the purchase of a Pierce Aerial Fire Truck. Lease payments are due in monthly installments of \$26,788, which include interest at an interest rate of 1.663%. The truck constitutes collateral for the lease obligation. The debt payment schedule included an initial payment due May 29, 2020, with final payment and retirement of the debt April 29, 2025. At September 30, 2025, this debt was paid in full with no balance due.

In January 2023, the City entered into a capital lease with First State Community Bank in the amount of \$1,120,120 for capital improvements related to a Synthetic Turf Field. Lease payments are due in monthly installments of \$25,293, which include interest at an interest rate of 3.95% and to be paid from available general and capital revenue budgeted and appropriated during the fiscal year. The debt payment schedule anticipates final payment and retirement of the debt January 20, 2027. However, the payments required do not constitute an obligation of the city in any fiscal year subsequent to a fiscal year in which the city has appropriated funds for debt service. As of September 30, 2025, there remains an unpaid balance of \$392,661.

Business-type Activities:

The City entered into a lease to finance improvements for the wastewater treatment system equipment and infrastructure. A description of the property leased and the details of the lease arrangement are described below. Obligations under capital leases are stated at the original fair market value of the leased assets capitalized, less the payments made, discounted at the interest rate implicit in the lease.

Certificates of Participation

The City entered into a lease to finance improvements to the waste water system with U.S. Bank NA. Under the arrangement, the bank issued certificates of participation in the amount of \$6,130,000 on October 6, 2016. The scheduled lease payments the City makes to the bank will be used to pay the debt service on these certificates. The lease payments are due in installments ranging from \$560,000 to \$670,000 with the first installment due October 2017, and final payment due October 2026. Interest is payable each April 1st and October 1st at 2.0% to 2.25%. The lease of the asset is in one year renewable terms with the final term ending October 2026. The East Waste Water Treatment plant is pledged as collateral for these certificates. In the event of default, the lease agreement authorizes actions necessary to recover any amount payable under the then-current term. The principal balance at September 30, 2025, was \$1,325,000.

Future minimum lease obligations (including interest payments) and the net present value of these minimum lease payments as of September 30, 2025, were as follows:

Year Ended September 30	Governmental Activities	Business-type Activities	Total
2026	\$ 1,547,176	\$ 662,538	\$ 2,209,714
2027	1,222,770	670,000	1,892,770
2028	953,125	0	953,125
2029	954,500	0	954,500
2030	954,125	0	954,125
Thereafter	4,768,750	0	4,768,750
Total Minimum Lease Payments	10,400,446	1,332,538	11,732,984
Less - Amount Representing Interest	1,964,247	7,538	1,971,785
Present Value of Minimum Lease Payments	<u>\$ 8,436,199</u>	<u>\$ 1,325,000</u>	<u>\$ 9,761,199</u>

**CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 10 – CAPITAL LEASES - *continued*

Assets under these leases at September 30, 2025, included:

Asset Type	Asset Cost	Accumulated Depreciation	Book Value
Land and Buildings	\$ 3,479,075	\$ 1,279	\$ 3,477,796
Infrastructure	9,825,792	5,338,320	4,487,472
Total Assets Under Capital Lease	<u>\$ 13,304,867</u>	<u>\$ 5,339,599</u>	<u>\$ 7,965,268</u>

NOTE 11 - LONG-TERM DEBT

Based off the October 2024 assessed valuation report from the St. Francois County Assessor, the City's assessed value supports a general obligation bond limit of \$56,682,962. The City did not have any general obligation bonds or any revenue bonds outstanding as of September 30, 2025.

NOTE 12 - INTER-FUND TRANSACTIONS

Inter-Fund Receivables and Payables

Inter-fund receivables and payables are current amounts owed between funds within the City. The following details the amounts and purpose of the inter-fund receivables and payables at September 30, 2025.

- The District Municipal Fund and Special Allocation Fund were owed a total of \$119,227 for those monies required to be transferred as incremental economic activity taxes under the tax increment financing development plan and tax-sharing agreements. This balance includes amounts for taxes accrued at September 30, 2025. The amounts owed by fund were: General Fund \$70,924, Storm Water and Parks Tax Fund \$6,422, Transportation Fund \$6,422, and Capital Projects Fund \$35,459.

Inter-fund Transfers

During the year ended September 30, 2025, the following inter-fund transfers took place between the various City funds:

Fund Transferred To	Fund Transferred From	Amount	Purpose of Transfer
General	Opioid Settlement	\$ 58,868	Costs related to prevention of opioid abuse
General	Special Allocation	46,665	Return of surplus funds at termination of district
General	Storm Water and Parks	848,578	Parks operating costs transfer
General	Capital Projects	264,492	Fire truck debt and capital expenditures
General	Sewer	184,624	Payment in lieu of taxes
General	Electric	1,215,349	Payment in lieu of taxes
General	Water	187,762	Payment in lieu of taxes
Debt Service	Special Allocation	718,698	Firestation Debt Payments
Debt Service	Capital Projects	210,804	Certificates of Participation payments
District Municipal	General	292,831	Tax sharing agreement transfers
District Municipal	Capital Projects	146,271	Tax sharing agreement transfers
Special Allocation	General	218,452	Tax increment finance districts incremental EATS tax
Special Allocation	Storm Water and Parks	81,069	Tax increment finance districts incremental EATS tax
Special Allocation	Transportation	81,069	Tax increment finance districts incremental EATS tax
Special Allocation	Capital Projects	109,205	Tax increment finance districts incremental EATS tax
Stormwater Fund	Special Allocation	11,644	Return of surplus funds at termination of district
Transportation Tax Fund	Special Allocation	11,644	Return of surplus funds at termination of district
Capital Project Fund	Special Allocation	23,288	Return of surplus funds at termination of district
Airport	Transportation	230,903	Capital match and operating expenditures
Sewer	Capital Projects	926,622	Capital expenditures
Water	Special Allocation	25,317	Capital expenditures

CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 13 - RISK MANAGEMENT

The City is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. The City is a member participant in a public entity risk pool, which is a corporate and political body created pursuant to Missouri Statute Chapter 537.70. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The City has also purchased commercial insurance for other areas of risk that are not covered by the public entity risk pool that includes reasonable deductible amounts. The portion of uninsured loss is not expected to be significant with respect to the financial position of the City.

There were no settlements in excess of the insurance coverage in any of the three prior years.

NOTE 14 - RETIREMENT PLAN

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

Plan Description

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

Benefits Provided

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

2025 Valuation

Benefit Multiplier	1.5% for life, plus 0.5% to age 65
Final Average Salary	3 Years
Member Contributions	0 %

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

**CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 14 - RETIREMENT PLAN – *continued*

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	88
Inactive employees entitled to but not yet receiving benefits	71
Active employees	<u>147</u>
Total	<u>306</u>

Contributions

The City 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 City do not contribute to the pension plan. City contribution rates in effect for the year ended September 30, 2025, were 6.7% (General), 6.4% (Police) and 13.9% (Fire) of annual covered payroll.

Net Pension Liability (Asset)

The City's net pension liability (asset) 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.

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 6.55% including wage inflation for General 2.75% to 6.55% including wage inflation for Police 2.75% to 7.15% including wage inflation for Fire
Investment rate of return	7.00%, net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid 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 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.

CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 14 - RETIREMENT PLAN – continued

The target allocation and a weighted average of the geometric real rates for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Long-term Expected Real Rate of Return</u>
Alpha	5 %	1.76 %
Equity	39	3.39
Fixed income	23	3.54
Real Assets	33	2.68

Discount Rate

The discount rate used to measure the total pension liability is 7% for General, Police, and Fire. 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 Asset

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a)-(b)</u>
Balances at 6/30/2024	\$ 35,346,056	\$ 38,055,449	\$ (2,709,393)
Changes for the year:			
Service Cost	806,953	0	806,953
Interest	2,454,430	0	2,454,430
Difference between expected and actual experience	717,026	0	717,026
Changes in assumptions	0	0	0
Contributions - City	0	648,084	(648,084)
Net investment income	0	2,345,456	(2,345,456)
Benefit payments, including refunds	(1,382,234)	(1,382,234)	0
Administrative expense	0	(33,737)	33,737
Other changes	0	(536,468)	536,468
Net changes	<u>2,596,175</u>	<u>1,041,101</u>	<u>1,555,074</u>
Balances at 6/30/2025	<u>\$ 37,942,231</u>	<u>\$ 39,096,550</u>	<u>\$ (1,154,319)</u>

**CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 14 - RETIREMENT PLAN – continued

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	1% Decrease 6.00%	Current Single Discount Rate Assumption 7.00%	1% Increase 8.00%
Total Pension Liability (TPL)	\$ 43,406,724	\$ 37,942,231	\$ 33,449,051
Plan Fiduciary Net Position	39,096,550	39,096,550	39,096,550
Net Pension Liability (Asset) (NFL)	<u>\$ 4,310,174</u>	<u>\$ (1,154,319)</u>	<u>\$ (5,647,499)</u>

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

For the year ended September 30, 2025, the City recognized pension expense of \$1,255,544. Reported deferred outflows and inflows of resources are related to pensions from the following sources:

Deferred Outflows and Deferred Inflows of Resources by Source To Be Recognized in Future Pension Expense		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,837,428	\$ (634,505)
Changes in Assumptions	0	(35,644)
Net Difference between projected and actual earnings on pension plan investments	1,591,718	0
Employer contributions subsequent to the measurement date	<u>151,592</u>	<u>0</u>
Total	<u>\$ 3,580,738</u>	<u>\$ (670,149)</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending September 30, 2026.

**CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 14 - RETIREMENT PLAN – continued

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

Year Ended	Net Deferred Outflows of Resources
2026	\$ 1,415,636
2027	898,722
2028	483,611
2029	44,490
2030	(47,709)
Thereafter	(35,753)
Total	\$ 2,758,997

Payable to the Pension Plan

At September 30, 2025, the City had no contribution deficiency in relation to the actuarially determined contribution. A payable of \$34,925 was reported for contributions related to accrued wages.

NOTE 15 - TAX ABATEMENTS

A. Tax Increment Financing Districts

Karsch Boulevard-Downtown TIF District

On December 15, 2003, the City adopted tax increment allocation financing (TIF) to fund infrastructure improvements in a designated redevelopment area outlined in the plan entitled "The Karsch Boulevard and Downtown Farmington Redevelopment Plan for the Tax Increment Financing District." The TIF mechanism is authorized under Sections 99.800 through 99.865 of the RSMo. The redevelopment area qualifies as a conservation area under Missouri state statutes.

The redevelopment plan proposes public activities (projects) to alleviate the existing conditions. The projects will convert existing deteriorated areas and demolish deteriorated, dilapidated buildings and provide areas for both public and private buildings, including administrative offices, housing and commercial buildings. The total cost of all of the redevelopment projects is estimated to be approximately \$80,800,000. This includes the costs of property acquisition, historic preservation, electrical improvements, street and sidewalks, sanitary sewers, storm sewers, water improvements, housing construction, commercial building construction, construction of a county courthouse annex, downtown revitalization, parking improvements, planning, administration, engineering, legal, interest charges and contingencies. On advice of counsel, and in view of case law since the plan was first adopted, the City amended its plan to clearly articulate the historic preservation grant program and to affirm that the fire station construction was included in the plan.

The redevelopment plan proposes tax increment financing obligations to be authorized and issued by the City to fund a part of the redevelopment project cost. The total TIF obligations will not exceed \$14,800,000 to which will be added accrued interest, debt service reserve and issuance cost. The \$14,800,000 does not include payments-in-lieu of taxes (PILOTS) that will be made to individual taxing entities.

**CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 15 - TAX ABATEMENTS - *continued*

The redevelopment plan allocates a portion of local sales tax revenues generated by economic activities (EATS) within the redevelopment area to pay directly for projects costs or retire the TIF Obligations. In addition, the EATs may be used to reimburse the City or other taxing jurisdictions for certain eligible costs incurred in constructing public improvements including, but not limited to, financing costs associated with the public improvements, legal costs, engineering fees, plan preparation costs and administration. The redevelopment projects and the TIF obligations were authorized for a 23-year period following their adoption. This plan anticipates funding redevelopment projects on a pay as you go method. The City, however, may decide to fund several projects up front, and therefore, the plan estimates an annual interest rate of 6.25% on the maximum amount of potential bonds to be issued.

It is anticipated that the redevelopment will support the issuance of \$14,800,000 of TIF Debt. However, it is the intent of this redevelopment plan to declare an amount equal to 100% of all PILOTs as surplus on an annual basis and pass through that amount to the individual taxing entities. This plan anticipates a total of \$14,708,580 of PILOTs. The actual PILOTs over the 23 year projected life of the TIF District will depend on the amount of actual development that occurs and may be more than the projected \$20,000,000, but will be limited to the amount of actual PILOTs collected.

As of September 30, 2025, no TIF bonds have been issued by the City of Farmington for the Karsch-Downtown TIF District projects.

