

SUPPLEMENT TO THE FINAL OFFICIAL STATEMENT DATED NOVEMBER 15, 2016

relating to

\$19,710,000

**LITTLE BLUE VALLEY SEWER DISTRICT
SEWER SYSTEM REVENUE BONDS
(JACKSON AND CASS COUNTIES, MISSOURI)
SERIES 2016**

IMPORTANT CHANGE TO THE FINAL OFFICIAL STATEMENT FOR THE ABOVE-REFERENCED BONDS IS AS FOLLOWS:

APPENDIX C : FORM OF OPINION OF BOND COUNSEL

This Supplement to the final Official Statement dated November 15, 2016, related to the above-referenced bonds (the “Bonds”), supplements and amends certain terms of the offering of the Bonds set forth in the final Official Statement.

Paragraph 3 of Appendix C: Form of Opinion of Bond Counsel relating to the federal and Missouri state tax-exemption of the Bonds is amended and supplemented and now reads in its entirety as follows:

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

The entire final Official Statement, as amended and supplemented by this Supplement, is attached hereto.

The date of this Supplement is November 21, 2016.

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

\$19,710,000
LITTLE BLUE VALLEY SEWER DISTRICT
(JACKSON AND CASS COUNTIES, MISSOURI)
SEWER SYSTEM REVENUE BONDS
SERIES 2016

Dated: Date of Delivery

Due: September 1, as shown below

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

The Bonds are issuable only as fully registered bonds and when issued will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("**DTC**"), New York, New York, which will act as securities depository for the Bonds. Purchases of beneficial ownership interests in the Bonds will be made in book-entry-only form, in denominations of \$5,000 and integral multiples thereof. So long as Cede & Co is the registered owner of the Bonds, as nominee of DTC, purchasers of beneficial interests ("Beneficial Owners") will not receive certificates representing their interests in the Bonds, payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., and references herein to the Bondholders or owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. See "**THE BONDS – Book-Entry Only System.**" Principal of the Bonds is payable to the registered owners of the Bonds on each September 1 in the years shown on the inside cover page. Interest on the Bonds is payable semiannually on March 1 and September 1 of each year, beginning on March 1, 2017.

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

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

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

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

The Bonds are offered when, as and if issued by the District, subject to the approval of legality by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel. Certain legal matters will be passed upon for the District by Shook, Hardy & Bacon LLP, Kansas City, Missouri. Certain legal matters relating to this Official Statement will be passed upon for the District by Gilmore & Bell, P.C., Kansas City, Missouri, as Disclosure Counsel. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about November 22, 2016.

The date of this Official Statement is November 15, 2016.

BAIRD

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

**\$19,710,000
LITTLE BLUE VALLEY SEWER DISTRICT
SEWER SYSTEM REVENUE BONDS
SERIES 2016**

Dated Date: Date of Issuance

SERIAL BONDS

| <u>Maturity</u> (September 1) | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP</u> <u>Number</u> ¹ |
|----------------------------------|-----------------------------------|--------------------------------|--------------|----------------------|--|
| 2017 | \$760,000 | 2.000% | 0.900% | 100.847 | 537011 BD9 |
| 2018 | 700,000 | 2.000 | 1.150 | 101.488 | 537011 BE7 |
| 2019 | 715,000 | 2.000 | 1.350 | 101.763 | 537011 BF4 |
| 2020 | 730,000 | 5.000 | 1.500 | 112.796 | 537011 BG2 |
| 2021 | 765,000 | 5.000 | 1.700 | 115.070 | 537011 BH0 |
| 2022 | 805,000 | 5.000 | 1.900 | 116.876 | 537011 BJ6 |
| 2023 | 845,000 | 3.000 | 2.150 | 105.330 | 537011 BK3 |
| 2024 | 870,000 | 5.000 | 2.300 | 119.118 | 537011 BL1 |
| 2025 | 985,000 | 5.000 | 2.450 | 120.020 | 537011 BM9 |
| 2026 | 960,000 | 4.000 | 2.600 | 110.918 ² | 537011 BN7 |
| 2027 | 995,000 | 4.000 | 2.800 | 109.275 ³ | 537011 BP2 |
| 2028 | 1,035,000 | 3.000 | 3.000 | 100.000 | 537011 BQ0 |
| 2029 | 1,070,000 | 3.000 | 3.100 | 98.948 | 537011 BR8 |
| 2030 | 1,100,000 | 3.125 | 3.200 | 99.166 | 537011 BS6 |
| 2031 | 1,135,000 | 3.125 | 3.300 | 97.963 | 537011 BT4 |
| 2032 | 1,170,000 | 3.250 | 3.350 | 98.779 | 537011 BU1 |
| 2033 | 1,210,000 | 3.250 | 3.400 | 98.090 | 537011 BV9 |
| 2034 | 1,245,000 | 3.250 | 3.450 | 97.355 | 537011 BW7 |
| 2035 | 1,285,000 | 3.500 | 3.500 | 100.000 | 537011 BX5 |
| 2036 | 1,330,000 | 3.500 | 3.550 | 99.290 | 537011 BY3 |

1. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein have been assigned to this issue by CUSIP Global Services. The CUSIP numbers listed above are being provided solely for the convenience of the Bondowners of the Bonds only at the time of the issuance of the Bonds and none of the Authority, the District or the Underwriter make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future.

2. Priced to Call Date.

3. Priced to Call Date.

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

BOARD OF TRUSTEES

Frank White, Chair & Trustee - Jackson County Executive
Carson Ross, Vice-Chair & Trustee
Randy Rhoads, Secretary & Trustee
Eileen Weir, Treasurer & Trustee
Jeff Cox, Trustee
Kristofer Turnbow, Trustee
Matt Mallinson, Trustee
Leonard Jones, Trustee
Tony Miller, Trustee
Mike McDonough, Trustee
Sly James, Trustee

ADMINISTRATIVE STAFF

Greg Boettcher, Executive Director
Karen Wardle, Director of Finance

MAYORS ADVISORY BOARD

| | |
|-------------------|---|
| Jeff Davis | Mayor of Belton |
| Carson Ross | Mayor of Blue Springs |
| Leonard Jones | Mayor of City of Grandview |
| Eileen Weir | Mayor of Independence |
| Sean Hennessy | Chief Financial Officer, Water Services Dept. - Kansas City, Missouri |
| Rocky Queen | Mayor of Lake Tapawingo |
| Randy Rhoads | Mayor of Lee's Summit |
| Jeff Thorn | Representative for Middle Big Creek Subdistrict |
| Kristofer Turnbow | Mayor of Raymore |
| Mike McDonough | Mayor of Raytown |
| Matt Mallinson | Mayor of Sugar Creek |

DISTRICT COUNSEL

Shook, Hardy & Bacon LLP
Kansas City, Missouri

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Cudney, Ecord, McEnroe & Mullane L.L.C.
Kansas City, Missouri

DISTRICT MUNICIPAL ADVISOR

Piper Jaffray & Co.
Leawood, Kansas

DISTRICT BOND COUNSEL

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

REGARDING USE OF THIS OFFICIAL STATEMENT

THE BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR “BLUE SKY” LAWS, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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

No dealer, broker, salesman or other person has been authorized by the District OR BY ANY PERSON to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to its date.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

The statements included or incorporated by reference in this Official Statement that are not purely historical, including statements regarding the District’s expectations, hopes, intentions, or strategies regarding the future, constitute “forward-looking statements” within the meaning of the United State Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “anticipate,” “budget,” or other similar words. Such forward looking statements include, among others, certain statements under the section in this Official Statement captioned “**RISK FACTORS**” in this Official Statement.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE, OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE, OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE FORWARD-LOOKING STATEMENTS HEREIN ARE NECESSARILY BASED ON VARIOUS ASSUMPTIONS AND ESTIMATES AND ARE INHERENTLY SUBJECT TO VARIOUS ASSUMPTIONS AND ESTIMATES AND TO VARIOUS RISKS AND UNCERTAINTIES. INCLUDED IN SUCH RISKS AND UNCERTAINTIES ARE (i) THOSE RELATING TO THE POSSIBLE INVALIDITY OF THE UNDERLYING ASSUMPTIONS AND ESTIMATES, (ii) POSSIBLE CHANGES OR DEVELOPMENTS IN SOCIAL, ECONOMIC, BUSINESS, INDUSTRY, MARKET, LEGAL AND REGULATORY CIRCUMSTANCES, AND (iii) CONDITIONS AND ACTIONS TAKEN OR OMITTED TO BE TAKEN BY THIRD PARTIES, INCLUDING, COMPETITORS AND LEGISLATIVE, JUDICIAL, AND OTHER GOVERNMENTAL AUTHORITIES AND OFFICIALS. ASSUMPTIONS RELATED TO THE FOREGOING INVOLVE JUDGMENTS WITH RESPECT TO, AMONG OTHER THINGS, FUTURE ECONOMIC, COMPETITIVE, AND MARKET CONDITIONS AND FUTURE BUSINESS DECISIONS, ALL OF WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT ACCURATELY. FOR THESE REASONS, THERE CAN

BE NO ASSURANCE THAT THE FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT WILL PROVE TO BE ACCURATE.

UNDUE RELIANCE SHOULD NOT BE PLACED ON FORWARD-LOOKING STATEMENTS. ALL FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT ARE BASED ON INFORMATION AVAILABLE TO THE DISTRICT ON THE DATE HEREOF, AND THE DISTRICT ASSUMES NO OBLIGATION TO UPDATE ANY SUCH FORWARD-LOOKING STATEMENTS IF OR WHEN THE EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR OR FAIL TO OCCUR, OTHER THAN AS INDICATED UNDER THE CAPTION "CONTINUING DISCLOSURE."

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OFFICIAL STATEMENT

\$19,710,000

**LITTLE BLUE VALLEY SEWER DISTRICT
(JACKSON AND CASS COUNTIES, MISSOURI)
SEWER SYSTEM REVENUE BONDS
SERIES 2016**

INTRODUCTION

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

Purpose of the Official Statement

The purpose of this Official Statement is to set forth certain information concerning Little Blue Valley Sewer District (Jackson and Cass Counties, Missouri) the **“District”**), a body corporate and politic organized and existing under the laws of the State of Missouri (the **“State”**), and the District’s Sewer System Revenue Bonds, Series 2016 (the **“Bonds”**), to be issued in the principal amount of \$19,710,000. See **“THE DISTRICT”** and **“THE BONDS.”**

The District

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

The Middle Big Creek Subdistrict

In October 1992, the District petitioned the circuit court to establish an expanded service area defined as the Middle Big Creek Subdistrict to provide wholesale wastewater treatment service to 8 public and private entities in Jackson and Cass Counties, Missouri, each entity entering into a standard service agreement with the District. The Middle Big Creek Subdistrict is an unincorporated geographic area within the District. The revenues of the Middle Big Creek Subdistrict are not available for payment of the Bonds or the Parity Bonds (defined below). In addition to the financial data shown in the Financial Reports attached as **Appendix A**, the District accounts for, budgets and tracks Middle Big Creek Subdistrict financial data separately from that of the District. See the sections **“Supplementary Schedules”** and **“Schedule 1,” “Schedule 2”** and **“Schedule 3”** in the Financial Reports attached as **Appendix A**.

Purpose of and Authority for the Bonds

The Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State of Missouri, including particularly Sections 204.250 to 204.470 inclusive, RSMo., as amended (the “**Act**”), and an Amended and Restated Resolution No. 3446 adopted by the Board of Trustees of the District on November 9, 2016 (the “**Bond Resolution**”). The only change from the original Resolution No. 3446 as passed on October 12, 2016 was removing reference to the Paying Agent holding the Budget Stabilization Subaccount. That subaccount, along with all other funds and accounts created under the Bond Resolution, is held in the District’s treasury.

The Bonds are being issued for the purpose of providing the District with funds (i) to pay the costs of the Project (as defined herein) and (ii) to pay the costs of issuance of the Bonds. See “**THE PROJECT.**”

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

Security and Sources of Payment for the Bonds; Parity Bonds

General. The Bonds are revenue bonds secured by and payable solely from a pledge of the net revenues of the District (not including net revenues generated by the Middle Big Creek Subdistrict) derived from the operation of the sewerage system after payment of costs of operation and maintenance (the “**Net Revenues**”) on a parity with two prior series of Bonds issued by the District: \$88,915,000 original principal amount of its Sewer System Improvement and Refunding Revenue Bonds (State Revolving Fund Program), Series 2003A (the “**Series 2003A Bonds**”), outstanding in the aggregate principal amount of \$60,510,000, and \$118,350,000 original principal amount of its Taxable Sewer System Revenue Bonds (Build America Bonds – Direct Pay), Series 2010 (the “**Series 2010 Bonds**”), outstanding in the aggregate principal amount of \$118,350,000. The Series 2003A Bonds and Series 2010 Bonds together are herein referred to as the “**Parity Bonds**”.

In 2011, the District issued the Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program – Middle Big Creek Sewer Subdistrict Project), Series 2011A (the “**Series 2011A Bonds**”) on behalf of the Middle Big Creek Subdistrict, with a maximum available amount of \$37,850,000. As of September 20, 2016, \$31,172,833 has been drawn on the Series 2011A Bonds. The District intends to draw the remaining entire maximum available amount of the Series 2011A Bonds in the future. The Series 2011A Bonds are only secured by the net revenues of the Middle Big Creek Subdistrict. The Parity Bonds and Series 2016 Bonds are therefor secured by separate, distinct sources of net revenues from the Series 2011A Bonds. See “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.**”

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

Additional Bonds

The Bond Resolution authorizes the District to issue additional parity bonds in the future payable from the same source and secured by the same revenues as the Bonds; provided, however, that such additional bonds may be so issued only in accordance with and subject to the covenants, conditions and

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

Continuing Disclosure Information

At the time of issuance of the Bonds, the District will enter into a Continuing Disclosure Undertaking dated as of November 1, 2016 (the **“Continuing Disclosure Undertaking”**). Pursuant to the Continuing Disclosure Undertaking, the District will covenant to provide certain financial and operating information with respect to the District on an on-going basis and notice of certain events in accordance with Rule 15c2-12 promulgated by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (**“Rule 15c2-12”**). See **“DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE BOND RESOLUTION AND THE CONTINUING DISCLOSURE UNDERTAKING”** in **Appendix B** hereto.

Additional Information

Appendix A to this Official Statement contains the Independent Auditor’s Report, Management Discussion and Analysis and Financial Statements of the District for the Fiscal Year ended September 30, 2015. The Financial Statements in **Appendix A** include “Supplementary Schedules” that shows the separation of District and Middle Big Creek Subdistrict financial information. **Appendix B** to this Official Statement includes definitions of certain capitalized terms used in this Official Statement and summaries of certain provisions of the Bond Resolution and the Continuing Disclosure Undertaking. **Appendix C** to this Official Statement contains the proposed form of the opinion which is anticipated to be rendered by Bond Counsel at the time of delivery of the Bonds.

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

THE BONDS

General

The Bonds shall be issued in fully registered form in the denomination of \$5,000 each or integral multiples thereof and shall be dated the date of delivery thereof. Each Bond shall be numbered in a convenient manner, established by the Paying Agent (initially, UMB Bank, N.A., Kansas City, Missouri) and

shown on the Bond Register. The Bonds shall bear interest at the rate per annum set forth on the cover hereof, computed on the basis of a 360-day year consisting of twelve 30-day months, payable each March 1 and September 1 of each year, commencing March 1, 2017. Principal shall be paid on September 1 and in the principal amounts and on the maturity dates as set forth on the inside cover hereof, unless earlier called for redemption.

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

Optional Redemption

Optional Redemption of the Bonds. At the option of the District, the Bonds or portions thereof maturing September 1, 2026, and thereafter may be called for redemption and payment prior to their Stated Maturity on and after September 1, 2025, in whole or in part at any time in such amounts for each Stated Maturity as shall be determined by the District at a Redemption Price equal to 100% of the principal amount of the Bonds, plus accrued interest thereon to the Redemption Date.

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

The Bonds shall be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. When less than all of the Outstanding Bonds are to be redeemed, such Bonds shall be redeemed from Stated Maturities selected by the District, and Bonds of less than a full Stated Maturity shall be selected by the Paying Agent in \$5,000 units of principal amount by lot or by such other equitable manner as the Paying Agent may determine.

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

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

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

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

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

Effect of Notice of Redemption

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

Book-Entry Only System

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates

the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has an S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are revenue bonds secured by and payable solely from Net Revenues on a parity with the Parity Bonds. The Net Revenues securing the Parity Bonds and the Series 2016 Bonds include only Net Revenues of the District and not net revenues of the Middle Big Creek Subdistrict.

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

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

Net Revenues

Pursuant to the Bond Resolution, the District has pledged the Net Revenues of the District to the payment of the principal of, premium, if any, and interest on the Bonds issued thereunder. Such pledge is for the equal and proportionate benefit and security of the Bonds, the Parity Bonds and any other parity bonds issued in the future. The Series 2011A Bonds are secured solely by the net revenues of the Middle Big Creek Subdistrict... The Parity Bonds and Series 2016 Bonds are secured solely by the Net Revenues of the District and not by any of the net revenues of the Middle Big Creek Subdistrict that are pledged to the Series 2011A Bonds. In the Bond Resolution, the District covenants that it will not issue obligations of any kind or nature payable from, or with a lien on, Net Revenues of the District or any part thereof having a prior lien over or, except as permitted in the Bond Resolution for the issuance of parity bonds. Notwithstanding the foregoing, the Bond Resolution permits the issuance of subordinate bonds secured by Net Revenues of the District on a subordinate basis to the Bonds, the Parity Bonds and any other parity bonds issued in the future.

Flow of Funds

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

- (a) Revenue Fund (the “**Revenue Fund**”).
- (b) Debt Service Account for Sewer System Revenue Bonds, Series 2016 (the “**Debt Service Account**”).
- (c) Rebate Account for Sewer System Revenue Bonds, Series 2016 (the “**Rebate Account**”).
- (d) Project Account for Sewer System Revenue Bonds, Series 2016 (the “**Project Account**”).
- (e) Rehabilitation and Replacement Account (the “**Rehabilitation and Replacement Account**”).
- (f) Capital Improvements Account (the “**Capital Improvements Account**”).

In addition, there shall be created and maintained a Budget Stabilization Subaccount for Sewer System Revenue Bonds, Series 2016 (the “Budget Stabilization Subaccount”). The District shall deposit into the Budget Stabilization Subaccount as described below in “**Deposits to and Uses of Moneys in the Revenue Fund.**”

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

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

- (1) to pay Expenses of operating and maintaining the System,
- (2) to deposit into the Debt Service Account the amounts required by the Bond Resolution, as described below under the heading captioned “**Deposits to and Uses of Money in the Debt Service Account,**”
- (3) to the Budget Stabilization Subaccount, the annual Board designated amount of the Accumulated Revenues to be collected in the Budget Stabilization Account, if any,
- (4) to deposit into the Rehabilitation and Replacement Account the amounts required by the Bond Resolution, as described below under the heading captioned “**Deposits to and Uses of Money in the Rehabilitation and Replacement Account,**”
- (5) to the Capital Improvements Account or any other accounts authorized by the District, if any is created within the Revenue Fund, an amount sufficient to pay the estimated cost of capital projects (to the extent authorized from time to time) for the extension, enlargement, improvement or replacement of the System during the ensuing month upon receipt of a duly authorized certificate of an authorized officer of the District, based upon a finding by the District that such payment is made for a purpose and within the scope of the annual budget of the District or otherwise approved by the Board of Trustees of the District.

- (6) all moneys remaining in the Revenue Fund may be expended and used for the following purposes as determined by the District and as specified in a duly authorized certificate of an authorized officer of the District filed with the Paying Agent:
 - (a) Paying the cost of improving, extending and rehabilitating the System;
 - (b) Preventing default in, anticipating payments into or increasing the amounts in the Debt Service Fund, the Budget Stabilization Subaccount or the Rehabilitation and Replacement Account referred to in paragraphs (2), (3) and (4) of this Section, or any one of them, or establishing or increasing the amount of any debt service fund created by the District for the payment of Parity Bonds;
 - (c) Calling, redeeming and paying prior to Stated Maturity, or, at the option of the District, purchasing in the open market at the best price obtainable not exceeding the redemption price (if any bonds are callable), the Bonds or any Parity Bonds, including principal, interest and redemption premium, if any; or
 - (d) Any other lawful purpose in connection with the operation of the System and benefiting the System.

Budget Stabilization Subaccount. The Budget Stabilization Subaccount is designed to keep rates for the District's Users stable over time. The rates have been set so that there is a buildup period of Accumulated Revenues. For each fiscal year, the Board of Trustees designates an amount of Accumulated Revenues to be deposited in the Budget Stabilization Subaccount that can then be used to pay debt service on the Parity Bonds and/or the Expenses of operating and maintaining the System.

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

- (1) Beginning on December 15, 2016 and continuing on or before the fifteenth day of each month thereafter to and including February 15, 2017, an equal pro rata portion of the amount of interest becoming due on the Bonds on March 1, 2017; and thereafter, beginning on March 15, 2017, and continuing on or before the fifteenth day of each month thereafter so long as any of the Bonds remain Outstanding and unpaid, an amount not less than 1/6 of the amount of interest that will become due on the Bonds on the next succeeding Interest Payment Date; and
- (2) Beginning on December 15, 2016 and continuing on or before the fifteenth day of each month thereafter to and including August 15, 2017, an equal and pro rata portion of the principal becoming due on the Bonds on September 1, 2017; and thereafter, beginning on September 15, 2017, and continuing on or before the fifteenth day of each month thereafter so long as any of the Bonds remain Outstanding and unpaid, an amount not less than 1/12 of the amount of principal that will become due on the Bonds on the next succeeding Maturity date.

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

If at any time the moneys in the Revenue Fund are insufficient to make in full the payments and credits at the time required to be made to the Debt Service Account and to the debt service funds established to pay the principal of and interest on any Parity Bonds, the available moneys in the Revenue Fund shall be

divided among such debt service funds in proportion to the respective principal amounts of said series of bonds at the time Outstanding which are payable from the moneys in said debt service funds.

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

Rate Covenant

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

PLAN OF FINANCE

Purpose of and Authority for the Bonds

The Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State of Missouri, including particularly Sections 204.250 to 204.470 inclusive, RSMo., as amended, and an Amended and Restated Bond Resolution No. 3446 adopted by the Board of Trustees of the District on November 9, 2016. The only change from the original Bond Resolution No. 3446 as passed on October 12, 2016 was removing reference to the Paying Agent holding the Budget Stabilization Subaccount. That subaccount, along with all other funds and accounts created under the Bond Resolution, is held in the District's treasury. The District will use the proceeds of the Bonds for the purpose of providing the District with funds (i) to pay the costs of the Project, and (ii) to pay the costs of issuance of the Bonds. See **"THE PROJECT."**

Estimated Sources and Uses of Funds

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

| | |
|--|------------------------|
| <u>Sources of Funds</u> | |
| Par amount of Bonds | \$19,710,000.00 |
| Net Original Issue Premium | <u>856,347.60</u> |
| Total | <u>\$20,566,347.60</u> |
| <u>Uses of Funds</u> | |
| Deposit to Project Account | \$20,000,000.00 |
| Costs of Issuance (including purchaser's discount) | <u>566,347.60</u> |
| Total | <u>\$20,566,347.60</u> |

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DEBT SERVICE REQUIREMENTS FOR THE BONDS

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

| <u>Fiscal Year Ended</u> <u>September 30,</u> | <u>Series 2003 Bonds¹</u> | <u>Series 2010 Bonds²</u> | <u>Series 2016 Bonds</u> | <u>Total</u> |
|--|--------------------------------------|--------------------------------------|--------------------------|--------------------|
| 2017 | 8,768,123 | 7,779,350 | 1,300,277 | 17,847,750 |
| 2018 | 8,903,601 | 7,779,350 | 1,381,931 | 18,064,882 |
| 2019 | 9,190,516 | 7,779,350 | 1,382,931 | 18,352,797 |
| 2020 | 9,496,301 | 7,779,350 | 1,383,631 | 18,659,282 |
| 2021 | 9,757,757 | 7,779,350 | 1,382,131 | 18,919,238 |
| 2022 | 9,990,488 | 7,779,350 | 1,383,881 | 19,153,719 |
| 2023 | 9,776,537 | 7,779,350 | 1,383,631 | 18,939,518 |
| 2024 | 9,608,758 | 11,079,350 | 1,383,281 | 22,071,389 |
| 2025 | | 12,124,750 | 1,454,781 | 13,579,531 |
| 2026 | | 12,307,650 | 1,380,531 | 13,688,181 |
| 2027 | | 12,196,720 | 1,377,131 | 13,573,851 |
| 2028 | | 12,083,390 | 1,377,331 | 13,460,721 |
| 2029 | | 11,967,040 | 1,381,281 | 13,348,321 |
| 2030 | | 11,842,050 | 1,379,181 | 13,221,231 |
| 2031 | | 11,718,110 | 1,379,806 | 13,097,916 |
| 2032 | | 11,573,740 | 1,379,338 | 12,953,078 |
| 2033 | | 11,426,615 | 1,381,313 | 12,807,928 |
| 2034 | | 11,270,730 | 1,379,988 | 12,647,718 |
| 2035 | | 11,105,415 | 1,376,525 | 12,481,940 |
| 2036 | | 10,660,000 | 1,376,550 | 12,036,550 |
| 2037 | | 10,503,263 | | 10,503,263 |
| 2038 | | 10,268,913 | | 10,268,913 |
| 2039 | | 10,135,663 | | 10,135,663 |
| 2040 | | 20,170,413 | | 20,170,413 |
| <u>Totals:</u> | <u>75,492,082</u> | <u>256,889,260</u> | <u>27,602,450</u> | <u>359,983,792</u> |

1. Includes State Revolving Fund Department of Natural Resources Administrative Fees.

2. Excludes Build America Bond interest subsidy.

THE DISTRICT

General

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

In October 1992, the District petitioned the circuit court to establish an expanded service area defined as the Middle Big Creek Subdistrict to provide wholesale wastewater treatment service to 8 public and

private entities in Jackson and Cass Counties, Missouri, each entity entering into a standard service agreement with the District. In December 1992, its net assets representing cash of \$105,409 were contributed to the District. The Middle Big Creek Subdistrict is an unincorporated geographic area within the District. The revenues of the Middle Big Creek Subdistrict are not available for payment of the Bonds or the Parity Bonds. In addition to the financial data shown in the Financial Reports attached as **Appendix A**, the District accounts for, budgets and tracks Middle Big Creek Subdistrict financial data separately from that of the District. See the sections “Supplementary Schedules” and “Schedule 1,” “Schedule 2” and “Schedule 3” in the Financial Reports attached as **Appendix A**.

The System

The District treated approximately 15.5 billion gallons of sewage in the fiscal year ending September 30, 2015, with the Middle Big Creek Subdistrict accounting for approximately 3% of the District’s annual flow volume. The System currently includes a main interceptor which generally parallels the Little Blue River from Belton, Missouri (near U.S. Highway 71) to the Atherton Treatment Plant near the confluence of the Little Blue River and the Missouri River. The Atherton Treatment Plant has a rated average day treatment capacity of 52 million gallons per day (mgd). Currently the Atherton facility treats on an average approximately 43 mgd. The Atherton Treatment Plant’s pump station is capable of pumping a maximum of 400 mgd with its six pumps.

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

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

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

Master Plan

The District completed a Strategic Plan in 1997, a Wastewater Master Plan in 2000 (the “**Master Plan**”) and a Wastewater Treatment Plant Improvements Facility Plan in 2001 (the “**Facility Plan**”), which recommended improvements and expansion of the District through 2020. The Master Plan project provides facilities, organization, and financial plans to support system maintenance, operations, rehabilitation, and capital improvement. The Facility Plan recommended treatment plant and conveyance system improvements. The Facility Plan was updated in April 2010, as part of the Phase II improvements at the Atherton Treatment Plant and conveyance system. The Phase II improvements for the District were funded by the Series 2010 Bonds and the majority of the Phase II construction at the District is complete. The District expects to complete Phase II in December of 2017. The Middle Big Creek Subdistrict Phase I interceptor improvements and expansion were funded with the Series 2011A Bonds and are expected to be completed in May 2017. The Phase I improvements for the District recommended by the Master Plan were financed by the Series 2003A Bonds and were completed in October 2006.

As a result of this process, the District has developed a five-year operation plan, including a Capital/Rehabilitation Plan, an Operations/Organization Plan and a five-year revenue requirement forecast. This tactical planning and coordination has occurred simultaneously with performance improvement initiatives in the areas of human resources, financial management, operations, maintenance, environmental

compliance, information systems, engineering and conveyance. Funds for these short-term and long-term performance improvement initiatives are included in the 2016-2017 District budget.

