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## PRELIMINARY OFFICIAL STATEMENT

**NEW ISSUE  
BANK QUALIFIED**

**NOT RATED  
[BOOK-ENTRY ONLY]**

*In the opinion of Gilmore & Bell, P.C., Bond Counsel to the Issuer, 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; (2) the interest on the Bonds is exempt from income taxation by the State of Kansas; and (3) the Bonds are "qualified tax-exempt obligations" within the meaning of Code § 265(b)(3). See "TAX MATTERS – Opinion of Bond Counsel" in this Official Statement.*

**\$430,000\***  
**CITY OF LAHARPE, KANSAS**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2018**

**DATED: March 1, 2018**

**DUE: September 1, as shown  
on the inside cover page**

The General Obligation Bonds, Series 2018 (the "Bonds") will be issued by the City of LaHarpe, Kansas (the "City" or "Issuer"), as fully registered bonds, without coupons, 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. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form,] in the denominations of \$5,000 or any integral multiple thereof (the "Authorized Denomination"). [Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bond owners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as herein defined) of the Bonds.] Principal will be payable upon presentation and surrender of the Bonds by the registered owners thereof at the office of the Treasurer of the State of Kansas, Topeka, Kansas, as paying agent and bond registrar (the "Paying Agent" and "Bond Registrar"). Interest payable on each Bond shall be paid to the persons who are the registered owners of the Bonds as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding each interest payment date by check or draft of the Paying Agent mailed to such registered owner[, or in the case of an interest payment to Cede & Co., by electronic transfer]. [So long as DTC or its nominee, Cede & Co., is the Owner of the Bonds, such payments will be made directly to DTC. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners.] Principal of the Bonds will be payable on each September 1, beginning in 2018, and semiannual interest will be payable on March 1 and September 1, beginning on September 1, 2018.

The Bonds and the interest thereon will constitute general obligations of the Issuer, payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer.

**MATURITY SCHEDULE\***  
(See inside cover page)

The Bonds maturing on September 1, 2026, and thereafter will be subject to redemption prior to maturity, at the option of the Issuer, on September 1, 2025, or thereafter as described herein. See "THE BONDS-Redemption Provisions" herein.

The Bonds are offered when, as and if issued by the City, subject to the approval of legality by Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel to the Issuer. Certain other legal matters will be passed upon by Charles Apt III, Esq., counsel for the Issuer. It is expected that the Bonds will be available for delivery [through the facilities of The Depository Trust Company in New York, New York] on or about March 1, 2018.

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**SEALED BIDS WILL BE ACCEPTED ON BEHALF OF:  
THE CITY OF LAHARPE, KANSAS  
ON FEBRUARY 14, 2018 UNTIL 11:00 A.M. CST  
BY RANSON FINANCIAL GROUP, LLC  
200 W. DOUGLAS, SUITE 600  
WICHITA, KANSAS 67202  
PHONE: (316) 264-3400 FAX: (316) 265-5403**

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*THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. THE COVER PAGE IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. "APPENDIX B - SUMMARY OF FINANCING DOCUMENTS" CONTAINS DEFINITIONS USED IN THIS PRELIMINARY OFFICIAL STATEMENT.*

The date of this Preliminary Official Statement is January 29, 2018.

\* Subject to change

**\$430,000\***  
**CITY OF LAHARPE, KANSAS**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2018**

**MATURITY SCHEDULE\***

<u>YEAR</u>	<u>PRINCIPAL AMOUNT*</u>	<u>INTEREST RATE</u>	<u>YIELD</u>	<u>CUSIP<sup>(1)</sup> BASE:</u>
09/01/2018	\$25,000	____%	____%	
09/01/2019	15,000	____%	____%	
09/01/2020	15,000	____%	____%	
09/01/2021	15,000	____%	____%	
09/01/2022	20,000	____%	____%	
09/01/2023	20,000	____%	____%	
09/01/2024	20,000	____%	____%	
09/01/2025	20,000	____%	____%	
09/01/2026	20,000	____%	____%	
09/01/2027	20,000	____%	____%	
09/01/2028	20,000	____%	____%	
09/01/2029	20,000	____%	____%	
09/01/2030	20,000	____%	____%	
09/01/2031	25,000	____%	____%	
09/01/2032	25,000	____%	____%	
09/01/2033	25,000	____%	____%	
09/01/2034	25,000	____%	____%	
09/01/2035	25,000	____%	____%	
09/01/2036	25,000	____%	____%	
09/01/2037	30,000	____%	____%	