Highway 67 TIF District

In October 2005, the City adopted an ordinance approving the redevelopment plan for the Highway 67 tax increment financing district with subsequent amendments to the plan made in 2006, 2008, and 2015. The plan included two redevelopment projects with retail and commercial development, as well as public infrastructure improvements. The total cost of the redevelopment project was estimated to be approximately \$124,050,000. The plan proposed to use community improvement districts as well as tax increment financing obligations to fund a part of the redevelopment costs. The total TIF and CID obligations were not to exceed \$42,000,000, to which will be added accrued and capitalized interest, debt service reserve and issuance costs. The redevelopment projects and the TIF obligations were authorized for a 23-year period following their adoption. This plan anticipated funding redevelopment projects on a pay as you go method. The City, however, could decide to fund several projects up front, and therefore, the plan estimated an annual interest rate of 6.25% on the maximum amount of potential bonds to be issued.

It was the intent of this redevelopment plan to declare an amount equal to 100% of all PILOTs as surplus on one development project and 60% on the other on an annual basis and pass through that amount to the individual taxing entities. This plan anticipated a total of \$390,961 of PILOTs. The actual PILOTs over the 23 year projected life of the TIF District will depend on the amount of actual development that occurs and may be more than the projected \$390,961, but will be limited to the amount of actual PILOTs collected. The redevelopment plans allocated a portion of local sales tax revenues generated by economic activities (EATS) within the redevelopment area to pay directly for project costs or retire the TIF Obligations. In addition the EATs could be used to reimburse the City or other taxing jurisdictions for certain eligible costs incurred in constructing public improvements including, but not limited to, financing costs associated with the public improvements, legal costs, engineering fees, plan preparation costs and administration.

On December 3, 2010, \$3,992,507 in Tax-Exempt Tax Increment and Community Improvement Revenue Notes were issued by the City of Farmington. These were issued in conjunction with Taxable Tax Increment Revenue Notes with an aggregate principal amount not to exceed \$8,242,380. The City's liability was limited to 40% of the economic activity tax increment revenues generated by the Maple Valley Plaza Project and attributable to the project's development parcel.

In April 2011, the City terminated one of two redevelopment agreements associated with the Highway 67 TIF District for failing to initiate development pursuant to the terms of the agreement. The intent of the terminated agreement had been to declare only 60% of its related PILOTs as surplus. Thus, as of the termination of the agreement, 100% of all PILOTs are now declared surplus.

**CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 15 - TAX ABATEMENTS - *continued*

In February 2014, the City approved a Redevelopment Agreement between the City, Menards and Priority Property Holdings, an amendment and restatement of a Redevelopment Agreement between the City and Priority Property Holdings, and an amendment and restatement of a Cooperative Agreement between the City, Priority Property Holdings, and the District. (Menards is a home-improvement store with over 280 stores in 14 states at the time of the agreements). The agreements were in reference to the purchase of 24.96 acres by Menards to create a retail commercial development of at least 100,000 square feet with projected sales of \$25,000,000 (Menards' Project Sub-Area). The Developer and the City entered into an agreement under which the developer will receive \$4,850,000 (plus an interest factor) on a pay-as-you-go basis. All previously outstanding TIF notes are cancelled.

An amendment to the TIF plan approved by City Council on March 23, 2015, included the removal of all property not incorporated by the Menards' Project Sub-Area from the district boundary and amended the plan total project costs to \$24,300,000 with anticipated reimbursable project costs of \$6,300,000. The Menards' Project agreement had been amended to a maximum annual payout of the EATs increment from 40% to 100%.

As of September 30, 2025, a total of \$5,543,811 (principal and interest) had been paid under this agreement rendering it paid in full and the TIF district had been terminated.

B. Community Improvement Districts

GPMVLC Community Improvement District

On February 8, 2012, the City Council approved a petition from GPMVLC to establish a Community Improvement District at the site of the property formerly the location of Value City. On February 27, 2012, the City Council approved an intergovernmental agreement with the CID to provide public incentives not to exceed \$1,000,000 for the developer to locate a national brand retailer to the site. It is expected that the primary tenant will occupy at least 50,000 square feet of the building and will engage in retail sales of at least \$8,000,000 annually. The cooperative agreement provided for the capture of 67.5% of the one cent general sales tax and one-half cent capital improvement sales tax generated by the site. The agreement further limited the return on investment of the developer to 5% of initial investment, after which the \$1,000,000 incentive is reduced proportionately to the margin above 5%. In December 2013, the City approved an amendment to the Cooperative Agreement with GPMVLC Community Improvement District to a project maximum reimbursable amount of \$2,500,000 from the previous amount of \$1,000,000. The developer sold the building, which was renovated for the opening of a Schnuck's Market in November 2014. Schnuck's Markets Inc. is a regional leader in the supermarket industry operating over 100 stores in 5 states. At the May 18, 2015, council meeting, the City Council approved an assignment, assumption, and consent agreement between SM Properties Farmington LLC, DDC Farmington Property LLC, GPMVLC Community Improvement District, and the City of Farmington which assigned the rights to the above agreement to DDC Farmington Property LLC. As of September 30, 2025, additional retail stores have opened in the development, and there remains a reimbursable balance of \$856,045.

Farmington Land ABG Community Improvement District

On February 12, 2015, the City Council approved a CID and a redevelopment agreement to establish the Farmington Land ABG Community Improvement District on property located on US Highway 67 for the purpose of providing public assistance to eliminate blighted conditions and assist in the development of the property. The major tenant for the site was a planned Rural King retail store. The redevelopment agreement by and between the City of Farmington, the Farmington Land ABG Community Improvement District (CID), and Farmington ABG, LLC provided certain public assistance to the CID to assist the developer with funds necessary to eliminate the blighted conditions. The cooperative agreement provides for the capture of 67.5% of the one cent general sales tax and one-half cent capital improvement sales tax generated by the site to reimburse the developer for the actual cost plus interest for the eligible project expenses up to a maximum reimbursable amount of \$2,700,000. The term of the agreement is twenty years. To date, a total of \$2,378,832 has been approved for reimbursement. As of September 30, 2025, a reimbursable balance of \$159,260 remains.

**CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 15 - TAX ABATEMENTS - *continued*

Mineral Area Community Improvement District

On December 11, 2014, the City Council adopted an ordinance establishing the Mineral Area Community Improvement District (CID) for the purpose of providing public assistance to eliminate blighted conditions including the redevelopment of streets and storm water to improve safety and traffic control. The district includes approximately 18.5 acres encompassing the Mineral Area Shopping Center and adjacent out lots. At that same meeting, the City Council approved a development agreement between the CID, Jones Farmington Properties LLC and the City. The CID agreement authorizes the District to impose a maximum one percent (1%) sales tax and a maximum real property tax of \$1.00 per \$100 of assessed valuation, as well as a special assessment of twenty-five cents (\$0.25) per square foot of land in a given tax year. Proceeds from the imposed taxes and assessment will be used to reimburse eligible costs as defined by the agreement. The developer failed to convene the Community Improvement District Board of Directors to ratify the original redevelopment agreement within ninety (90) days as stipulated which triggered an automatic termination of the Community Improvement District. On June 22, 2015, the City Council re-authorized the Community Improvement District first approved on December 11, 2014 and the development agreement. This agreement has no direct financial impact on the City.

C. Industrial Revenue Bonds

The City has issued certain limited-obligation bonds for the express purpose of providing capital financing for a specific third party that is not a part of the City's financial reporting entity. At the same time, the City entered into a lease agreement with the Borrower, which contains provisions allowing the lessee to purchase the leased property for a nominal amount at the end of the lease term, or at earlier dates upon payment of amounts sufficient to redeem the entire related bond issued by the City, which are then outstanding. Capital Outlay is earmarked to have been purchased with these bonds to keep from having to pay property taxes on the items purchased. Instead of paying property taxes on this property, Payments In Lieu of Taxes are paid to the City and passed through to the Farmington Educational Foundation, Inc. for a twenty-five year period with the final payment to be made December 31, 2025. The total amount of PILOTS outstanding as of September 30, 2025, was \$150,000. After twenty-five years, the revenue bonds are considered to be paid off and the borrower will have to begin paying property taxes on all assets still owned that were purchased with these bonds.

A summary of the taxes abated for the year ended September 30, 2025, were as follows:

Tax Abatement Program	Tax Type	Amount of Taxes Abated during the Fiscal Year
Tax Increment Finance Districts Developer Agreements	Sales Tax	\$ 45,117
Community Improvement Districts Agreements	Sales Tax	439,102
Industrial Revenue Bonds	Property Tax	17,033
Total		\$ 501,252

NOTE 16 - NET POSITION RESTRICTED BY ENABLING LEGISLATION

The amount of net position restricted by enabling legislation at September 30, 2025, is as follows:

Fund	Net Position
Capital Projects	7,996,778
Storm Water and Parks	2,694,058
Transportation	2,216,940
Special Allocation - Downtown TIF	1,943,819
Opioid Settlement	52,138
Total	\$ 14,903,733

**CITY OF FARMINGTON, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 17 - SUBSEQUENT EVENTS

The City entered into multiple agreements related to a new retail development and transportation project on the west side of town. The agreements include the establishment of a Community Improvement District with a maximum reimbursement not to exceed \$10,500,000 plus accrued interest, reserves, cost of issuance, and developer advancements. The maximum term of the district is 27 years, with earlier dissolution happening upon the earliest of the final maturity date of all district obligations, the payment of all reimbursable project costs and retirement in full of all district obligations, or termination of the district due to breach or failure to complete activities. The City also entered into a cost sharing agreement with the Missouri Highways and Transportation Commission for construction of a roundabout. Total project costs are anticipated to be approximately \$5.9 million, of which \$2.95 million will be Missouri Department of Transportation responsibility and \$2.95 million will be the City's responsibility. The City entered into a loan agreement with the Missouri Transportation Finance Committee (MTFC) for the \$2.95 million with an interest rate of 2.87%. Payments on the loan in the amount of \$349,500 will be made biannually beginning on July 31, 2027 with the final payment July 31, 2031. Related to this project, the City also entered into an intergovernmental cost-share agreement with St. Francois County with the County portion not to exceed \$500,000. Payments related to the MTFC loan will be covered by the cost-sharing funds from St. Francois County and available City sales tax. The final agreement related entered into by the City related to the transportation project, is an agreement with Lochmueller Group as consultant on the project for project management, design, and construction observation with a cost ceiling of \$1.15 million.

NOTE 18 - RELATED PARTY TRANSACTIONS

During the year ended September 30, 2025, the City leased rental property to City employees. The properties were purchased for future expansions and were leased short-term. The rental income totaled \$7,900 for the year ended September 30, 2025. As of September 30, 2025, there were no outstanding rental payments due.

The Farmington Tourism Bureau rents a storage unit from Like Home Leasing. A City Alderman is a partner in the company. The rental agreement was entered into prior to the Alderman joining City Council.

NOTE 19- FUTURE ACCOUNTING PRONOUNCEMENTS

The accounting principles governing the reported amounts, presentation and related disclosures are subject to change from time to time based on new pronouncements and/or rules issued by various governing bodies. The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments.

The City adopted the following statements during the year ended December 31, 2025:

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, Issued September 2024. The objective of this Statement is to provide users of government financial with essential information about certain types of capital assets. The effective date of this requirement is for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

GASB Statement No. 105, *Subsequent Events*, Issued December 2025. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The effective date of this requirement is for fiscal years beginning after June 15, 2026. Earlier application is encouraged.

The City did not have any changes to report for the year ending December 31, 2025, upon adopting GASB 104 and 105.

GASB Statement No. 103, *Financial Reporting Model Improvements*, Issued April 2024. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. The effective date of this requirement is for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

CITY OF FARMINGTON, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended September 30, 2025

The City of Farmington adopts an annual budget for its General Fund, as required by the State of Missouri Revised Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the City Council; 2) the final budget as amended by the City Council; 3) the actual resources, charges to appropriations, and ending balances; and 4) the difference or variance between the final budget and the actual resources and charges.

The City Council adopts a budget for all City funds. The primary basis of budgetary control is at the department level. Departments may not legally exceed their total appropriation without City Council approval. A review of the current year's budget is made periodically throughout the year and amended as needs arise. Any remaining unencumbered appropriations lapse at the fiscal year end.