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

Historical Financing Plans

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

The following table sets forth the District’s historic capital improvement expenditures for improvements to its wastewater system facilities for Fiscal Years 2011 through 2015, including expenditures funded both by bond proceeds and on a “pay-as-you-go” basis:

| Fiscal Year Ended September 30, | Capital Improvement Expenditures¹ |
|--|---|
| 2011 | 6,811,479 |
| 2012 | 6,273,565 |
| 2013 | 37,927,442 |
| 2014 | 33,649,983 |
| 2015 | <u>9,229,424</u> |
| Total | <u>\$93,891,893</u> |

* Source: The District.

Strategic Financial Planning

The District’s financial management utilizes a multi-year strategic financial planning approach designed to anticipate the revenue requirements associated with future year operating and capital financing needs. This includes requirements associated with future operating needs, capital improvements, equipment replacement reserves, rehabilitation and repair needs, and operating reserves. The planning efforts of the District resulted in the development of a long-term financial planning forecast that was presented and approved by all of the District’s users as well as the Board.

District customers are directly engaged in the policy making, strategic initiatives and financial management of the District through the Board of Trustees, the Mayor’s Advisory Board and Technical Advisory Committee, each of which is exclusively composed of entities with service contracts with the District. Such engagement enhances customer awareness and understanding of the challenges, needs and activities of the District.

Administration

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

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

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

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

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

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

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

The current members of the Board are as follows:

| <u>Name</u> | <u>Current Term Expires</u> |
|---------------------------|-----------------------------|
| Frank White, Chair | December 2016 |
| Carson Ross, Vice-Chair | April 2020 |
| Eileen Weir, Treasurer | April 2018 |
| Randall Rhoads, Secretary | April 2018 |
| Jeff Cox | December 2018 |
| Kristofer Turnbow | April 2019 |
| Matt Mallinson | April 2017 |
| Leonard Jones | April 2017 |
| Tony Miller | December 2018 |
| Mike McDonough | April 2017 |
| Sly James | April 2019 |

Management

The day-to-day operation and financial management of the District is led by the Executive Director that serves at the pleasure of the Board of Trustees. The District's General Counsel is similarly selected by and directly reports to the Board of Trustees. The management group reports to the Executive Director and includes the Assistant Director, Director of Finance, Administrative/HR Manager. Second tier management then oversees the various departments (Wastewater Treatment Operations, Maintenance, Wastewater Conveyance, and Technical and Environmental). The Board of Trustees typically has a public meeting every month to receive reports (Executive Director update on District activities, financial report, operational statistics and capital project information) and to also consider resolutions relating to matters of significant monetary value or utilizing funds from restricted accounts. District activities, contract awards, financial actions, variances and other routine business activities are recorded in the official meeting minutes.

Greg Boettcher, Executive Director, has served as Executive Director of the District since 2011. He possesses public manager and professional engineer certifications. Mr. Boettcher has an undergraduate engineering degree and a master's degree in public administration. He has held director-level positions relating to water supply, wastewater disposal, reclaimed water and electric distribution systems in Missouri, Kentucky, Arkansas and Florida. Under his direction the District has successfully completed various capital improvement projects as well as implemented improved costs controls.

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

Karen Wardle, Director of Finance, has served as Director of Finance with the District since 2010. She has been with the District since 1995 as an accountant and benefit specialist. Ms. Wardle has completed coursework in Business Administration and Personnel Management with the University of Phoenix, Salt Lake City, Utah. Ms. Wardle is a member of the Government Finance Officers Association, the National Institute of Governmental Purchasing and the Mid-America Council of Public Purchasing. It is expected that Ms. Wardle will retire from the District in March of 2017.

Employees and Employee Relations

The District employs 63 people, including professional, technical, skilled and specialized trades. The non-management personnel are represented by the Teamsters Union Local 41, with Memorandums of Understanding being negotiated on 3-year intervals. The District is a public agency hence union employees are not able to strike. The District utilizes outside firms and consultants to provide support for large projects, complex issues, highly specialized needs and independent audits. Management has a good working relationship with the union and all employees, as attested by a very low turnover rate and high tenure employees. To further improve performance, interactions and morale, the District is relocating all administrative functions to a new Employee Services Building at its Atherton Treatment Plant Site. Upon completion, 95% of the District employees will then be situated on a common site which will greatly improve all aspects of operations.

Financial Structure

The District's financial structure provides an assured, stable and predictable revenue stream. All District customers have entered standard service agreements which require utilization of services for so long as there is unpaid debt. Thirteen of the fourteen service agreements are with political subdivisions; greatly reducing financial risk and revenue uncertainty. The District's wholesale wastewater services are deemed an

operating and maintenance expense for the customers, hence, the payment hierarchy requires payment of District charges ahead of any customer debt obligations. The District's rate methodology is designed such that each year's revenues exactly match that year's approved annual budget. Once the District's operating budget is approved, the rate methodology prorates the budget to its fourteen customers, with each customer being billed said fixed pro rata share of the budget on a quarterly basis. The District customers are aware and accepting of the fact that there are ongoing increases in operating costs and corresponding increases in the charges paid to the District. The annual budget includes a five year forecast of operation and maintenance costs to provide customers with future financial information regarding the cost of wastewater service.

Insurance

The District maintains third party commercial insurance coverage for various risks while self-insuring for other risks and liabilities. Present commercial insurance coverage is maintained for property, boiler, and machinery, flood, combined liability, excess liability, workers' compensation, public official performance, public entity fiduciary liability and crime. Such policies contain liability limits, deductions, and retentions that management of the District believes to be customary for similar enterprises. Total premiums for third party insurance coverage for Fiscal Year 2015 were \$361,440, an approximately 12.04% increase over Fiscal Year 2014. The increase stems from the completion of various major capital improvement projects and the inclusion of the completed assets in the insurance coverage.

In addition, the District has established a risk management program that self insures a portion of the employee health benefit plan. For the employee health benefit plan the District purchases re-insurance to cover stop loss at \$35,000 for individuals and claims over 125% for the aggregate amount.

The employee health insurance fund maintains a balance to more than cover the exposed risk for this benefit. As of September 30, 2015, 2014 and 2013, this fund balance amounted to \$903,243.33 and \$1,207,036.54, and \$1,099,713.00 respectively. The District internally reviews periodic funding valuations and adjusts the charges as required to maintain the appropriate level of estimated claims liability.

SYSTEM USERS AND SERVICE CONTRACTS

Certain of the District's users are designated by the Act as "customers" for the purpose of approving the issuance of revenue bonds by the District. The 13 current District "customers" are the Cities of Belton, Blue Springs, Grandview, Independence, Kansas City, Lake Tapawingo, Lee's Summit, Raymore, Raytown, and Sugar Creek, Missouri, Jackson County, Missouri, the Fort Osage School District, and the Middle Big Creek Subdistrict (a subdistrict of the District that serves additional users of the System). The District also provides sewer collection and treatment services for the Lake City Army Ammunition Plant (a federal facility operated by an independent, private contractor for the United States Army).

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

Users

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

Belton. A suburb of Kansas City, Missouri, Belton is approximately 14 square miles with a population of approximately 23,000. The estimated 2016 population of Belton that is within the District boundaries is 15,000.

Blue Springs. A suburb of Kansas City, Missouri, Blue Springs is approximately 18 square miles with a population of approximately 54,000. The estimated 2016 population of Blue Springs that is within the District boundaries is 28,000.

Grandview. A suburb of Kansas City, Missouri, Grandview is approximately 15 square miles with a population of approximately 25,000. The estimated 2016 population of Grandview that is within the District boundaries is 24,000.

Independence. The fourth largest city in Missouri, Independence is approximately 79 square miles with a population of approximately 120,000. The estimated 2016 population of Independence that is within the District boundaries is 87,000.

Kansas City. The largest city in Missouri, Kansas City is approximately 318 square miles with a population of approximately 480,000. The estimated 2016 population of Kansas City that is within the District boundaries is 35,000.

Lake Tapawingo. A suburb of Kansas City, Missouri, Lake Tapawingo is approximately 5 square miles with a population of approximately 1,000. The estimated 2016 population of Lake Tapawingo that is within the District boundaries is 720.

Lee's Summit. The sixth largest city in Missouri, Lee's Summit is approximately 62 square miles with a population of approximately 94,600. The estimated 2016 population of Lee's Summit that is within the District boundaries is 93,800.

Raymore. A suburb of Kansas City, Missouri, and one of the fastest growing cities in Missouri, Raymore is approximately 17 square miles with a population of approximately 20,000. The estimated 2016 population of Raymore that is within the District boundaries is 20,000.

Raytown. A suburb of Kansas City, Missouri, Raytown is approximately 10 square miles with a population of approximately 30,000. The estimated 2016 population of Raytown that is within the District boundaries is 29,000.

Sugar Creek. A suburb of Kansas City, Missouri, Sugar Creek is approximately nine square miles with a population of approximately 4,000. The estimated 2016 population of Sugar Creek that is within the District boundaries is 3,100.

Jackson County. Jackson County, Missouri is located on the western edge of the State and contains Kansas City. Jackson County is approximately 616 square miles with a population of approximately 683,000. The estimated 2016 population of Jackson County that is within the District boundaries is 7,900.

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

- Cass County. Cass County, Missouri is located just south of Jackson County and is approximately 703 square miles with a population of approximately 100,000. The estimated 2016 population of Cass County that is within the District boundaries is 900.
- Lee's Summit. See description above.
- Greenwood. A suburb of Kansas City, Missouri, Greenwood is approximately four square miles with a population of approximately 5,400. The estimated 2016 population of Greenwood that is within the District boundaries is 5,400.
- Lake Winnebago. A suburb of Kansas City, Missouri, Lake Winnebago is approximately 2.3 square miles with a population of approximately 1,100. The estimated 2016 population of Lake Winnebago that is within the District boundaries is 1,100.
- Dikeland Sewer District. A Subdivision in Cass County, MO, bounded on the North by 58 Highway, South by 178th Street, West by Fredrick Street, and East by Lyne Street, consisting of 128 lots, currently billing 107 connections.
- Mullendike Sewer District. A Subdivision in Cass County, MO, bounded on the North by 159th Street, South by 167th Street, West by Lyne Street, and East by Ward Road, consisting of 312 lots, currently billing 185 connections.
- Pleasant Hill. A suburb of Kansas City, Missouri, Pleasant Hill is approximately 8 square miles with a population of approximately 8,100. The estimated 2016 population of Pleasant Hill that is within the District boundaries is 8,100.
- Raymore. See description above.
- Jackson County. See description above.

Lake City Army Ammunition Plant. Lake City Army Ammunition Plant is an industrial user and has an actual 2015 annual flow within the District boundaries of 623.7 million gallons that converts to an equivalent population of approximately 18,400.

Fort Osage School District. Fort Osage School District has an actual 2015 annual flow within the District boundaries of 5.5 million gallons that converts to an equivalent population of approximately 210.

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System Flow

The following table sets forth the users of the District's System and the flow for each during the Fiscal Year ended September 30, 2015:

| <u>User</u> | <u>Flow (MG)</u> | <u>Annual Percent of Total</u> |
|-------------------------------|-----------------------|------------------------------------|
| Lee's Summit | 3,992.4367 | 24.3853% |
| Independence | 3,581.6252 | 21.8761 |
| Raytown | 2,115.6072 | 12.9219 |
| Blue Springs | 1,349.2478 | 8.2410 |
| Kansas City | 1,347.9981 | 8.2334 |
| Grandview | 1,110.4856 | 6.7827 |
| Middle Big Creek ¹ | 946.7874 | 5.7829 |
| Raymore | 729.6022 | 4.4563 |
| Lake City Ammunition Plant | 623.7206 | 3.8096 |
| Belton | 547.4774 | 3.3439 |
| Lake Tapawingo | 14.5497 | 0.0889 |
| Sugar Creek | 7.3068 | 0.0446 |
| Fort Osage School District | 5.4522 | 0.0333 |
| Jackson County | <u>0</u> ² | <u>0</u> |
| Total | | <u>100.0000%</u> |

¹ Consists of eight users that are not separately metered.

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

Source: District records.

Service Contracts

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

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

Service Contracts have been entered into between the District and the cities of Belton, Blue Springs, Grandview, Greenwood, Independence, Kansas City, Lake Tapawingo, Lake Winnebago, Lee's Summit, Raymore, Raytown, Pleasant Hill and Sugar Creek, Missouri, Jackson County, Missouri, Cass County,

Missouri, Lake City Army Ammunition Plant (a federal installation), the Fort Osage School District, Dikeland Sewer District and Mullendike Sewer District.

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

The Service Contracts require each of the users to connect to the District's System when it becomes available to them provide that the users shall not construct or permit sewage treatment works that will compete with the District and that the District shall permit and encourage sewer districts and other users within the District to use the District's System for treatment of sewage. The Service Contracts also provide that no sewer district or user shall be permitted to connect to the System unless it has entered into a contractual agreement with the District substantially in the same form as all other Service Contracts in force, and that when such district or user will be connected to the System, it shall pay its pro rata share for services rendered.

The Bonds are not the obligations of the Users.

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

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

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

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

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

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

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

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

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

Wastewater Discharge. All flow rate measurements and wastewater test sampling shall be conducted by the District at connection points. If tests indicate that wastewater discharges to the System exceed the flow or quality criteria of the District, the District may require (a) pretreatment of wastewater, (b) a surcharge for added cost of treatment and (c) a penalty payment in occurrences where flows result in effluent standards being exceeded. Should the District have imposed upon it a monetary penalty by any State or Federal agency or instrumentality because of some action or failure to take action by a user with regard to its sewer system or its use of the District's sewer system, the user shall reimburse the District for any monies paid because of said penalty.

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

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

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

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

1. Volume Related Costs — Volume Related Costs are those costs directly attributable to the flow, and include Debt Service costs, certain Operation and Maintenance costs and other costs as may be approved by the Board from time to time. The user's portion of the

Volume Related Costs will be allocated based on the user's contributed percentage of the District's flow.

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

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

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

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

Abandonment. A user may, in its sole discretion, at any time, abandon, or in the alternative, continue to operate, maintain and repair all or any part of those sewage treatment or disposal facilities constituting at the time of the effective date of the Service Contracts a part of the users' sewer system; subject, however, to the provisions of the Service Contracts and any applicable laws or regulations.

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

Nonassignability. No parties to the Service Contracts may assign any interest therein to any person without the consent of all other parties thereto at that time, and, subject to the terms of the bond resolutions with respect to bonds of the District. The terms of the Service Contracts shall inure to the benefit of and be binding upon the respective successors of each party thereto. Nothing therein contained, however, shall be

construed as preventing the reorganization of any party thereto nor as preventing any other body corporate and politic succeeding a party thereto, as may be authorized by law, subject to the terms and conditions of the bond resolutions and in the absence of any prejudicial impairment of any obligations of contract thereby imposed.

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

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

THE PROJECT

The Project

The District expects that it will construct approximately \$24 million in additional capital improvement projects for Fiscal Year 2017 through Fiscal Year 2020, which will be funded from the proceeds of the Bonds and any remaining balance on a “pay-as-you-go” basis. The District anticipates that the Bond proceeds will be used in planning, construction, expansion, renovation or rehabilitation of the System, including and primarily facilities and equipment in connection with the installation of advanced air emissions controls at the Atherton Wastewater Treatment Facilities (the **“Project”**). The estimated costs shown below include a 25% contingency. As further described below, if the initial portions of the Project are completed for less than the estimated cost, the District will use any remaining Bond proceeds to complete additional improvements.

The advanced air emissions controls will enable the recently constructed sewage sludge incinerator to meet the more stringent air emissions limits adopted by the Environmental Protection Agency. The District is required to have these advanced controls in place by February 2020. The controls include a wet electrostatic precipitator, a granular carbon absorption tower, and an aqueous ammonia storage and injection system. The technology utilized in the Project involves reliable processes, plus the performance shall be guaranteed under a 100% performance bond. The Project will also include development of a cost-effective backup solids disposal system if the incinerator is offline for an extended period. This backup system will render the sludge suitable for beneficial reuse on agricultural lands. Land application, in addition to providing beneficial reuse, also provides an attractive payback period when compared to the landfilling alternative. Solids management is a challenging aspect of wastewater treatment and will be strengthened by having a three-dimensional strategy (incineration, landfilling and land application).

The District also plans to undertake dewatering system and conveyance improvements. The dewatering improvements shall consist of enhancements to the solid dewatering systems (thickeners, centrifuge and belt presses) to improve dewatering efficiency, reliability and achieve minimal natural gas use. Conveyance improvements shall include priority replacements of aging, inoperable or inadequate piping, control gates, structures and valves and other similar conveyance infrastructure.

If the projects outlined in the above paragraph are completed with Bond proceeds remaining, headworks fine screens and raw wastewater pump system improvements will also be implemented. The new headworks fine screens have a perforated plate design that better removes debris and helps prevent debris accumulation that can cause equipment damage and malfunction. The wastewater pumps would replace aging equipment and increase pumping capacity. These items are listed below with an asterisk.

| <u>Project</u> | <u>Estimated Cost</u> |
|---|-----------------------|
| Incinerator Advanced Air Emissions Project | \$13,085,000 |
| Back Up Solids Disposal System/Land Application | 3,153,000 |
| Dewatering System and Conveyance | <u>1,765,000</u> |
| Total Planned Projects | \$18,003,000 |
| Headworks Fine Screens* | 1,270,000 |
| Raw Wastewater Pumping System* | <u>5,040,000</u> |
| Total all Eligible Projects | <u>\$24,313,000</u> |

*portion of Project to be completed if Bond proceeds remain

FINANCIAL OPERATIONS OF THE DISTRICT

Accounting, Budgeting and Auditing Procedures

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

According to the District's bond covenants, the District operates under an annual budget for reasonable and necessary operating expenses. The budget is approved by the Board. The District must prepare a preliminary budget and, not less than sixty days before the beginning of the year, hold a public hearing at which any authorized representative of the users may appear and present any objection the users have with respect to the preliminary annual budget. Although the annual budget serves as a management plan, it must be approved by the Board with any revisions to the budget also approved by the Board.

General

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

Financing Plans

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

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

The financial statements of the District are audited annually by independent certified public accountants. The annual audit for fiscal year 2015 was performed by Cudney, Ecord, McEnroe & Mullane, L.L.C., Kansas City, Missouri. Copies of the audited financial statements for the past five years are on file in

the Executive Director's office and are available for review. Copies of the Comprehensive Annual Financial Reports for the fiscal year ended September 30, 2015, is attached hereto as **Appendix A**. The Financial Statements in **Appendix A** include "Supplementary Schedules" that shows the separation of District and Middle Big Creek Subdistrict financial information.

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

The following table sets forth selected financial data of the District only and excludes financial data related to Middle Big Creek Subdistrict. The data for the three years ended September 30, 2015, 2014 and 2013, are derived from the audited financial statements of the District. The financial data shown below and in **Appendix A**, except as otherwise noted in the “Supplementary Schedules,” reflects only the District. The summary financial data should be read in conjunction with the audited financial statements, including the notes thereto, included as **Appendix A** to this Official Statement.

| | September 30, | | |
|---|---------------------|---------------------|---------------------|
| | <u>2013</u> | <u>2014</u> | <u>2015</u> |
| Operating Revenue: | | | |
| Wastewater treatment user fees | \$19,265,940 | \$20,367,904 | \$21,580,320 |
| Other | <u>63,520</u> | <u>72,770</u> | <u>50,092</u> |
| | <u>19,329,460</u> | <u>20,440,674</u> | <u>21,630,412</u> |
| Operating Expense: | | | |
| Operation and maintenance | 8,712,024 | 9,269,323 | 8,511,399 |
| Administrative and general | 1,619,947 | 1,692,205 | 1,706,587 |
| Depreciation and amortization | 8,246,633 | 7,967,701 | 10,469,558 |
| Unbilled charges | <u>526,125</u> | <u>769,479</u> | <u>480,021</u> |
| | <u>19,104,729</u> | <u>19,698,708</u> | <u>21,167,565</u> |
| Operating Income | <u>224,731</u> | <u>741,966</u> | <u>462,847</u> |
| Nonoperating Revenue (Expense): | | | |
| Interest expense | (10,192,309) | (7,621,567) | (6,284,675) |
| Interest subsidy on revenue bonds | 2,587,995 | 2,526,733 | 2,524,930 |
| Investment income | 2,630,272 | 2,466,986 | 2,319,547 |
| Loss on disposal of capital assets | <u>-</u> | <u>(23,097)</u> | <u>(218,566)</u> |
| | <u>(4,974,042)</u> | <u>(2,650,945)</u> | <u>(1,658,764)</u> |
| Change in net assets | (4,749,311) | (1,908,979) | (1,195,917) |
| Net Assets – beginning of year (as restated) ¹ | <u>68,254,961</u> | <u>61,617,049</u> | <u>57,690,882</u> |
| Net Assets – end of year | <u>\$63,505,650</u> | <u>\$59,708,070</u> | <u>\$56,494,965</u> |

1. Change due to new accounting standard in GASB 68. See Fiscal Year 2015 Audit in Appendix A for more information

Debt Service Coverage

| | September 30, | | |
|--|--------------------|---------------------|---------------------|
| | <u>2013</u> | <u>2014</u> | <u>2015</u> |
| Net Revenue ¹ Available for Debt Service ² | \$13,689,631 | \$13,703,386 | \$16,472,521 |
| Debt Service Requirements ³ Principal and Interest | <u>\$9,948,049</u> | <u>\$10,422,774</u> | <u>\$11,883,896</u> |
| Debt Service Coverage for the Parity Bonds. | 1.38x | 1.31x | 1.39x |

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

2. The Net Revenue for fiscal year 2015 includes \$420,000 that was a planned withdrawal out of an operating reserve account. Debt Service is net of capitalized interest from the Series 2010 Bonds in the amounts of \$5,175,018 for 2013, \$5,252,596 for 2014, and \$2,406,128 for 2015 and includes State Revolving Fund Department of Natural Resources administrative fees.

3. The debt service requirements also include amounts owed on the District's Sewer System Refunding Revenue Bonds, Series 2004 that matured in 2015.

Sewer Rates and Revenues

The District charges municipalities and other entities discharging sewage into the District's interceptor lines, for the use of the System. Each year, these user charges are set to cover the cost of operation and maintenance of the District's sewer system as well as payment of principal and interest on all revenue bonds of the District. The Series 2003 and Series 2010 Bonds are secured by the Net Revenues of the District only. Middle Big Creek Subdistrict pays a fee that is calculated to represent a proportionate share of the debt service requirements on the Series 2003 and Series 2010 Bonds due to the fact that the Middle Big Creek Subdistrict uses the System that includes projects funded by Series 2003 and Series 2010 Bond proceeds. The rate structure is established for each user in individual service contracts. It is made up of cost components that include volume related costs, administrative costs, meter costs, and pretreatment costs. Each user's annual flow is normalized by a projection based on linear regression from the preceding twenty quarters of the actual measured flow. These user charges are billed and collected on a quarterly basis. For 2015-2016, the District budgeted \$22,816,184 in user charges. This is an increase of \$1,235,865 or 5.65% from Fiscal Year ended September 30, 2015.

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

| Year ended <u>September 30,</u> | Charges for <u>Services</u> |
|------------------------------------|--------------------------------|
| 2011 | \$17,172,292 |
| 2012 | 18,191,104 |
| 2013 | 19,265,940 |
| 2014 | 20,367,904 |
| 2015 | 21,580,320 |

* Source: District.

Employee Benefits

The District participates in the Jackson County, Missouri Revised Pension Plan (the "Plan"), a cost-sharing, multiple-employer defined benefit plan administered by the County's Pension Plan Administrative

Committee. The Plan provides retirement, disability and death benefits to all eligible employees. The benefit provisions are provided under the authority of Section 50.337, RSMo., as amended. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: Jackson County Courthouse, Finance Department, 415 E. 12th St., Kansas City, Missouri 64106, or by calling (816) 881-3851.

The District's employees are not required or allowed to contribute to the Plan. The District is required to contribute at an actuarially determined rate. The current rate is 15.46% of covered payroll. The contribution requirements of the District are established and may be amended by the County. The District's contributions to the Plan for the years ended September 30, 2015, 2014 and 2013, were \$488,752, \$465,767, \$381,101 respectively, equal to the required contributions for each year.

RISK FACTORS

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

General

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

- The future level of federal participation in the funding of the wastewater industry needs cannot be determined.
- The need for increased capacity of the facilities of the District may be greater or more rapid than planned for. This may be due to increased development in the District's watershed, population growth, the age of the wastewater treatment facilities and interceptor lines and other factors.
- Future adverse economic conditions, including increased unemployment, demographic changes, inability to control expenses in periods of inflation and difficulties in increasing charges could adversely affect the financial performance of the District.
- Increases in administrative expenses such as general liability insurance coverage, regulatory compliance costs, increased staffing needs, or legal expenses paid in settlement of claims not covered by insurance could adversely impact the District.
- Possible labor disputes with collective bargaining units that represent some of the employees.
- Changes in key management personnel could affect the capability of management of the District.
- Legislative, regulatory, administrative or enforcement action involving environmental controls could adversely affect the operation of the facilities of the District.
- Occurrence of natural disasters, such as tornados, earthquakes, floods or droughts, or terrorist attacks, could damage the District's facilities, affect water supply, interrupt services or otherwise impair operations and the ability of the District to produce revenues.

Special Obligations of the Users

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

rates to cover any future revenue deficiencies. See **“SYSTEM USERS AND SERVICE CONTRACTS – Service Contracts.”**

Construction Cost Overruns and Delays

The District may experience construction cost overruns beyond the normal construction contingencies built into the estimated Project costs. Any excess costs exceeding the Project costs funded with Series 2016 Bond proceeds would be covered by the District’s operating reserves or other appropriate restricted fund balances. The Project budget includes a conservative contingency of approximately 25% or \$3.29 million. The Project is expected to be completed by 2020, but external factors beyond the District’s control, such as severe weather events or long lead time for specialty equipment may delay completion of the Project.

Certain Bankruptcy Risks

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

Compliance with Securities Laws

The Bonds may be sold by Owners only in compliance with the registration provisions, or certain exemptions from, the Securities Act of 1933 and applicable state securities laws (which may be prohibitively expensive if registration is required and may not be possible in any event). In some states, specific conditions must be met or approval of a state securities commissioner is required in order to qualify for an exemption from registration.

Secondary Markets and Prices

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

Enforcement of Remedies

The enforcement of the remedies under the Bond Resolution may be limited or restricted by federal or state laws or by the application of judicial discretion, and may be delayed in the event of litigation. State laws concerning the use of assets of political subdivisions and federal and state laws relating to bankruptcy, fraudulent conveyances, and rights of creditors may affect the enforcement of remedies. Similarly, the application of general principles of equity and the exercise of judicial discretion may preclude or delay the enforcement of certain remedies. The legal opinions to be delivered with the delivery of the Bonds will be qualified as they relate to the enforceability of the various legal instruments by reference to the limitations on enforceability of those instruments under (1) applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors’ rights, (2) general principles of equity, and (3) the exercise of judicial discretion in appropriate cases.

REGULATORY REQUIREMENTS

General

The District is subject to the provisions of the Federal Water Pollution Control Act, as amended, 33 U.S.C.A. 1251 et seq., commonly referred to as the **“Clean Water Act,”** the stated objective of which is to restore and maintain the chemical, physical, and biological integrity of the nation’s waters. The District is also subject to the Missouri Clean Water Law, Sections 644.006 through 644.141, RSMo., as amended, and other laws and regulations. The regulatory requirements are administered by the United States Environmental Protection Agency (**“EPA”**) through DNR. The District is also subject to the Air Pollution Control Act, as amended, 42 U.S.C.A. 7401, et seq., commonly referred to as the **“Clean Air Act.”** The revised, stricter emissions limits under the Clean Air Act for air emissions from sewage sludge incinerators necessitated the Project. The District is currently not subject to the Safe Drinking Water Act, as amended, 42 U.S.C. 300f *et seq.*, which is also administered by the EPA.

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

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

TAX MATTERS

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

Opinion of Bond Counsel

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

Alternative Minimum Tax. Interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

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

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

Other Tax Consequences

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

Original Issue Premium. If a Bond is purchased at a price that exceeds the stated redemption price at maturity of the Bond, the excess of the purchase price over the stated redemption price at maturity constitutes “premium” on that Bond. Under Section 171 of the Code, the purchaser of that Bond must amortize the premium over the term of the Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for Federal income tax purposes on sale or disposition of the Bond prior to its maturity. Even though the owner’s basis is reduced, no Federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

Sale, Exchange or Retirement of Bonds. Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner’s

adjusted tax basis in the Bond. To the extent a Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Bond has been held for more than 12 months at the time of sale, exchange or retirement.

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

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

LITIGATION

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

LEGAL MATTERS

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

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

RATINGS

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

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

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Undertaking dated as of November 1, 2016 (the "**Continuing Disclosure Undertaking**"), the District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide, or cause to be provided, certain financial information and operating data relating to the District to certain parties by not later than the last day of the sixth month following the end of the District's Fiscal Year (the "**Annual Report**"), commencing with the report for the Fiscal Year ended September 30, 2016, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board ("**MSRB**"), through EMMA (described below) pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("**Rule 15c2-12**"). The notices of material events will be filed by the District with the MSRB, through EMMA. The District is the only "obligated person" with responsibility for continuing disclosures. The specific nature of the information to be contained in the Annual Report and in the notices of material events is summarized in "**DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE BOND RESOLUTION AND THE CONTINUING DISCLOSURE UNDERTAKING**" in **Appendix B** hereto. A failure by the District to comply with such undertakings will not constitute a default on the Bonds.