(all plus accrued interest, if any)

<sup>(1)</sup> CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Capital IQ, a subsidiary of The McGraw-Hill Companies, Inc, and is included solely for the convenience of the Owners of the Bonds. Neither the Issuer nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

\* Subject to Change

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COUNCIL UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE BONDS ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COUNCIL. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS THAT ARE “FORWARD-LOOKING STATEMENTS” AS DEFINED IN THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. WHEN USED IN THIS OFFICIAL STATEMENT, THE WORDS “ESTIMATE,” “INTEND,” “EXPECT” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED IN SUCH FORWARD-LOOKING STATEMENTS. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.

THIS PRELIMINARY OFFICIAL STATEMENT IS DEEMED TO BE FINAL (EXCEPT FOR PERMITTED OMISSIONS) BY THE ISSUER FOR PURPOSES OF COMPLYING WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

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**\$430,000\***  
**CITY OF LAHARPE, KANSAS**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2018**

**MAYOR**

Ella Mae Crowell

**CITY COUNCIL**

Ron Knavel

David Lee

Sharlyn Thompson

Cynthia Carr

Danny Ware Jr.

**CITY CLERK**

Michelle Altis

**CITY TREASURER**

Teresa Driskel

**CITY ATTORNEY**

Charles Apt III

**BOND COUNSEL**

Gilmore & Bell, P.C.

Wichita, Kansas

**PAYING AGENT**

State Treasurer

Topeka, Kansas

**FINANCIAL ADVISOR**

Ranson Financial Group LLC

Wichita, Kansas

**UNDERWRITER**

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## REGARDING THIS PRELIMINARY OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the “Issuer” or by Ranson Financial Group, LLC (the “Financial Advisor”) to give any information or to make any representations pertaining to the Bonds other than those contained in this Preliminary Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer or the Financial Advisor. The information set forth herein concerning the Issuer has been furnished by the Issuer and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter.

Neither the delivery of this Preliminary Official Statement, nor any sale made after any such delivery, shall under any circumstances create any implication that there has been no change in the affairs of the Issuer since the date of this Preliminary Official Statement. The summaries of various statutes or documents considered herein are intended as summaries only and are qualified in their entirety by reference to the originals thereof, copies of which are available from the Underwriter or the Issuer. This Preliminary 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 securities offered hereby, by any person in any state in which it is unlawful for such to make such offer, solicitation or sale.

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## APPENDICES

Appendix A - Financial Statements - Fiscal Year Ended December 31, 2016

Appendix B – Summary of Financing Documents

## FINANCIAL OVERVIEW

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Equalized Assessed Tangible Valuation (1) (2) (See Page 13) .....	\$1,681,259
Outstanding General Obligation Bonded Indebtedness (3) (See Page 16) .....	\$430,000
Estimated Population .....	546
Per Capita General Obligation Bonded Indebtedness .....	\$787
Ratio of General Obligation Bonded Indebtedness to Equalized Assessed Valuation .....	25.87%
Direct and Overlapping Debt (See Page 16) .....	\$430,000
Per Capita Direct and Overlapping Debt .....	\$787
Ratio of Direct and Overlapping Debt to Equalized Assessed Valuation .....	25.87%
Ratio of Statutory Direct Debt to Equalized Assessed Valuation .....	0%

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(1) Includes real estate, personal property, state assessed utilities and motor vehicle valuation.

(2) Source: County Clerk.

(3) Includes this issue and subject to change.