CITY OF FARMINGTON, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended September 30, 2025

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
				<u>Variance</u>
<u>REVENUES</u>				
Sales Tax	\$ 8,650,000	\$ 8,765,000	\$ 9,158,166	\$ 393,166
Use Tax	805,000	825,000	812,255	(12,745)
Real and Personal Property Tax	1,106,600	1,136,600	1,134,939	(1,661)
Grants and Donations	550,300	596,100	528,358	(67,742)
Motor Fuel and Vehicle Tax	845,000	945,000	1,064,113	119,113
Utility, Gross Receipts, and Other Taxes	479,500	469,000	253,110	(215,890)
Municipal Court Fines and Fees	151,800	151,800	220,985	69,185
Charges for Services	1,608,300	1,726,200	1,749,331	23,131
Interest Income	180,500	250,500	319,184	68,684
Other	28,300	38,300	69,214	30,914
Total Revenue	<u>14,405,300</u>	<u>14,903,500</u>	<u>15,309,655</u>	<u>406,155</u>
<u>EXPENDITURES</u>				
General Government				
Administration	1,401,500	1,628,500	1,483,629	144,871
Public Safety				
Police	4,169,000	4,243,500	3,781,027	462,473
Municipal Court	111,400	117,600	100,026	17,574
Fire	2,794,300	2,822,500	2,449,728	372,772
Streets and Public Works				
Street	1,118,500	1,248,900	1,102,571	146,329
Public Works	554,300	637,100	552,114	84,986
Maintenance	753,000	753,600	691,658	61,942
Culture and Recreation				
Parks, Civic Center, and Water Park	3,165,600	3,391,400	3,059,740	331,660
Library	597,000	617,600	600,053	17,547
Capital Outlay	4,382,000	4,731,900	864,034	3,867,866
Debt Service - Interest and Fees	23,000	27,300	29,135	(1,835)
Debt Service - Principal	468,700	468,700	461,905	6,795
Total Expenses	<u>19,538,300</u>	<u>20,688,600</u>	<u>15,175,620</u>	<u>5,512,980</u>
EXCESS OF REVENUES OVER				
(UNDER) EXPENDITURES	<u>(5,133,000)</u>	<u>(5,785,100)</u>	<u>134,035</u>	<u>5,919,135</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,228,000	1,344,500	1,218,603	(125,897)
Administrative Pilot Transfer from Utilities	1,495,100	1,520,100	1,587,735	67,635
Transfers Out	(968,800)	(751,400)	(511,283)	240,117
Operating Lease	245,600	207,000	121,191	(85,809)
Sale of Capital Assets	3,200	75,200	100,571	25,371
Insurance Proceeds	5,000	12,000	0	(12,000)
Total Other Financing Sources (Uses)	<u>2,008,100</u>	<u>2,407,400</u>	<u>2,528,626</u>	<u>121,226</u>
NET CHANGE IN FUND BALANCE	<u>\$ (3,124,900)</u>	<u>\$ (3,377,700)</u>	<u>2,662,661</u>	<u>\$ 6,040,361</u>
FUND BALANCE, OCTOBER 1, 2024			<u>13,299,091</u>	
FUND BALANCE, SEPTEMBER 30, 2025			<u>\$ 15,961,752</u>	

CITY OF FARMINGTON, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - TRANSIENT GUEST TAX FUND
Year Ended September 30, 2025

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Transient Tax Income	\$ 377,000	\$ 377,000	\$ 378,841	\$ 1,841
Interest Income	3,000	7,000	9,617	2,617
Total Revenue	<u>380,000</u>	<u>384,000</u>	<u>388,458</u>	<u>4,458</u>
<u>EXPENDITURES</u>				
General Government	<u>380,000</u>	<u>384,000</u>	<u>388,458</u>	<u>(4,458)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE, OCTOBER 1, 2024			<u>-</u>	
FUND BALANCE, SEPTEMBER 30, 2025			<u>\$ -</u>	

CITY OF FARMINGTON, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - STORM WATER AND PARKS TAX FUND
Year Ended September 30, 2025

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Sales Tax	\$ 1,425,000	\$ 1,425,000	\$ 1,428,655	\$ 3,655
Use Tax	147,500	147,500	135,376	(12,124)
Interest Income	30,000	30,000	30,003	3
Total Revenues	<u>1,602,500</u>	<u>1,602,500</u>	<u>1,594,034</u>	<u>(8,466)</u>
<u>EXPENDITURES</u>				
Public Works	45,000	45,000	34,219	(10,781)
Capital Outlay	0	200,000	18,720	(181,280)
	<u>45,000</u>	<u>245,000</u>	<u>52,939</u>	<u>(192,061)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,557,500</u>	<u>1,357,500</u>	<u>1,541,095</u>	<u>183,595</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In / (Out)	<u>(917,200)</u>	<u>(851,200)</u>	<u>(918,004)</u>	<u>(66,804)</u>
Total Other Financing Sources (Uses)	<u>(917,200)</u>	<u>(851,200)</u>	<u>(918,004)</u>	<u>(66,804)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 640,300</u>	<u>\$ 506,300</u>	623,091	<u>\$ 116,791</u>
FUND BALANCE, OCTOBER 1, 2024			<u>2,070,967</u>	
FUND BALANCE, SEPTEMBER 30, 2025			<u>\$ 2,694,058</u>	

CITY OF FARMINGTON, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - TRANSPORTATION TAX FUND
Year Ended September 30, 2025

	<u>Appropriated Budget Amounts</u>			<u>Positive</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
<u>REVENUES</u>				
Sales Tax	\$ 1,425,000	\$ 1,425,000	\$ 1,428,655	\$ 3,655
Use Tax	147,500	137,500	135,376	(2,124)
Grants and Donations	500,000	500,000	481,477	(18,523)
Interest Income	13,000	21,000	28,679	7,679
Total Revenues	<u>2,085,500</u>	<u>2,083,500</u>	<u>2,074,187</u>	<u>(9,313)</u>
<u>EXPENDITURES</u>				
Public Works	80,000	131,000	79,703	51,297
Capital Outlay	2,085,000	2,095,500	1,659,014	436,486
	<u>2,165,000</u>	<u>2,226,500</u>	<u>1,738,717</u>	<u>487,783</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(79,500)</u>	<u>(143,000)</u>	<u>335,470</u>	<u>478,470</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	<u>(350,300)</u>	<u>(221,300)</u>	<u>(300,328)</u>	<u>(79,028)</u>
Total Other Financing Sources (Uses)	<u>(350,300)</u>	<u>(221,300)</u>	<u>(300,328)</u>	<u>(79,028)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (429,800)</u>	<u>\$ (364,300)</u>	35,142	<u>\$ 399,442</u>
FUND BALANCE, OCTOBER 1, 2023			<u>2,181,798</u>	
FUND BALANCE, SEPTEMBER 30, 2024			<u>\$ 2,216,940</u>	

CITY OF FARMINGTON, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

Plan Fiscal year ending June 30	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service Cost	\$ 755,021	\$ 679,528	\$ 627,436	\$ 659,779	\$ 626,158	\$ 579,558	\$ 537,322	\$ 507,515	\$ 494,790	\$ 500,396
Interest on Total Pension Liability	2,277,945	2,096,241	1,999,485	2,077,085	1,881,766	1,755,151	1,657,392	1,579,628	1,469,673	1,411,366
Difference Between Expected and Actual Experience	817,390	1,037,139	(254,133)	(1,454,040)	1,012,258	152,005	(126,773)	(318,318)	(297,274)	(368,584)
Changes of Assumptions	0	0	0	(469,664.0)	0	0	0	(33,588.0)	606,327.0	0
Benefit Payments, Including Refunds	(1,328,014)	(1,182,947)	(854,931)	(909,290)	(778,275)	(748,627)	(732,260)	(681,729)	(784,185)	(689,879)
Net Change in Total Pension Liability	2,522,342	2,629,961	1,517,857	(96,130)	2,741,907	1,738,087	1,335,681	1,053,508	1,489,331	853,299
Total Pension Liability Beginning	32,823,714	30,193,753	28,675,896	28,772,026	26,030,119	24,292,032	22,956,351	21,902,843	20,413,512	19,560,213
Total Pension Liability Ending (a)	\$ 35,346,056	\$ 32,823,714	\$ 30,193,753	\$ 28,675,896	\$ 28,772,026	\$ 26,030,119	\$ 24,292,032	\$ 22,956,351	\$ 21,902,843	\$ 20,413,512
Plan Fiduciary Net Position										
Contributions - Employer	\$ 579,671	\$ 670,661	\$ 589,835	\$ 516,832	\$ 495,661	\$ 471,890	\$ 475,254	\$ 483,484	\$ 503,863	\$ 589,380
Net Investment Income	1,907,124	1,360,273	22,837	8,037,335	374,851	1,840,384	3,037,712	2,668,442	(73,051)	468,062
Pension Plan Benefit Payments, Including Refunds	(1,328,014)	(1,182,947)	(854,931)	(909,290)	(778,275)	(748,627)	(732,260)	(681,729)	(784,185)	(689,879)
Administrative Expense	(34,648)	(37,606)	(25,418)	(22,813)	(29,858)	(26,695)	(18,186)	(18,123)	(17,418)	(18,828)
Other (Net Transfer)	(403,167)	294,381	(336,734)	9,128	(30,876)	5,625	(324,075)	16,218	(373,803)	247,462
Net Change in Plan Fiduciary Net Position	720,966	1,104,762	(604,411)	7,631,192	31,503	1,542,577	2,438,445	2,468,292	(744,594)	596,197
Plan Fiduciary Net Position Beginning	37,334,483	36,229,721	36,834,132	29,202,940	29,171,437	27,628,860	25,190,415	22,722,123	23,466,717	22,870,520
Plan Fiduciary Net Position Ending (b)	\$ 38,055,449	\$ 37,334,483	\$ 36,229,721	\$ 36,834,132	\$ 29,202,940	\$ 29,171,437	\$ 27,628,860	\$ 25,190,415	\$ 22,722,123	\$ 23,466,717
Net Pension Liability (Asset) Ending (a)-(b)	\$ (2,709,393)	\$ (4,510,769)	\$ (6,035,968)	\$ (8,158,236)	\$ (430,914)	\$ (3,141,318)	\$ (3,336,828)	\$ (2,234,064)	\$ (819,280)	\$ (3,053,205)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	107.67 %	113.74 %	119.99 %	128.45 %	101.50 %	112.07 %	113.74 %	109.73 %	103.74 %	114.96 %
Covered-employee Payroll	\$ 7,405,407	\$ 7,091,614	\$ 6,254,011	\$ 5,942,655	\$ 6,551,925	\$ 5,835,555	\$ 5,552,798	\$ 5,130,214	\$ 4,873,669	\$ 4,792,368
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	(36.59) %	(63.61) %	(96.51) %	(137.28) %	(6.58) %	(53.83) %	(60.09) %	(43.55) %	(16.81) %	(63.71) %

Notes to Schedule:

GASB Statement No. 68 requires ten years of information to be presented in this table. However until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF FARMINGTON, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Actuarially Determined Pension Contribution	Contribution in Relation to the Actuarially Determined Contribution	Contribution Deficiency	Covered Employee Payroll	Contribution as Percentage of Covered Employee Payroll
2016	\$ 502,513	\$ 502,514	\$ (1)	\$ 5,172,485	9.72
2017	487,341	482,093	5,248	5,401,563	8.93
2018	467,138	467,138	0	5,633,259	8.29
2019	477,165	477,165	0	6,110,879	7.81
2020	496,396	495,644	752	6,216,706	7.97
2021	533,986	526,110	7,876	6,200,592	8.48
2022	701,229	625,933	75,296	6,586,369	9.50
2023	642,857	642,857	0	7,301,070	8.80
2024	569,253	569,253	0	7,861,762	7.24
2025	703,616	663,416	40,200	8,452,316	7.85

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

February 28, 2025

Notes:

The roll-forward of total pension liability from February 28, 2025, to June 30, 2025, reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:

Entry Age Normal and Modified Terminal Funding

Amortization Method:

A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period or (ii) 15 years.

Remaining Amortization Period:

Multiple bases from 13 to 15 years

Asset Valuation Method:

5-Year smoothed market; 20% corridor

Inflation:

2.75% wage inflation; 2.25% price inflation

Salary Increases:

2.75% to 6.55% including wage inflation for General; 2.75% to 6.75% including wage inflation for Police; and 2.75% to 6.55% including wage inflation for Fire

Investment Rate of Return:

7.00%, net of investment expenses

Retirement Age:

Experience-based table of rates that are specific to the type of eligibility condition.

Mortality:

The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The preretirement 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.