Annual Reports

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

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

Notices of Material Events

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

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

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

Dissemination Agent

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

Amendments to Continuing Disclosure Undertaking

Notwithstanding any other provision of the Continuing Disclosure Undertaking, the District may amend the Continuing Disclosure Undertaking and any provision of the Continuing Disclosure Undertaking may be waived, provided that bond counsel or other counsel experienced in federal securities law matters provides the District with its written opinion that the undertaking of the District contained therein, as so amended or after giving effect to such waiver, is in compliance with Rule 15c2-12 and all current amendments thereto and interpretations thereof that are applicable to the Continuing Disclosure Undertaking.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Undertaking, the District shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be

followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event under the Continuing Disclosure Undertaking, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Remedies

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

Electronic Municipal Market Access System (EMMA)

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

Prior Compliance

The District made similar agreements with respect to the Series 2004 Bonds and Series 2010 Bonds that required the District to file its Annual Report within 180 days of the end of its fiscal year end. Within the last five years, the District did not timely file its audited financial statements and operating data with respect to both the Series 2004 Bonds and the Series 2010 Bonds for the fiscal years ended September 30, 2011, 2013 and 2015. The audited financial statements relating to the Series 2004 Bonds were filed 5, 79, and 3 days late in the fiscal years ended 2011, 2013 and 2015, respectively. The operating data relating to the Series 2004 Bonds were filed 5 and 3 days late in fiscal years ended 2011 and 2015, respectively. The audited financial statements relating to the Series 2010 Bonds were filed 12, 79 and 3 days late in fiscal years ended 2011, 2013 and 2015, respectively. The operating data relating to the Series 2010 Bonds were filed 5 and 3 days late in fiscal years ended 2011 and 2015, respectively.

The District filed a notice of failure to timely file regarding the Series 2010 Bonds continuing disclosure obligations on EMMA on September 8, 2016. The Series 2004 Bonds matured in 2015 and thus notice was not posted regarding the Series 2004 Bonds. The District has also taken steps to ensure that it will meet its continuing disclosure obligations in the future, including hiring Gilmore & Bell, P.C., to assist the District with compiling and filing the Annual Report and any other required event notices.

UNDERWRITING

On November 15, 2016, the District received five bids for the Bonds. The Bonds have been sold at public sale by the District to Robert W. Baird & Co., Inc. (the "Purchaser") on the basis of lowest true interest cost. The Purchaser has agreed, subject to certain conditions, to purchase the Bonds at a purchase price equal to the initial offering prices shown on the inside cover page hereof, less a purchaser's discount of \$323,830.01.

INDEPENDENT AUDITORS

The Independent Auditor's Reports and Financial Statements of the District for the Fiscal Year ended September 30, 2015 included in the Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015 attached as **Appendix A** of this Official Statement, have been audited by Cudney, Ecord, McEnroe, & Mullane L.L.C., Kansas City, Missouri, independent auditors, as stated in their report also appearing in **Appendix A**.

MISCELLANEOUS

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

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

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

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

LITTLE BLUE VALLEY SEWER DISTRICT

By: /s/ Frank White
Title: Chair, Board of Trustees

APPENDIX A

**COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE
FISCAL YEARS ENDED SEPTEMBER 30, 2015**

Little Blue Valley Sewer District

JACKSON AND CASS COUNTIES, MISSOURI



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2015

LITTLE BLUE VALLEY SEWER DISTRICT
JACKSON AND CASS COUNTIES, MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015



Prepared by
Finance Department

LITTLE BLUE VALLEY SEWER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

LITTLE BLUE VALLEY SEWER DISTRICT

PRINCIPAL OFFICIALS

September 30, 2015

BOARD OF TRUSTEES

Michael Sanders, Chairman

Carson Ross, Vice Chair

Randy Rhoads, Secretary

Eileen Weir, Treasurer

Jeff Cox

Sly James

Leonard Jones

Peter Kerckhoff

Matt Mallinson

Mike McDonough

ADMINISTRATION

Greg Boettcher, Executive Director

LEGAL COUNSEL

Shook, Hardy & Bacon L.L.P.

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LITTLE BLUE VALLEY SEWER DISTRICT

H.A. Jones Administration Building
21101 East 78 Highway
Independence, MO 64057
(816) 796-7660
FAX: (816) 796-5910

Atherton Wastewater Treatment Plant
21208 East Old Atherton Road
Independence, MO 64058
(816) 796-9191
FAX: (816) 796-3500

March 16, 2016

The Board of Trustees
Little Blue Valley Sewer District
Jackson and Cass Counties, Missouri

Re: Transmittal Letter, Comprehensive Annual Financial Report

Dear Trustees:

Our Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2015, as required by bond covenants and State Statutes, is hereby submitted for your acceptance. The sound financial condition of the District is illustrated by the CAFR.

The District is required to accurately, completely and fully disclose all known financial information to the best of its belief and knowledge. It is the opinion of the District's management that the CAFR meets these requirements by providing standard financial analyses with data that is substantively and materially correct. Appropriate disclosures have been made to clarify financial activities.

The independent certified public accounting firm of Cudney, Ecord, McEnroe & Mullane L.L.C. has audited the District's financial statements. The purpose of said audit is to provide reasonable assurance that the District's financial statements for the year ended September 30, 2015, are free from material misstatements. The independent audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles and significant estimates made by management, and evaluating the overall financial statement presentation. When appropriate, the independent audit included recommendations for improving the financial management practices, strengthening accountability and increasing conformity with generally accepted accounting principles.

This letter of transmittal complements the Management's Discussion and Analysis (MD&A) which is a qualitative narrative that accompanies the basic financial statements. Review of both documents provides a comprehensive and holistic perspective on the District's financial position and the financial results from the District's operations.

This CAFR covers all financial activity of the District; it does not have any component units or related entities. Financial statements are prepared on an accrual basis. The Middle Big Creek Sewer Subdistrict (MBC) and the Little Blue Valley Sewer District (LBVSD) are each operated as separate cost centers with regard to rate development, income tracking and expenditure recording. The financial statements provide the combined financial data in the body of the document and the individual cost center (LBVSD and MBC) financial data is in the supplementary information.

MISSION:

"Our mission is to provide excellent wastewater services which protect the public health and improve the environment of our region."

VISION:

"The Little Blue Valley Sewer District will be a strong partner in regional planning and resource sharing, anticipating and responding to both environmental and economic needs"

Single Audit

The District's receipt of federal and state funding during the year necessitated the preparation of a single audit. The funding involved a direct loan from the Department of Natural Resources (Middle Big Creek Sewer Subdistrict SRF Loan-EPA funds). The District provided all required internal controls to ensure compliance with applicable laws and regulations. Internal control is subject to periodic evaluation by the management of the District. The single audit for this fiscal year did not identify any material weaknesses in internal control or significant violations of applicable laws and regulations. The Single Audit Report is a separately issued report.

Profile of the District, Economic Condition and Outlook

The Little Blue Valley Sewer District is a quasi-public agency formed in 1968 by the Circuit Court of Jackson, Missouri to address water pollution concerns in the Little Blue River. The purpose of LBVSD is to provide wholesale wastewater services (conveyance and treatment) for county, municipal and private entities in compliance with federal and state water quality regulations. In 1992, LBVSD established a Middle Big Creek Sewer Subdistrict to service additional entities in the Middle Big Creek watershed.

LBVSD is governed by a Board of Trustees (members established by State Statutes and Bylaws). The organization is self-governing in that customer representatives serve on the Board of Trustees, the Mayors' Advisory Board, the Middle Big Creek Sewer Subdistrict Advisory Board and the Technical Advisory Committee.

LBVSD provides wholesale services to approximately 365,000 people living in 14 different jurisdictions. The District includes portions of Jackson and Cass Counties and the cities of Belton, Blue Springs, Grandview, Independence, Kansas City, Lake Tapawingo, Lee's Summit, Raymore, Raytown, and Sugar Creek, the Fort Osage School District, plus one federal installation, the Lake City Army Ammunition Plant.

The Middle Big Creek Sewer Subdistrict serves the cities of Lee's Summit, Greenwood, Lake Winnebago, Raymore, and Pleasant Hill, unincorporated Cass County, plus the Mullendike and Dikeland Sewer Districts. The land area serviced by the District is approximately 278 square miles and the total land area serviced by the Middle Big Creek Sewer Subdistrict is 110.5 square miles.

Revenues are primarily derived from user charges with some interest income from investments. LBVSD has no tax revenues. The annual operating budget for each fiscal year is proportionally recovered from customers based upon an approved rate methodology. All customers have service contracts with LBVSD which guarantee use of the services, payment of allocated charges and ongoing customer financial responsibilities linked to LBVSD's debt. This has proven to be a successful governance and financial model. The organization has a history of solid financial performance, consistent regulatory conformance and sound asset management. LBVSD's bond rating by Moody's is AA-.

An organization of 64 budgeted employees provides administrative, financial, operation, maintenance, engineering, and technical services required to meet the District's mission: "To provide excellent wastewater services which protect the public health and improve the environment of our region." Operations, maintenance, and technical staff are represented by Teamsters Local Union No. 41. Four of these budgeted positions are committed to the Subdistrict treatment plant.

Through a comprehensive business strategy and partnership among the Board, management, and Union, the District is seeking to continuously improve customer service, productivity, quality of work life, environmental compliance, and cost competitiveness of District operations.

District finances are sound and predicted to remain strong. Community residential and industrial growth impacts District finances positively. Growth also results in increasing service demands, capital costs, and operating pressures. District planning processes balance sustainable growth and development with effective and efficient operation of the utility. An ongoing long-range financial plan identifies future revenue and capital needs, along with ongoing system rehabilitation and replacement.

Wastewater Infrastructure

The Little Blue Valley Sewer District receives wastewater from the customer entities' collection systems through 37 metering structures or interceptor receiving manholes. Conveyance systems consisting of gravity sewer lines, pumping stations and force mains transport customer flows to either the Atherton or Pleasant Hill Wastewater Treatment Plants. Conveyance pipelines are over 97 miles in length with sizes ranging from 8-126 inches in diameter.

The Atherton Wastewater Treatment Plant is capable of providing secondary treatment of 52 million gallons per day (400 million gallons per day peak wet weather flow), which is predicted to meet service area needs through at least 2020. The Pleasant Hill Wastewater Treatment Plant is capable of providing secondary treatment of 2.25 million gallons per day (7.75 million gallons per day peak wet weather flow).

Significant capital improvements are underway across the entire District to prepare for future capacity needs, to meet new regulatory standards, and to replace aging infrastructure. The Atherton Phase II improvements are funded by \$118,350,000 Build America revenue bonds issued in 2010. Within the Subdistrict the interceptor expansion, pump station upgrades, and Pleasant Hill plant improvements (Phase I) are funded with the \$37,850,000 Missouri State Revolving Loan issued in 2011. A long-term financial forecast has been developed which includes rate increases to meet debt service, changed operating costs and debt coverage requirements. These capital improvement funds have been used to complete the following work:

Atherton Wastewater Treatment Plant: Constructed ultraviolet disinfection facilities, intermediate pumping station, new centrifuge system, replace/expand sludge incineration unit, build ash holding basins, constructed upstream excess flow holding basin and related appurtenant work and other identified wastewater treatment needs.

Middle Big Creek Sewer Subdistrict: Constructed advanced treatment facilities (disinfection, filtration and reaeration) at the Pleasant Hill wastewater plant with design capacity of 2.25 million gallons per day, improved the Greenwood Forcemain, and completing construction of approximately 8 miles of new interceptor sewer line and related appurtenant work.

Financial Information

The District's management has established and maintained strategic, master, operational, and financial plans, budgets, and an internal control structure designed to ensure that District assets are properly used for intended purposes, protected from loss, theft or misuse, managed, and maintained. Also, the District employs appropriate and reasonable

accounting practices to manage, control and report its financial activities in conformity with generally accepted accounting principles. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that these objectives are met and that the financial statements are free of any material misstatements.

Budgeting Process: The budget process incorporates performance-based budgeting concepts. General and specific outputs and outcomes are linked with funding levels to establish accountability and measurement. The resulting budget document contains:

- ◆ Strategic goals, objectives, and policies
- ◆ Communication tools regarding progress on long-range goals, strategies, and objectives
- ◆ Operational guidance to define how planning drives the budget and the means by which performance is measured and reported
- ◆ Annual and long-term financial plans guiding resource allocations

General Operating Functions

The District conveyed and treated 15,186 million gallons of wastewater during the 2014-2015 fiscal year at the Atherton Wastewater Treatment Plant. The solids that were disposed of either by incineration or landfill totaled 9,223 dry tons at this same location. The Subdistrict treated 398 million gallons of wastewater for the same period.

The District bills its metered customer entities on normalized flow, calculated on the last 20 quarters of actual flow data, and on budgeted expenses. The cost per million gallons using this method was \$1,766, because flow was projected at 12,221 million gallons. The Subdistrict customers are billed based on the number of their retail customer counts, with the monthly charge per retail connection being \$32.50 in 2015. Following is a comparison of budgeted amounts by type used for billing purposes:

| | Budgeted <u>FY 14-15</u> | Budgeted <u>FY 13-14</u> |
|--------------------------------|-----------------------------|-----------------------------|
| <u>User Costs for District</u> | | |
| Operations and Administration | \$11,978,896 | \$11,427,491 |
| Debt Service | 9,095,423 | 5,859,672 |
| Oper/Debt Reserves | (420,000) | 2,154,742 |
| Rehabilitation & Replacement | 926,000 | 926,000 |
| Total Cost | <u>\$21,580,319</u> | <u>\$20,367,905</u> |
| | | |
| Projected Million Gallons (MG) | 12,221 | 10,697 |
| Per Year Cost per MG | | |
| Operations and Administration | \$ 980 | \$ 1,068 |
| Debt Service | 744 | 548 |
| Debt Reserves | (34) | 201 |
| Rehabilitation & Replacement | 76 | 87 |
| Total cost per MG | <u>\$ 1,766</u> | <u>\$ 1,904</u> |

Debt Administration

The Board of Trustees of the District is authorized to issue revenue bonds to finance the construction of the sewer system by a 75% majority vote of the 14 customers; the 2010 Build America Bonds were approved by a 79% majority. The Middle Big Creek Subdistrict

may issue debt by a vote of the qualified electorate of the Subdistrict, the 2011 revenue bonds being approved by a 72% majority.

All District bonds are payable from the revenues derived from customers. There are no limits upon the debt the District may issue; the controlling factor is customer affordability. The retail wastewater rates continue to be within a range deemed affordable.

Cash Management

In compliance with the District's Strategic Plan financial policies, the District prioritizes its cash management and investment activities pursuant to the following objectives:

1. Safety – preservation of capital through careful selection and diversification of investment vehicles;
2. Liquidity – the availability of cash when needed without the risk of interest forfeiture which would occur by the forced premature conversion of a term investment; and
3. Yield – the attainment of a market rate on interest consistent with the requirements of safety, liquidity, and consistent with cash flow characteristics and legal constraints.

Available cash is invested in compliance with state statutes and requirements of the District's bond covenants in instruments such as:

- certificates of deposit,
- treasury bills,
- other instruments backed by the full faith and credit (guaranty) of the United States of America, and
- Short-term high rate commercial paper.

Risk Management

The District purchases commercial insurance coverage for risk of loss related to torts, property damage, boiler and machinery, flood, combined liability, excess liability, public official performance, public entity fiduciary liability and crime, errors and omissions, and employee injuries. These policies balance risk with cost consistent with industry practices. Claim activity in 2015 did not include any abnormal amounts and no claim settlements in the last three years have exceeded coverage limits.

The District's Strategic Plan supports a proactive loss prevention program with appropriate leadership, empowerment and resources. Risk management responsibilities span all Departments and include all levels. A continuing and high priority is placed upon a safe work environment, compliance with standards and conformity with best practices.

AWARDS AND ACKNOWLEDGMENTS

Awards

GFOA Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Little Blue Valley Sewer District for its comprehensive annual financial report for the fiscal year ended September 30, 2014. This was the 27th consecutive year that the District has achieved

this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, for sixteen consecutive years the GFOA has presented a Distinguished Budget Presentation Award to Little Blue Valley Sewer District for its annual budget. In order to be recognized, the budget must be a policy document, an operations guide, a financial plan, and a communications device; said criteria being applicable to this document. It is expected to receive this additional award for the current budget document.

NACWA Peak Performance Awards Program

The Peak Performance Awards Program of the National Association of Clean Water Agencies (NACWA) recognizes excellence in permit compliance. The recognition program consists of three categories – Platinum (100% compliance for 5-years), Gold (100% compliance for 1-year) and Silver (less than 5 violations in 1-year). The District received two awards in 2014; GOLD for the Pleasant Hill Plant and SILVER for the Atherton Plant. Both treatment facilities will be receiving gold awards for 2015 performance.

The District is active in various professional organizations, prepares published technical papers and frequently makes technical presentations at state/national conferences.

Acknowledgments

The preparation of this report was made possible by the dedicated support of the Board of Trustees and service of staff members of the Little Blue Valley Sewer District. The District expresses appreciation to those members who contributed to its preparation, and to the firm of Cudney, Ecord, McEnroe and Mullane L.L.C. for performance of the annual audit and their assistance in preparing this report.

Respectfully submitted,

LITTLE BLUE VALLEY SEWER DISTRICT



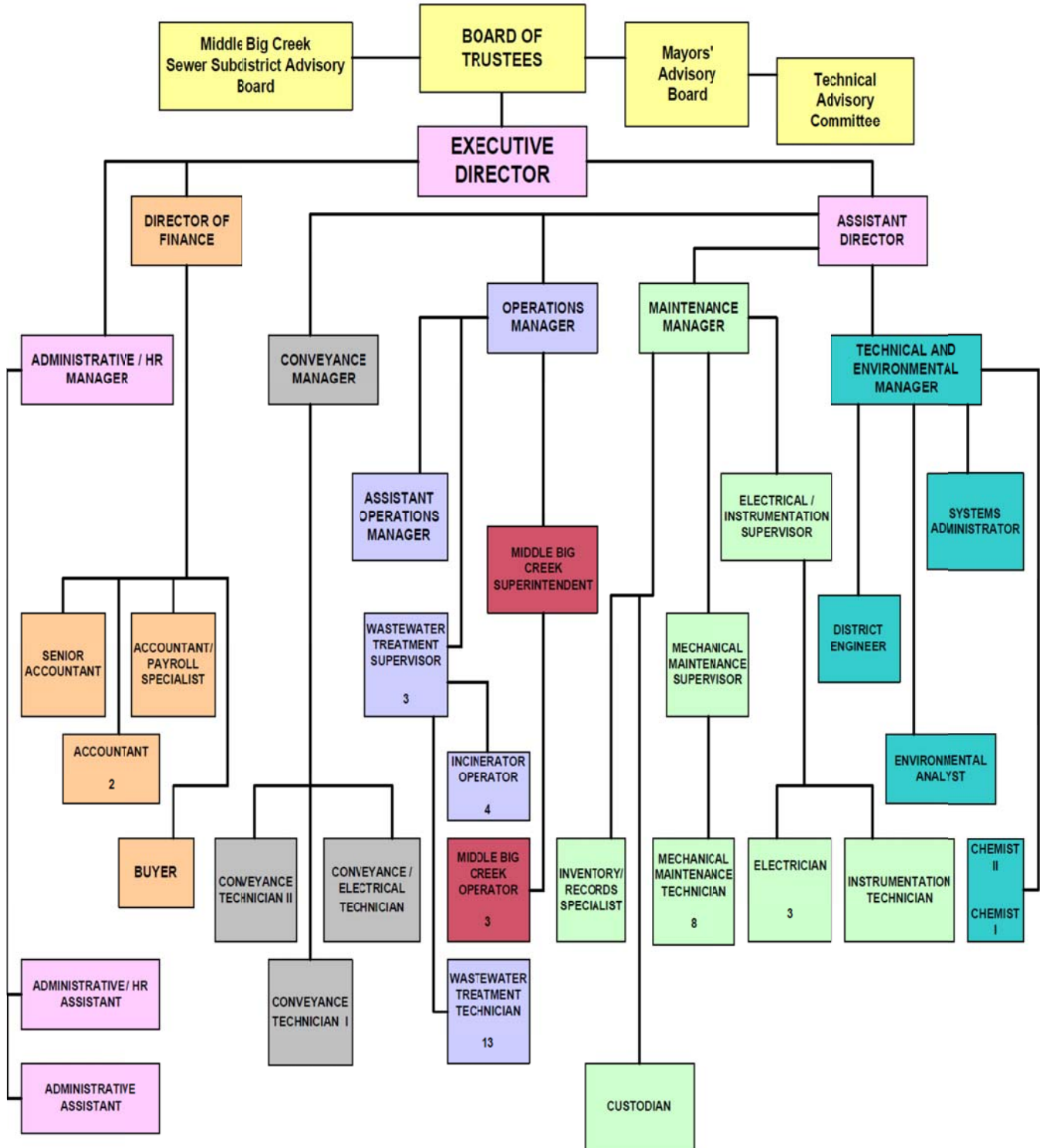
Greg Boettcher
Executive Director



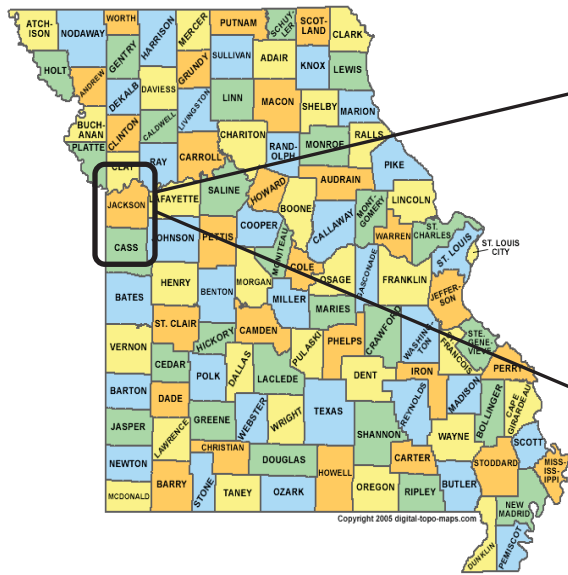
Karen Wardle
Director of Finance



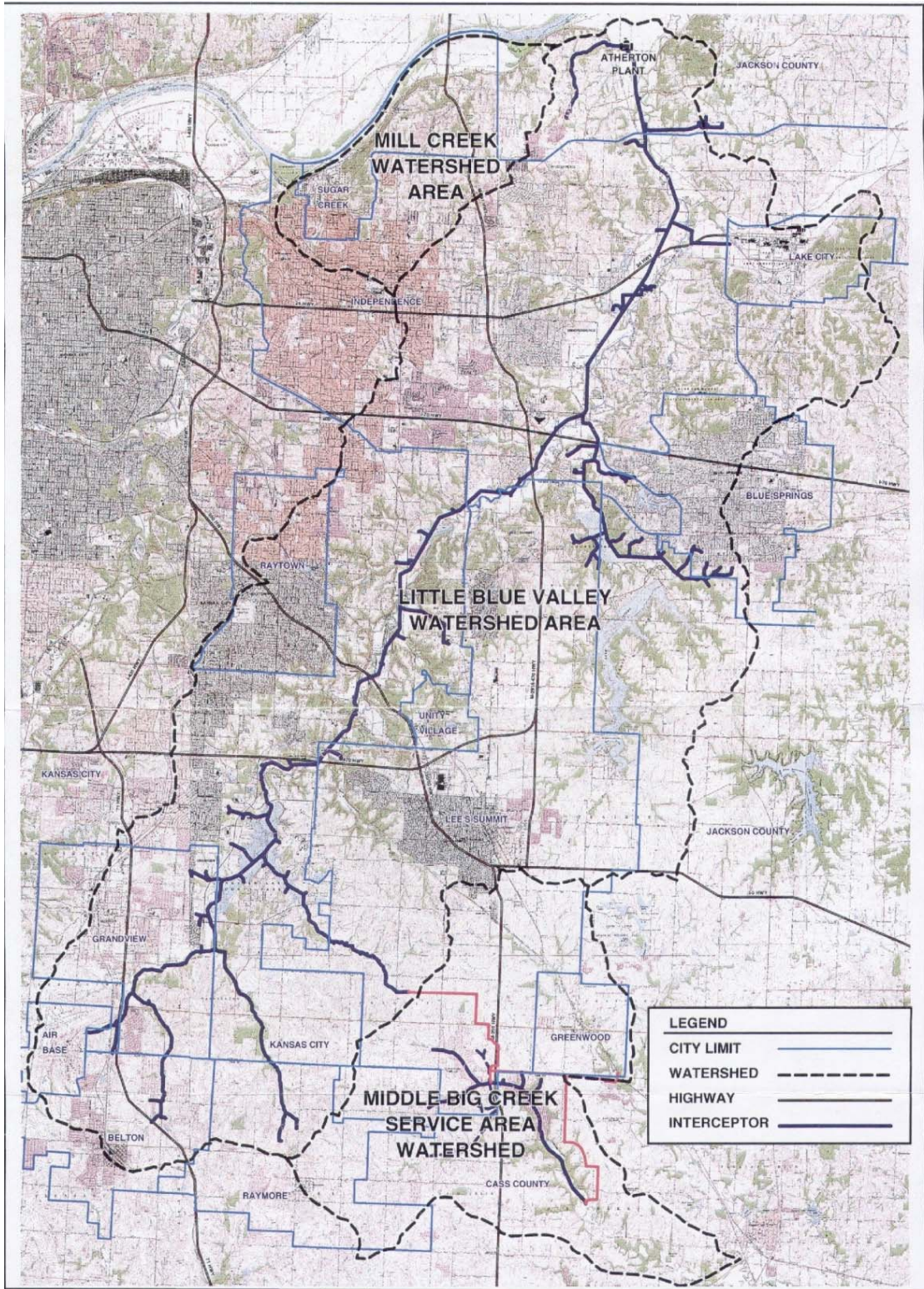
Organization Chart Fiscal Year 2015-2016



State of Missouri Little Blue Valley Sewer District Location



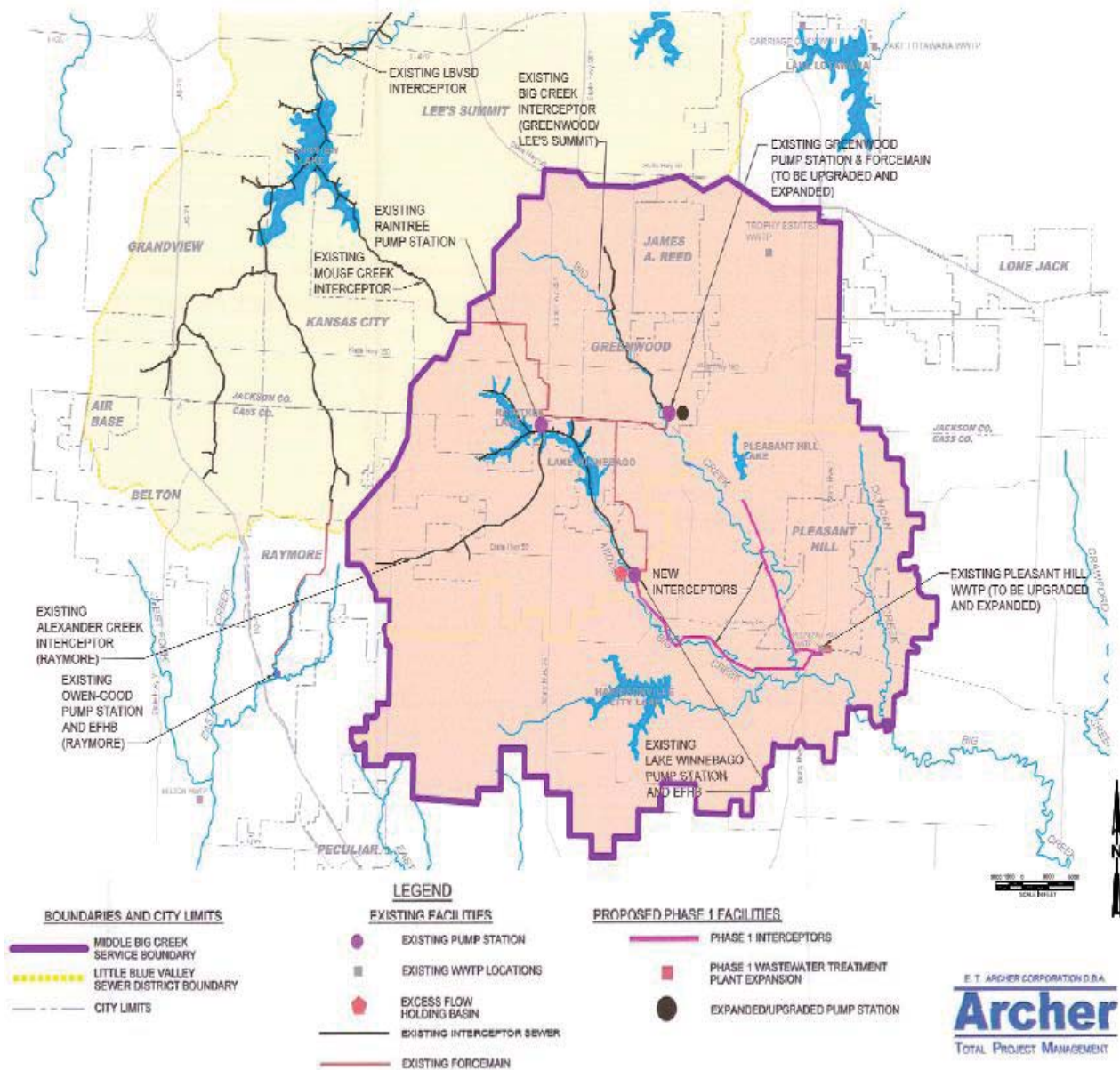
Little Blue Valley Sewer District Service Area



Little Blue Valley and Middle Big Creek Meter Sites



Middle Big Creek Subdistrict Boundary





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Little Blue Valley Sewer District
Missouri**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Little Blue Valley Sewer District
Independence, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the Little Blue Valley Sewer District (the District) as of and for the year ended September 30, 2015, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Little Blue Valley Sewer District as of September 30, 2015, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, in 2015 the District adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Items Previously Recognized as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Little Blue Valley Sewer District's basic financial statements. The introductory section, supplementary schedules, and statistical section as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Cudney, Scord, McEuse & Williams LLC

March 16, 2016

**LITTLE BLUE VALLEY SEWER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended September 30, 2015

Little Blue Valley Sewer District's (District) financial performance for the fiscal year ending September 30, 2015 has been summarized and analyzed by Management to provide a narrative overview and insight into its financial activities. Included in the discussion are references to significant events, both historical and forthcoming, that have an influence on the financial performance of the District. This discussion and analysis is complimentary to and should be read in conjunction with the other financial data which includes, but is not limited to; the transmittal letter, financial statements and financial notes. The District also reports separate financial information for its Middle Big Creek Sewer Subdistrict (Subdistrict) which is included in the Supplementary Data.