Other Information:

None

CITY OF FARMINGTON, MISSOURI
OTHER SUPPLEMENTARY INFORMATION
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
September 30, 2025

	District Municipal Fund	Opioid Settlement Fund	Total
<u>ASSETS</u>			
Due From Other Funds	\$ 67,853	\$ -	\$ 67,853
Restricted Assets - Cash & Cash Equivalents	321	52,138	52,459
TOTAL ASSETS	\$ 68,174	\$ 52,138	\$ 120,312
 <u>LIABILITIES</u>			
Accounts Payable	\$ 68,174	\$ -	\$ 68,174
Total Liabilities	68,174	-	68,174
 <u>FUND BALANCE</u>			
Restricted	-	52,138	52,138
Total Fund Balances	-	52,138	52,138
TOTAL LIABILITIES AND FUND BALANCES	\$ 68,174	\$ 52,138	\$ 120,312

CITY OF FARMINGTON, MISSOURI
OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended September 30, 2025

	Debt Service Fund	District Municipal Fund	Opioid Settlement Fund	Total Nonmajor Funds
<u>REVENUES</u>				
Interest Income	\$ -	\$ 1,906	\$ -	\$ 1,906
Other	-	-	40,360	40,360
Total Operating Revenues	-	1,906	40,360	42,266
<u>EXPENDITURES</u>				
General Government				
Administration	-	441,008	-	441,008
Debt Service - Interest	238,502	-	-	238,502
Debt Service - Principal	691,000	-	-	691,000
Total Expenditures	929,502	441,008	-	1,370,510
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(929,502)	(439,102)	40,360	(1,328,244)
OTHER FINANCING SOURCES (USES)				
Transfer In / (Out)	929,502	439,102	(58,868)	1,309,736
Total Other Financing Sources and Uses	929,502	439,102	(58,868)	1,309,736
NET CHANGE IN FUND BALANCES	-	-	(18,508)	(18,508)
FUND BALANCES - October 1, 2024	-	-	70,646	70,646
FUND BALANCES - SEPTEMBER 30, 2025:	\$ -	\$ -	\$ 52,138	\$ 52,138

CITY OF FARMINGTON, MISSOURI
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - DEBT SERVICE FUND
Year Ended September 30, 2025

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Interest Income	\$ -	\$ -	\$ -	\$ -
<u>EXPENDITURES</u>				
Debt Service Interest and Fees	82,100	82,100	238,502	(156,402)
Debt Service Principal	<u>1,297,000</u>	<u>1,297,000</u>	<u>691,000</u>	<u>606,000</u>
Total Expenditures	<u>1,379,100</u>	<u>1,379,100</u>	<u>929,502</u>	<u>449,598</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,379,100)	(1,379,100)	(929,502)	449,598
OTHER FINANCING SOURCES				
Transfers In / (Out)	<u>1,379,100</u>	<u>1,379,100</u>	<u>929,502</u>	<u>(449,598)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE, OCTOBER 1, 2023			-	
FUND BALANCE, SEPTEMBER 30, 2024			<u>\$ -</u>	

CITY OF FARMINGTON, MISSOURI
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - DISTRICT MUNICIPAL FUND
Year Ended September 30, 2025

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Interest Income	\$ -	\$ 1,906	\$ 1,906	\$ -
<u>EXPENDITURES</u>				
General Government		441,008	441,008	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(439,102)	(439,102)	-
OTHER FINANCING SOURCES				
Transfers In / (Out)		439,102	439,102	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE, OCTOBER 1, 2024			-	
FUND BALANCE, SEPTEMBER 30, 2025			<u>\$ -</u>	

CITY OF FARMINGTON, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL ALLOCATION FUND
Year Ended September 30, 2025

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	Positive
	<u>Original</u>	<u>Final</u>		(Negative)
				Variance
<u>REVENUES</u>				
TIF Proceeds From Other Governments	\$ 1,421,000	\$ 1,521,400	\$ 1,564,019	\$ 42,619
Interest Income	18,400	41,000	44,197	3,197
Total Revenues	<u>1,439,400</u>	<u>1,562,400</u>	<u>1,608,216</u>	<u>45,816</u>
<u>EXPENDITURES</u>				
General Government	1,597,300	1,092,800	1,017,395	75,405
Capital Outlay	20,000	20,000	0	20,000
Total Expenditures	<u>1,617,300</u>	<u>1,112,800</u>	<u>1,017,395</u>	<u>95,405</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(177,900)</u>	<u>449,600</u>	<u>590,821</u>	<u>141,221</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	1,120,000	685,100	489,796	(195,304)
Transfers Out	(1,088,000)	(1,421,400)	(837,254)	584,146
Intergovernmental expense	-	(82,200)	(167,777)	(85,577)
Total Other Financing Sources (Uses)	<u>32,000</u>	<u>(818,500)</u>	<u>(515,235)</u>	<u>303,265</u>
NET CHANGE IN FUND BALANCE	<u>\$ (145,900)</u>	<u>\$ (368,900)</u>	75,586	<u>\$ 444,486</u>
FUND BALANCE, OCTOBER 1, 2023			<u>1,868,233</u>	
FUND BALANCE, SEPTEMBER 30, 2024			<u>\$ 1,943,819</u>	

CITY OF FARMINGTON, MISSOURI
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - OPIOID SETTLEMENT FUND
Year Ended September 30, 2025

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Other Revenue	\$ -	\$ 40,360	\$ 40,360	\$ -
<u>EXPENDITURES</u>				
General Government	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	40,360	40,360	-
<u>OTHER FINANCING SOURCES</u>				
Transfers In / (Out)	-	(58,868)	(58,868)	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (18,508)</u>	(18,508)	<u>\$ -</u>
FUND BALANCE, OCTOBER 1, 2024			<u>70,646</u>	
FUND BALANCE, SEPTEMBER 30, 2025			<u>\$ 52,138</u>	

CITY OF FARMINGTON, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
Year Ended September 30, 2025

	<u>Appropriated Budget Amounts</u>		<u>Actual</u>	<u>Positive (Negative) Variance</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Sales Tax	\$ 2,850,000	\$ 2,850,000	\$ 2,857,725	\$ 7,725
Use Tax	295,000	275,000	270,752	(4,248)
Interest Income	120,000	160,000	174,584	14,584
Total Revenue	<u>3,265,000</u>	<u>3,285,000</u>	<u>3,303,061</u>	<u>18,061</u>
<u>EXPENDITURES</u>				
Capital Outlay	<u>7,958,600</u>	<u>8,200,500</u>	<u>5,527,023</u>	<u>2,673,477</u>
Total Expenditures	<u>7,958,600</u>	<u>8,200,500</u>	<u>5,527,023</u>	<u>2,673,477</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,693,600)	(4,915,500)	(2,223,962)	(2,655,416)
<u>OTHER FINANCING USES</u>				
Transfer In	0	2,300	23,287	20,987
Transfers Out	<u>(1,571,700)</u>	<u>(2,016,100)</u>	<u>(1,657,395)</u>	<u>358,705</u>
NET CHANGE IN FUND BALANCE	<u>\$ (6,265,300)</u>	<u>\$ (6,929,300)</u>	(3,858,070)	<u>\$ (2,275,724)</u>
FUND BALANCE, OCTOBER 1, 2024			<u>11,854,848</u>	
FUND BALANCE, SEPTEMBER 30, 2025			<u>\$ 7,996,778</u>	

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APPENDIX B
INFORMATION REGARDING THE CITY

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GENERAL AND ECONOMIC INFORMATION ABOUT THE CITY

General

The City was incorporated in 1879 and is a third-class city and political subdivision of the State of Missouri (the “**State**”). The City is located in St. Francois County, Missouri (the “**County**”), approximately 70 miles south of the City of St. Louis. The City consists of approximately 10 square miles. According to the 2020 official census count of the United States Census Bureau, the City’s population is 18,217.

Government

The City was incorporated in 1879 and is a third-class city and political subdivision of the State of Missouri. The City has a Mayor, Council-City Administrator form of government. The legislative body includes the Mayor and City Council, which consists of eight members. Its aldermen are each elected from one of the four wards in the City and serve two-year staggered terms. The Mayor is elected at-large every four years.

The current Mayor and members of the City Council are as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chris Morrison	Mayor	2029
David Kennedy	Councilman	2027
Adam Parks	Councilman	2028
Chad Follis	Councilman	2027
Joshua Smith	Councilman	2028
Wayne Linnenbringer	Councilman	2027
Vince Kauflin	Councilman	2028
Dan Combs	Councilman	2028
Vanessa Pegram	Councilman	2027

The City Council sets policies, rules and regulations and fixes the annual budget. The Mayor is the chief executive official of the City. The City Administrator is the chief administrative officer, running the day-to-day operations of the City. Gregory S. Beavers has served as City Administrator since 2001. City Administrator Beavers recently announced his plan to retire on December 30, 2026. It is anticipated that the position will be filled by the current Development Services Director, Tim Porter, and the transition process is currently being undertaken to ensure seamless business continuity. The City Clerk is Casey Moore.

The City’s major operations include police, parks, public works and general administrative services.

Employees and Employee Relations

The City has approximately 157 full-time 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 government 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 Comprehensive Annual Financial Report for the fiscal year ended June 30, 2025 (the “**2025 LAGERS ACFR**”) is available at <https://www.molagers.org/financial-reports/>. The link to the 2025 LAGERS ACFR is provided for general background information only, and the information in the 2025 LAGERS ACFR is not incorporated by reference into this Official Statement. The 2025 LAGERS ACFR 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. The City’s actuarially-determined contribution rate for the period ended September 30, 2025 was 6.7% of covered payroll for general employees, 6.4% of covered payroll for police employees and 13.9% of covered payroll for fire employees. For the 2025 fiscal year, the City contributed \$663,416 to LAGERS on behalf of participating employees.

The following table provides a historical comparison of the City’s actual contributions to LAGERS relative to the actuarially-determined contributions for the fiscal years of the City shown.

Schedule of City Contributions

<u>Year Ended September 30</u>	<u>Actuarially- Determined Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess/(Deficiency)</u>
2021	\$533,986	\$526,110	\$ 7,786
2022	701,229	625,933	75,296
2023	642,857	642,857	0
2024	569,253	569,253	0
2025	703,616	663,416	40,200

Source: City’s Audited Financial Statements for Fiscal Years ended September 30, 2021 through 2025 and the City.

For more information regarding the City’s participation in LAGERS, see Note 14 to the City’s financial statements included in *Appendix A* to this Official Statement. For additional information regarding LAGERS, see the 2025 LAGERS Annual Report.

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Population

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

	<u>City of Farmington</u>		<u>St. Francois 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	11,598	N/A	48,904	N/A	5,117,073	N/A
2000	13,924	+63.91%	55,641	+2.29%	5,595,211	+9.34%
2010	16,240	+32.74	65,359	-1.71	5,988,927	+7.04
2020	18,217	+14.30	66,922	+0.52	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 Farmington</u>	<u>St. Francois County</u>	<u>State of Missouri</u>
under 5 years	819	3,462	356,811
5-19 years	3,131	12,052	1,186,390
20-24 years	1,004	4,254	405,498
25-44 years	5,823	18,517	1,609,113
45-64 years	4,146	17,175	1,526,259
65 and over	3,359	11,539	1,107,743
Median Age	38.5	39.5	39.0

Source: U.S. Census Bureau, 2020-2024 American Community Survey 5-Year Estimates.

Risk Management

The City is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. The City is a member participant in a public entity risk pool, which is a corporate and political body created pursuant to Missouri Statute Chapter 537.70. The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The City has also purchased commercial insurance for other areas of risk that are not covered by the public entity risk pool that includes reasonable deductible amounts. The portion of uninsured loss is not expected to be significant with respect to the financial position of the City.

There were no settlements in excess of the insurance coverage in any of the three prior years.

Public Safety

The City's police department provides police services to the City and employs 32 full-time commissioned officers, and two full-time clerks. The Farmington Fire Department (the "Department")

provides fire protection throughout the corporate limits of the City. Services are provided from one fire station manned by 23 full-time and 21 part-time firefighters, of which nine are also licensed paramedics. The City's fire insurance rating is "3" among ratings ranging from 1 to 10, with 1 as the highest rating. This rating is based on several factors including the number of firefighters and their training, the water distribution system, response time, firefighting equipment and fire prevention programs of the Department. Fire prevention and safety programs provided by the Department include life safety, first aid and fire prevention.

Utilities

The following privately-owned companies supply utilities to residents of the City: Spire supplies natural gas, and Waste Management provides trash and recycling services. The City provides water, sewer and electric service.

Information regarding the City's Sewer System and the Electric System is included under the caption "THE SEWER SYSTEM" and "THE ELECTRIC SYSTEM."

Transportation

The City is located in southwestern St. Francois County. It is intersected by U. S. Highway 67 and Missouri State Highway 32. U. S. Highway 67 connects to Interstate 55, approximately 30 miles from the City. Interstate 55 provides direct access to the St. Louis Metropolitan Area and U.S. Route 60 to the south. Farmington Regional Airport serves private and corporate aircraft. The airport terminal, parallel taxiway, and expanded apron project was completed in 2010. Regularly scheduled air passenger and freight service is available at St. Louis Lambert International Airport, located approximately 70 miles from the City.

Recreational Activities

The City Parks and Recreation Department oversees the area's park system. The City has fifteen parks, two aquatic facilities, a community center and a Bike Hostel.

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

The City is served by the Farmington R-7 School District, a school district accredited by the Missouri Department of Elementary and Secondary Education ("DESE"). "Accredited" is the highest accreditation status given by DESE. The Farmington R-7 School District operates an early childhood center, a kindergarten center, three elementary schools, an intermediate school, a middle school, a high school and an alternative education center, serving more than 3,700 students. There are three private schools located in the City.

Mineral Area College is located in the County, with its main campus less than 20 miles from the City. It offers Associate of Arts, Associate of Art in Teaching and Associate of Fine Arts degrees.

The City's residents have easy access to the St. Louis Metropolitan Area's many colleges and universities, including the University of Missouri-St. Louis, Washington University in St. Louis, Fontbonne University, Maryville University, Saint Louis University, Webster University, St. Louis Community College 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 City and the approximate number of employees employed by each:

<u>Employer</u>	<u>Type of Business</u>	<u>Employees</u>
BJC Parkland Healthcare	Hospital	850
MoDOC - Farmington Correctional Facility	Prison	620
US Tool Group	Tool Manufacturing	500
Farmington VII School District	Public School	560
MoDMH - SEMO Mental Health Facility	Hospital	350
Walmart	Retail	260
Mineral Area College	Education	250
Menard's	Retail	220
Lowe's	Retail	200
City of Farmington	Government	160

Source: The City.