HIGHLIGHTS (Combined Financial Report of District and Subdistrict)

2015 Financial Highlights

- Total assets on the Statement of Net Position decreased \$6.9 million, which was primarily due to the depreciation of capital assets. The decrease in restricted investments was driven by the spending down of proceeds from the 2010 bonds which were used to finance additions to construction in progress involving the Phase II construction at LBVSD and Phase I improvements being undertaken at MBC. The majority of Phase II construction at LBVSD is at completion. This is reflected in the shift of assets from construction in progress to other capital assets.
- Total liabilities on the same statement decreased \$4 million due to pay down of long term debt and due to other governments, plus the decline in construction payables. In 2015 the District implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions*, which required the recording of a \$3.3 million liability for the District's proportionate share of the net position liability due to its participation in the Jackson County, Missouri Revised Pension Plan, as well as pension related deferred outflows and inflows of resources. The implementation of this statement also resulted in a restatement of beginning net position of \$2.02 million.
- An additional \$4.1 million was drawn on the 2011 Direct Loan for continuing construction in the Subdistrict.
- Total expenses increased slightly in 2015 compared to the prior year. This was due to an increase in the amount of interest capitalized on bond financed capital improvements and a reduction in operating expenses for grit hauling, which offset an increase depreciation expense due to placing approximately \$93 million of assets in service which were part of the Phase II improvements at the Atherton Wastewater Treatment Plant.
- Total revenues increased overall based on programmed user fee increases; while revenue growth offset the decline in investment income.

2015 District Highlights:

- The majority of the Phase II improvements at the Atherton Wastewater Treatment Plant were completed and closed out. These included the effluent UV disinfection

- process, new ash holding basin, centrifuge system, new incinerator, the excess flow holding basin and laboratory improvements.
- Development of a new Administration and Employee Facility was begun at the Atherton Plant location.
 - Continued televising interceptor sewer mains to determine pipeline conditions.
 - Rehabilitation of influent and solids biofilter and two draft tube mixers at the Atherton Plant location.
 - Construction continued on the addition of approximately 7.5 miles of interceptor lines and modifications to the pump and lift stations in the Subdistrict.
 - Subdistrict construction relating to rehabilitation of the Greenwood Forcemain.
 - Planning for advanced air emissions controls for the new sewage sludge incinerator to comply with changed permit requirements.

CONTENTS OF THIS ANNUAL REPORT

This annual report consists of four parts: Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information for pension data, and Supplementary Data. The Basic Financial Statements section also includes notes that explain in more detail some of the information in the District's financial statements.

Basic Financial Statements:

The basic financial statements of the District report information about the District using accounting methods that conform to generally accepted accounting principles and are similar to those used by private sector companies. These financial statements offer short-term and long-term financial information on the District's activities. The Statement of Net Position includes all District assets, deferred outflows of resources, liabilities and deferred inflows of resources, as well as providing information about the nature and amounts of investments in assets and liabilities. This Statement also provides information necessary to evaluate the District's rate of return, capital structure, and assess its liquidity and financial flexibility. Revenues and expenses are reflected in the Statement of Revenues, Expenses, and Changes in Net Position. The statement reports the financial results from the District's operations and illustrates the District's recovery of costs through wastewater treatment user fees and other charges, the District's financial stability, and the District's merit of credit standing. The Statement of Cash Flows provides information about the District's cash receipts and cash disbursements during the reporting period. The Statement of Cash Flows identifies changes in the District's cash position resulting from operating, investing, capital and related financial activities.

DISTRICT FINANCIAL ANALYSIS:

The significant changes in the District's financial position during 2015 were primarily the inclusion and impact of the pension activity and major completion of capital assets. There was capital activity of \$14 million financed by the issuance of long term debt in 2010, draws of the 2011 Direct Loan and the corresponding expenditure of \$8 million in investments restricted for capital improvements.

There have been \$82 million in contracts awarded from proceeds of the \$118.3 million Taxable Sewer System Revenue Bonds (Build America Bonds – Direct Pay) Series 2010. These bonds were issued to construct Phase II of the District's Master Plan. The remaining proceeds of this bond issue are being used as a debt service reserve and to pay capitalized interest through December 2014.

The 2011 Sewerage System Revenue Bonds of \$37.85 million under the State of Missouri – Direct Loan Program finances construction of improvements to the Pleasant Hill Treatment Facility, improvements to lift and pump stations, installation of 39,000 feet of interceptor line, and improvements to the Greenwood forcemain all located in the Middle Big Creek Sewer Subdistrict.

The change in net position shown below is within planned and budgeted expectations in line with the master plan and the ongoing major construction projects within the District and Subdistrict.

Tables 1 and 2 shown below summarize the combined financial position and results of operations and changes in net position of the District and Subdistrict.

TABLE 1

| | <u>2015</u> | <u>2014</u> |
|----------------------------------|----------------------|----------------------|
| Capital assets | \$224,559,196 | \$222,085,521 |
| Current and other assets | <u>114,014,701</u> | <u>123,411,474</u> |
| Total assets | <u>\$338,573,897</u> | <u>\$345,496,995</u> |
| Deferred outflows of resources | <u>\$ 1,194,753</u> | <u>\$ 19,299</u> |
| Long-term debt | | |
| Outstanding | \$211,783,046 | \$212,256,740 |
| Other liabilities | <u>57,690,609</u> | <u>61,197,916</u> |
| Total liabilities | <u>\$269,473,655</u> | <u>\$273,454,656</u> |
| Deferred inflows of resources | <u>\$ 145,051</u> | |
| Net position: | | |
| Net investment in capital assets | \$ 39,776,749 | \$ 45,823,640 |
| Restricted | 18,762,104 | 16,854,272 |
| Unrestricted | <u>11,611,091</u> | <u>9,383,726</u> |
| Total net assets | <u>\$ 70,149,944</u> | <u>\$ 72,061,638</u> |

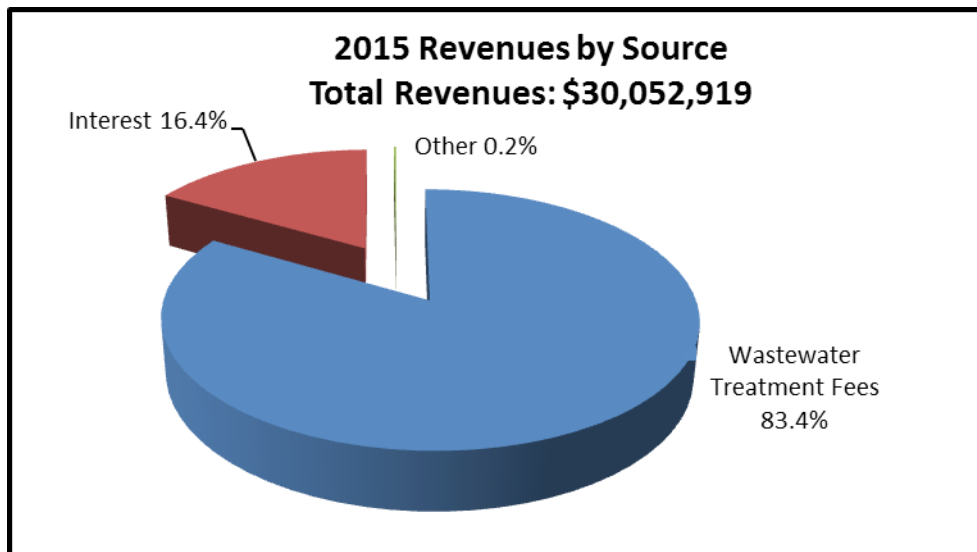
The decrease in total assets and current and other assets in 2015 primarily reflects the depreciation of capital assets and the use of the capitalized interest fund and invested bond proceeds which were used to finance \$14.5 million of construction in progress activity. The completion of Phase II work at the Atherton Plant represents the major shift from construction in progress of \$79 million. Deferred outflows of resources increased \$1.2 million due to presentation of pension related amounts. Total liabilities for the same period decreased \$3.9 million due to substantial payment of principal on the 2004 and other revenue bond obligations of \$4.7 million which more than offset the \$4.1 million of draws on the 2011 Direct Loan. Also, due to other governments declined \$2.8 million due to scheduled reductions in the bond reserve accounts, construction payables declined \$4.1 million due to nearing the final year of the contracts, and net pension liability of \$3.3 million is now included in other liabilities.

TABLE 2

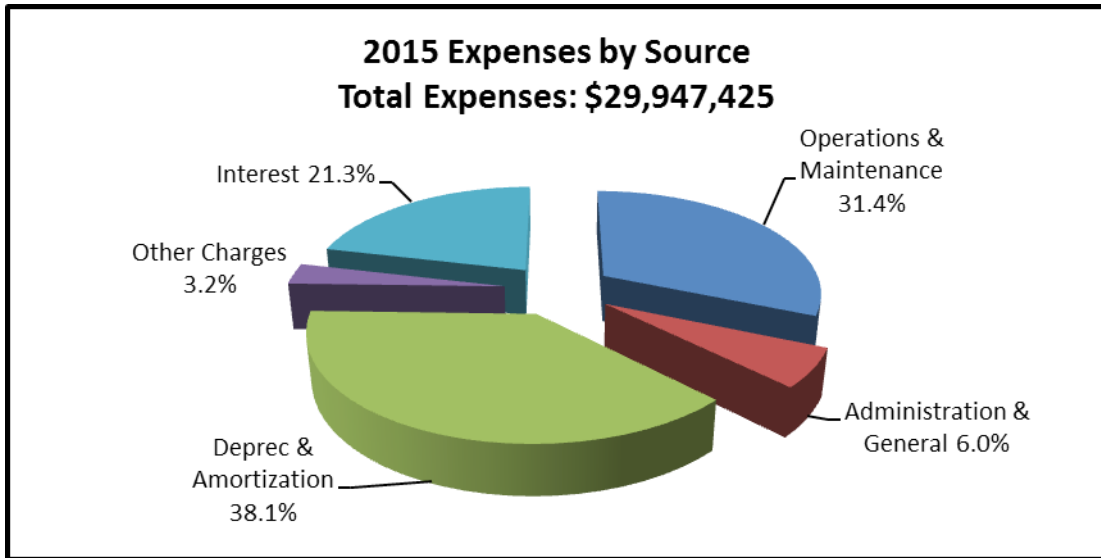
| | <u>2015</u> | <u>2014</u> |
|---------------------|----------------------|----------------------|
| Operating revenues: | | |
| User fees | \$ 25,060,556 | \$ 23,832,264 |
| Other | 50,854 | 73,270 |
| Interest subsidy | 2,524,930 | 2,526,733 |
| Investment income | <u>2,416,579</u> | <u>2,600,490</u> |
| Total revenues | <u>\$ 30,052,919</u> | <u>\$ 29,032,757</u> |

| | | |
|--|----------------------|----------------------|
| Operating expenses: | | |
| Operation and maintenance | \$ 9,386,787 | \$ 10,098,895 |
| Administrative and general | 1,792,173 | 1,784,843 |
| Depreciation and amortization | 11,413,490 | 8,875,073 |
| Unbilled charges | 486,778 | 763,320 |
| Loss on disposal of capital assets | 480,357 | 22,269 |
| Interest expense | <u>6,387,840</u> | <u>7,781,186</u> |
| Total expenses | <u>\$ 29,947,425</u> | <u>\$ 29,325,586</u> |
| Change in net position | 105,494 | (292,829) |
| Net position at beginning of year (as restated) | <u>70,044,450</u> | <u>72,354,467</u> |
| Net position at end of year | <u>\$ 70,149,944</u> | <u>\$ 72,061,638</u> |

The 2015 Revenues by Source graph shown below reflects total revenues of \$30,052,919, along with a percentage breakdown of the sources. The increase of \$1,020,162 in operating revenues in fiscal year 2015 compared to 2014 was due to planned increases in wastewater treatment user fees covering debt service and operating expense purposes. Investment income was down \$183,911 in 2015 due to the spending of bond proceeds. The Federal interest subsidy received for the 2010 Build America Bonds program was less than anticipated at the time of bond issuance due to continuing sequestration by the Federal Government and is being covered by the capitalized interest funds and user fees.



The Expenses by Source graph for 2015 shown on the following page reflects the total expenses of \$29,947,425, an increase of \$621,839 when compared to 2014 expenses. The 2015 total expenses increased 2.1%, mainly due to an increase in depreciation expense of \$2.5 million as a result of placing in service the Phase II improvements. Administration and General Expenses were slightly higher due to payment of employee benefits. In addition Operation and Maintenance costs declined by \$712,108 due to delayed annual shut-down of the incinerator for maintenance and decrease in grit hauling.



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

At the end of fiscal year 2015, the District’s net capital assets, totaling \$225 million, are in land, buildings, equipment and sewer plants, as well as construction work in progress. Assets increased \$2.5 million mainly due to completion of construction work at the Atherton Treatment Plant, work on the excess flow holding basin located in the conveyance system, and expansion of the conveyance system in the Subdistrict. The changes are presented in detail in Note 4 to the financial statements.

Table 3 summarizes the capital assets, net of accumulated depreciation, for the years ended September 30, 2015 and 2014.

TABLE 3

| | <u>2015</u> | <u>2014</u> |
|----------------------------------|----------------------|----------------------|
| Land | \$ 5,725,870 | \$ 5,876,131 |
| Sewer plant | 206,033,365 | 124,427,434 |
| Buildings | 243,361 | 256,490 |
| Vehicles, furniture and fixtures | <u>190,904</u> | <u>196,884</u> |
| | \$212,193,500 | \$130,756,939 |
| Construction work in progress | <u>12,365,696</u> | <u>91,328,582</u> |
| Net capital assets | <u>\$224,559,196</u> | <u>\$222,085,521</u> |

The District’s 2016 capital budget plans include an additional investment of \$13.7 million in capital improvement and rehabilitation and replacement projects. Planned projects include advanced air emission controls to the new incinerator at the Atherton plant, the Subdistrict interceptor expansion and meter station upgrades, remodeling of the mini lab and process building break room, replacement of discharge valves and actuator on two raw wastewater pumps and inlet and bypass valves on Lampson blowers, metering improvements at three meter stations, rehabilitation of gate structures at lake structures, mechanical improvements in the blower room, and annual televised inspections within

the District. These projects will be paid with District capital, rehabilitation and repair monies, as well as proceeds from both the 2010 and 2011 bond issues.

Debt Administration:

The District’s total outstanding debt at the close of fiscal year 2015 was \$211.8 million compared to \$212.3 million in 2014. The \$.5 million decrease reflects the receipt of \$4.1 million in loan draws of the 2011 revenue bonds from the State of Missouri Direct Loan Program less debt payments for the fiscal year.

In December 2010 the District issued \$118,350,000 taxable sewer system revenue bonds (Build America Bonds – Direct Pay) with a maturity date of 2040. Interest subsidy payments received from the Federal Government at time of issuance was equal to 35% of the amount of each interest payment. However, due to sequestration this subsidy has been reduced 7.3% by the Federal Government for their fiscal year ending September 30, 2015. These bonds are rated Aa3 and AA- by Moody’s and Standard and Poor’s, respectively. In February 2011 debt was issued for \$37.8 million as sewerage system revenue bonds (State of Missouri – Direct Loan Program) Series 2011A at an interest rate of 1.66% with a maturity date of 2032.

The revenue bonds identified in Table 4 include two issues that were secured through the Missouri Department of Natural Resources State Revolving Fund Program. An \$89 million issuance occurred during fiscal year 2003 for Phase I of the plant improvements and matures in 2024. The 1995 bond issuance of \$11 million matures in 2016. These monies were used to build force mains and pump stations in the Middle Big Creek Sewer Subdistrict. More detailed information about the District’s long-term debt is presented in Note 5 to the financial statements.

TABLE 4

| | <u>2015</u> | <u>2014</u> |
|--------------------------------|-----------------------|----------------------|
| Revenue Refunding Bonds | \$ - | \$ 95,000 |
| Revenue Bonds and Direct Loans | 210,749,726 | 210,973,451 |
| Premiums, refunding deferrals | <u>1,033,320</u> | <u>1,188,289</u> |
| Total Outstanding Debt | <u>\$ 211,783,046</u> | <u>\$212,256,740</u> |

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The District faces many of the same issues as other sewer systems in the nation, including complying with new government mandates concerning advanced air emissions control to meet stricter EPA regulations for sewage sludge incinerators, protection of water quality by disinfection, and the prospect of ever more stringent effluent limits particularly with ammonia removal requirements. To meet the more stringent air emissions limits, additional advanced air emissions controls will need to be installed on the new incinerator at the District’s treatment plant. There is an ongoing need for rehabilitation or replacement of infrastructure along with expanding capacity to address future growth.

The District and Subdistrict’s Master Plans include detailed forecasts which provide the framework for infrastructure improvements scheduling, rate increases, financial sustainability and integrated planning. The District’s five-year Financial Plan is updated annually including the predictions for operating expenditures and revenue requirements. The District has continued to meet financial forecasts through responsible revenue

enhancement and expenditure control. The District strategies are reviewed and updated on a continuing basis.

The majority of Phase II of the Atherton wastewater treatment plant improvements financed by the 2010 Build America bonds was completed in 2015. A new Administration and Employee Facility building to be constructed at the Atherton wastewater treatment site is currently under design with construction to be completed in 2016. The interceptor improvements and expansion in the Subdistrict are slated for completion in late 2016 and are funded with the State of Missouri 2011A Direct loan.

The District's approved methodology for calculation of rates for District billings is based on a five-year normalized flow that includes fixed costs, as well as volume related costs, for customers. Cost allocations were reviewed this fiscal year and some adjustments were made due to changes in some District functions adjusting their work activities over the last fifteen years. Billings are based on the approved budgeted figures and forecasted flow volumes, not actual costs and flows; thereby eliminating revenue volatility. The District's financial model not only provides stability for the District's revenues, such methodology also assists the customer cities in preparing their own budgets as each customer's service costs are fixed for the coming fiscal year. The Subdistrict bills its customers monthly on a set charge of \$32.50 per connection count for 2016 with explicit requirements regarding customer reporting and elimination of connections. All District customers have entered into service agreements which require the exclusive use of the District's services for the duration of capital program indebtedness. Such agreements between the District and its customers provide revenue protection for the District and its bondholders.

The District's 2016 budget is \$22,816,184 representing a 5.73% increase attributable to greater operating costs, upgraded treatment levels, and higher debt service. An additional \$1.87 million is projected for rehabilitation and replacement projects. The Subdistrict's budget is increasing 1.53% to \$4,701,205 due to increased debt service. By necessity, portions of these budgets have been developed using engineering data and minimal real operating data due to recently improved and expanded facilities at both plant sites. The majority of the District treatment plant improvements are completed. However, the budgets must still be identified as a first-year best estimate budget which can be subject to cost variances, expense over runs and expense under runs. Operations of the new facilities will: (1) require experimentation, (2) involve learning from mistakes, and (3) take time for process optimization in the transition from old to new operating state. Such one-time challenges are particularly present at the Atherton treatment plant, creating a set of dynamics that will require greater budget flexibility. These budgets are based upon sound judgment and responsible estimates, and believed to provide the resources necessary to achieve regulatory compliance, maintain asset condition, protect water quality, serve an expanding customer base, provide expanded service area and comply with the District's financial obligations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide stakeholders with a general overview of the District's finances and to demonstrate its accountability for the monies received. If you have questions about this report or need additional financial information, you may contact Executive Director, Greg Boettcher; boettcher@lbvsd.org or Director of Finance, Karen Wardle; wardle@lbvsd.org located at 21101 E. 78 Highway, Independence, Missouri 64057, or telephone (816) 796-7660 extensions 123 or 135, respectively.

**Basic
Financial Statements**

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LITTLE BLUE VALLEY SEWER DISTRICT
STATEMENT OF NET POSITION
September 30, 2015

ASSETS

Current assets:

| | |
|--------------------------------------|-------------------|
| Cash and investments (Notes 1 and 2) | \$ 19,244,047 |
| Accounts receivable | 5,571,958 |
| Interest receivable | 2,593 |
| Prepaid expenses and deposits | 367,025 |
| Inventory | 431,300 |
| Restricted assets (Note 3): | |
| Cash and investments | 2,562,003 |
| Investments (Notes 1 and 2) | 9,060,905 |
| Interest receivable | 38,362 |
| Due from other governments (Note 6) | 211,469 |
| Total current assets | <u>37,489,662</u> |

Noncurrent assets:

| | |
|--------------------------------------|--------------------|
| Restricted assets (Note 3): | |
| Cash and investments (Notes 1 and 2) | 21,376,778 |
| Investments (Notes 1 and 2) | 54,264,583 |
| Interest receivable | 608,843 |
| Total restricted assets | <u>76,250,204</u> |
| Due from other governments (Note 6) | <u>274,835</u> |
| Capital assets (Notes 1 and 4): | |
| Nondepreciable | 18,091,566 |
| Depreciable, net | 206,467,630 |
| Total capital assets | <u>224,559,196</u> |
| Total noncurrent assets | <u>301,084,235</u> |
| Total assets | <u>338,573,897</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|-----------------------|
| Deferred amount on refunding | 17,213 |
| Pension related amounts | 1,177,540 |
| Total assets and deferred outflows of resources | <u>\$ 339,768,650</u> |

LIABILITIES

Current liabilities:

| | |
|---|-------------------|
| Accounts payable | \$ 496,823 |
| Construction contracts, retainage payable and other | 2,823,403 |
| Compensated absences | 79,797 |
| Due to other governments | 4,497,500 |
| Interest payable | 1,669,491 |
| Current maturities of revenue bonds (Note 5) | 7,145,646 |
| Total current liabilities | <u>16,712,660</u> |

Noncurrent liabilities (Note 5):

| | |
|------------------------------|--------------------|
| Revenue bonds | 204,637,400 |
| Due to other governments | 43,985,174 |
| Compensated absences | 813,105 |
| Net pension liability | 3,325,316 |
| Total noncurrent liabilities | <u>252,760,995</u> |
| Total liabilities | <u>269,473,655</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|---|--------------------|
| Pension related amounts | 145,051 |
| Total liabilities and deferred inflows of resources | <u>269,618,706</u> |

NET POSITION

| | |
|--|-----------------------|
| Net investment in capital assets | 39,776,749 |
| Restricted for capital projects | 1,950,151 |
| Restricted for debt service | 4,809,017 |
| Restricted for renewal and replacement | 12,002,936 |
| Unrestricted | 11,611,091 |
| Total net position | <u>70,149,944</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 339,768,650</u> |

See the accompanying notes to financial statements.

LITTLE BLUE VALLEY SEWER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

For the year ended September 30, 2015

| | |
|--|----------------------|
| Operating revenues: | |
| Wastewater treatment user fees | \$ 25,060,556 |
| Other | 50,854 |
| | <u>25,111,410</u> |
| | |
| Operating expenses: | |
| Operation and maintenance | 9,386,787 |
| Administrative and general | 1,792,173 |
| Depreciation and amortization | 11,413,490 |
| Unbilled charges (Note 9) | 486,778 |
| | <u>23,079,228</u> |
| | |
| Operating income | <u>2,032,182</u> |
| | |
| Nonoperating revenue (expense): | |
| Interest expense | (6,387,840) |
| Interest subsidy on revenue bonds (Note 5) | 2,524,930 |
| Investment income | 2,416,579 |
| Loss on disposal of capital assets | (480,357) |
| | <u>(1,926,688)</u> |
| | |
| Change in net position | 105,494 |
| | |
| Net position - beginning of year (as restated) | <u>70,044,450</u> |
| | |
| Net position - end of year | <u>\$ 70,149,944</u> |

See the accompanying notes to financial statements.

LITTLE BLUE VALLEY SEWER DISTRICT

STATEMENT OF CASH FLOWS

For the year ended September 30, 2015

| | |
|---|----------------------|
| Cash flows from operating activities: | |
| Cash received from customers | \$ 24,708,547 |
| Cash payments to suppliers for goods and services | (6,105,309) |
| Cash payments for employee services and benefits | (5,753,578) |
| Other cash receipts | 51,851 |
| | <u>12,901,511</u> |
| Cash flows from noncapital financing activities: | |
| Payments on intergovernmental advance | <u>(2,778,453)</u> |
| Cash flows from capital and related financing activities: | |
| Proceeds from issuance of debt | 4,071,275 |
| Interest paid on revenue bonds | (12,286,198) |
| Principal paid on revenue bonds | (4,390,000) |
| Interest subsidy on revenue bonds | 2,524,022 |
| Proceeds from the sale of capital assets | 101,725 |
| Acquisition and construction of capital assets | <u>(12,637,744)</u> |
| | <u>(22,616,920)</u> |
| Cash flows from investing activities: | |
| Interest received | 2,546,071 |
| Proceeds from the sale of investments | 2,745,092 |
| Purchases of investments | <u>(2,116,250)</u> |
| | <u>3,174,913</u> |
| Net decrease in cash and cash equivalents | |
| | (9,318,949) |
| Cash and cash equivalents - beginning of year | |
| | <u>52,501,777</u> |
| Cash and cash equivalents - end of year | |
| | <u>\$ 43,182,828</u> |
| Cash and cash equivalents included in: | |
| Unrestricted cash and investments | \$ 19,244,047 |
| Restricted cash and investments | <u>23,938,781</u> |
| | <u>\$ 43,182,828</u> |
| Reconciliation of operating income to net cash provided | |
| by operating activities: | |
| Operating income | \$ 2,032,182 |
| Adjustments to reconcile operating income | |
| to net cash provided by operating activities: | |
| Depreciation and amortization | 11,413,490 |
| Changes in assets and liabilities: | |
| Accounts receivable | (352,137) |
| Prepaid expenses and deposits | (21,545) |
| Inventory | (305,918) |
| Accounts payable | (184,616) |
| Net pension liability | 275,639 |
| Other accrued liabilities | 44,416 |
| | <u>\$ 12,901,511</u> |
| Noncash investing activities: | |
| Change in fair value of investments | <u>\$ (174,940)</u> |

See the accompanying notes to financial statements.

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LITTLE BLUE VALLEY SEWER DISTRICT

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

1. Description of Enterprise and Accounting Policies and Summary of Significant Accounting Policies

Description of the District

Little Blue Valley Sewer District (the District) is a body corporate and politic organized under the laws of the State of Missouri. The District is governed by an eleven-member Board of Trustees which by statute includes the Jackson County Executive, one Jackson County Legislator who is appointed by the Jackson County Executive, the Presiding Commissioner of Cass County and eight mayors from municipalities serviced by the District.

The District was organized to construct and operate a system of wastewater treatment facilities, interceptor sewers, and branch interceptor or trunk sewer connections in parts of Jackson and Cass Counties, Missouri. Grants received from the United States government and the State of Missouri paid up to 90% of the construction cost. The remaining cost was financed with local grant contributions and proceeds from revenue bonds.