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 2022 through 2026:

<u>Year</u>	<u>City of Farmington Labor Force</u>			<u>Unemployment Rates</u>			
	<u>Employed</u>	<u>Unemployed</u>	<u>Total</u>	<u>City of Farmington</u>	<u>St. Francois County</u>	<u>State of Missouri</u>	<u>United States</u>
2022	6,660	255	6,915	3.7%	3.2%	2.6%	3.6%
2023	6,606	248	6,854	3.6%	3.7	3.1	3.6
2024	6,771	304	7,075	4.3%	4.3	3.4	4.0
2025 ⁽¹⁾	6,876	331	7,207	4.6%	3.8	3.3	4.1
2026 ⁽²⁾	6,842	336	7,178	4.7%	5.1	4.4	4.7

⁽¹⁾ Figures are preliminary and for the month of December, not an annualized calculation.

⁽²⁾ Figures are preliminary and for the month of January, not an annualized calculation

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

Income

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

	<u>Median Family Income</u> <u>2024 (dollars)</u>	<u>Per Capita Income</u> <u>2024 (dollars)</u>
City of Farmington	\$58,516	\$28,323
St. Francois County	67,834	28,659
State of Missouri	91,360	39,695

Source: U.S. Census Bureau, 2020-2024 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 date for which such information is available:

<u>Year</u>	<u>St. Francois County</u>	<u>State of Missouri</u>
2020	\$38,187	\$52,206
2021	41,478	56,907
2022	42,482	58,525
2023	45,638	62,435
2024	47,116	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 Farmington	\$196,500
St. Francois County	169,300
State of Missouri	230,300

Source: U.S. Census Bureau, 2020-2024 American Community Survey 5-Year Estimates.

FINANCIAL INFORMATION CONCERNING THE CITY

Accounting and Auditing Procedures

The government-wide financial statements of the are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Property tax revenues are recognized when billed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Primary revenue sources susceptible to accrual include: property taxes, sales taxes, gross receipts taxes, transient guest taxes, grants, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received. Expenditures are recorded when the related fund liability is incurred, except for debt service payments which are reported as expenditures in the year due.

The City reports four major governmental funds, the General Fund, Transient Guest Tax Fund, Capital Projects Fund, and Special Allocation Fund. The Storm Water Tax Fund and Transportation Tax Fund, although not quantitatively major, are shown independently on the financial statements for transparency and accountability to taxpayers.

The City utilizes the following funds:

General Fund - The General Fund is the primary fund of the City. It is used to account for all financial resources not accounted for and reported in another fund.

Storm Water and Parks Tax Fund - The Storm Water and Parks Tax Fund is used to account for the financial resources derived from the Storm Water and Parks Tax. Storm Water and Parks taxes are to be used solely for the purpose of storm water control and the operation of local parks.

Transportation Guest Tax Fund - The Transportation Guest Tax Fund is used to account for the financial resources derived from the Transportation Tax. Transportation taxes are to be used solely for the purpose of the construction, reconstruction, repair and maintenance of streets and sidewalks within the City and construction, reconstructions, repair and maintenance of the municipal airport.

Capital Projects Fund - The Capital Projects Fund accounts for all financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities which are not financed by proprietary and trust funds.

Transient Guest Tax Fund - The Transient Guest Tax Fund is used to account for the financial resources derived from the Transient Guest Tax. Transient Guest taxes are to be used solely for the purpose of promoting the City as a visitor and tourist center.

Special Allocation Fund - The Special Allocation Fund is used to account for the financial resources derived from the Tax Increment Finance (“TIF”) districts. TIF district funds are to be used for those purposes outlined in the respective district plans.

The City also reports three funds in aggregate under non-major funds, the Debt Service Fund, District Municipal Fund, and Opioid Settlement Fund.

Debt Service Fund - The Debt Service Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditure for, and the payment of, general long-term debt including capital lease obligations principal, interest and related costs.

District Municipal Fund - The District Municipal Fund is used to account for the financial resources related to multiple tax sharing agreements.

Opioid Settlement Fund - The Opioid Settlement Fund is used to account for the financial resources received from the Missouri Opioid Settlement. These funds are to be used for the purpose of opioid treatment, prevention, and other opioid abatement strategies.

The audited financial statements for the Fiscal Year ended September 30, 2025 are included in this Official Statement as **Appendix A**. A summary of the City’s significant accounting policies is contained therein in the Notes thereto.

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 September 30, 2025:

<u>Source</u>	<u>Amount</u>	<u>% of Total General Fund Revenue</u>
Sales Tax	\$ 9,158,166	59.82%
Use Tax	812,255	5.31
Real and Personal Property Tax	1,134,939	7.41
Grants and Donations	528,358	3.45
Motor Fuel and Vehicle Tax	1,064,113	6.95
Utility, Gross Receipts and Other Taxes	253,110	1.65
Charges for Services	1,749,331	11.43
Municipal Court Fines and Fees	220,985	1.44
Interest Income	319,184	2.08
Other	69,214	0.45
Total	<u>\$15,309,655</u>	<u>100.00%</u>

Source: City’s Audited Financial Statements for Fiscal Year ended September 30, 2025.

Sales Taxes

The City’s sales taxes currently include a 1% general sales tax, a ½% general sales tax for public safety purposes, a ½% capital improvement sales tax, a ¼% Parks and Stormwater Sales Tax and a ¼% Transportation Sales Tax. On November 2, 2021, voters in the City approved a ½% general sales tax that the City restricted the use to funding for police and fire protection.

The following table shows the retail sales tax collections 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 September 30</u>	<u>1.00% General</u>	<u>0.50% Public Safety</u>	<u>0.50% Capital Improvements</u>	<u>0.25% Parks / Stormwater</u>	<u>0.25% Transportation</u>
2021	\$5,184,431	N/A	\$2,535,043	\$1,267,463	\$1,267,462
2022	5,562,648	\$1,316,236	2,711,241	1,355,432	1,355,432
2023	5,581,050	2,707,683	2,725,302	1,362,473	1,362,473
2024	5,935,824	2,967,867	2,878,082	1,439,035	1,439,035
2025	6,015,444	3,052,722	2,857,725	1,564,031	1,564,031

Source: City’s Audited Financial Statements for the Fiscal Years ended September 30, 2021 through 2025 and the City.

The above-listed tax receipts are net of collection fees and do not reflect the impact of the various tax increment financing districts within the City. See **“PROPERTY TAX INFORMATION – Tax Abatement and Tax Increment Financing.”**

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 September 30, 2023 through 2025. The audited financial

statements for the Fiscal Year ended September 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.

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**GENERAL FUND
SUMMARY OF OPERATIONS**

	<u>2023</u>	<u>2024</u>	<u>2025</u>
Revenues			
Sales	\$ 8,288,733	\$ 8,903,691	\$ 9,158,166
Use Tax	683,089	847,707	812,255
Real and Personal Property Tax	1,099,207	1,134,739	1,134,939
Grants and Donations	1,158,443	662,370	528,358
Motor Fuel and Vehicle Tax	927,212	965,536	1,064,113
Utility & Gross Receipts Tax	992,023	531,946	253,110
Charges for Services	1,780,528	1,754,441	1,749,331
Municipal Court Fines & Fees	169,954	188,976	220,985
Interest Income	300,841	324,086	319,184
Other	<u>43,687</u>	<u>102,448</u>	<u>69,214</u>
Total Revenues	\$ 15,443,717	\$ 15,415,940	\$15,309,655
Expenditures			
General Government			
Administration	\$ 1,954,609	\$ 1,595,027	\$ 1,483,639
Public Safety			
Police	3,474,923	3,447,968	3,781,027
Municipal Court	96,172	92,863	100,026
Fire	2,334,752	2,409,270	2,449,728
Streets and Public Works			
Street	926,261	1,077,417	1,102,571
Public Works	430,682	472,721	552,114
Maintenance	648,638	699,707	691,658
Culture and Recreation			
Parks, Civic Center, Water Park	2,819,484	2,842,329	3,059,740
Library	535,544	596,137	600,053
Capital Outlay	2,669,317	1,198,469	864,034
Debt Service – Interest	40,304	32,322	29,135
Debt Service – Principal	<u>570,763</u>	<u>621,746</u>	<u>461,905</u>
Total Expenditures	\$16,501,449	\$15,085,976	\$15,175,620
Excess (deficiency Revenues Over (Under) Expenditures	\$ (1,057,732)	\$ 329,964	\$ 134,0354
Other Financing Sources (Uses)			
Transfers in	\$ 1,536,547	\$ 1,302,348	\$ 1,218,603
Administrative PILOTS	1,446,577	1,525,358	1,587,735
Transfer out	(765,115)	(771,556)	(511,283)
Operating Lease	102,300	129,645	121,191
Sale of Capital Assets	13,655	217,080	100,571
Insurance Proceeds	<u>1,120,120</u>	<u>147,766</u>	<u>11,809</u>
Total Other Financing Sources (Uses)	\$ 3,455,690	\$ 2,550,641	\$ 2,528,626
Net Change in Fund Balance	\$ 2,397,958	\$ 2,880,605	\$ 2,662,661
Beginning Fund Balance	<u>\$ 8,020,528</u>	<u>\$10,418,486</u>	<u>\$13,299,091</u>
Ending Fund Balance	<u>\$10,418,486</u>	<u>\$13,299,091</u>	<u>\$15,961,752</u>

Source: City's Audited Financial Statements for the Fiscal Years ended September 30, 2023 through 2025.

2026 Projected Results

Based on the budget and year-to-date financial results, for the 2026 Fiscal Year, the City expects the General Fund Balance to be approximately \$14,437,402 compared to \$15,961,752 for the 2025 Fiscal Year primarily due to spending down the proceeds from the sale of the City's Certificates of Participation (City of Farmington, Missouri, Lessee), Series 2024.

The City budgets and operates under the guidelines established in the City's formally adopted Financial Policy. This policy provides for a "General Fund Operating Reserve" between 13 to 21 percent of the City's annual operating expenses. The City monitors the General Fund Operating Reserve position on a monthly basis and makes adjustments as needed to maintain compliance with the policy. As of the end of the 2025 Fiscal Year, the General Fund Operating Reserve was 93% of operating expenses.

DEBT STRUCTURE OF THE CITY

General Obligations of the City

The City has no general obligation bonds outstanding.

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 and finalized through December 31, 2025, is calculated as follows:

2025 Assessed Valuation	\$294,509,855
Constitutional Debt Limit (20% of Assessed Valuation)	58,901,971
Less: Outstanding General Obligation Indebtedness	<u>(0)</u>
Legal Debt Margin	<u>\$ 58,901,971</u>

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Overlapping General Obligation Debt

The following table sets forth bonded indebtedness of political subdivisions with boundaries overlapping the City as of June 1, 2026, and the percent attributable 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.

<u>Taxing Jurisdiction</u> ⁽¹⁾	<u>Net Outstanding General Obligation Indebtedness</u> ⁽²⁾	<u>Percent Applicable to City</u> ⁽³⁾	<u>Amount Applicable to City</u>
Mineral Area Junior College	\$22,000,000	23.53%	\$ 5,176,600
Farmington R-7 School District	21,930,000	56.12	<u>12,307,116</u>
Total			<u>\$17,483,716</u>

(1) Excludes taxing jurisdictions that do not have any general obligation debt outstanding.

(2) Excludes neighborhood improvement district bonds.

(3) Based on estimated overlapping assessed valuations for calendar year 2024.

Source: Municipal Securities Rulemaking Board – Electronic Municipal Market Access system, Office of Missouri State Auditor, St. Francois County Assessor.

Revenue Bonds of the City

The City has no revenue bonds outstanding.

Annual Appropriation Obligations of the City

Lease or other obligations secured by annually appropriated funds do not constitute an indebtedness for the purposes of any Missouri statutory or constitutional debt limit. Such obligations are payable solely from annually appropriated funds of a governmental body available therefor and neither taxes nor a specific source of revenue can be pledged to make payments on such obligations. Any increase in taxes required to generate sufficient funds with which to make payments on such obligations are subject to voter approval. In addition to the Series 2026 Certificates, the City has the following annual appropriation obligations currently outstanding:

<u>Name of Obligation</u>	<u>Stated Maturity</u>	<u>Principal Amount Outstanding</u>
Certificates of Participation (City of Farmington, Missouri, Lessee), Series 2016	10/01/2026	\$ 670,000
Equipment Lease (Randy Ragsdale Park Turf Field)	01/20/2027	120,750
Certificates of Participation (City of Farmington, Missouri, Lessee), Series 2024	10/01/2034	<u>6,915,000</u>
Total		<u>\$7,705,750</u>

Other Annual Appropriations Obligations

The City recently entered into a Development Agreement dated February 2, 2026 (the “**Development Agreement**”), with SimonCRE QOL III, LLC, an Arizona-based real estate developer (the “**SimonCRE**”), and the County to develop approximately 38 acres of commercial property along U.S. Highway 67 in the City with an approximately 309,750 square-foot shopping center (to be known as “Farmington Crossings”). The new retail center will be anchored by Target and Academy Sports. The City and the County agreed to assist in the development of the site through the approval of a community improvement district (the “**3874 Bray Road CID**”), off-site development of Bray Road, and intersection improvements on right-of-way owned by the Missouri Department of Transportation. The site is currently under development with planned retail openings in the Fall of 2027. Pursuant to the Development Agreement, the City and the County agreed, subject to annual appropriation, to reimburse SimonCRE for up to \$10,500,000 of costs incurred for eligible public improvements. The right of SimonCRE to receive reimbursement is evidenced by a promissory note issued by the 3874 Bray Road CID (the “**CID Note**”), which is payable from a portion of the City’s and the County’s sales tax revenues generated from the site, subject to annual appropriation. The CID Note matures on May 12, 2046. The City’s and the County’s obligation to contribute revenues to the payment of the CID Note and/or the reimbursement of SimonCRE ends on February 1, 2047, whether or not the principal amount or interest on the CID Note has been paid in full or SimonCRE has been fully reimbursed.