In October 1992, the District took control of the operations and maintenance of Middle Big Creek, which provides wastewater treatment service to rural communities in Jackson County and Cass County, Missouri. In December 1992, the net assets representing cash of \$105,409 were contributed to the District, and Middle Big Creek became a subdistrict of the District, a separate geographic area served by the District.

Service contracts with the municipalities authorize the District to finance and construct certain sewer system components for the treatment and disposal of sewage delivered by these municipalities to specific locations along the District's system. Fees charged the municipalities are to provide sufficient revenues to the District to pay the costs of operation and maintenance of the system in each year, have "net revenues" from the system to pay principal and interest on all District bonds issued to finance the common sewer system, as defined in bond resolutions, and make payments to certain funds required by the bond resolutions. The service contracts restrict the ability of the user municipalities to acquire any vested rights in the assets of the District; and the user municipalities are not permitted to construct, grant, franchise or license a competing sewage treatment works without the consent of the District. The District's consent may be given only if it is not economically feasible to furnish the desired service and the competing facilities will not substantially impair repayment of the District's outstanding revenue bonds, except as provided by law.

Reporting Entity

Generally accepted accounting principles require that the District's financial statements include its component units if certain criteria regarding financial or operational relationships are met. Based on the evaluation criteria, the District has no component units.

1. Description of Enterprise and Accounting Policies and Summary of Significant Accounting Policies (continued)

Basis of Accounting and Budgeting

The District accounts for its operations as a governmental enterprise fund which is accounted for on the flow of economic resources measurement focus and the use of the accrual basis of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

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

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

Operating Revenues and Expenses

The treatment user fees charged to the user municipalities in the Middle Big Creek Sewer Subdistrict (the Subdistrict) are based upon the number of connections to the sewer system. The fees charged to all other user municipalities are based upon rates which are calculated using volume factors as well as fixed costs as defined in service contracts. These revenues are used as security for the District's revenue bonds. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash and Cash Equivalents

Cash and cash equivalents in the accompanying statement of cash flows include cash and investments (including restricted assets) with original maturities of ninety days or less.

1. Description of Enterprise and Accounting Policies and Summary of Significant Accounting Policies (continued)

Investments

As permitted by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the District reflects money market investments with a maturity of one year or less at the time of purchase and nonparticipating investment contracts at cost or amortized cost, which approximates fair value. All other investments are reported at fair value based on quoted market prices.

Inventory

Inventory is valued at cost, which approximates market, using the first-in/first-out method.

Capital Assets

Capital assets consist of property, plant and equipment. These assets are recorded at cost for items purchased or constructed. Contributed assets are recorded at fair value on the date received. Engineering costs are allocated on a specific-identification basis. The capitalization threshold is \$10,000.

Costs which significantly extend the useful life of an asset are capitalized. All other repair and maintenance costs are charged to expense as incurred.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows: sewer plant, ten to seventy-five years; administration building, forty years; furniture and fixtures, ten to twenty years; transportation equipment, five years.

The interest cost of borrowed funds used to finance construction projects is capitalized when material. Interest earned on the proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. \$5,715,198 of interest was capitalized in 2015.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position now reports a separate section for deferred outflows of resources. This financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category, the deferred amount on refunding and pension related amounts. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the District reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District's pension related amounts are reported in this category.

1. Description of Enterprise and Accounting Policies and Summary of Significant Accounting Policies (continued)

Net Position

Net position represents the difference between assets and liabilities and is classified as either: net investment in capital assets, which consists of capital assets, net of accumulated depreciation reduced by the outstanding balance of any borrowings used for the acquisition, construction, or improvement of those assets, net of unspent proceeds of \$29,797,271; restricted when there are limitations imposed on their use either by law through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments; and unrestricted for net position that does not meet the definition of net investment in capital assets or restricted.

Compensated Absences

Permanent, full-time employees accumulate sick leave at a rate of eight hours for each full month. Sick leave can be accumulated without limit. Up to 50% of sick leave earned will be paid to employees at the time of termination. This liability amounted to \$373,622 at September 30, 2015 and is included in other accrued liabilities.

Employees of the District accrue vacation at the following rates based upon length of continuous service:

| <u>Years of Service Completed</u> | <u>Monthly Accrual Rate</u> | <u>Maximum Total Days Per Year</u> |
|-----------------------------------|-----------------------------|------------------------------------|
| 0-4 | 5/6 day | 10 |
| 5-9 | 1-1/4 days | 15 |
| 10-14 | 1-2/3 days | 20 |
| 15-19 | 2-1/12 days | 25 |
| 20+ | 2-1/2 days | 30 |

Employees may accumulate vacation up to a maximum of 720 hours, which is payable upon separation from employment. Accrued vacation as of September 30, 2015 was \$467,521 and is included in other accrued liabilities.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Jackson County, Missouri Revised Pension Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1. Description of Enterprise and Accounting Policies and Summary of Significant Accounting Policies (continued)

Bond Premiums, Discounts and Issue Costs

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

Use of Estimates

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

2. Deposits and Investments

A summary of the carrying values of deposits, investments and petty cash at September 30, 2015 is as follows:

| | |
|-------------------|-----------------------|
| Total deposits | \$ 2,798,411 |
| Total investments | 103,709,405 |
| Petty cash | 500 |
| Total | <u>\$ 106,508,316</u> |

The deposits, investments and petty cash are reflected on the statement of net position as follows:

| | |
|----------------------|-----------------------|
| Cash and investments | \$ 19,244,047 |
| Restricted assets: | |
| Cash and investments | 23,938,781 |
| Investments | <u>63,325,488</u> |
| Total | <u>\$ 106,508,316</u> |

Investment Policies

The District deposits and invests all monies as allowed by state statute, its investment policies, and in accordance with bond indentures. State statutes allow the District to deposit in open accounts and certificates of deposit. While state statutes allow the District to invest in direct obligations of the United States of America and obligations which are unconditionally guaranteed by or secured by obligations of the United States of America, all of the District's investments are currently subject to the provisions of the various bond indentures as described below.

The 2010 Series and 2011A Direct Loan bond indentures generally restricts investing to cash, certificates of deposit, U.S. Treasury securities, U.S. government agency securities, money market funds (rated AAAM-G, AAAM or AAM by Standard and Poor's and Aaa, Aa1 or Aa2 by Moody's), commercial paper (rated A-1 or better by Standard and Poor's or P-1 by Moody's), state and local government bonds (rated in one of the two highest categories by Standard and Poor's or Moody's), repurchase agreements, and guaranteed investment contracts acceptable to the bond insurer.

2. Deposits and Investments (continued)

The 2003 Revenue and 1995 Subdistrict Revenue bond indentures currently require that the monies in the restricted accounts must be invested in the guaranteed investment contracts specified by the bondholder, the State Environmental Improvement and Energy Resources Authority. Other permitted investments under the indentures include cash, certificates of deposit, U.S. Treasury securities, fully guaranteed U. S. government agency securities, money market mutual funds (rated in the highest category by Moody's), direct and general obligations of the State of Missouri (rated in the two highest categories by Moody's), and guaranteed investment agreements with a provider whose obligations are rated at least Aa by Moody's.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will be unable to fulfill its obligations to the holder of the investment. It is the District's policy to minimize credit risk by prequalifying the financial institutions and others with whom the District will do business and by diversifying the portfolio so that potential losses on individual fixed income securities will be minimized. Credit risk can be measured by the assignment of a rating by a nationally recognized statistical rating organization. The guaranteed investment contracts are not rated.

Presented below are the ratings as of year end for each investment:

| <u>Investment</u> | <u>Carrying Amount</u> | <u>Rating</u> | <u>% of Total</u> |
|---|------------------------|---------------|-------------------|
| United States Treasury Notes | \$ 10,278,437 | Aaa | 9.91 % |
| Federal Home Loan Bank | 33,200,201 | Aaa | 32.01 % |
| Federal National Mortgage Association | 1,159,104 | Aaa | 1.12 % |
| Federal Home Loan Mtg Corp | 49,992 | AAa | 0.05 % |
| Fidelity Treasury Money Market Fund | 49,244 | Aaa-mf | 0.05 % |
| Federated Prime Obligation Money Market Fund | 669,956 | Aaa-mf | 0.65 % |
| Federated Treasury Obligation Money Market Fund | 251,937 | Aaa-mf | 0.24 % |
| Guaranteed investment contracts (2003 series): | | | |
| Trinity Plus Funding Co LLC | 51,974,583 | - | 50.12 % |
| Guaranteed investment contracts (1995 series): | | | |
| AIG Matched Funding Corp | 1,072,468 | - | 1.03 % |
| Repurchase agreement | 5,003,483 | - | 4.82 % |
| | <u>\$ 103,709,405</u> | | |

Custodial Credit Risk

The custodial credit risk for deposits and investments is the risk that, in the event of the failure of a depository financial institution or counterparty, the District will not be able to recover its deposits, investments or collateral securities that are in the possession of an outside party. For deposits, the District follows state statutes which require pledged collateral with a fair value equal to 100% of the funds on deposit, less insured amounts. As required by District policy, investments are held in the District's name, currently by the bond trustee in accordance with the bond indentures, and the securities underlying the repurchase agreement are held by the District's agent in the District's name. The District's investment policy does not limit the holdings of any one counterparty.

At September 30, 2015, the District's deposits were either insured by Federal depository insurance or fully collateralized by securities held by the District's agent in the District's name.

2. Deposits and Investments (continued)

Interest Rate Risk

The District's investment policy limits maturities to five years as a means of managing its exposure to fair value losses arising from increasing interest rates. To minimize the risk of loss, the District matches investments to anticipated cash flows and diversifies the investment types to the extent practicable. The District has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of September 30, 2015, all of the District's investments had maturities of less than one year with the exception of the guaranteed investment contracts. The 2003 Series contracts end on January 1, 2024, and the 1995 Series end from July 2016 to January 2019.

Concentration of Credit Risk

The District's policies and bond indentures do not limit the amounts that can be invested with any one issuer. Investments that represent more than 5% of the District's investments are listed above under Credit Risk.

3. Revenue Bond Accounts, Funds and Restricted Assets

District's Accounts, Funds and Restricted Assets

Certain provisions of the District's bond covenants provide for the segregation of assets into accounts and funds and restrictions are placed on their use.

The 2003A Series and 2010 Series bond covenants require that as long as any of the bonds are outstanding and unpaid, the District is to maintain the accounts and funds listed below:

2003 Series

- The Construction Loan Fund is assigned to the bondholder, the State Environmental Improvement and Energy Resources Authority, to secure the District's obligations under this Bond Resolution. Funds are disbursed to the District to pay the cost of extending and improving the System. At September 30, 2015, all funds had been disbursed from this account.
- The Reserve Fund is funded by an advance from the State of Missouri in an amount up to 70% of the outstanding bonds.
- The Debt Service Fund receives funds from the Principal Account and Interest Account which are used to pay the principal and interest on the bonds. There was no required balance for this account at September 30, 2015.
- The Principal Account is used to accumulate amounts sufficient to meet principal payments of the applicable bonds.
- The Interest Account is used to accumulate amounts sufficient to meet interest payments of the applicable bonds.
- The Rehabilitation and Replacement Account is to accumulate monies to be used to pay the costs of unusual or extraordinary replacements and repairs of major items of the System. The account shall not be used for extending or enlarging the System and must maintain a minimum \$1,000,000 balance.

3. Revenue Bond Accounts, Funds and Restricted Assets (continued)

- The Revenue Fund is used for all remaining monies. These monies remain in this fund or within a separate account authorized by the District for the purposes specified by the bond covenants.

2010 Series

- The Debt Service Account is used to accumulate amounts sufficient to meet the annual principal and semi-annual interest payments on each payment date.
- The Debt Service Reserve Account is for the payment of principal and interest on the bonds to the extent monies are not available in the Debt Service Account. The reserve requirement of \$9,982,763 was funded with bond proceeds.
- The Project Account is used to pay the costs of the project and the issue costs of the bonds. The bond resolution also established a Capitalized Interest Subaccount within the Project fund to be used solely to pay the interest on the bonds during the construction period. This subaccount was funded with \$21,090,682 of bond proceeds and was fully expended in 2015.
- The Capital Improvement Account, established within the Revenue Fund, is to provide for the estimated cost of budgeted capital projects for the extension, enlargement, improvement or replacement of the System.

At September 30, 2015, the District's assets under these bonds are classified as follows and consist of cash, investments, interest receivable and due from other governments:

| District's Accounts, Funds and Restricted Assets | | | | | | |
|--|---------------------|----------------------|------------------------|----------------------------------|----------------------|----------------------|
| | Cash | Investments | Interest Receivable | Due From Other Governments | Total | Restricted |
| 2003 Series: | | | | | | |
| Revenue | \$ 1,520,250 | \$ 15,365,064 | \$ 2,593 | \$ 274,835 | \$ 17,162,742 | \$ - |
| Reserve | - | 47,705,674 | 547,884 | - | 48,253,558 | 48,253,558 |
| Principal | - | 3,986,250 | 35,609 | - | 4,021,859 | 4,021,859 |
| Interest | - | 282,659 | 1,385 | - | 284,044 | 284,044 |
| Rehabilitation & Replacement | 1,000,000 | 10,998,504 | 2,040 | - | 12,000,544 | 12,000,544 |
| | <u>2,520,250</u> | <u>78,338,151</u> | <u>589,511</u> | <u>274,835</u> | <u>81,722,747</u> | <u>64,560,005</u> |
| 2010 Series: | | | | | | |
| Debt Service | - | 437,895 | - | 211,469 | 649,364 | 649,364 |
| Reserve | - | 10,287,871 | 47,011 | - | 10,334,882 | 10,334,882 |
| Project | 250,000 | 9,020,103 | 1,169 | - | 9,271,272 | 9,271,272 |
| Capital Improvement | - | 197,374 | 23 | - | 197,397 | 197,397 |
| | <u>250,000</u> | <u>19,943,243</u> | <u>48,203</u> | <u>211,469</u> | <u>20,452,915</u> | <u>20,452,915</u> |
| District Total | <u>\$ 2,770,250</u> | <u>\$ 98,281,394</u> | <u>\$ 637,714</u> | <u>\$ 486,304</u> | <u>\$102,175,662</u> | <u>\$ 85,012,920</u> |

3. Revenue Bond Accounts, Funds and Restricted Assets (continued)

Subdistrict's Accounts, Funds and Restricted Assets

The covenants of the Middle Big Creek Sewer Subdistrict Series 1995 and 2011A bonds provide for the segregation of assets into funds and accounts and place restrictions on their use. Certain of these accounts are maintained by the District and others are required to be held by the bond trustee for the benefit of the District. These funds and accounts are as follows:

1995 Series Subdistrict Accounts Maintained and Administered by the District

- The Revenue Fund is the depository for all income and revenues derived and collected by the District from the operation of the Subdistrict Sewer System. Monies are allocated from this fund to the following funds and accounts as described below in accordance with the bond indenture.
- The Subdistrict Operation and Maintenance Account is used to pay current expenses.
- The Subdistrict Emergency Repair Account, which must maintain a \$15,000 balance, is used for making repairs and replacements, as necessary, to keep the system in good repair and working order.
- The Subdistrict Capital Account is used for paying additional current expenses of the system, extending, enlarging or improving the system, preventing default or increasing amounts in the Principal Account, the Interest Account, the Reserve Account, the Subdistrict Operation and Maintenance Account, the Subdistrict Emergency Repair Account or for calling and redeeming bonds prior to maturity.

Subdistrict Accounts Held by the Trustee for the Benefit of the District

1995 Series

- The Construction Account is assigned to the bondholder, the State Environmental Improvement and Energy Resources Authority, to secure the District's obligations under this Bond Resolution. Funds are disbursed to the District to pay the cost of acquiring and constructing improvements to the system. At September 30, 2015, all funds had been disbursed from this account.
- The Reserve Account is funded by an advance from the State of Missouri in an amount up to 70% of the outstanding bonds.
- The Debt Service Account receives funds from the Principal Account and Interest Account which is used to pay the principal and interest on the bonds. There was no required balance for this account at September 30, 2015.
- The Principal Account is used to accumulate amounts sufficient to meet principal payments of the applicable bonds.
- The Interest Account is used to accumulate amounts sufficient to meet interest payments of the applicable bonds.

3. Revenue Bond Accounts, Funds and Restricted Assets (continued)

Subdistrict Accounts Held by the Trustee for the Benefit of the District (continued)

2011A Series

- Payments into the Construction Fund are made pursuant to loan draw requests from the District to the bondholder, the Missouri Department of Natural Resources, to pay the cost of acquiring and constructing improvements to the system.
- The Debt Service Fund receives funds from the Principal Account, Interest Account, and Capitalized Interest Account which are used to pay the principal and interest on the bonds. There was no required balance for this account at September 30, 2015.
- The Principal Account is used to accumulate amounts sufficient to meet principal payments of the applicable bonds.
- The Interest Account is used to accumulate amounts sufficient to meet interest payments of the applicable bonds.
- The Capitalized Interest Account was funded with \$527,000 of District monies and was applied to debt service payments due through 2015.

At September 30, 2015, the Subdistrict's assets are classified as follows and consist of cash, investments in the State Revolving Fund Program investment contracts and interest receivable:

| | Subdistrict's Accounts, Funds and Restricted Assets | | | | | |
|---------------------------|---|---------------------|------------------------|----------------------------------|---------------------|---------------------|
| | Cash | Investments | Interest Receivable | Due From Other Governments | Total | Restricted |
| <u>1995 Series</u> | | | | | | |
| Administered by District: | | | | | | |
| Revenue | \$ 6,128 | \$ 1,946,000 | \$ - | \$ - | \$ 1,952,128 | \$ - |
| Operations & maintenance | - | 406,605 | - | - | 406,605 | - |
| Emergency repair | 21,977 | - | - | - | 21,977 | 21,977 |
| Capital | 556 | 1,751,001 | 28 | - | 1,751,585 | 1,751,585 |
| Administered by Trustee: | | | | | | |
| Reserve | - | 777,000 | 10,462 | - | 787,462 | 787,462 |
| Principal | - | 277,500 | 1,368 | - | 278,868 | 278,868 |
| Interest | - | 17,968 | 226 | - | 18,194 | 18,194 |
| | <u>28,661</u> | <u>5,176,074</u> | <u>12,084</u> | <u>-</u> | <u>5,216,819</u> | <u>2,858,086</u> |
| <u>2011A Series</u> | | | | | | |
| Administered by Trustee: | | | | | | |
| Principal | - | 147,503 | - | - | 147,503 | 147,503 |
| Interest | - | 104,434 | - | - | 104,434 | 104,434 |
| | <u>-</u> | <u>251,937</u> | <u>-</u> | <u>-</u> | <u>251,937</u> | <u>251,937</u> |
| Subdistrict total | <u>\$ 28,661</u> | <u>\$ 5,428,011</u> | <u>\$ 12,084</u> | <u>\$ -</u> | <u>\$ 5,468,756</u> | <u>\$ 3,110,023</u> |

3. Revenue Bond Accounts, Funds and Restricted Assets (continued)

A summary of the above accounts as reported in the accompanying statement of net position is as follows:

| | Total of Accounts, Funds and Restricted Assets | | | | | |
|-------------|--|-----------------------|---------------------|----------------------------|-----------------------|----------------------|
| | Cash | Investments | Interest Receivable | Due From Other Governments | Total | Restricted |
| District | \$ 2,770,250 | \$ 98,281,394 | \$ 637,714 | \$ 486,304 | \$ 102,175,662 | \$ 85,012,920 |
| Subdistrict | 28,661 | 5,428,011 | 12,084 | - | 5,468,756 | 3,110,023 |
| | <u>\$ 2,798,911</u> | <u>\$ 103,709,405</u> | <u>\$ 649,798</u> | <u>\$ 486,304</u> | <u>\$ 107,644,418</u> | <u>\$ 88,122,943</u> |

4. Changes in Capital Assets

Changes in capital assets for the year ended September 30, 2015 is as follows:

| | Balance 10-01-14 | Increases | Decreases | Balance 09-30-15 |
|--|-----------------------|----------------------|------------------------|-----------------------|
| Capital assets, not being depreciated: | | | | |
| Land and improvements | \$ 5,876,131 | \$ - | \$ (150,261) | \$ 5,725,870 |
| Construction in progress | 91,328,582 | 14,469,247 | (93,432,133) | 12,365,696 |
| | <u>97,204,713</u> | <u>14,469,247</u> | <u>(93,582,394)</u> | <u>18,091,566</u> |
| Capital assets, being depreciated: | | | | |
| Sewer plant | 331,220,944 | 93,383,297 | (7,815,532) | 416,788,709 |
| Administrative buildings | 1,402,405 | - | - | 1,402,405 |
| Furniture and fixtures | 1,750,205 | - | - | 1,750,205 |
| Transportation equipment | 727,292 | 48,836 | (21,136) | 754,992 |
| | <u>335,100,846</u> | <u>93,432,133</u> | <u>(7,836,668)</u> | <u>420,696,311</u> |
| Less accumulated depreciation: | | | | |
| Sewer plant | (206,793,510) | (11,345,545) | 7,383,711 | (210,755,344) |
| Administrative buildings | (1,145,915) | (13,129) | - | (1,159,044) |
| Furniture and fixtures | (1,695,013) | (12,429) | - | (1,707,442) |
| Transportation equipment | (585,600) | (42,387) | 21,136 | (606,851) |
| | <u>(210,220,038)</u> | <u>(11,413,490)</u> | <u>7,404,847</u> | <u>(214,228,681)</u> |
| Total capital assets, being depreciated, net | <u>124,880,808</u> | <u>82,018,643</u> | <u>(431,821)</u> | <u>206,467,630</u> |
| Total capital assets, net | <u>\$ 222,085,521</u> | <u>\$ 96,487,890</u> | <u>\$ (94,014,215)</u> | <u>\$ 224,559,196</u> |

5. Revenue Bonds and Long-Term Obligations

In January 2003, the District issued \$88,915,000 Little Blue Valley Sewer District, Sewer System Improvement and Refunding Revenue Bonds (State Revolving Fund Program) Series 2003. The proceeds, including \$2,629,133 of issuance premium, were to be used to finance the extension and improvement of the sewerage system and complete the required refunding of the \$6,000,000 Sewer System Revenue Bonds (State Revolving Fund – Leveraged Loan Program) Series 2002A bond issue. In conjunction with this bond issue, the District entered into an agreement with the Missouri Department of Natural Resources (DNR) whereby the State of Missouri will advance monies to establish a reserve account in an amount up to 70% of the outstanding bonds. This reserve account serves as collateral on the bonds in the event of default. Through September 30, 2015, a total of \$64,080,892 has been advanced from the DNR and \$16,375,218 has been repaid. This amount is reflected as restricted investments and as an offsetting liability, due to other governments. Interest earnings on the reserve fund are credited to the District. As the District makes principal payments on these bonds, an amount equal to 70% of the principal payment is remitted from the reserve fund to the DNR.

In October 1995, the District issued \$11,290,000 Little Blue Valley Sewer District, Sewerage System Revenue Bonds (State Revolving Fund Program - Middle Big Creek Sewer Subdistrict Project) Series 1995. The proceeds were used to acquire and construct improvements to the sewerage system on the Middle Big Creek Sewer Subdistrict including lift stations, force mains, gravity sewers, pumping stations, treatment facilities, sites and other related facilities. In conjunction with this bond issue, the District entered into an agreement with the DNR whereby the State of Missouri will advance monies to establish a reserve account in an amount up to 70% of the outstanding bonds. This reserve account serves as collateral on the bonds in the event of default. Since inception through September 30, 2015, a total of \$7,915,569 has been advanced from the DNR and \$7,138,569 has been repaid. This amount is reflected as restricted investments and as an offsetting liability, due to other governments. Interest earnings on the reserve fund are credited to the District. As the District makes principal payments on these bonds, an amount equal to 70% of the principal payment is remitted from the reserve fund to the DNR.

In December 2010, the District issued \$118,350,000 of Taxable Sewer System Revenue Bonds (Build America Bonds – Direct Pay) Series 2010. The proceeds of these bonds will be used to finance approximately \$86 million of improvements to the District’s sewer system, including biosolids handling, disinfection treatment, and collection system retention basins. The remaining proceeds were used to fund a debt service reserve and pay capitalized interest on the bonds through December 2014. As Build America Bonds under The American Recovery and Reinvestment Act of 2009, the District will receive a subsidy payment from the Federal government equal to 35% of the interest paid.

Details of revenue bonds and loans outstanding at September 30, 2015 are as follows:

| Revenue Bonds | Interest Rate | Original Issue | Maturity | Balance |
|-------------------------|---------------|----------------|----------|-----------------------|
| 1995 Series-Subdistrict | 4.0-5.625% | \$ 11,290,000 | 7-01-16 | \$ 1,110,000 |
| 2003 Series Revenue | 2.5-5.25% | 88,915,000 | 1-01-24 | 65,825,000 |
| 2010 Series Revenue | 6.2-6.75% | 118,350,000 | 9-01-40 | 118,350,000 |
| | | | | 185,285,000 |
| Less current maturities | | | | 6,425,000 |
| | | | | <u>\$ 178,860,000</u> |

Interest on the above revenue bonds is payable on a semi-annual basis.

5. Revenue Bonds and Long-Term Obligations (continued)

On March 17, 2011, the District authorized the issuance of Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program – Middle Big Creek Sewer Subdistrict) Series 2011A in an amount not to exceed \$37,850,000, as a result of its participation in the State of Missouri Direct Loan Program. Under the Direct Loan program, DNR acts as the purchaser of the bond and loans the District amounts equal to eligible costs related to the project to be financed with the loan proceeds. The project costs include the construction of improvements to the Pleasant Hill, Missouri treatment facility, improvements to lift and pump stations, and the installation of approximately 12,000 feet of interceptor line. Interest is due semiannually, based on the outstanding loan balance. Principal is due semiannually in various installments through July 1, 2032. Details of the direct loan at September 30, 2015 are as follows:

| Direct Loan | Interest Rate | Original Issue | Maturity | Balance |
|-------------------------|---------------|----------------|----------|----------------------|
| 2011A Series | 1.66% | \$ 37,850,000 | 7-01-32 | \$ 25,464,726 |
| Less current maturities | | | | 595,000 |
| | | | | <u>\$ 24,869,726</u> |

Changes in revenue bonds and other long-term obligations for the year ended September 30, 2015 are as follows:

| | Balance 10-01-14 | Additions | Deductions | Balance 09-30-15 | Amount Due Within One Year |
|--------------------------|-----------------------|---------------------|-----------------------|-----------------------|----------------------------------|
| Revenue bonds: | | | | | |
| 2004 | \$ 95,000 | \$ - | \$ (95,000) | \$ - | \$ - |
| 1995 | 2,160,000 | - | (1,050,000) | 1,110,000 | 1,110,000 |
| 2003 | 68,455,000 | - | (2,630,000) | 65,825,000 | 5,315,000 |
| 2010 | 118,350,000 | - | - | 118,350,000 | - |
| 2011A Direct Loan | 22,008,451 | 4,071,275 | (615,000) | 25,464,726 | 595,000 |
| Unamortized premiums | 1,188,289 | - | (154,969) | 1,033,320 | 125,646 |
| Revenue bonds and loans | <u>212,256,740</u> | <u>4,071,275</u> | <u>(4,544,969)</u> | <u>211,783,046</u> | <u>7,145,646</u> |
| Compensated absences | 848,486 | 507,621 | (463,205) | 892,902 | 79,797 |
| Net pension liability | 2,141,384 | 1,183,932 | - | 3,325,316 | - |
| Due to other governments | 51,266,884 | - | (2,784,210) | 48,482,674 | 4,497,500 |
| Total | <u>\$ 266,513,494</u> | <u>\$ 5,762,828</u> | <u>\$ (7,792,384)</u> | <u>\$ 264,483,938</u> | <u>\$ 11,722,943</u> |

5. Revenue Bonds and Long-Term Obligations (continued)

The annual requirements to retire the revenue bonds outstanding as of September 30, 2015 are as follows:

| Year ending September 30 | Principal | Interest | Total |
|-----------------------------|-----------------------|-----------------------|-----------------------|
| 2016 | \$ 6,425,000 | \$ 11,052,984 | \$ 17,477,984 |
| 2017 | 5,515,000 | 10,703,049 | 16,218,049 |
| 2018 | 5,980,000 | 10,404,680 | 16,384,680 |
| 2019 | 6,625,000 | 10,080,127 | 16,705,127 |
| 2020 | 7,325,000 | 9,722,687 | 17,047,687 |
| 2021-2025 | 42,915,000 | 42,284,431 | 85,199,431 |
| 2026-2030 | 27,170,000 | 33,226,850 | 60,396,850 |
| 2031-2035 | 33,330,000 | 23,764,610 | 57,094,610 |
| 2036-2040 | 50,000,000 | 11,738,250 | 61,738,250 |
| | <u>\$ 185,285,000</u> | <u>\$ 162,977,668</u> | <u>\$ 348,262,668</u> |

As of September 30, 2015, the scheduled annual requirements to retire the maximum 2011A Direct Loan principal are as follows:

| Year ending September 30 | Principal |
|-----------------------------|----------------------|
| 2016 | \$ 595,000 |
| 2017 | 1,833,000 |
| 2018 | 1,883,000 |
| 2019 | 1,933,000 |
| 2020 | 1,986,000 |
| 2021-2025 | 10,764,000 |
| 2026-2030 | 12,293,000 |
| 2031-2032 | 5,378,000 |
| | <u>\$ 36,665,000</u> |

As discussed in Note 3, various bond indentures contain limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, and minimum amounts to be maintained in various sinking funds. These indentures also require minimum revenue bond coverages. The District is in compliance with all such financial limitations and restrictions.