In addition to the CID Note, on March 23, 2026, the City approved a loan agreement with the Missouri Transportation Finance Commission (the “**MHTC Loan Agreement**”) in the amount of \$2,950,880 to finance 50% of the cost of construction of intersection improvements at U.S. Highway 67 and Bray Road. The City will make semi-annual payments, subject to annual appropriation, equal to \$349,500.63, beginning on July 31, 2027 through July 31, 2031.

Future Debt Plans

The City is currently considering entering into an additional long-term lease obligation for approximately \$8,000,000 in 2028 to finance various improvements to the City’s water system including water main replacement, water tank maintenance, and installation of a new production well and associated radionuclide treatment equipment.

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.

PROPERTY TAX INFORMATION

Property Valuations

Assessment Procedure. All taxable real and personal property within the City is assessed by the County Assessor of each county into which the City’s boundaries extend. 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, each County Assessor must adjust the assessed valuation of all real property located within its 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 according to the assessment as of January 1, 2025, as adjusted and finalized through December 31, 2025:

<u>Category</u>	<u>Assessed Valuation⁽²⁾</u>	<u>Assessment Rate</u>	<u>Estimated Total Valuation</u>
Real Property			
Residential	\$145,243,370	19%	\$764,438,789
Agricultural	194,310	12%	1,619,250
Commercial ⁽¹⁾	85,599,360	32%	267,498,000
State Assessed Railroad and Utility	1,686,251	32%	5,269,5364
Locally Assessed Railroad and Utility	<u>754,440</u>	32%	<u>2,357,625</u>
Sub-Total	\$233,477,731		\$1,041,183,198
Personal Property ⁽¹⁾	\$ 60,551,779	33.33% ⁽³⁾	\$ 181,655,519
State Assessed Railroad and Utility	284,185	33.33% ⁽³⁾	852,556
Locally Assessed Railroad and Utility	<u>196,160</u>	33.33% ⁽³⁾	<u>588,481</u>
Sub-Total	\$ 61,032,124		\$ 183,096,556
TOTAL	<u>\$295,068,135</u>		<u>\$1,224,279,754</u>

⁽¹⁾ Includes Locally Assessed Railroad and Utility.

⁽²⁾ Includes amounts attributable to tax increment financing districts.

⁽³⁾ 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: St. Francois County Clerk.

History of Property Valuations. The total assessed valuation of all taxable tangible property situated in the City, including state-assessed railroad and utility property, according to the assessments of January 1 in each of the following years, as finally equalized, has been as follows:

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Percentage Change</u>
2021	\$262,000,153	N/A
2022	273,046,982	+4.22%
2023	279,391,666	+2.33
2024	283,414,809	+1.44
2025	295,068,135	+4.12

Source: St. Francois County Clerk.

Major Property Taxpayers

The following table shows the 10 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>
1. Spire Missouri, Inc.	\$ 5,220,010	1.77%
2. US Tool Grinding, Inc.	4,015,380	1.36
3. Menards Inc.	3,939,810	1.34
4. WalMart Stores	3,595,660	1.22
5. Centene Management Co LLC	3,244,560	1.10
6. Zumbiel Everage Services LLC	2,612,610	0.89
7. Lowes Home Centers, Inc.	1,965,620	0.67
8. ExchangeRight Net Leased Portfolio	1,629,130	0.55
9. Prestige Trucking	1,621,690	0.55
10. Farmington Land ABG LLC	<u>1,620,810</u>	<u>0.55</u>
TOTAL	<u>\$29,465,280</u>	<u>9.99%</u>

Source: St. Francois County Assessor.

Property Tax Levies and Collections

Property taxes are levied and collected for the City by the County Collector of each county into which the City's boundaries extend. Each County Collector deducts a small percentage of the taxes collected as commission for his 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 of each county into which the City's boundaries extend. 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 St. Francois County Clerk and Jefferson County Clerk not later than October 1 and September 1, respectively, for entry in the tax books.

Each County Clerk receives the county tax books from its respective County Assessor, which tax books set forth the assessments of real and personal property. Each County Clerk enters the tax rates certified to it by the local taxing bodies in the tax books and assesses such rates against all taxable property in the City as shown in such books. Each County Clerk forwards the tax books by October 31 to its respective County Collector, who is charged with levying and collecting taxes as shown therein. Each 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.

Each 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 rates (per \$100 of assessed valuation) for each of the last five tax years:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
General	\$0.4095	\$0.4099	\$0.4099	\$0.4099	\$0.4099

Source: Missouri State Auditor’s Property Tax Rates for 2021 through 2025.

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

<u>Tax Year</u>	<u>Assessed Valuation</u> ⁽¹⁾	<u>Total Taxes Levied</u>	<u>Current and Delinquent Taxes Collected</u>	
			<u>Amount Collected</u>	<u>% of Total Taxes Levied</u>
2021	\$260,552,951	\$1,066,964	\$1,055,944	98.97%
2022	274,152,662	1,123,751	1,118,950	99.58
2023	263,447,652	1,079,872	1,237,637	114.61
2024	267,442,016	1,096,245	1,150,178	104.92
2025	279,404,743	1,145,280	1,287,573	112.42

⁽¹⁾ Excludes amounts attributable to tax increment financing districts.

Source: St. Francois County Collector.

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.

In addition, the Real Property Tax Increment Allocation Redevelopment Act, Sections 99.800 to 99.865 to 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 St. Francois County Assessor's office, the assessed valuation of the TIF Increment attributable to property within the City was \$15,676,490 for the 2025 tax year. For additional information regarding tax increment financing within the City, see Note 15 to the City's financial statements included in *Appendix A* to this Official Statement.

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APPENDIX C

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF LEGAL DOCUMENTS

Definitions of Words and Terms

In addition to the words and terms defined elsewhere in the Official Statement, the following words and terms used in the Official Statement shall have the following meanings:

“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 to act on behalf of the City by the City Council pursuant to an ordinance or 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.

“Basic Rent” means the Basic Rent Payments comprised of a Principal Portion and an Interest Portion.

“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.

“Business Day” means a day other than (a) a Saturday or Sunday, (b) a day on which banks located in any city in which the principal corporate trust office or designated corporate trust office of the Trustee or any paying 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.

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

“Certificate Purchase Agreement” means the Certificate Purchase Agreement dated June 22, 2026, among the City, the Underwriter and the Trustee, with respect to the Series 2026 Certificates.

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

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

“Completion Certificate” means the certificate of the City given in accordance with the Lease.

“Completion Date” means the date of completion of the acquisition, construction and installation of the Project as that date shall be certified as provided in the Lease.

“Continuing Disclosure Undertaking” means the Continuing Disclosure Undertaking dated as of July 1, 2026, executed by the City, as from time to time amended.

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

“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 advertising and printing costs, costs of preparing and reproducing documents, 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 counsel to the Underwriter) 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 July 1, 2026, by the Trustee, as from time to time amended or supplemented in accordance with its terms.

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

“Equipment” means the personal property described under the heading “Description of Equipment” on **Schedule 1** to the Lease, including any modifications, additions, improvements, replacements or substitutions thereto or therefor.

“Event of Default” means (a) with respect to the Declaration of Trust, an Event of Default as described under the caption **“SUMMARY OF CERTAIN PROVISIONS OF THE DECLARATION OF TRUST – Events of Default,”** and (b) with respect to the Lease, an Event of Default as described under the caption **“SUMMARY OF CERTAIN PROVISIONS OF THE LEASE – Events of Default.”**

“Event of Lease Default” means an Event of Default as described under the caption **“SUMMARY OF CERTAIN PROVISIONS OF THE LEASE – Events of Default.”**

“Event of Nonappropriation” means a nonrenewal of the Lease by the City which 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.

“Fiscal Year” means the fiscal year of the City, currently the 12-month period beginning October 1.

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

“Government Obligations” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, which obligations are held in a custodial or trust account for the benefit of the City.

“Interest Portion” means the portion of each Basic Rent Payment that represents the payment of interest.

“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 July 1, 2026, between the Trustee, as lessor, and the City, as lessee, as from time to time amended or supplemented 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.

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

“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.

“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 delivery of the Lease until the end of the Fiscal Year then in effect.

“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 owner of such Certificate as shown on the register kept by the Registrar.

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

“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) to be prepaid, the amount specified in the Lease.

“Principal Portion” means the portion of each Basic Rent Payment that represents the payment of principal.

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

“Project” means acquiring, constructing, equipping, and furnishing various capital improvements including, among others, acquiring, constructing, furnishing, equipping, extending and improving the City’s sewerage system and electric system. The Project includes acquiring and installing the Equipment.

“Project Costs” means all reasonable or necessary expenses related or incidental to the Project, including the expenses of studies, engineering services, legal and other special services and all other necessary and incidental expenses. Project Costs shall 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 shall pay to the Trustee to purchase the Trustee’s interest in the Equipment.

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

“Record Date” means the 15th day (whether or not a Business Day) of the calendar month preceding the month in which the applicable 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, except that the last possible Renewal Term shall end on October 2, 2036.

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

“Rent Payment” means a payment of Rent.

“Series 2026 Certificates” means, collectively, the Series 2026A Certificates and the Series 2026B Certificates.

“Series 2026A Certificates” means the \$6,520,000* aggregate principal amount of Certificates of Participation (City of Farmington, Missouri, Lessee), Series 2026A, executed and delivered pursuant to the Declaration of Trust.

“Series 2026B Certificates” means the \$110,000* aggregate principal amount of Taxable Certificates of Participation (City of Farmington, Missouri, Lessee), Series 2026B, 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 supplement or amendment to the Declaration of Trust entered into by the Trustee 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 the Tax Compliance Agreement dated as of July 1, 2026, between the City and the Trustee, 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.

“**Tax-Exempt Certificates**” means the Series 2026A Certificates and any Additional Certificates for which the Interest Portion of the Basic Rent Payments attributable thereto is excluded from gross income for purposes of federal and State income taxation.

“**Trustee**” means BOKF, 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 CERTAIN PROVISIONS OF THE DECLARATION OF TRUST

The following is a summary of certain provisions of the Declaration of Trust. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Declaration of Trust for a full recital of the provisions thereof.

Trust Estate

In order to secure the payment of the principal of, premium, if any, and interest on the Certificates, and to secure the performance and observance of all covenants and conditions contained in the Certificates and the Declaration of Trust, and to declare the terms and conditions upon, and subject to which, the Certificates are intended to be sold, held, secured and enforced, and in consideration of the premises set forth in the Declaration of Trust and of the purchase and acceptance of the Certificates by the Owners thereof, the Trustee has executed and delivered the Declaration of Trust and has declared that it will hold all of the assets, property and interests received by it under the terms of the Declaration of Trust and the Lease and all agreements and instruments contemplated thereby (except the Rebate Fund and any compensation, indemnification or other amounts which may be 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.

All moneys deposited with or paid to the Trustee for account of the Lease Revenue Fund or the Project Fund under the Declaration of Trust shall be held by the Trustee in trust and shall be applied only in accordance with the Declaration of Trust and the Lease and until used or applied as therein provided, shall constitute part of the Trust Estate and shall not be subject to any lien other than the lien of the Declaration of Trust.

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 and for any of the following purposes:

- (i) To provide funds to pay all or any part of the costs of repairing, replacing or restoring the Project in the event of damage, destruction or condemnation thereto or thereof, but only to the extent that such costs exceed the Net Proceeds of the insurance or condemnation awards out of which such costs are to be paid pursuant to the Lease.
- (ii) To provide funds to pay all or any part of the costs of acquiring, constructing and installing additions to the Project or other improvements that may be added to the Project, all as the City may deem necessary or desirable.
- (ii) To provide funds for refunding all or any portion of the Certificates of any series then- Outstanding, including the payment of any premium thereon and interest to accrue to the designated Prepayment Date and any expenses in connection with such refunding.
- (iv) Any other purpose permitted by law as the City may deem necessary or desirable.

The principal amount of any Additional Certificates may include an amount sufficient to pay the costs and expenses of delivery, any required funding of a reserve fund and such capitalized amounts as are permitted by law.

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

Establishment of Funds

The Declaration of Trust establishes the following Funds:

- (a) Project Fund, and within such fund, an account for each series of Certificates.
- (b) Lease Revenue Fund, and within such fund, an account for each series of Certificates.
- (c) Rebate Fund, and within such fund, an account for each series of Tax-Exempt Certificates.