In prior years, the District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. At September 30, 2015, there are no bonds outstanding which are considered defeased.

The District has no statutory debt limit and all debt financing requires approval of the District's constituents. Also, the District has not issued any conduit debt obligations.

6. Due From Other Governments

At September 30, 2015, Due from Other Governments consists of \$274,835 due under an agreement for construction cost sharing and \$211,469 from the Federal government for the interest subsidy on the Series 2010 Build America Bonds.

7. Commitments and Contingencies

Construction Commitments

At September 30, 2015, the District has construction and engineering commitments outstanding which total approximately \$8,944,000, primarily for engineering and construction services related to the system improvement and Middle Big Creek Sewer Subdistrict expansion projects. The District expects to receive the majority of the contracted services in 2016.

Operating Lease

In April 2013, the District entered into an operating lease agreement with the City of Kansas City, Missouri for the use of approximately 60 acres of land as an excess flow basin. The initial lease term is for a period of thirty years, with an option to renew for an additional thirty year period. The future minimum payments will be based on the first year rental amount of \$36,000 and may increase annually by the consumer price index. The rental expense for 2015 was \$36,000. The \$990,000 of estimated future minimum rentals are due as follows: \$36,000 annually for 2016 to 2020, \$180,000 for each five year period through 2040, and \$90,000 for 2041 to 2043.

Litigation

The District is involved in various lawsuits and claims arising in the ordinary course of its activities. These include a claim of approximately \$2.6 million for additional costs related to an ongoing construction contract, and two personnel related matters. While these cases may have a future financial effect, management, based on the advice of counsel, believes that their ultimate outcome will not have a material adverse effect on the basic financial statements of the District.

8. Employee Retirement System

General Information about the Pension Plan

Plan Description

The District employees are provided retirement and other benefits through the Jackson County, Missouri Revised Pension Plan (the Plan), a cost-sharing multiple employer defined benefit plan administered by the Pension Plan Board of Trustees. The benefit provisions are provided under the authority of RSMo. 50.337 and may be amended by the Jackson County Legislature. The Plan issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained at www.jacksongov.org.

Benefits Provided

The Plan provides retirement, death and disability benefits. Eligibility begins after twelve months of credited service and benefits vest after 5 years of credited service. Retirement benefits are 1.5% of the average monthly earnings for each year of credited service beginning at age sixty-five, or at age fifty-five for those whose age and years of service total eighty years.

8. Employee Retirement System (continued)

Early retirement benefits, subject to certain reductions, are available to those age fifty-five with five years of service. Disability benefits are provided to those with five years of service equal to the accrued benefit if the disability is total and permanent. A death-in-service benefit is also provided, equal to the lump sum equivalent of the accrued benefit. The Plan also provides for discretionary cost of living increases of up to 3% for those who have been retired for a full year.

Contributions

The contribution requirements of the District are determined by the Plan's Board of Trustees based on an actuarial valuation. The District's contractually required contribution rates were 14.4% from October 2014 to December 2014 and 13.6% from January 2015 to September 2015 of covered payroll. The rates are expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the District do not contribute to the Plan. Contributions to the Plan were \$488,752 for the year ended September 30, 2015.

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

At September 30, 2015, the District reported a liability of \$3,325,316 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on its percentage of covered payroll to the total covered payroll of all participating employers for the period July 1, 2014 to June 30, 2015. At July 1, 2015, the District's proportion was 5.89%, which was an increase of 0.26 from its proportion measured as of July 1, 2014.

For the year ended September 30, 2015 the District recognized pension expense of \$764,393. At September 30, 2015, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 145,051 |
| Changes of assumptions | 633,206 | - |
| Net difference between projected and actual earnings on pension plan investments | 361,234 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 61,961 | - |
| Contributions subsequent to the measurement date | 121,139 | - |
| Total | <u>\$ 1,177,540</u> | <u>\$ 145,051</u> |

\$121,139 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016.

8. Employee Retirement System (continued)

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

| Year Ended: | |
|-------------|-------------------|
| 2016 | \$ 350,988 |
| 2017 | 350,988 |
| 2018 | 119,067 |
| 2019 | 90,307 |
| | <u>\$ 911,350</u> |

Actuarial Assumptions

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------------|---------------------|
| Inflation | 2.5% |
| Salary increases | 4% |
| Investment rate of return | 7%, net of expenses |
| Post retirement benefit increase | 2% |

Mortality rates were based on RP2014 Combined Mortality Table with generational improvements.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study in 2014 and included the adoption of the RP2014 mortality table.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Equity | 62.50% | 8.69% |
| Fixed Income | 32.50% | 3.27% |
| Real Assets | 5% | 5.51% |

Discount Rate

The discount rate used to measure the total pension liability is 7%. The projection of cash flows used to determine the discount rate assumes that District contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

8. Employee Retirement System (continued)

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7%, as well as what the District's proportionate share of net pension liability would be using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|----------------------------------|--------------------|
| Proportionate share of the net pension liability | \$ 4,719,310 | \$ 3,325,316 | \$ 485,473 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan Comprehensive Annual Financial Report.

Payable to the Pension Plan

The District had no payable for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2015.

9. Unbilled Charges

Certain costs of \$486,778 were deemed by management to be costs not billable to the municipalities. These costs have been classified as unbilled charges in the statements of revenues, expenses and changes in net position.

10. Risk Management

The District is exposed to various risks of loss related to torts, loss and damage to property, errors and omissions, and injuries to employees and currently purchases commercial insurance coverage for these risks. There have been no changes in insurance coverage in 2015 and settled claims have not exceeded the commercial insurance coverage in any of the past three years.

The District is both self-insured and fully insured for employee health care costs. Claims are administered through a third party administrator for the self-insured plan. Employer and employee contributions are available to pay claims and costs of an administrative service agreement. An excess insurance policy covers individual claims in excess of \$30,000. The outstanding claims liability is calculated from historical data and future expectations. This includes an estimated liability for known claims as well as an estimated liability for claims incurred but not reported. Incurred but not reported claims of \$105,554 and \$96,298 have been accrued as a liability at September 30, 2015 and 2014, respectively. Claims and payment amounts below include the administrative cost.

10. Risk Management (continued)

The changes in the claims liability are as follows:

| | <u>2015</u> | <u>2014</u> |
|---------------------------------|--------------------|--------------------|
| Beginning liability | \$ 104,621 | \$ 93,964 |
| Claims and changes in estimates | 1,199,887 | 1,175,242 |
| Payments | <u>(1,187,878)</u> | <u>(1,164,585)</u> |
| Ending liability | <u>\$ 116,630</u> | <u>\$ 104,621</u> |

11. Segment Information

The District has issued revenue bonds to finance wastewater infrastructure projects for both the District and Middle Big Creek Sewer Subdistrict. The District accounts for all wastewater activities in a single enterprise fund, but investors in the Subdistrict project bonds rely solely on the revenue generated by it for repayment. Summary financial information for the District and Subdistrict is as follows:

| | <u>District</u> | <u>Subdistrict</u> |
|---|----------------------|----------------------|
| Condensed Statement of Net Position | | |
| Total current assets | \$ 33,641,224 | \$ 4,164,387 |
| Total restricted assets | 74,464,982 | 1,785,222 |
| Total other assets | 274,835 | - |
| Net capital assets | 188,015,060 | 36,544,136 |
| Total assets | <u>296,396,101</u> | <u>42,493,745</u> |
| Deferred outflows of resources | 1,194,753 | - |
| Total assets and deferred outflows of resources | <u>297,590,854</u> | <u>42,493,745</u> |
| Total current liabilities | 13,075,112 | 3,953,497 |
| Total long-term liabilities | 227,875,726 | 24,885,269 |
| Total liabilities | <u>240,950,838</u> | <u>28,838,766</u> |
| Deferred inflows of resources | 145,051 | - |
| Total liabilities and deferred inflows of resources | <u>241,095,889</u> | <u>28,838,766</u> |
| Net investment in capital assets | 30,749,502 | 9,027,247 |
| Restricted net position | 16,550,511 | 2,211,593 |
| Unrestricted net position | 9,194,952 | 2,416,139 |
| Total net position | <u>\$ 56,494,965</u> | <u>\$ 13,654,979</u> |

11. Segment Information (continued)

| | District | Subdistrict |
|---|---------------|---------------|
| Condensed Statement of Revenues, Expenses, and Changes in Net Position | | |
| Operating revenues | \$ 21,630,412 | \$ 4,659,149 |
| Depreciation expense | (10,469,558) | (943,932) |
| Other operating expenses | (10,698,007) | (2,145,882) |
| Operating income | 462,847 | 1,569,335 |
| Total nonoperating revenues (expenses): | | |
| Investment income | 2,319,547 | 97,032 |
| Interest subsidy | 2,524,930 | - |
| Interest expense | (6,284,675) | (103,165) |
| Loss on disposal of capital assets | (218,566) | (261,791) |
| Change in net position | (1,195,917) | 1,301,411 |
| Beginning net position (restated) | 57,690,882 | 12,353,568 |
| Ending net position | \$ 56,494,965 | \$ 13,654,979 |
| Condensed Statement of Cash Flows | | |
| Operating activities | \$ 10,425,308 | \$ 2,476,203 |
| Noncapital financing activities | (2,043,453) | (735,000) |
| Capital and related financing activities | (19,880,183) | (2,736,737) |
| Investing activities | 2,428,522 | 746,391 |
| Net decrease in cash and cash equivalents | (9,069,806) | (249,143) |
| Beginning cash and cash equivalents | 47,868,430 | 4,633,347 |
| Ending cash and cash equivalents | \$ 38,798,624 | \$ 4,384,204 |

12. Change in Accounting Principle

In 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The adoption of this Statement revises and establishes new financial reporting requirements for most governments that provide their employees a defined benefit pension plan. The Statement requires most governments to recognize a net pension liability measured as of a date no earlier than the end of its prior fiscal year and recognize its contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's fiscal year as deferred outflows of resources. Further, the Statement requires recognition of deferred outflows and inflows of resources for changes in the net pension liability that arise from other types of events.

As a result of the adoption of GASB No. 68, net position as of October 1, 2014 was restated as follows:

| | |
|--|---------------|
| Net position, as previously reported | \$ 72,061,638 |
| Net pension liability | (2,141,384) |
| Contributions after the measurement date | 124,196 |
| Net position, as restated | \$ 70,044,450 |

**REQUIRED
SUPPLEMENTARY INFORMATION**

LITTLE BLUE VALLEY SEWER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

JACKSON COUNTY, MISSOURI REVISED PENSION PLAN

| | <u>2015</u> |
|--|--------------|
| District's proportion of the net pension liability | 5.89% |
| District's proportionate share of the net pension liability | \$ 3,325,316 |
| District's covered-employee payroll | \$ 3,609,832 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 92.12% |
| Plan fiduciary net position as a percentage of the total pension liability | 81.25% |

The amounts presented were determined as of June 30th.

Note: This schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

LITTLE BLUE VALLEY SEWER DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS

JACKSON COUNTY, MISSOURI REVISED PENSION PLAN

| | 2015 |
|--|--------------------|
| Contractually required contribution | \$ 488,752 |
| Contributions in relation to the contractually required contribution | <u>(488,752)</u> |
| Contribution deficiency (excess) | <u><u>\$ -</u></u> |
| District's covered-employee payroll | \$ 3,747,086 |
| Contributions as a percentage of covered-employee payroll | 13.04% |

Note: This schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

LITTLE BLUE VALLEY SEWER DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended September 30, 2015

Changes of Assumptions

In 2015, the Plan incorporated the new RP-2014 mortality table, resulting in an increase of approximately 5.6% in plan liabilities over the RP-2000 table used in the prior valuation. The method of determining the funding value of assets was altered slightly to improve the smoothing of asset gains and losses going forward, and was reset to the market value as of July 1, 2015.

SUPPLEMENTARY DATA

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

SCHEDULE OF NET POSITION

September 30, 2015

| | Little Blue Valley Sewer District | Middle Big Creek Sewer Subdistrict | Internal Activity | Total |
|--|--------------------------------------|---------------------------------------|----------------------|-----------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 16,885,314 | \$ 2,358,733 | \$ - | \$ 19,244,047 |
| Accounts receivable | 5,443,551 | 444,356 | (315,949) | 5,571,958 |
| Interest receivable | 2,593 | - | - | 2,593 |
| Prepaid expenses and deposits | 337,734 | 29,291 | - | 367,025 |
| Inventory | 424,094 | 7,206 | - | 431,300 |
| Restricted assets: | | | | |
| Cash and investments | 2,310,066 | 251,937 | - | 2,562,003 |
| Investments | 7,989,409 | 1,071,496 | - | 9,060,905 |
| Interest receivable | 36,994 | 1,368 | - | 38,362 |
| Due from other governments | 211,469 | - | - | 211,469 |
| Total current assets | <u>33,641,224</u> | <u>4,164,387</u> | <u>(315,949)</u> | <u>37,489,662</u> |
| Noncurrent assets: | | | | |
| Restricted assets: | | | | |
| Cash and investments | 19,603,244 | 1,773,534 | - | 21,376,778 |
| Investments | 54,263,611 | 972 | - | 54,264,583 |
| Interest receivable | 598,127 | 10,716 | - | 608,843 |
| Total restricted assets | <u>74,464,982</u> | <u>1,785,222</u> | <u>-</u> | <u>76,250,204</u> |
| Due from other governments | <u>274,835</u> | <u>-</u> | <u>-</u> | <u>274,835</u> |
| Capital assets: | | | | |
| Nondepreciable | 4,231,221 | 13,860,345 | - | 18,091,566 |
| Depreciable, net | <u>183,783,839</u> | <u>22,683,791</u> | <u>-</u> | <u>206,467,630</u> |
| Total capital assets | <u>188,015,060</u> | <u>36,544,136</u> | <u>-</u> | <u>224,559,196</u> |
| Total noncurrent assets | <u>262,754,877</u> | <u>38,329,358</u> | <u>-</u> | <u>301,084,235</u> |
| Total assets | 296,396,101 | 42,493,745 | (315,949) | 338,573,897 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred amount on refunding | 17,213 | - | - | 17,213 |
| Pension related amounts | 1,177,540 | - | - | 1,177,540 |
| Total assets and deferred outflows of resources | <u>\$ 297,590,854</u> | <u>\$ 42,493,745</u> | <u>\$ (315,949)</u> | <u>\$ 339,768,650</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 453,053 | \$ 340,134 | \$ (296,364) | \$ 496,823 |
| Construction contracts, retainage payable and other | 1,901,274 | 941,714 | (19,585) | 2,823,403 |
| Compensated absences and other | 75,805 | 3,992 | - | 79,797 |
| Due to other governments | 3,720,500 | 777,000 | - | 4,497,500 |
| Interest payable | 1,484,283 | 185,208 | - | 1,669,491 |
| Current maturities of revenue bonds | <u>5,440,197</u> | <u>1,705,449</u> | <u>-</u> | <u>7,145,646</u> |
| Total current liabilities | <u>13,075,112</u> | <u>3,953,497</u> | <u>(315,949)</u> | <u>16,712,660</u> |
| Noncurrent liabilities: | | | | |
| Revenue bonds | 178,860,000 | 24,869,726 | - | 203,729,726 |
| Unamortized premium | 907,674 | - | - | 907,674 |
| Due to other governments | 43,985,174 | - | - | 43,985,174 |
| Compensated absences | 797,562 | 15,543 | - | 813,105 |
| Net pension liability | 3,325,316 | - | - | 3,325,316 |
| Total noncurrent liabilities | <u>227,875,726</u> | <u>24,885,269</u> | <u>-</u> | <u>252,760,995</u> |
| Total liabilities | 240,950,838 | 28,838,766 | (315,949) | 269,473,655 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Pension related amounts | 145,051 | - | - | 145,051 |
| Total liabilities and deferred inflows of resources | <u>241,095,889</u> | <u>28,838,766</u> | <u>(315,949)</u> | <u>269,618,706</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 30,749,502 | 9,027,247 | - | 39,776,749 |
| Restricted for capital projects | 198,566 | 1,751,585 | - | 1,950,151 |
| Restricted for debt service | 4,370,986 | 438,031 | - | 4,809,017 |
| Restricted for renewal and replacement | 11,980,959 | 21,977 | - | 12,002,936 |
| Unrestricted | <u>9,194,952</u> | <u>2,416,139</u> | <u>-</u> | <u>11,611,091</u> |
| Total net position | <u>56,494,965</u> | <u>13,654,979</u> | <u>-</u> | <u>70,149,944</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 297,590,854</u> | <u>\$ 42,493,745</u> | <u>\$ (315,949)</u> | <u>\$ 339,768,650</u> |

LITTLE BLUE VALLEY SEWER DISTRICT
MIDDLE BIG CREEK SEWER SUBDISTRICT

SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

For the year ended September 30, 2015

| | Little Blue Valley Sewer District | Middle Big Creek Subdistrict | Internal Activity | Total |
|--|---|------------------------------------|----------------------|----------------------|
| Operating revenues: | | | | |
| Wastewater treatment user fees | \$ 21,580,320 | \$ 4,658,387 | \$ (1,178,151) | \$ 25,060,556 |
| Other | 50,092 | 762 | - | 50,854 |
| | <u>21,630,412</u> | <u>4,659,149</u> | <u>(1,178,151)</u> | <u>25,111,410</u> |
| Operating expenses: | | | | |
| Operation and maintenance | 8,511,399 | 2,053,539 | (1,178,151) | 9,386,787 |
| Administrative and general | 1,706,587 | 85,586 | - | 1,792,173 |
| Depreciation and amortization | 10,469,558 | 943,932 | - | 11,413,490 |
| Unbilled charges | 480,021 | 6,757 | - | 486,778 |
| | <u>21,167,565</u> | <u>3,089,814</u> | <u>(1,178,151)</u> | <u>23,079,228</u> |
| Operating income | <u>462,847</u> | <u>1,569,335</u> | <u>-</u> | <u>2,032,182</u> |
| Nonoperating revenue (expense): | | | | |
| Interest expense | (6,284,675) | (103,165) | - | (6,387,840) |
| Interest subsidy on revenue bonds | 2,524,930 | - | - | 2,524,930 |
| Investment income | 2,319,547 | 97,032 | - | 2,416,579 |
| Loss on disposal of capital assets | (218,566) | (261,791) | - | (480,357) |
| | <u>(1,658,764)</u> | <u>(267,924)</u> | <u>-</u> | <u>(1,926,688)</u> |
| Change in net position | (1,195,917) | 1,301,411 | - | 105,494 |
| Net position - beginning of year (as restated) | <u>57,690,882</u> | <u>12,353,568</u> | <u>-</u> | <u>70,044,450</u> |
| Net position - end of year | <u>\$ 56,494,965</u> | <u>\$ 13,654,979</u> | <u>\$ -</u> | <u>\$ 70,149,944</u> |

LITTLE BLUE VALLEY SEWER DISTRICT
MIDDLE BIG CREEK SEWER SUBDISTRICT
SCHEDULE OF CASH FLOWS

For the year ended September 30, 2015

| | Little Blue Valley Sewer District | Middle Big Creek Sewer Subdistrict | Internal Activity | Total |
|---|--------------------------------------|---------------------------------------|----------------------|----------------------|
| Cash flows from operating activities: | | | | |
| Cash received from customers | \$ 21,276,652 | \$ 4,601,479 | \$ (1,169,584) | \$ 24,708,547 |
| Cash payments to suppliers for goods and services | (5,488,181) | (1,786,712) | 1,169,584 | (6,105,309) |
| Cash payments for employee services and benefits | (5,414,252) | (339,326) | - | (5,753,578) |
| Other cash receipts | 51,089 | 762 | - | 51,851 |
| Net cash provided by operating activities | <u>10,425,308</u> | <u>2,476,203</u> | <u>-</u> | <u>12,901,511</u> |
| Cash flows from noncapital financing activities: | | | | |
| Payments on intergovernmental advance | (2,043,453) | (735,000) | - | (2,778,453) |
| Cash flows from capital and related financing activities: | | | | |
| Proceeds from issuance of debt | - | 4,071,275 | - | 4,071,275 |
| Interest paid on revenue bonds | (11,544,840) | (741,358) | - | (12,286,198) |
| Principal paid on revenue bonds | (2,725,000) | (1,665,000) | - | (4,390,000) |
| Interest subsidy on revenue bonds | 2,524,022 | - | - | 2,524,022 |
| Proceeds from the sale of capital assets | 101,725 | - | - | 101,725 |
| Acquisition and construction of capital assets | (8,236,090) | (4,401,654) | - | (12,637,744) |
| Net cash used in capital and related financing activities | <u>(19,880,183)</u> | <u>(2,736,737)</u> | <u>-</u> | <u>(22,616,920)</u> |
| Cash flows from investing activities: | | | | |
| Interest received | 2,439,185 | 106,886 | - | 2,546,071 |
| Proceeds from the sale of investments | 2,003,087 | 742,005 | - | 2,745,092 |
| Purchases of investments | (2,013,750) | (102,500) | - | (2,116,250) |
| Net cash provided by investing activities | <u>2,428,522</u> | <u>746,391</u> | <u>-</u> | <u>3,174,913</u> |
| Net decrease in cash and cash equivalents | (9,069,806) | (249,143) | - | (9,318,949) |
| Cash and cash equivalents - beginning of year | 47,868,430 | 4,633,347 | - | 52,501,777 |
| Cash and cash equivalents - end of year | <u>\$ 38,798,624</u> | <u>\$ 4,384,204</u> | <u>\$ -</u> | <u>\$ 43,182,828</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income | \$ 462,847 | \$ 1,569,335 | \$ - | \$ 2,032,182 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 10,469,558 | 943,932 | - | 11,413,490 |
| Changes in assets and liabilities: | | | | |
| Accounts receivable | (305,641) | (56,890) | 10,394 | (352,137) |
| Prepaid expenses and deposits | (21,517) | (28) | - | (21,545) |
| Inventory | (305,918) | - | - | (305,918) |
| Accounts payable | (187,319) | 13,097 | (10,394) | (184,616) |
| Net pension liability | 275,639 | - | - | 275,639 |
| Other accrued liabilities | 37,659 | 6,757 | - | 44,416 |
| Net cash provided by operating activities | <u>\$ 10,425,308</u> | <u>\$ 2,476,203</u> | <u>\$ -</u> | <u>\$ 12,901,511</u> |

LITTLE BLUE VALLEY SEWER DISTRICT

SCHEDULE OF EXPENSES COMPARED TO BUDGET

For the year ended September 30, 2015

| | 2015 Actual (on a Budgetary Basis) | 2015 Budget (as Approved) |
|--|---|---------------------------------|
| Personal services: | | |
| 101 Regular salaries | \$ 3,637,098 | \$ 4,007,561 |
| 102 Overtime | 109,988 | 194,662 |
| 109 Car allowance | 7,200 | - |
| 121 FICA taxes | 275,981 | 321,470 |
| 122 Employee healthcare | 1,199,887 | 1,090,083 |
| 123 Pension | 488,752 | 562,137 |
| 125 Disability | 19,710 | 25,127 |
| 126 Life insurance | 21,426 | 32,729 |
| 131 Physicals/workers' compensation | 4,363 | 10,300 |
| 132 Public education | 2,974 | 3,550 |
| 133 Professional and consulting | 236,758 | 369,000 |
| | <hr/> | <hr/> |
| Total personal services | 6,004,137 | 6,616,619 |
| Materials and services: | | |
| 201 Motor fuels and lubricants | 42,653 | 82,500 |
| 202 Automotive equipment | 30,286 | 24,200 |
| 203 Equipment | 316,483 | 279,800 |
| 204 Equipment rental | 14,115 | 12,000 |
| 205 Construction supplies | 1,861 | 21,000 |
| 206 Cast iron and steel | 787 | 4,400 |
| 207 Small tools and hardware | 89,835 | 58,900 |
| 208 Hoses and rubber goods | 6,665 | 10,500 |
| 209 Electrical supplies and services | 70,592 | 95,500 |
| 210 Instrument supplies and services | 28,262 | 59,000 |
| 211 Chemical supplies | 662,789 | 906,050 |
| 212 Laboratory supplies | 44,593 | 46,800 |
| 214 Other engineering materials | - | 200 |
| 215 Plumbing supplies | 1,026 | 5,000 |
| 216 Painting supplies | 28 | 3,200 |
| 217 Safety equipment and services | 85,633 | 102,275 |
| 218 Dumping, trash hauling, grit services | 9,004 | 23,600 |
| 220 Inspections | 7,599 | 7,000 |
| 221 Travel expenses | 13,521 | 21,850 |
| 223 Freight and express (outgoing) | 1,811 | 3,900 |
| 241 Ash hauling | - | 150,000 |
| 242 Grit hauling | 100,500 | 282,000 |
| 250 Contractual services | 402,443 | 265,270 |
| | <hr/> | <hr/> |
| Total materials and services | 1,930,486 | 2,464,945 |
| Building and plant: | | |
| 302 Maintenance of buildings and grounds | 100,667 | 87,380 |
| 303 Janitorial supplies and services | 12,634 | 16,400 |
| 304 Fuel oil incinerator | - | 100,000 |
| 305 Property rental | 36,000 | 36,000 |
| 306 Electrical usage | 2,078,685 | 2,495,000 |
| 307 Natural gas usage | 145,268 | 409,200 |
| 308 Water usage | 141,942 | 153,500 |
| 310 Intradistrict service charges (budget purposes only) | 1,178,151 | 1,250,300 |
| | <hr/> | <hr/> |
| Total building and plant | 3,693,347 | 4,547,780 |

(continued)

LITTLE BLUE VALLEY SEWER DISTRICT

SCHEDULE OF EXPENSES COMPARED TO BUDGET (continued)

For the year ended September 30, 2015

| | 2015 Actual (on a Budgetary Basis) | 2015 Budget (as Approved) |
|------------------------------------|---|---------------------------------|
| Administrative and general: | | |
| 401 Postage | \$ 3,710 | \$ 3,400 |
| 402 Telephone | 74,704 | 83,500 |
| 403 Office supplies | 10,247 | 11,600 |
| 404 Personal computer supplies | 54,608 | 65,100 |
| 405 Computer parts | 127,009 | 85,000 |
| 406 Printing and reproduction | 3,243 | 8,650 |
| 407 Copier cost | - | 350 |
| 408 Advertising | 9,239 | 27,000 |
| 409 Office equipment maintenance | 4,562 | 4,000 |
| 410 Administrative travel | 4,716 | 6,000 |
| 411 Dues | 29,537 | 28,975 |
| 413 Insurance | 325,968 | 528,900 |
| 414 Education and training cost | 18,432 | 42,300 |
| 415 Books and periodicals | 2,591 | 4,700 |
| 425 Administrative expenses | 11,626 | 9,450 |
| 432 Board members' fees | 13,350 | 20,400 |
| 434 Other contractual | - | 400 |
| 450 Office equipment rental | 3,414 | 3,500 |
| | <u>696,956</u> | <u>933,225</u> |
| Total administrative and general | | |
| Capital outlay: | | |
| 505 Auxiliary equipment | 9,382 | 5,000 |
| 507 Machinery and implements | 22 | 5,000 |
| 508 Instruments and apparatus | 17,940 | 36,000 |
| 509 Furniture and office equipment | - | 5,500 |
| 511 EDP equipment | 4,841 | 5,000 |
| | <u>32,185</u> | <u>56,500</u> |
| Total capital outlay | | |
| | <u>\$ 12,357,111</u> | <u>\$ 14,619,069</u> |

Reconciliation of amounts reported on a budgetary basis to amounts reported on an accrual basis (Exhibit B):

| | |
|-------------------------------|----------------------|
| Actual - budgetary basis | \$ 12,357,111 |
| Intradistrict service charges | <u>(1,178,151)</u> |
| Total | <u>\$ 11,178,960</u> |
| Amounts per Exhibit B: | |
| Operating expenses: | |
| Operation and maintenance | \$ 9,386,787 |
| Administrative and general | <u>1,792,173</u> |
| Total | <u>\$ 11,178,960</u> |

STATISTICAL SECTION

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

1 - 4

Revenue Capacity

This table contains information to help the reader assess the District's most significant revenue sources.

5

Debt Capacity

These tables present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

6 - 8

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

9 - 10

Operating Information

These tables contain service and other data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

11 - 12

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. For Tables 5, 11, and 12, the information contained in those schedules was prepared by the Finance Department from District records.

LITTLE BLUE VALLEY SEWER DISTRICT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

| <u>Year ended September 30</u> | Net <u>Investment in Capital Assets</u> | <u>Restricted</u> | <u>Unrestricted</u> | <u>Total</u> |
|------------------------------------|--|-------------------|---------------------|---------------|
| 2006 | \$ 70,040,338 | \$ 11,234,876 | \$ 16,722,084 | \$ 97,997,298 |
| 2007 | 65,011,415 | 12,618,160 | 17,569,949 | 95,199,524 |
| 2008 | 60,734,932 | 16,221,618 | 15,291,779 | 92,248,329 |
| 2009 | 58,605,000 | 16,727,064 | 13,923,382 | 89,255,446 |
| 2010 | 58,318,918 | 14,605,854 | 13,065,605 | 85,990,377 |
| 2011 | 56,017,828 | 14,600,946 | 11,638,554 | 82,257,328 |
| 2012 | 50,656,141 | 16,208,198 | 10,912,932 | 77,777,271 |
| 2013 | 47,732,051 | 17,332,629 | 7,289,787 | 72,354,467 |
| 2014 | 45,823,640 | 16,854,272 | 9,383,726 | 72,061,638 |
| 2015 | 39,776,749 | 18,762,104 | 11,611,091 | 70,149,944 |

Note: Beginning net position was restated as a result of the implementation of GASB Statement 68 in 2015. The amounts for years prior to 2015 have not been restated.

LITTLE BLUE VALLEY SEWER DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

| Year ended September 30 | Operating Revenues | Operating Expenses | Investment Income | Nonoperating Income (Expense) | | Loss on Disposal of Capital Assets | Change in Net Position |
|----------------------------|-----------------------|-----------------------|----------------------|----------------------------------|---------------------|--|---------------------------|
| | | | | Interest Subsidy | Interest Expense | | |
| 2006 | \$ 16,237,129 | \$ 17,642,557 | \$ 4,166,774 | \$ - | \$ (4,194,239) | \$ - | \$ (1,432,893) |
| 2007 | 16,843,795 | 18,668,975 | 4,420,890 | - | (5,393,484) | - | (2,797,774) |
| 2008 | 17,444,754 | 19,229,486 | 3,879,962 | - | (5,046,425) | - | (2,951,195) |
| 2009 | 18,079,837 | 19,294,201 | 3,167,506 | - | (4,946,025) | - | (2,992,883) |
| 2010 | 18,587,481 | 19,962,690 | 2,889,544 | - | (4,779,404) | - | (3,265,069) |
| 2011 | 19,449,540 | 19,939,835 | 4,905,570 | 2,163,091 | (10,311,415) | - | (3,733,049) |
| 2012 | 21,172,366 | 20,020,713 | 3,215,069 | 2,722,773 | (11,569,552) | - | (4,480,057) |
| 2013 | 22,659,968 | 20,736,749 | 2,798,492 | 2,587,995 | (10,410,850) | - | (3,101,144) |
| 2014 | 23,905,534 | 21,522,131 | 2,600,490 | 2,526,733 | (7,781,186) | (22,269) | (292,829) |
| 2015 | 25,111,410 | 23,079,228 | 2,416,579 | 2,524,930 | (6,387,840) | (480,357) | 105,494 |

- Notes:
1. Interest expense is net of capitalized amounts.
 2. In 2015, the District implemented GASB Statement 68. Amounts prior to 2015 have not been restated.

LITTLE BLUE VALLEY SEWER DISTRICT

REVENUES BY SOURCE

LAST TEN FISCAL YEARS

| <u>Year ended</u> <u>September 30</u> | <u>Charges for</u> <u>Services ⁽¹⁾</u> | <u>Investment</u> <u>Income</u> | <u>Interest</u> <u>Subsidy</u> | <u>Other ⁽¹⁾</u> | <u>Total</u> |
|--|--|------------------------------------|-----------------------------------|-----------------------------|---------------|
| 2006 | \$ 16,142,253 | \$ 4,166,774 | \$ - | \$ 94,876 | \$ 20,403,903 |
| 2007 | 16,810,747 | 4,420,890 | - | 33,048 | 21,264,685 |
| 2008 | 17,391,046 | 3,879,962 | - | 53,708 | 21,324,716 |
| 2009 | 18,038,762 | 3,167,506 | - | 41,075 | 21,247,343 |
| 2010 | 18,433,120 | 2,889,544 | - | 154,361 | 21,477,025 |
| 2011 | 19,362,085 | 4,905,570 | 2,163,091 | 87,455 | 26,518,201 |
| 2012 | 21,120,552 | 3,215,069 | 2,722,773 | 51,814 | 27,110,208 |
| 2013 | 22,595,948 | 2,798,492 | 2,587,995 | 64,020 | 28,046,455 |
| 2014 | 23,832,264 | 2,600,490 | 2,526,733 | 73,270 | 29,032,757 |
| 2015 | 25,060,556 | 2,416,579 | 2,524,930 | 50,854 | 30,052,919 |

⁽¹⁾ Represents operating revenues.

LITTLE BLUE VALLEY SEWER DISTRICT

OPERATING EXPENSES

LAST TEN FISCAL YEARS

| <u>Year ended September 30</u> | <u>Operation and Maintenance</u> | <u>Administrative and General</u> | <u>Depreciation and Amortization</u> | <u>Unbilled Charges</u> | <u>Total</u> |
|------------------------------------|--|---------------------------------------|--|-----------------------------|---------------|
| 2006 | \$ 6,612,538 | \$ 1,803,024 | \$ 8,636,298 | \$ 590,697 | \$ 17,642,557 |
| 2007 | 7,547,249 | 1,899,916 | 8,858,998 | 362,812 | 18,668,975 |
| 2008 | 7,928,388 | 2,055,509 | 8,805,026 | 440,563 | 19,229,486 |
| 2009 | 8,122,360 | 1,983,442 | 8,847,704 | 340,695 | 19,294,201 |
| 2010 | 8,499,287 | 2,296,800 | 8,807,120 | 359,483 | 19,962,690 |
| 2011 | 8,464,396 | 2,357,259 | 8,881,549 | 236,631 | 19,939,835 |
| 2012 | 8,488,212 | 1,943,257 | 9,044,005 | 545,239 | 20,020,713 |
| 2013 | 9,408,525 | 1,719,076 | 8,942,509 | 666,639 | 20,736,749 |
| 2014 | 10,098,895 | 1,784,843 | 8,875,073 | 763,320 | 21,522,131 |
| 2015 | 9,386,787 | 1,792,173 | 11,413,490 | 486,778 | 23,079,228 |

**LITTLE BLUE VALLEY SEWER DISTRICT
 USER CHARGES AND OPERATING STATISTICS
 LAST TEN FISCAL YEARS**

| <u>Municipality</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Independence: | | | | | | | | | | |
| Flow (MG) | 2,583.3000 | 2,876.9200 | 3,009.3600 | 3,949.3300 | 5,100.8000 | 4,229.2900 | 3,897.7500 | 3,640.0800 | 3,187.9700 | 3,574.2300 |
| Percentage (%) | 19.7806 | 20.8448 | 21.9236 | 22.4868 | 22.2562 | 22.4581 | 23.4272 | 22.4004 | 21.1639 | 20.3441 |
| User charge (\$) | 4,120,260 | 4,087,112 | 4,053,940 | 3,931,228 | 3,667,255 | 3,621,184 | 3,694,980 | 3,384,712 | 3,105,584 | 2,866,992 |
| Kansas City: | | | | | | | | | | |
| Flow (MG) | 1,497.6600 | 1,350.4100 | 1,541.0400 | 1,830.2200 | 2,388.9600 | 2,016.6600 | 1,336.6700 | 1,567.1300 | 1,413.3600 | 1,673.0500 |
| Percentage (%) | 11.4677 | 9.7844 | 11.2267 | 10.4210 | 10.4237 | 10.7087 | 8.034 | 9.6438 | 9.3828 | 9.5228 |
| User charge (\$) | 2,421,368 | 1,967,984 | 2,117,796 | 1,866,800 | 1,760,484 | 1,770,536 | 1,327,492 | 1,520,212 | 1,415,656 | 1,375,412 |
| Raytown: | | | | | | | | | | |
| Flow (MG) | 1,454.1700 | 1,427.1600 | 1,384.4000 | 2,146.6200 | 3,153.9400 | 2,479.4600 | 2,111.2300 | 2,007.9600 | 1,864.3600 | 2,236.6400 |
| Percentage (%) | 11.1347 | 10.3405 | 10.0855 | 12.2225 | 13.7615 | 13.1663 | 12.6894 | 12.3566 | 12.3769 | 12.7307 |
| User charge (\$) | 2,334,184 | 2,051,524 | 1,893,288 | 2,151,028 | 2,274,848 | 2,137,516 | 2,030,432 | 1,895,224 | 1,847,564 | 1,819,208 |
| Lee's Summit: | | | | | | | | | | |
| Flow (MG) | 3,460.9100 | 3,520.9400 | 3,073.9600 | 3,508.7400 | 4,421.1700 | 3,609.9400 | 3,438.5700 | 3,453.4100 | 3,312.5400 | 3,995.1800 |
| Percentage (%) | 26.5005 | 25.5111 | 22.3942 | 19.9782 | 19.2908 | 19.1693 | 20.6673 | 21.2517 | 21.9909 | 22.7401 |
| User charge (\$) (1) | 5,479,796 | 4,979,672 | 4,145,064 | 3,532,560 | 3,200,428 | 3,122,552 | 3,292,020 | 3,233,164 | 3,237,472 | 3,207,908 |
| Blue Springs: | | | | | | | | | | |
| Flow (MG) | 985.7500 | 1,038.5900 | 1,058.6100 | 1,417.9600 | 1,846.0300 | 1,601.6800 | 1,430.1300 | 1,415.0700 | 1,341.2300 | 1,538.5200 |
| Percentage (%) | 7.5480 | 7.5251 | 7.7121 | 8.0737 | 8.0547 | 8.5051 | 8.5957 | 8.7081 | 8.9040 | 8.7571 |
| User charge (\$) | 1,641,752 | 1,544,964 | 1,496,408 | 1,475,204 | 1,388,552 | 1,432,240 | 1,431,408 | 1,372,832 | 1,386,364 | 1,310,208 |
| Grandview: | | | | | | | | | | |
| Flow (MG) | 791.1800 | 1,125.6900 | 1,170.7600 | 1,597.6900 | 1,980.1200 | 1,414.1800 | 1,266.8900 | 960.1100 | 762.3600 | 862.8600 |
| Percentage (%) | 6.0581 | 8.1562 | 8.5291 | 9.0970 | 8.6398 | 7.5095 | 7.6146 | 5.9084 | 5.0611 | 4.9113 |
| User charge (\$) | 1,311,112 | 1,640,772 | 1,621,312 | 1,648,456 | 1,458,408 | 1,248,684 | 1,240,552 | 942,176 | 790,612 | 740,960 |
| Belton: | | | | | | | | | | |
| Flow (MG) | 371.5100 | 459.4700 | 523.7700 | 692.0400 | 866.9300 | 568.0600 | 468.8600 | 607.4600 | 790.5600 | 1079.2700 |
| Percentage (%) | 2.8447 | 3.3291 | 3.8157 | 3.9404 | 3.7827 | 3.0165 | 2.8181 | 3.7382 | 5.2483 | 6.1431 |
| User charge (\$) | 665,348 | 720,864 | 770,764 | 746,844 | 680,932 | 545,984 | 509,280 | 624,604 | 817,204 | 904,004 |
| Lake Tapawingo: | | | | | | | | | | |
| Flow (MG) | 12.2600 | 14.8400 | 16.3100 | 19.3300 | 58.3400 | 69.8600 | 50.9300 | 20.1100 | 18.7700 | 18.1500 |
| Percentage (%) | 0.0939 | 0.1075 | 0.1188 | 0.1101 | 0.2546 | 0.3710 | 0.3061 | 0.1238 | 0.1246 | 0.1033 |
| User charge (\$) | 101,724 | 100,204 | 99,532 | 88,244 | 108,976 | 122,624 | 102,088 | 74,204 | 59,064 | 54,432 |
| Unincorporated Jackson County: | | | | | | | | | | |
| Flow (MG) | - | - | - | - | - | - | 137.6000 | 130.4500 | 130.6400 | 125.8900 |
| Percentage (%) | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.7307 | 0.7841 | 0.8039 | 0.8357 | 0.7596 |
| User charge (\$) | 72,960 | 70,544 | 68,908 | 60,388 | 59,901 | 179,028 | 174,980 | 173,220 | 158,508 | 142,344 |
| Lake City: | | | | | | | | | | |
| Flow (MG) | 626.5000 | 626.2000 | 599.9100 | 657.3600 | 731.0600 | 687.5300 | 674.9600 | 718.5500 | 695.3900 | 703.6300 |
| Percentage (%) | 4.7972 | 4.5371 | 4.3704 | 3.7429 | 3.1898 | 3.6509 | 4.0568 | 4.4219 | 4.6164 | 4.005 |
| User charge (\$) | 1,140,553 | 1,019,184 | 932,728 | 736,952 | 652,344 | 718,812 | 764,356 | 787,840 | 791,204 | 673,324 |
| Raymore: | | | | | | | | | | |
| Flow (MG) | 555.6400 | 573.0100 | 544.8100 | 710.5100 | 1,016.3200 | 920.0300 | 845.7900 | 821.1000 | 710.4200 | 782.4700 |
| Percentage (%) | 4.2546 | 4.1518 | 3.9690 | 4.0455 | 4.4345 | 4.8855 | 5.0836 | 5.0529 | 4.7163 | 4.4537 |
| User charge (\$) | 939,304 | 867,740 | 788,860 | 755,476 | 776,632 | 830,520 | 846,360 | 807,752 | 734,652 | 669,988 |
| Fort Osage School: | | | | | | | | | | |
| Flow (MG) | 6.4100 | 8.1100 | 9.6300 | 7.3800 | 6.9400 | 8.6200 | 11.8800 | 12.7500 | 12.6200 | 12.0700 |
| Percentage (%) | 0.0491 | 0.0588 | 0.0702 | 0.0420 | 0.0303 | 0.0458 | 0.0714 | 0.0784 | 0.0838 | 0.0687 |
| User charge (\$) | 82,840 | 81,700 | 81,468 | 67,512 | 64,740 | 63,096 | 57,856 | 59,364 | 45,204 | 42,056 |
| Sugar Creek: | | | | | | | | | | |
| Flow (MG) | 3.8800 | 6.4500 | 16.3100 | 27.0000 | 38.1200 | 32.5200 | 18.9600 | 10.4800 | 6.0500 | 4.3300 |
| Percentage (%) | 0.0297 | 0.0467 | 0.1188 | 0.1537 | 0.1663 | 0.1727 | 0.1139 | 0.0645 | 0.0402 | 0.0246 |
| User charge (\$) | 90,968 | 91,760 | 103,248 | 96,792 | 97,620 | 91,772 | 72,956 | 65,728 | 47,456 | 43,936 |
| Middle Big Creek Subdistrict: | | | | | | | | | | |
| Flow (MG) | 710.6100 | 773.8200 | 777.7000 | 998.6200 | 1,309.8000 | 1,056.5000 | 954.6400 | 885.2000 | 821.7100 | 955.0400 |
| Percentage (%) | 5.4412 | 5.6069 | 5.6659 | 5.6862 | 5.7151 | 5.6099 | 5.7378 | 5.4474 | 5.4551 | 5.4359 |
| User charge (\$) (2) | - | - | - | - | - | - | - | - | - | - |
| Subtotal: | | | | | | | | | | |
| Flow (MG) (3) | 13,059.7800 | 13,801.6100 | 13,726.5700 | 17,562.8000 | 22,918.5300 | 18,831.9300 | 16,637.7100 | 16,250.0500 | 15,063.2300 | 17,568.9000 |
| Percentage (%) | 100.0000 | 100.0000 | 100.0000 | 100.0000 | 100.0000 | 100.0000 | 100.0000 | 100.0000 | 100.0000 | 100.0000 |
| User charge (\$) | 20,402,169 | 19,224,024 | 18,173,316 | 17,157,484 | 16,191,120 | 15,884,548 | 15,544,760 | 14,941,032 | 14,436,544 | 13,850,772 |
| Middle Big Creek Subdistrict: | | | | | | | | | | |
| Connections (#) | 143,335 | 141,792 | 140,401 | 139,055 | 125,687 | 99,944 | 97,804 | 96,079 | 93,106 | 89,862 |
| User charge (\$) (2) | 4,658,387 | 4,608,240 | 4,422,632 | 3,963,068 | 3,170,965 | 2,548,572 | 2,494,002 | 2,450,014 | 2,374,203 | 2,291,481 |
| Total: | | | | | | | | | | |
| User charge (\$) | 25,060,556 | 23,832,264 | 22,595,948 | 21,120,552 | 19,362,085 | 18,433,120 | 18,038,762 | 17,391,046 | 16,810,747 | 16,142,253 |

(1) Includes Unity Village.

(2) Middle Big Creek Subdistrict user charges are based on monthly connections to the treatment system at \$32.50 per connection.

(3) Represents average flows.

Table 6

LITTLE BLUE VALLEY SEWER DISTRICT

RATIO OF OUTSTANDING DEBT - DISTRICT
TOTAL OUTSTANDING DEBT
LAST TEN FISCAL YEARS

| Year ended September 30 | District | | | Total Outstanding Debt |
|----------------------------|------------------------------|----------------------|---------------|------------------------------|
| | Outstanding Revenue Bonds | Population Served | Per Capita | |
| 2006 | \$ 98,265,515 | 317,523 | \$ 309 | \$ 107,014,042 |
| 2007 | 95,573,818 | 322,235 | 297 | 103,641,447 |
| 2008 | 92,832,122 | 326,160 | 285 | 100,188,853 |
| 2009 | 89,315,425 | 330,524 | 270 | 95,921,259 |
| 2010 | 85,543,729 | 338,450 | 253 | 91,353,665 |
| 2011 | 198,392,032 | 344,358 | 576 | 207,738,808 |
| 2012 | 195,525,336 | 347,220 | 563 | 210,546,378 |
| 2013 | 192,158,639 | 354,200 | 543 | 215,277,064 |
| 2014 | 188,086,943 | 356,979 | 527 | 212,256,740 |
| 2015 | 185,207,871 | 359,674 | 515 | 211,783,046 |

- Notes:
1. As a measure of the District's debt per capita, the estimated population served by its fourteen customer entities is presented above.
 2. The revenue bonds above, including unamortized premiums, are for the District only.
 3. 2011 includes a \$118,350,000 revenue bond issue.
 4. No debt to personal income ratio is shown as it is not available for the District's service area.

LITTLE BLUE VALLEY SEWER DISTRICT

RATIO OF OUTSTANDING DEBT - SUBDISTRICT

LAST TEN FISCAL YEARS

| <u>Year ended September 30</u> | <u>Outstanding Revenue Bonds</u> | <u>Number of Connections</u> | <u>Per Connection</u> |
|------------------------------------|--------------------------------------|----------------------------------|---------------------------|
| 2006 | \$ 8,748,527 | 7,649 | \$ 1,144 |
| 2007 | 8,067,629 | 7,862 | 1,026 |
| 2008 | 7,356,731 | 8,106 | 908 |
| 2009 | 6,605,834 | 8,154 | 810 |
| 2010 | 5,809,936 | 8,411 | 691 |
| 2011 | 9,346,776 | 11,522 | 811 |
| 2012 | 15,021,042 | 11,718 | 1,282 |
| 2013 | 23,118,425 | 11,756 | 1,967 |
| 2014 | 24,169,797 | 11,884 | 2,034 |
| 2015 | 26,575,175 | 12,005 | 2,214 |

- Notes:
1. The number of connections represents those within the service areas of the Subdistrict's seven customer entities.
 2. The revenue bonds above, including unamortized premiums, are for the Subdistrict only.
 3. No debt to personal income ratio is shown as it is not available for the Subdistrict's service area.

LITTLE BLUE VALLEY SEWER DISTRICT

REVENUE BOND COVERAGE

LAST TEN FISCAL YEARS

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Gross revenue ⁽¹⁾ | \$ 30,052,919 | \$ 29,032,757 | \$ 28,046,455 | \$ 27,110,208 | \$ 26,508,201 | \$ 21,477,025 | \$ 21,247,343 | \$ 21,324,716 | \$ 21,264,685 | \$ 20,403,903 |
| Direct operating expense ⁽²⁾ | <u>11,665,738</u> | <u>12,647,058</u> | <u>11,794,240</u> | <u>10,976,708</u> | <u>11,058,286</u> | <u>11,155,570</u> | <u>10,446,497</u> | <u>10,424,460</u> | <u>9,809,977</u> | <u>9,006,259</u> |
| Net revenue available for debt service | <u>\$ 18,387,181</u> | <u>\$ 16,385,699</u> | <u>\$ 16,252,215</u> | <u>\$ 16,133,500</u> | <u>\$ 15,449,915</u> | <u>\$ 10,321,455</u> | <u>\$ 10,800,846</u> | <u>\$ 10,900,256</u> | <u>\$ 11,454,708</u> | <u>\$ 11,397,644</u> |
| Debt service requirements - Principal and interest ⁽³⁾ | <u>\$ 13,676,831</u> | <u>\$ 11,902,233</u> | <u>\$ 11,146,708</u> | <u>\$ 10,545,824</u> | <u>\$ 10,551,757</u> | <u>\$ 8,953,091</u> | <u>\$ 8,813,751</u> | <u>\$ 8,120,006</u> | <u>\$ 8,147,640</u> | <u>\$ 7,586,261</u> |
| Coverage: | | | | | | | | | | |
| 1995 and 2004 Series | <u>110%</u> | <u>133%</u> | <u>140%</u> | <u>143%</u> | <u>139%</u> | <u>115%</u> | <u>123%</u> | <u>134%</u> | <u>141%</u> | <u>150%</u> |
| 2003 Series ⁽⁴⁾ | <u>142%</u> | <u>143%</u> | <u>152%</u> | <u>157%</u> | <u>153%</u> | <u>121%</u> | <u>132%</u> | <u>151%</u> | <u>160%</u> | <u>173%</u> |
| 2010 Series ⁽⁵⁾ | <u>134%</u> | <u>133%</u> | <u>140%</u> | <u>143%</u> | <u>139%</u> | - | - | - | - | - |
| 2011A Series ⁽⁶⁾ | <u>110%</u> | <u>134%</u> | <u>116%</u> | <u>207%</u> | <u>134%</u> | - | - | - | - | - |

Note: The revenue bond coverage requirements are 110% for 1995, 2003 and 2011A series issues, and 100% for the 2004 and 2010 series issues.

⁽¹⁾ Gross revenue includes operating revenues, other operating income and investment income.

⁽²⁾ Direct operating expense includes operation and maintenance expenses, administrative and general expenses, unbilled charges and other operating expenses.

⁽³⁾ The 2010 Series bond resolution excludes the interest paid from the Capitalized Interest Subaccount from the debt service requirement.

⁽⁴⁾ Gross revenue and the debt service requirements exclude the interest income on the 2003 Series bond issue reserve fund as it is not a part of the revenue bond coverage.

⁽⁵⁾ Revenue for the 2010 Series includes the interest subsidy on these Build America Bonds.

⁽⁶⁾ The 2011A Series is based on Middle Big Creek Sewer Subdistrict balances, and include the Pleasant Hill plant purchase payments as an expense.

LITTLE BLUE VALLEY SEWER DISTRICTRATIO OF ANNUAL DEBT SERVICE TO
TOTAL GENERAL EXPENSES

LAST TEN FISCAL YEARS

| Year ended September 30 | Principal | Interest ⁽²⁾ | Total Debt Service | Total General Expenses ⁽¹⁾ | Ratio of Debt Service to Total General Expenses |
|----------------------------|--------------|-------------------------|-----------------------|---|--|
| 2006 | \$ 2,585,000 | \$ 5,001,261 | \$ 7,586,261 | \$ 8,415,562 | 90.15 |
| 2007 | 3,215,000 | 4,932,640 | 8,147,640 | 9,447,165 | 86.24 |
| 2008 | 3,295,000 | 4,825,006 | 8,120,006 | 9,983,897 | 81.33 |
| 2009 | 4,110,000 | 4,703,751 | 8,813,751 | 10,105,802 | 87.21 |
| 2010 | 4,410,000 | 4,543,091 | 8,953,091 | 10,796,087 | 82.93 |
| 2011 | 6,180,000 | 4,371,757 | 10,551,757 | 10,821,655 | 97.51 |
| 2012 | 3,595,000 | 4,233,582 | 7,828,582 | 10,431,469 | 75.05 |
| 2013 | 4,355,000 | 4,874,097 | 9,229,097 | 11,127,601 | 82.94 |
| 2014 | 5,265,000 | 2,139,105 | 7,404,105 | 11,883,738 | 62.30 |
| 2015 | 4,390,000 | 3,570,481 | 7,960,481 | 11,768,960 | 67.64 |

⁽¹⁾ General expenses represent operation and maintenance expenses and administrative and general expenses as reflected on Exhibit B.

⁽²⁾ Excludes amortization of bond premiums, the deferred amount on refunding, capitalized interest and the capitalized interest on the 2010 series bonds payable from bond proceeds.

LITTLE BLUE VALLEY SEWER DISTRICTDEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARSPopulation By Customer Entities

| Customer | 2015 | | 2014 | | 2013 | |
|----------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
| | Population Served | Total Population | Population Served | Total Population | Population Served | Total Population |
| Belton | 15,033 | 23,165 | 14,836 | 23,175 | 14,639 | 23,244 |
| Blue Springs | 28,589 | 53,573 | 28,215 | 53,294 | 27,841 | 53,014 |
| Cass County | 927 | 100,889 | 942 | 100,641 | 956 | 100,376 |
| Grandview | 23,949 | 25,290 | 23,837 | 25,307 | 23,725 | 24,601 |
| Greenwood | 5,476 | 5,476 | 5,387 | 5,387 | 5,306 | 5,306 |
| Independence | 87,250 | 117,494 | 86,700 | 117,240 | 86,150 | 117,270 |
| Jackson County | 7,917 | 683,191 | 7,454 | 679,996 | 6,990 | 677,377 |
| Kansas City | 34,951 | 470,800 | 34,875 | 467,007 | 34,798 | 464,310 |
| Lake Tapawingo | 726 | 726 | 729 | 729 | 729 | 729 |
| Lake Winnebago | 1,136 | 1,136 | 1,143 | 1,143 | 1,130 | 1,130 |
| Lee's Summit | 93,864 | 93,864 | 93,184 | 93,184 | 92,468 | 92,468 |
| Pleasant Hill | 7,165 | 8,250 | 7,161 | 8,218 | 7,154 | 8,179 |
| Raymore | 19,963 | 19,963 | 19,754 | 19,754 | 19,550 | 19,550 |
| Raytown | 29,481 | 29,481 | 29,510 | 29,510 | 29,513 | 29,513 |
| Sugar Creek | 3,167 | 3,334 | 3,172 | 3,339 | 3,174 | 3,341 |
| Unity Village | 80 | 80 | 80 | 80 | 77 | 77 |
| Total | 359,674 | 1,636,712 | 356,979 | 1,628,004 | 354,200 | 1,620,485 |

Personal Income

| | In Thousands | Per Capita | In Thousands | Per Capita | In Thousands | Per Capita |
|----------------|---------------|------------|---------------|------------|---------------|------------|
| Jackson County | \$ 28,535,901 | \$ 41,965 | \$ 27,588,109 | \$ 40,728 | \$ 27,435,693 | \$ 40,564 |
| Cass County | 3,767,017 | 37,430 | 3,692,699 | 36,789 | 3,526,189 | 35,244 |

Unemployment Rate

| | 2015 | 2014 | 2013 |
|----------------|------|------|------|
| Jackson County | 5.5% | 7.6% | 7.1% |
| Cass County | 4.3% | 6.0% | 5.4% |

Notes: Personal income and unemployment information are provided for the counties in the service area.

Sources: Mid-America Regional Council, Missouri Department of Economic Development, and HDR Engineers for the estimated population served. The estimated population and population served amounts were revised in 2010 and 2011.