The Funds (except the Rebate Fund) shall be held by the Trustee in trust and for the benefit of the Certificate Owners.

Application of Lease Revenues

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

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

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

Disbursements from the Project Fund

Moneys in the Project Fund shall be used to pay for Project Costs, including Costs of Delivery. Payment shall be made from moneys in the Project Fund upon receipt by the Trustee of a requisition certificate therefor signed by an Authorized Representative, which requisition certificate shall contain the statements, representations and certifications set forth in the form attached to the Declaration of Trust.

In making disbursements for Project Costs, the Trustee shall be entitled to conclusively rely upon each written requisition certificate executed as described above without inquiry or investigation. It is understood that the Trustee shall *not* make any inspections of the Project, make any provision to obtain completion bonds, mechanics' or materialmen's lien releases or otherwise supervise any phase of the acquisition, construction or installation of the Project. The receipt by the Trustee of a requisition certificate executed as described above shall constitute unto the Trustee an irrevocable determination that all conditions precedent to the payment of the specified amounts from the Project Fund have been completed. The Trustee shall make disbursements to pay Project Costs for which any such request is made within five Business Days of the receipt of a properly executed certificate. The Trustee shall be fully protected in making the disbursements contained in the requisition certificates provided to it and shall have no obligation to confirm each funds transfer instruction received by it. The City understands that the Trustee's inability to receive or confirm funds transfer instructions, subject to and in accordance with its procedures, may result in a delay in accomplishing such funds transfer and agrees that the Trustee shall not be liable for any loss caused by any such delay.

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) shall be evidenced by the filing with the Trustee of the Completion Certificate pursuant to the Lease. As soon as practicable thereafter any balance remaining in the Project Fund shall be transferred and deposited without further authorization as provided in the Lease.

In the event of the acceleration of Certificates pursuant to the Declaration of Trust, any moneys then remaining in the Project Fund shall be transferred and deposited to the credit of the applicable account in the Lease Revenue Fund.

Application of Moneys in the Lease Revenue Fund

Except as otherwise provided in the Declaration of Trust, all amounts in the Lease Revenue Fund shall be used and withdrawn by the Trustee solely to pay Basic Rent represented by the applicable series of Certificates

when due and payable (including principal and accrued interest with respect to any Certificates paid prior to maturity pursuant to the Declaration of Trust).

Rebate Fund

Moneys will be deposited in and disbursed from the Rebate Fund in accordance with written instructions from the City to the Trustee, prepared in accordance with the provisions of the Tax Compliance Agreement.

Investment of Moneys

Moneys held in the Funds shall, subject to the requirements of the Tax Compliance Agreement and 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 holder prior to the date such funds will be needed. In the absence of such instructions, the Trustee shall hold such moneys uninvested. The Trustee may conclusively rely upon the written investment direction of the City as to the suitability and legality of the directed investment and shall have no obligation to determine if the directed investment complies 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, which may be deducted from income earned on investments, provided that any such fees do not exceed the interest income on the investments.

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

For purposes of determining the amount in any Fund, the value of any investments shall be computed at the market value thereof, exclusive of accrued interest. The Lease Revenue Fund shall be valued on October 1 of each year, after any payments required to be made on such date have been made.

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

Amendments Permitted

The Declaration of Trust, the Lease and the rights and obligations of the City and of the Owners of the Certificates and of the Trustee may be modified or amended from time to time and at any time by an amendment or supplement hereto or thereto that the parties hereto or thereto may enter into when the written consent of the Trustee and the City, if not a party hereto or thereto, and the Owners of a majority in aggregate Principal Portion of Basic Rent Payments represented by the Certificates then-Outstanding shall have been filed with the Trustee. No such modification or amendment shall (i) extend the stated maturity or mandatory Prepayment Date, if any, 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, (ii) reduce the aforesaid percentage of Certificates the consent of the Owners of which is required to effect any such modification or amendment, or, except in connection with the delivery of any Additional Certificates, permit the creation of any lien on the moneys in the Project Fund or the Lease Revenue Fund or deprive the Owners of the trust created by the Declaration of Trust with respect to the moneys in the Project Fund and the Lease Revenue Fund, or (iii) create a preference or priority of any Certificate or Certificates over

any other Certificate or Certificates without the consent of the Owners of all of the Certificates then-Outstanding. Promptly after the execution by the Trustee of any amendment pursuant to this subsection, the Trustee shall give Notice by Mail, setting forth in general terms the substance of such amendment to the Owners at the addresses listed on the registration books kept by the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment.

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

(i) to add to the covenants and agreements of the Trustee in 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 in the Declaration of Trust reserved to or conferred upon the City; provided, however, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Trustee or the security of the Owners of the Certificates;

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

(iii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Declaration of Trust or the Lease, or in regard to matters or questions arising under the Declaration of Trust 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 shall not materially adversely affect the security of the Owners of the Certificates;

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

(v) to provide for any additional procedures, covenants or agreements necessary to maintain the exclusion of the Interest Portion of Basic Rent attributable to the Tax-Exempt Certificates from gross income for purposes of federal and State income taxation;

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

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

Opinion of Counsel

Before the Trustee or the City consents to any modification or amendment of the Declaration of Trust or the Lease, there shall be delivered to the Trustee an Opinion of Special Tax Counsel to the effect 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 their 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 (iv) will not

adversely affect the exemption from federal and State income taxation of the Interest Portion of Basic Rent Payments represented by any Tax-Exempt Certificates then-Outstanding. In any instance in which the Trustee may be required to determine that a modification or amendment will not materially adversely affect the interest of the Owners of the Certificates, prior to consenting to such modification or amendment, the Trustee shall be entitled to require that there be delivered to it an Opinion of Counsel to the effect that no such materially adverse effect would result from such modification or amendment. The Trustee shall be fully protected and shall incur no liability in relying upon such Opinion of Counsel in making such determination. The Trustee may, but shall not be obligated to, enter into any such Supplemental Declaration of Trust or Supplemental Lease which affects the Trustee's own rights, duties or immunities under the Declaration of Trust or the Lease or otherwise.

Defaults

The occurrence of any of the following events, subject to the provisions of the Declaration of Trust, is defined as an "Event of Default:"

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

Acceleration

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

Other Remedies Upon an Event of Default

Upon the occurrence of an Event of Lease Default or Event of Nonappropriation, the Trustee may exercise any remedies available under the Lease and, to the extent consistent therewith, may sell, lease or manage all or any portion of the Equipment 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 shall be cumulative and shall 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.

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

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

Rights of Certificate Owners

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

Any other provision 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 shall have the right, at any time, by a Directive, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the Declaration of Trust, or for the appointment of a receiver or any other proceedings under the Declaration of Trust; provided that such Directive shall not be otherwise than in accordance with the provisions of law and of the Declaration of Trust, and provided, further, that the Trustee has been indemnified as provided in the Declaration of Trust and shall have the right to decline to follow any such Directive if the Trustee in good faith shall determine that the proceedings so directed would involve it in personal liability.

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 shall, 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 incurred or made by the Trustee (including, without limitation, attorneys' fees and expenses), be deposited into the Lease Revenue Fund and all moneys in the Lease Revenue Fund shall be applied as follows:

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

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

SECOND - To the payment to the persons entitled thereto of the unpaid Principal Portions of Basic Rent represented by any Certificates that have become due and payable (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 payable and, if the amount available shall not be sufficient to pay in full the Principal Portions of Basic Rent represented by Certificates due on any particular date, together with such interest, then to the payment, ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or privilege except as to any difference in the respective rates of interest specified respecting the Certificates.

(b) If the Principal Portions of Basic Rent represented by all the Certificates have become due or have been declared due and payable, all such moneys shall be applied to the payment of the Principal Portions and the Interest Portions of the Basic Rent then due and unpaid upon the Certificates without preference or priority of principal over 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 shall thereafter be rescinded and annulled under the provisions of the Declaration of Trust then subject to the provisions of paragraph (b) of this Section in the event that the Principal Portions of Basic Rent represented by all the Certificates shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for the application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be a Basic Rent Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the 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 under the provisions of this Section and all fees, expenses and charges of the Trustee (including, without limitation, attorneys' fees and expenses) have been paid, any balance remaining in the Lease Revenue Fund shall 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 shall be brought in its name as the Trustee without the necessity of joining as plaintiffs or defendants any Owners of the Certificates. Any recovery of judgment or other amounts shall be for the equal benefit of the Owners of the Outstanding Certificates.

Rights and Remedies of Certificate Owners

No Owner of any Certificates shall have any right to institute any suit, action or proceedings in equity or at law for the enforcement of 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 or under the Declaration of Trust, 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 in the Declaration of Trust before granted 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 in the Declaration of Trust before granted 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 under the Declaration of Trust. No one or more Owners of the Certificates shall have any right in any manner whatsoever to affect, to disturb or to prejudice the lien of the Declaration of Trust by its, his, her or their action or to enforce any right or remedy under the Declaration of Trust except in the manner in the Declaration of Trust provided and all proceedings at law or in equity shall be instituted, had and maintained in the manner in the Declaration of Trust provided and for the equal benefit of the Owners of all Certificates then-Outstanding. Nothing in the Declaration of Trust

contained shall, 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 thereof.

Waivers of Defaults

The Trustee shall 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 amount of all Certificates then-Outstanding with respect to which a default in the payment of Principal Portion of Basic Rent represented thereby exists; or (b) a majority in aggregate principal amount of all Certificates then-Outstanding in the case of any other default; provided, however, that there shall not be waived (i) any Event of Default respecting the payment of the Principal Portion of Basic Rent represented by any Certificate at its maturity date, or (ii) any Event of Default respecting the payment of the Interest Portion of Basic Rent represented by any Certificate, unless prior to such waiver or rescission, all arrears of principal and interest, 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) shall 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 shall be restored to their former positions and rights under the Declaration of Trust, respectively, but no such waiver or rescission shall extend to any subsequent or other default or impair any right consequent thereon.

Notices of Defaults

Within 30 days after the occurrence of any Event of Default under the Declaration of Trust of which the Trustee is required to take notice or if notice of default has been given as provided in the Declaration of Trust, the Trustee shall give written notice thereof to the City and Notice by Mail to the Owners of all Certificates then-Outstanding (unless such default has been cured or waived; provided, however, that, except in the case of a default in the payment of the Principal Portion or Interest Portion of Basic Rent Payments represented thereby, the Trustee shall be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of such Owners).

SUMMARY OF CERTAIN PROVISIONS OF THE LEASE

The following is a summary of certain provisions of the Lease. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Lease for a full recital of the provisions thereof.

Lease Term

The Original Term of the Lease shall terminate on the last day of the current Fiscal Year. The Lease Term may be continued, solely at the option of the City, at the end of the Original Term or any Renewal Term for an additional one year, provided that the final Renewal Term shall not extend beyond October 2, 2036. At the end of the Original Term and at the end of each Renewal Term, unless the City has terminated the Lease and for no other reason, the City shall be deemed to have exercised its option to continue the Lease for the next Renewal Term. The terms and conditions during any Renewal Term shall be the same as the terms and conditions during the Original Term, except for any difference in the Rent.

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 has further covenanted that its responsible financial officer shall make 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. 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 shall be deemed terminated at the end of the then-current Original Term or Renewal Term. An Event of Nonappropriation shall be deemed to have occurred if the City fails to budget, appropriate or otherwise provide for sufficient funds to pay Basic Rent and any reasonably anticipated Supplemental Rent to come due during the immediately following Renewal Term. The City agrees to deliver notice to the Trustee of such termination at least 90 days prior to the end of the then-current Original Term or Renewal Term, but failure to give such notice shall not extend the term beyond such Original Term or Renewal Term. If the Lease is terminated, the City agrees peaceably to transfer and surrender possession of the Equipment to the Trustee.

Enjoyment of Equipment

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

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

Basic Rent

The City shall promptly pay all Basic Rent, subject to the Lease, in lawful money of the United States of America on each Basic Rent Payment Date. To provide for the timely payment of Basic Rent, the City shall pay to the Trustee for deposit in the Lease Revenue Fund not less than five Business Days before each Basic Rent Payment Date, the amount due on such Basic Rent Payment Date. The City will, in accordance with the requirements of law and its normal budgeting procedures, fully budget and appropriate sufficient funds for the

current Fiscal Year to make the Rent Payments scheduled to come due during the Original Term, and to meet its other obligations for the Original Term, and such funds will not be expended for other purposes.

Supplemental Rent

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

Insurance Required

The City shall, during the Lease Term, cause the Equipment to be kept continuously insured against such risks customarily insured against for property such as the Equipment and shall 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) Upon acquisition of the Equipment and to the extent insurable, insurance insuring the Equipment against loss or damage by fire, lightning and all other risks covered by the extended coverage insurance endorsement then in use in the State in an amount not less than the greater of the Principal Portion of the Certificates then-Outstanding or the replacement value of the Equipment and issued by such insurance company or companies authorized to do business in the State as may be selected by the City. The policy or policies of such insurance shall name the City and the Trustee as insureds, as their respective interests may appear. All proceeds from such policies of insurance shall be applied as provided in the Lease.

(b) Comprehensive general accident and public liability insurance (including coverage for all losses whatsoever arising from the ownership, maintenance, operation or use of any automobile, truck or other motor vehicle), under which the City and the Trustee are named as insureds, in an amount not less than the limits of liability set by Section 537.610 of the Revised Statutes of Missouri.

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

(d) Upon execution of any Contract, performance and labor and material payment bonds with respect to such Contract in the full amount of the Contract from surety companies qualified to do business in the State.

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

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

Enforcement of Contract and Surety Bonds

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

Maintenance and Modification of Equipment by the City

The City will at its own expense (a) keep the Equipment in a safe condition, (b) with respect to the Equipment, comply with all applicable health and safety standards and all other industrial requirements or restrictions enacted or promulgated by the State, or any political subdivision or agency thereof, or by the government of the United States of America or any agency thereof, and (c) keep the Equipment 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 Equipment the maintenance, repair, replacement or renewal of which becomes uneconomical to the City because of damage, destruction or obsolescence, or change in economic or business conditions, or change in government standards and regulations. The City shall not permit others to commit a nuisance in or about the Equipment or itself commit a nuisance in connection with its use of the Equipment. The City will pay all costs and expenses of operation of the Equipment.

The City may, also at its own expense, make from time to time any additions, modifications or improvements to the Equipment that it may deem desirable for its business purposes and that do not materially impair the structural strength or effective use, or materially decrease the value, of the Equipment. All additions, modifications or improvements made by the City pursuant to the authority of this Section shall (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 Equipment.

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

Damage, Destruction and Condemnation

The City shall bear the risk of loss with respect to the Equipment during the Lease Term. If (a) the Equipment 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 Equipment or any part thereof shall be nonexistent or deficient or taken under the exercise or threat of the power of eminent domain by any governmental body or by any person, firm or corporation acting pursuant to governmental authority, the Net Proceeds will be paid to the Trustee. Upon the written direction of the City, the Trustee will disburse the Net Proceeds of any insurance claim, condemnation award or sale under threat of condemnation as directed by the City to be applied to the prompt replacement, repair, restoration, modification or improvement of the Equipment, unless the City shall have exercised its option to purchase the Trustee's interest in the Equipment 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 shall be paid to the City and shall be held and appropriated by the City for the exclusive purpose of paying Rent under the Lease.

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

If the Net Proceeds are insufficient to pay in full the cost of any replacement, repair, restoration, modification or improvement and the City has not elected to purchase the Trustee's interest in the Equipment pursuant to the Lease, the City shall complete such replacement, repair, restoration, modification or improvement and pay any costs thereof in excess of the amount of the Net Proceeds and, if the City shall make any payments pursuant to this Section, the City shall not be entitled to any reimbursement thereof from the Trustee nor shall the City be entitled to any diminution of Rent.

Eminent Domain

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

The City has covenanted and agreed, to the extent it may lawfully do so, that if for any reason it exercises the power of eminent domain with respect to the Equipment, the appraisal value of the Equipment shall not be less than the Rent Payments then due plus the then applicable Purchase Price.

If title to all or a portion of the Equipment is challenged or threatened by means of competent legal or equitable action, the City has covenanted that it shall cooperate with the Trustee and shall take all reasonable actions, including where appropriate the lawful exercise of the City's power of eminent domain, in order to quiet title to the Equipment in the City.

Purchase Option

The City shall have the option to purchase the Trustee's interest in the Equipment, upon giving written notice to the Trustee at least 30 days before the date of purchase, at the following times and on the following terms:

(a) At any time on or after the date stated for *Optional Prepayment* in the Declaration of Trust for all Outstanding Certificates, upon payment in full of the Rent Payments then due under the Lease plus a Purchase Price equal to the remaining Principal Portions of Basic Rent for the maximum Lease Term plus the Interest Portion of Basic Rent accrued to the purchase date;

(b) On any date upon deposit of funds 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, and the Purchase Price calculated as described in (a) above on the Certificates

to, any date occurring on or after the date stated for *Optional Prepayment* in the Declaration of Trust for all Outstanding Certificates; or

(c) In the event of substantial damage to or destruction or condemnation (other than condemnation by the City or any entity controlled by or otherwise affiliated with the City) of, or loss of title to, substantially all of the Equipment, 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 Lease or the Declaration of Trust becomes unenforceable, on the date the City specifies as the purchase date in the City's notice to the Trustee of its exercise of the purchase option, upon payment in full of the Rent Payments then due under the Lease plus a Purchase Price equal to the remaining Principal Portions of Basic Rent for the maximum Lease Term plus the Interest Portion of Basic Rent accrued to the purchase date.

Unless the maturity date of any Certificates Outstanding shall have been extended pursuant to the Declaration of Trust, then upon payment in full of all Rent Payments through October 1, 2036, the City shall be deemed to have purchased the Equipment pursuant to this Section.

Partial Prepayment

The City shall have the option to prepay the Basic Rent Payments in part, upon giving written notice to the Trustee at least 30 days before the date of such prepayment, on any date occurring on or after the date stated for *Optional Prepayment* with respect to the applicable series of Certificates in the Declaration of Trust, at a Prepayment Price equal to the Principal Portion of Basic Rent being so prepaid plus the Interest Portion of Basic Rent accrued thereon to such date.

The Principal Portion of Basic Rent prepaid pursuant to the provisions of this Section shall be in integral multiples of \$5,000 and shall be credited in inverse order of maturity. Upon any partial prepayment, the amount of each Interest Portion of Basic Rent coming due thereafter shall 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.

Assignment and Subleasing by the City

Except as in the Lease, none of the City's right, title and interest in, to and under the Lease and in the Equipment may be assigned or encumbered by the City for any reason; except that the City may sublease any one or more parts of the Equipment if the City obtains and delivers 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 attributable to the Tax-Exempt Certificates from gross income for purposes of federal or State income taxation. Any such sublease of all or part of the Equipment shall be subject to the Lease and the rights of the Trustee in, to and under the Lease and in the Equipment.

Events of Default Defined

Any of the following shall constitute an "Event of Default" under the Lease:

(a) Failure by the City to make any deposits required by the Lease to pay Basic Rent in the Lease Revenue Fund at the time specified in the Lease;

(b) Failure by the City to make any Supplemental Rent Payment when due and the continuance of such failure for 10 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 30 days after written notice specifying such failure and requesting that it be remedied is given to the City by the Trustee unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided that, if the failure stated in the notice cannot be corrected within the applicable period, 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 Lease or the execution, delivery or performance of it shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made;

(e) Any provision of the Lease shall at any time for any reason cease to be valid and binding on the City, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the City or any governmental agency or authority, if the loss of such provision would materially adversely affect the rights or security of the Trustee; or

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

If the City fails to comply with the Continuing Disclosure Undertaking, such failure shall not be an Event of Default under the Lease.

Remedies on Default

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

(a) By written notice to the City, the Trustee may declare all Rent payable by the City 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 Equipment (in which event the City shall take all actions necessary to authorize, execute and deliver to the Trustee all documents necessary to vest in the Trustee all of the City's interest in the Equipment) and sell the Equipment or lease the Equipment or, for the account of the City, sublease the Equipment continuing 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 or leasing or subleasing the Equipment and all brokerage, auctioneers' and attorneys' fees);

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

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

No Remedy Exclusive

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

* * *

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

\$6,520,000*
CERTIFICATES OF PARTICIPATION
(CITY OF FARMINGTON, MISSOURI, LESSEE)
SERIES 2026A

\$110,000*
TAXABLE CERTIFICATES OF PARTICIPATION
(CITY OF FARMINGTON, MISSOURI, LESSEE)
SERIES 2026B

CONTINUING DISCLOSURE UNDERTAKING

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

RECITALS

1. This Continuing Disclosure Undertaking is executed and delivered by the City in connection with the execution and delivery of Certificates of Participation (City of Farmington, Missouri, Lessee), Series 2026A (the “**Series 2026A Certificates**”) and Taxable Certificates of Participation (City of Farmington, Missouri, Lessee), Series 2026B (the “**Series 2026B Certificates**”) and, together with the Series 2026A Certificates, the “**Series 2026 Certificates**”), pursuant to a Declaration of Trust dated as of July 1, 2026 (the “**Declaration of Trust**”) made by BOKF, 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 July 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 of the Series 2026 Certificates and to assist the Participating Underwriter 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 which (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.

* Preliminary; subject to change.

“Business Day” means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in the City or any city in which the principal corporate trust 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.

“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 **October 1** and ending on **September 30** or any other **12**-month period selected by the City as the Fiscal Year of the City for financial reporting purposes.

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

“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 _____, 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 June 1 of each year (commencing June 1, 2027), 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. 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 provided 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 send a notice to the MSRB 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 3**.

Section 4. Termination of Reporting Obligation. The City’s obligations under this Continuing Disclosure Undertaking shall terminate upon the legal defeasance, prior prepayment 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 entity, 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 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.

Section 13. Notice to the City. The City may be required by an underwriter of any future obligation of the City to state in any future offering document subject to the Rule whether the City has materially complied with its obligations under this Continuing Disclosure Undertaking for the five year period preceding the date of such offering document or shorter period if the Series 2026 Certificates have not been outstanding for five years. The foregoing shall not be deemed to be an obligation of the City, contractually or otherwise, and is only included for purposes of providing notice to the City.

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 FARMINGTON, 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:

1. **“THE SEWER SYSTEM - Customer Growth and Service Area”**
2. **“THE ELECTRIC SYSTEM - Electrical Demand, Capacity, Customers and Sales”**

APPENDIX E

FORM OF OPINION OF SPECIAL TAX COUNSEL

Mayor and City Council
Farmington, Missouri

BOKF, N.A., as Trustee
St. Louis, Missouri

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

Re: \$6,520,000* Certificates of Participation (City of Farmington, Missouri, Lessee), Series 2026A,
and \$110,000* Taxable Certificates of Participation (City of Farmington, Missouri, Lessee),
Series 2026B

To Addressees:

We have acted as special tax counsel in connection with a transaction involving the above-captioned certificates of participation (collectively the “Series 2026 Certificates”), evidencing proportionate interests of the owners thereof in Basic Rent Payments to be made by the City of Farmington, Missouri (the “City”) under a Lease Purchase Agreement dated as of July 1, 2026 (the “Lease”), between BOKF, N.A., as trustee (the “Trustee”), and the City. The Series 2026 Certificates are delivered pursuant to the Declaration of Trust dated as of July 1, 2026 (the “Declaration”), made by the Trustee. *Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Declaration and the Lease.*

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. Regarding questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

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

1. The City is a third-class city duly created, organized and existing under and by virtue of the Constitution and laws of the State with full power and authority to enter into the Lease and the transactions contemplated thereby and to perform all of its obligations thereunder.

2. The Declaration has been approved by the City, and the Lease, the Tax Compliance Agreement and the Continuing Disclosure Undertaking have been duly authorized, executed and delivered by the City and constitute legal, valid and binding agreements of the City, enforceable in accordance with their terms, except that the Lease is enforceable only during each fiscal year for which sufficient funds have been appropriated.

3. The Series 2026 Certificates have been duly authorized, executed and delivered in accordance with the Declaration, are entitled to the benefits and security of the Declaration and evidence interests in the right to receive Basic Rent Payments under the Lease, which right to receive Basic Rent Payments is enforceable against the City in accordance with the terms of the Series 2026 Certificates, the Declaration and the Lease.

4. The Interest Portion of each Basic Rent Payment represented by the Series 2026A Certificates (including any original issue discount properly allocable to an Owner thereof) (i) is excludable from gross income for federal income tax purposes, (ii) is exempt from income taxation by the State of Missouri, and (iii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the City complies with all requirements of the Internal

* Preliminary; subject to change.

Revenue Code of 1986, as amended (the “Code”) that must be satisfied subsequent to the execution and delivery of the Lease and the Series 2026A Certificates in order that the Interest Portions of Basic Rent Payments represented by the Series 2026A Certificates be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the Interest Portions of Basic Rent Payments represented by the Series 2026A Certificates to be included in gross income for federal and Missouri income tax purposes retroactive to the date of execution and delivery of the Lease. The City’s obligation to pay Basic Rent Payments under the Lease with respect to the Series 2026A Certificates is a “qualified tax-exempt obligation” for purposes of Section 265(b)(3) of the Code.

5. The Interest Portion of each Basic Rent Payment represented by the Series 2026B Certificates is included in gross income for federal income tax purposes.

We express no opinion regarding (a) other federal or Missouri tax consequences arising with respect to Basic Rent Payments or the Series 2026 Certificates, (b) the treatment for federal or Missouri income tax purposes of any money received by registered owners of the Series 2026 Certificates other than payments by the City made pursuant to the Lease upon an Event of Nonappropriation or an Event of Default, or (c) the title to or the description of the property subject to the Lease.

The rights of the owners of the Series 2026 Certificates and the enforceability of the Series 2026 Certificates, the Declaration, the Lease, the Tax Compliance Agreement and the Continuing Disclosure Undertaking may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

This opinion is delivered to you for your use only and may not be used or relied upon by, or published or communicated to, any third party for any purpose whatsoever without our prior written approval in each instance.

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

Very truly yours,