(continued)

LITTLE BLUE VALLEY SEWER DISTRICT

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

(continued)

Population By Customer Entities

| <u>Customer</u> | 2012 | | 2011 | | 2010 | |
|-----------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
| | Population Served | Total Population | Population Served | Total Population | Population Served | Total Population |
| Belton | 14,442 | 23,251 | 14,246 | 23,116 | 14,049 | 24,802 |
| Blue Springs | 27,467 | 52,749 | 27,093 | 52,575 | 26,719 | 55,817 |
| Cass County | 971 | 100,052 | 985 | 99,478 | 1,000 | 100,184 |
| Grandview | 23,612 | 24,555 | 23,500 | 24,475 | 23,388 | 24,718 |
| Greenwood | 5,239 | 5,239 | 5,221 | 5,221 | 5,475 | 5,475 |
| Independence | 81,200 | 117,213 | 80,100 | 116,830 | 79,000 | 121,180 |
| Jackson County | 6,527 | 676,360 | 6,063 | 674,158 | 5,600 | 705,708 |
| Kansas City | 34,722 | 463,202 | 34,645 | 459,787 | 34,569 | 482,299 |
| Lake Tapawingo | 732 | 732 | 730 | 730 | 844 | 844 |
| Lake Winnebago | 1,139 | 1,139 | 1,131 | 1,131 | 1,118 | 1,118 |
| Lee's Summit | 91,668 | 91,668 | 91,364 | 91,364 | 93,176 | 93,176 |
| Pleasant Hill | 7,273 | 8,161 | 7,271 | 8,107 | N/A | N/A |
| Raymore | 19,318 | 19,318 | 19,206 | 19,206 | 19,897 | 19,897 |
| Raytown | 29,622 | 29,622 | 29,526 | 29,526 | 30,000 | 30,000 |
| Sugar Creek | 3,188 | 3,356 | 3,178 | 3,345 | 3,477 | 3,652 |
| Unity Village | 100 | 100 | 99 | 99 | 138 | 138 |
| Total | 347,220 | 1,616,717 | 344,358 | 1,609,148 | 338,450 | 1,669,008 |

Personal Income

| | In Thousands | Per Capita | In Thousands | Per Capita | In Thousands | Per Capita |
|----------------|---------------|------------|---------------|------------|---------------|------------|
| Jackson County | \$ 26,684,628 | \$ 39,536 | \$ 26,152,339 | \$ 37,058 | \$ 25,800,661 | \$ 36,821 |
| Cass County | 3,442,269 | 34,514 | 3,390,257 | 33,840 | 3,306,047 | 33,300 |

Unemployment Rate

| | 2012 | 2011 | 2010 |
|----------------|------|------|-------|
| Jackson County | 7.0% | 9.8% | 10.8% |
| Cass County | 5.8% | 8.6% | 9.1% |

(continued)

LITTLE BLUE VALLEY SEWER DISTRICT

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

(continued)

Population By Customer Entities

| Customer | 2009 | | 2008 | | 2007 | |
|----------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|
| | Population Served | Total Population | Population Served | Total Population | Population Served | Total Population |
| Belton | 14,901 | 24,591 | 14,633 | 24,436 | 14,365 | 24,124 |
| Blue Springs | 35,565 | 55,698 | 34,968 | 55,031 | 34,371 | 53,885 |
| Cass County | 1,789 | 98,429 | 1,789 | 97,133 | 1,789 | 95,781 |
| Grandview | 23,579 | 24,033 | 23,372 | 24,116 | 23,163 | 24,373 |
| Greenwood | 4,649 | 4,649 | 4,638 | 4,638 | 4,558 | 4,558 |
| Independence | 82,661 | 121,212 | 81,647 | 110,704 | 80,635 | 109,400 |
| Jackson County | 12,881 | 668,417 | 12,628 | 666,890 | 12,375 | 664,078 |
| Kansas City | 34,520 | 480,129 | 34,303 | 450,375 | 34,086 | 447,306 |
| Lake Tapawingo | 786 | 786 | 789 | 789 | 801 | 801 |
| Lake Winnebago | 1,139 | 1,139 | 1,114 | 1,114 | 1,102 | 1,102 |
| Lee's Summit | 84,208 | 84,208 | 82,820 | 82,820 | 81,913 | 81,913 |
| Pleasant Hill | N/A | N/A | N/A | N/A | N/A | N/A |
| Raymore | 8,214 | 17,703 | 7,931 | 17,238 | 7,650 | 16,544 |
| Raytown | 22,673 | 28,194 | 22,583 | 28,328 | 22,492 | 28,557 |
| Sugar Creek | 2,845 | 3,533 | 2,831 | 3,543 | 2,819 | 3,544 |
| Unity Village | 114 | 114 | 114 | 114 | 116 | 116 |
| Total | 330,524 | 1,612,835 | 326,160 | 1,567,269 | 322,235 | 1,556,082 |

Personal Income

| | In Thousands | Per Capita | In Thousands | Per Capita | In Thousands | Per Capita |
|----------------|---------------|------------|---------------|------------|---------------|------------|
| Jackson County | \$ 24,921,259 | \$ 37,284 | \$ 24,140,084 | \$ 36,198 | \$ 22,971,786 | \$ 34,592 |
| Cass County | 3,166,658 | 32,172 | 3,033,949 | 31,235 | 2,854,178 | 29,799 |

Unemployment Rate

| | 2009 | 2008 | 2007 |
|----------------|-------|------|------|
| Jackson County | 11.0% | 7.3% | 5.9% |
| Cass County | 9.7% | 6.3% | 4.9% |

(continued)

LITTLE BLUE VALLEY SEWER DISTRICT

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

(continued)

Population By Customer Entities

| <u>Customer</u> | 2006 | |
|-----------------|--------------------------|-------------------------|
| | <u>Population Served</u> | <u>Total Population</u> |
| Belton | 14,097 | 24,018 |
| Blue Springs | 33,775 | 53,228 |
| Cass County | 1,789 | 93,752 |
| Grandview | 22,956 | 24,588 |
| Greenwood | 4,505 | 4,505 |
| Independence | 79,621 | 110,039 |
| Jackson County | 12,122 | 662,133 |
| Kansas City | 33,869 | 444,314 |
| Lake Tapawingo | 808 | 808 |
| Lake Winnebago | 1,059 | 1,059 |
| Lee's Summit | 80,230 | 80,230 |
| Pleasant Hill | N/A | N/A |
| Raymore | 7,367 | 15,455 |
| Raytown | 22,403 | 28,883 |
| Sugar Creek | 2,805 | 3,593 |
| Unity Village | 117 | 117 |
| Total | <u>317,523</u> | <u>1,546,722</u> |

Personal Income

| | <u>In Thousands</u> | <u>Per Capita</u> |
|----------------|---------------------|-------------------|
| Jackson County | \$ 22,237,737 | \$ 33,585 |
| Cass County | 2,712,433 | 28,932 |

Unemployment Rate

| | <u>2006</u> |
|----------------|-------------|
| Jackson County | 6.0% |
| Cass County | 4.7% |

LITTLE BLUE VALLEY SEWER DISTRICT

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

| <u>Employer</u> | <u>2015</u> | | | <u>2006</u> | | |
|--------------------------------|------------------|-------------|----------------------------|------------------|-------------|----------------------------|
| | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total</u> |
| Lee's Summit School District | 2,589 | 1 | .75% | 2,334 | 1 | .72% |
| Independence School District | 2,200 | 2 | .64% | 1,700 | 4 | .52% |
| Blue Springs School District | 1,998 | 3 | .58% | 1,890 | 3 | .58% |
| ATK Small Caliber Systems | 1,680 | 4 | .49% | 1,984 | 2 | .61% |
| Centerpoint Medical Center | 1,400 | 5 | .41% | | | |
| Truman Medical Center-Lakewood | 1,374 | 6 | .40% | 1,400 | 7 | .43% |
| National Benefits Center | 1,325 | 7 | .38% | | | |
| Raytown School District | 1,322 | 8 | .39% | 1,162 | 8 | .36% |
| City of Lee's Summit | 1,153 | 9 | .34% | | | |
| City of Independence, MO | 1,120 | 10 | .33% | 1,150 | 9 | .35% |
| Health Midwest Independence | | | | 1,503 | 5 | .46% |
| AT&T | | | | 1,400 | 6 | .43% |
| John Knox Village | | | | 1,053 | 10 | .32% |
| | <u>16,161</u> | | <u>4.71%</u> | <u>15,576</u> | | <u>4.78%</u> |

Notes: The principal employers above are located within the boundaries of the primary customer entities of the District's service area. The percentage of total is based on Jackson County, Missouri.

Sources: Mid-America Regional Council and various economic development entities.

Table 11

LITTLE BLUE VALLEY SEWER DISTRICT

OPERATING INFORMATION

| Year ended September 30 | Millions of Gallons of Sewage Treated | | Number of Employees | |
|---|--|--------------------|-------------------------|------------------------------|
| | | | Administrative | Operation and Maintenance |
| | <u>District</u> | <u>Subdistrict</u> | | |
| 2006 | 11,676 | - | 11 | 48 |
| 2007 | 16,452 | - | 11 | 48 |
| 2008 | 17,341 | - | 11 | 46 |
| 2009 | 17,042 | - | 11 | 46 |
| 2010 | 18,884 | - | 10 | 48 |
| 2011 | 13,177 | - | 10 | 47 |
| 2012 | 12,568 | - | 11 | 50 |
| 2013 | 15,222 | 342 | 9 | 49 |
| 2014 | 12,852 | 306 | 9 | 52 |
| 2015 | 15,186 | 398 | 9 | 50 |
| Year organized | | | <u>District</u> 1968 | <u>Subdistrict</u> 1992 |
| Land area serviced | | | 278 square miles | 110 square miles |
| Treatment capacity: | | | | |
| Dry weather flows | | | 52 MGD | 2.25 MGD |
| Wet weather flows | | | 400 MGD | 7.75 MGD |
| Miles of interceptor, trunk sewer and connection lines | | | 83 | 17 |
| Pipe dimensions | | | 8-126 inches | 12-42 inches |
| Miles of roads maintained | | | 34 | 2 |
| Number of metering structures | | | 37 | 3 |
| Lakes and federal installations: | | | | |
| Blue Springs Lake | | | | |
| Longview Lake | | | | |
| Lake City Arsenal | | | | |

LITTLE BLUE VALLEY SEWER DISTRICT
SCHEDULE OF INSURANCE IN FORCE
 September 30, 2015

| Type of Coverage | Name of Company | Policy Number | Policy Period | | Limits of Coverage | Premium |
|---|---|--------------------------------|---------------|----------|--|------------|
| | | | From | To | | |
| Little Blue Valley Sewer District: | | | | | | |
| Workers' compensation | Missouri Employers Mutual Insurance | 0207699-10 | 09-01-15 | 09-01-16 | \$500,000 each occurrence and aggregate | \$ 117,626 |
| Commercial property and liability: | Liberty Mutual Insurance Co. Apex Insurance Services | YU2L9L452625015 51051435-01 | 09-01-15 | 09-01-16 | \$121,357,503 property limit; General liability: \$1,000,000 each occurrence, \$3,000,000 aggregate; \$1,000,000 CSL auto | 140,085 |
| Property and multi-peril, general and excess liability, property special form (includes boiler and machinery) | | | | | | |
| Public officials and employment practices | Apex Insurance Services | 02021748 | 09-01-15 | 09-01-16 | \$2,000,000 policy limit | 18,014 |
| Depositor's forgery bond | Hartford Insurance Company | 37FA029223715 | 09-01-13 | 09-01-16 | \$1,000,000 | 5,138 |
| Flood insurance | American Bankers Insurance Co. | 60039187752014 | 02-12-15 | 02-12-16 | \$500,000 building and \$500,000 contents | 6,327 |
| Umbrella | Apex Insurance Services | XCO0000504 | 09-01-15 | 09-01-16 | \$10,000,000 each occurrence \$10,000,000 aggregate | 34,525 |
| Middle Big Creek Sewer Subdistrict: | | | | | | |
| Workers' compensation | Missouri Employers Mutual Insurance | 0207699-10 | 09-01-15 | 09-01-16 | \$500,000 each occurrence and aggregate | 7,842 |
| Commercial property and liability: | Liberty Mutual Insurance Co. Apex Insurance Services | YU2L9L452625015 51051435-01 | 09-01-15 | 09-01-16 | \$12,406,045 property limit General liability: \$1,000,000 each occurrence, \$3,000,000 aggregate; \$1,000,000 CSL auto | 14,321 |
| Property and multi-peril, general and excess liability, property special form (includes boiler and machinery) | | | | | | |
| Public officials and employment practices | Apex Insurance Services | 02021748 | 09-01-15 | 09-01-16 | \$2,000,000 policy limit | 1,841 |
| Flood insurance | American Bankers Insurance Co. | Various | 02-12-15 | 02-12-16 | \$285,200 building and \$163,000 contents | 12,192 |
| Umbrella | Apex Insurance Services | XCO0000504 | 09-01-15 | 09-01-16 | \$10,000,000 each occurrence \$10,000,000 aggregate | 3,529 |

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APPENDIX B

**DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE BOND
RESOLUTION AND THE CONTINUING DISCLOSURE UNDERTAKING**

APPENDIX B

DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE CONTINUING DISCLOSURE UNDERTAKING

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

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

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

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

“Arbitrage Instructions” means the Arbitrage Investment and Rebate Instructions included in the District’s Federal Tax Certificate, as the same may be amended or supplemented in accordance with the provisions thereof.

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

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

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

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

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

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

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

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

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

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

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

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

“Defeasance Obligations” means:

- (a) Cash.
- (b) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – “SLGS”).
- (c) Direct obligations of the Treasury which have been stripped by the Treasury itself.
- (d) The interest component of Resolution Funding Corporation (REFCORP) strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form.
- (e) Pre-refunded municipal bonds rated in the highest rating category by a nationally recognized rating service, pre-refunded with cash, direct U.S. obligations or obligations guaranteed by the U.S. as to full and timely payment.

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

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

“Insurance Consultant” means an independent individual or firm selected by the District qualified to survey risks and to recommend insurance coverage for entities engaged in operations similar to those of the

System and having a favorable reputation for skill and experience in making such surveys and recommendations.

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

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

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

“Net Revenues” means all Revenues less all Expenses.

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

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

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

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

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

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

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

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

- (a) United States Government Obligations;
- (b) bonds, notes or other obligations of the State of Missouri, or any political subdivision of the State of Missouri, that at the time of their purchase are rated in either of the two highest

rating categories by a nationally recognized rating service;

(c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
2. Farmers Home Administration (FmHA)
Certificates of beneficial ownership
3. Federal Financing Bank
4. Federal Housing Administration Debentures (FHA)
5. General Services Administration
Participation certificates
6. Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations
7. U.S. Maritime Administration
Guaranteed Title XI financing
8. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

(d) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
Senior debt obligations
2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation Certificates
Senior debt obligations
3. Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations
4. Resolution Funding Corp. (REFCORP) obligations
5. Farm Credit System
Consolidated system wide bonds and notes

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

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

1. Repos must be between the municipal entity and a dealer bank or securities firm
 - a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or
 - b. Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.
2. The written repo contract must include the following:
 - a. Securities which are acceptable for transfer are:
 - (1) Direct U.S. governments, or
 - (2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)
 - b. The term of the repo may be up to 30 days
 - c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral), before/simultaneous with payment (perfection by possession of certificated securities).
 - d. Valuation of Collateral
 - (1) The securities must be valued weekly, marked-to-market at current

market price plus accrued interest

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

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

- a. Repo meets guidelines under state law for legal investment of public funds.

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

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

“Purchaser” means the Purchaser of the Bonds.

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

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

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

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

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

“Resolution” means Amended and Restated Resolution No. 3446 of the Board of Trustees of the District approved November 9, 2016, as from time to time amended in accordance with the terms thereof, authorizing the terms of the Bonds. The only change from the original Resolution No. 3446 as passed on October 12, 2016 was removing reference to the Paying Agent holding the Budget Stabilization Subaccount. That subaccount, along with all other funds and account created under the Bond Resolution, is held in the District’s treasury.

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

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

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

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

“Series 2011A Bonds” means the Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program – Middle Big Creek Sewer Subdistrict Project), Series 2011A (the **“Series 2011A Bonds”**) with a maximum available amount of \$37,850,000 issued on March 17, 2011.

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

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

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

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

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

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

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

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

“Value,” as of any particular time of determination, means, (a) with respect to cash the face value thereof, (b) with respect to any investments, other than those in the Debt Service Reserve Account, the lower of the cost of the investment or the market price of the investment on the date of valuation, (c) with respect to any investments in the Debt Service Reserve Account, the market price of the investment on the date of valuation, and (d) with respect to a Qualified Reserve Facility guaranteeing payments into the Debt Service Reserve Account, the face value thereof.

SUMMARY OF THE RESOLUTION

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

- (a) Revenue Fund (the “Revenue Fund”).
- (b) Debt Service Account for Sewer System Revenue Bonds, Series 2016 (the “Debt Service Account”).
- (c) Rebate Account for Sewer System Revenue Bonds, Series 2016 (the “Rebate Account”).
- (d) Project Account for Sewer System Revenue Bonds, Series 2016 (the “Project Account”).
- (e) Rehabilitation and Replacement Account (the “Rehabilitation and Replacement Account”).
- (f) Capital Improvements Account (the “Capital Improvements Account”).

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

In addition, there shall be created and maintained a Budget Stabilization Subaccount for Sewer System Revenue Bonds, Series 2016 (the “Budget Stabilization Subaccount”). The District shall deposit into the Budget Stabilization Subaccount the amounts required by the Resolution.

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

- (a) The accrued interest on the Bonds, if any, shall be deposited in the Debt Service Account and applied in accordance with the Resolution.
- (b) The balance of the proceeds shall be deposited in the Project Account and applied in accordance with the Resolution.

Application of Moneys in the Project Account. Moneys in the Project Account shall be used by the District solely for the purpose of financing, refinancing and reimbursing the costs of the Project, for which the Bonds have been voted and authorized, in accordance with the scope of work prepared by the District’s

Consulting Engineer approved by the Board of Trustees and on file in the office of the Secretary, including any alterations in or amendments thereto deemed advisable by the District's Consulting Engineer and the District, and paying the costs and expenses of issuing the Bonds.

The Executive Director or his designee shall make withdrawals from the Project Account certifying that such payment is being made for a purpose within the scope of the Resolution and that the amount of such payment represents only the contract price of the property, equipment, labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, that such payment is not in excess of the reasonable value thereof.

Upon completion of the purpose for which the Bonds have been issued, any surplus remaining in the Project Account shall be transferred to and deposited in the Debt Service Account.

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

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

Application of Moneys in the Rebate Account.

(a) There shall be deposited in the Rebate Account such amounts as are required to be deposited therein pursuant to the Arbitrage Instructions. All money in the Rebate Account shall be held in trust, to the extent required to satisfy the Rebate Amount (as defined in the Arbitrage Instructions), for payment to the United States of America, and neither the District nor the Registered Owner of any Bond shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Account shall be governed by the Resolution and the Arbitrage Instructions.

(b) The District shall periodically determine the rebatable arbitrage under Section 148(f) of the Code in accordance with the Arbitrage Instructions, and the District shall make payments to the United States Government at the times and in the amounts determined under the Arbitrage Instructions. Any funds remaining in the Rebate Account after redemption and payment of all of the Bonds and the interest thereon,

and payment and satisfaction of any Rebate Amount, or provision made therefor, shall be released to the District.

(c) The obligation to pay rebatable arbitrage to the United States and to comply with all other requirements of the Resolution and the Arbitrage Instructions shall survive the defeasance or payment in full of the Bonds.

Deposit and Investment of Moneys.

(a) Money in each of the funds and accounts created by and referred to in the Resolution shall be deposited in a bank or banks qualified to do business in the State of Missouri that are members of the Federal Deposit Insurance Corporation. All such deposits shall be continuously and adequately secured by the banks holding such deposits as provided by the laws of the State of Missouri.

(b) Money held in any fund or account referred to in the Resolution may be invested in Permitted Investments; provided, however, that no such investment shall be made for a period extending longer than the date when the money invested may be needed for the purpose for which such fund or account was created. All earnings on any investments held in Rehabilitation and Replacement Account shall accrue to and become a part of such account. All other interest on investments held in any other funds or account shall accrue to and become part of the Revenue Fund as of the end of each fiscal year. In determining the amount held in any fund or account under any of the provisions of the Resolution, obligations shall be valued at the lower of the cost or the market value thereof. If and when the amount held in any fund or account shall be in excess of the amount required by the provisions of the Resolution, the District shall direct that such excess be paid and credited to the Revenue Fund.

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

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

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

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

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

conveyance, and any such assumption, is permitted by law and complies with the provisions of the Resolution.

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

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

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

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

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

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

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

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

Tax Covenants.

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

(b) The District covenants and agrees that (1) it will use the proceeds of the Bonds as soon as practicable and with all reasonable dispatch for the purposes for which the Bonds are issued, and (2) it will not invest or directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the District in any manner, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code.

(c) The District covenants and agrees that it will pay or provide for the payment from time to time of all rebatable arbitrage to the United States pursuant to Section 148(f) of the Code and the Arbitrage Instructions. This covenant shall survive payment in full or defeasance of the Bonds. The Arbitrage Instructions may be amended or replaced if, in the opinion of Bond Counsel nationally recognized on the subject of municipal bonds, such amendment or replacement will not adversely affect the federal income tax status of the Bonds.

(d) The District covenants and agrees that it will not use any portion of the proceeds of the Bonds, including any investment income earned on such proceeds, directly or indirectly, (1) in a manner that would cause any Bond to be a “private activity bond” within the meaning of Section 141(a) of the Code, or (2) to make or finance a loan to any Person.

(e) The foregoing covenants shall remain in full force and effect notwithstanding the defeasance of the Bonds pursuant to the Resolution until the final maturity date of all Bonds Outstanding.

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

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

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

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

reserve funds for the payment of such Additional Bonds and the interest thereon out of moneys in the Revenue Fund.

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

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

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

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

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

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

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

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

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

Defeasance. When any or all of the Bonds or the interest payments thereon have been paid and discharged, then the requirements contained in the Resolution and the pledge of Net Revenues made hereunder and all other rights granted hereby shall terminate with respect to the Bonds so paid and discharged. Bonds or the interest payments thereon shall be deemed to have been paid and discharged within the meaning of the Resolution if there has been deposited with the Paying Agent, or other commercial bank or trust company authorized to do business in the State of Missouri and having full trust powers, at or prior to the Stated Maturity or Redemption Date of said Bonds, in trust for and irrevocably appropriated thereto, money and Defeasance Obligations which, together with the interest to be earned thereon, will be sufficient

for the payment of the principal or Redemption Price of said Bonds, and interest to accrue on such Bonds to the Stated Maturity or Redemption Date, as the case may be, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments; provided, however, that if any such Bonds shall be redeemed prior to the Stated Maturity thereof, (1) the District shall have elected to redeem such Bonds, and (2) either notice of such redemption shall have been given, or the District shall have given irrevocable instructions, or shall have provided for an escrow agent to give irrevocable instructions, to the Paying Agent to redeem such Bonds in compliance with the Resolution. Any money and Defeasance Obligations that at any time shall be deposited with the Paying Agent or other commercial bank or trust company by or on behalf of the District, for the purpose of paying and discharging any of the Bonds or the interest payments thereon, shall be and are hereby assigned, transferred and set over to the Paying Agent or other bank or trust company in trust for the respective Registered Owners of the Bonds, and such money shall be and are hereby irrevocably appropriated to the payment and discharge thereof. All moneys and Defeasance Obligations deposited with the Paying Agent or other bank or trust company shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Resolution.

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

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

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

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

- (a) curing any formal defect, omission, inconsistency or ambiguity therein or in connection with any other change therein which is not materially adverse to the security of the Bondowners;
- (b) to grant to or confer for the benefit of Bondowners, any additional rights, remedies, powers or authority that may be lawfully granted to or conferred upon the Bondowners;
- (c) to more precisely identify the project financed by any series of bonds or to substitute or add additional property;

- (d) to subject to the Resolution additional funds, securities or properties:
- (e) to issue Additional Bonds as provided in the Resolution; or
- (f) to provide for the refunding or advance refunding of the Bonds.

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

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

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

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

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

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

SUMMARY OF CONTINUING DISCLOSURE UNDERTAKING

In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in the Continuing Disclosure Undertaking unless otherwise defined, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report filed by the District pursuant to, and as described in, the Continuing Disclosure Undertaking.

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

“Dissemination Agent” means any entity designated in writing by the District to serve as dissemination agent, if any, pursuant to the Continuing Disclosure Undertaking and which has filed with the District 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.

“Material Events” means any of the events listed in the Continuing Disclosure Undertaking.

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

“Participating Underwriter” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” means 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.

Provision of Annual Reports.

- (a) The District shall not later than **the last day of the sixth month following the end of the District’s Fiscal Year**, commencing with the fiscal year ending September 30, 2016, file with the MSRB, through EMMA, the following financial information and operating data (the “**Annual Report**”):
 - (1) The audited financial statements of the District for the prior fiscal year, prepared in accordance with accounting principles generally accepted in the United States. 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 information contained in the final Official Statement relating to the Bonds, 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 the following financial information and operating data contained in the final Official Statement, in substantially the same format contained in the final Official Statement: (i) “FINANCIAL OPERATIONS OF THE DISTRICT - Revenue Fund Statement of Revenues, Expenses and Changes in Net Assets,” (ii) “FINANCIAL OPERATIONS OF THE DISTRICT - Debt Service Coverage,” (iii) “FINANCIAL OPERATIONS OF THE DISTRICT - Sewer Rates and Revenues,” and (iv) “SYSTEM USERS AND SERVICE CONTRACTS - Users.”

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 District is an “obligated person” (as defined by the Rule), which have been filed with the MSRB 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 District 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; provided that the audited financial statements of the District 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 District’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event.

- (b) In addition to the foregoing requirements, the District agrees to provide copies of the most recent Annual Report to any requesting bondowner or prospective bondowner, but only after the same has been filed with the MSRB on EMMA.
- (c) The Annual Report shall be filed with the MSRB in such manner and format as is prescribed by the MSRB.

Reporting of Material Events. Not later than **10** business days after the occurrence of any of the following events, the District 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 Bonds (“**Material Events**”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the District;
- (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale

of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

If the District has not submitted the Annual Report to the MSRB by the date required above, the District shall send a notice to the MSRB of the failure of the District to file on a timely basis the Annual Report, which notice shall be given by the District in accordance with this Section.

Termination of Reporting Obligation.

The District's obligations under the Continuing Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the District's obligations under the Continuing Disclosure Undertaking are assumed in full by some other entity, such person shall be responsible for compliance with the Continuing Disclosure Undertaking in the same manner as if it were the District, and the District shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the District shall give notice of such termination or substitution in the same manner as for a Material Event.

Dissemination Agent.

The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign as dissemination agent hereunder at any time upon **30** days prior written notice to the District. 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 District pursuant to the Continuing Disclosure Undertaking.

Amendment; Waiver.

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

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

Additional Information.

Nothing in the Continuing Disclosure Undertaking shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in the 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 the Continuing Disclosure Undertaking. If the District 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 the Continuing Disclosure Undertaking, the District shall have no obligation under the Continuing Disclosure Undertaking to update such information or include it in any future Annual Report, as the case may be, or notice of occurrence of a Material Event.

Default.

If there is a failure of the District or the Dissemination Agent to comply with any provision of the Continuing Disclosure Undertaking, any Participating Underwriter or the Registered Owners of at least 25% aggregate principal amount of Outstanding Bonds, may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Undertaking. A default under the Continuing Disclosure Undertaking shall not be deemed an event of default under the Resolution, and the sole remedy under the Continuing Disclosure Undertaking if there is any failure of the District or the Dissemination Agent to comply with the Continuing Disclosure Undertaking shall be an action to compel performance.

* * *

APPENDIX C

FORM OF OPINION OF BOND COUNSEL



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November 22, 2016

Little Blue Valley Sewer District
Independence, Missouri

Robert W. Baird & Co., Inc.
Red Bank, New Jersey

Re: \$19,710,000 Little Blue Valley Sewer District (Jackson and Cass Counties, Missouri),
Sewer System Revenue Bonds, Series 2016

Ladies and Gentlemen:

We have acted as bond counsel to Little Blue Valley Sewer District (the "District") in connection with the issuance of the above-captioned bonds (the "Bonds"), pursuant to Amended and Restated Resolution No. 3446 adopted by the Board of Trustees of the District on November 9, 2016 (the "Resolution"). In this capacity, we have examined the Decrees creating the District and Middle Big Creek Sewer District, the law and the certified proceedings, certifications and other documents that we deem necessary to render this opinion. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Resolution.

Regarding questions of fact material to our opinion, we have relied on representations of the District contained in the Resolution and the Federal Tax Certificate and certified proceedings and other certifications of the District and others furnished to us, without undertaking to verify them by independent investigation.

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

1. The Bonds have been duly authorized, executed and delivered by the District and are valid and legally binding special, limited obligations of the District, payable solely from Net Revenues (as defined in the Resolution) of the District and from other funds held by the District and pledged under the Resolution as security for the Bonds. The Bonds do not constitute general obligations of the District nor do they constitute an indebtedness of the District within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

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

Resolution for the benefit and security of the Registered Owners of the Bonds on a parity with any Parity Bonds issued or to be issued as provided under the Resolution.

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

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

The rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution and the Federal Tax Certificate 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 other party for any purpose whatsoever without our prior written approval in each instance. We assume no obligation to review or supplement this letter subsequent to its date, whether for a change in facts or in current law, for legislative or regulatory action, for judicial decisions or for any other reason.

Very truly yours,