**This Financial Overview contains only a brief description of the financial condition of the City. It is not intended to be a summary of all material information with respect to the Bonds. Investors must read this entire Preliminary Official Statement to obtain information essential to the making of an informed investment decision.**

**\$430,000\***  
**CITY OF LAHARPE, KANSAS**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2018**

**INTRODUCTORY STATEMENT**

**General**

The purpose of this Preliminary Official Statement is to set forth certain information concerning the issuance and sale by the City of LaHarpe, Kansas (the “Issuer” or the “City”) of its \$430,000\* aggregate principal amount General Obligation Bonds, Series 2018 (the “Bonds”), dated March 1, 2018 (the “Dated Date”). The Issuer is a city of the third class, organized and existing under and pursuant to the Constitution and laws of the State of Kansas (the “State”).

The Bonds will be issued pursuant to an ordinance and resolution adopted by the governing body of the Issuer (jointly the “Bond Resolution”) and pursuant to the authority of and in full compliance with the provisions, restrictions and limitations of the Constitution and statutes of the State.

The Appendices are an integral part of this Preliminary Official Statement and should be read in their entirety.

Except for the information expressly attributed to other sources, all information has been provided by the Issuer. The presentation of information herein, including tables of receipts of various taxes, is intended to show historical information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the Issuer. No representation is made that the past experience, as might be shown by such financial or other information, will necessarily continue or be repeated in the future. Ranson Financial Group, LLC Wichita, Kansas, Financial Advisor, has assisted in the preparation of the Preliminary Official Statement, but has not verified all of the factual information contained herein, nor has it conducted an independent investigation of the affairs of the City for the purposes of passing upon the accuracy or completeness of this Preliminary Official Statement. Bond Counsel has not assisted in the preparation of this Preliminary Official Statement, except to the extent described under the section captioned “LEGAL MATTERS” and accordingly express no opinion as to the accuracy or sufficiency of any other information contained herein.

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in “**APPENDIX B – SUMMARY OF FINANCING DOCUMENTS.**”

**Continuing Disclosure**

The Securities and Exchange Council (the “SEC”) has promulgated amendments to Rule 15c2-12 (the “Rule”), requiring continuous secondary market disclosure. The Issuer is relying on a provision of the Rule that exempts issues of less than \$1,000,000 aggregate principal amount from the requirements of the Rule and therefore has **not** covenanted to provide continuous secondary market disclosure. However, the Issuer intends to supply its most recent financial statements to the Underwriter and any Bondowner upon written request and reimbursement to the Issuer of the costs of the photocopying and mailing. For a discussion of the impact of the absence of continuous disclosure on the secondary market for the Bonds, see the section captioned “RISK FACTORS AND INVESTMENT CONSIDERATIONS” herein.

**AUTHORIZATION AND PURPOSE**

The Bonds are being issued under the authority of and pursuant to and in full compliance with the Constitution and laws of the State of Kansas, including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.*, K.S.A. 12-101 *et seq.*, K.S.A. 12-834 *et seq.*, as amended by Charter Ordinance No. 2017-6 of the City, and the Bond Resolution. The Bonds are being issued for the purpose of financing the costs of certain improvements to the City's electric works (the “Project”). Additional information regarding the Project is included in the section entitled “THE PROJECT.”

**THE BONDS**

**Security for the Bonds**

The Bonds shall be general obligations of the Issuer payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The full faith, credit and resources of the Issuer are irrevocably pledged for the prompt payment of the principal of and interest on the Bonds as the same become due.

**Levy and Collection of Annual Tax, Transfer to Debt Service Account**

The governing body of the Issuer shall annually make provision for the payment of principal of, premium, if any, and interest on the Bonds as the same become due by, to the extent necessary, levying and collecting the necessary taxes upon all of the taxable tangible property within the Issuer in the manner provided by law. Such taxes shall be extended upon the tax rolls in each of the

\* Subject to change.

several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the Issuer are levied and collected. The proceeds derived from said taxes shall be deposited in the Bond and Interest Fund, shall be kept separate and apart from all other funds of the Issuer, shall thereafter be transferred to the Debt Service Account and shall be used solely for the payment of the principal of and interest on the Bonds as and when the same become due, taking into account any scheduled mandatory redemptions, and the fees and expenses of the Paying Agent.

### **Description of the Bonds**

The Bonds shall consist of fully registered [book-entry-only] bonds in an Authorized Denomination and shall be numbered in such manner as the Bond Registrar shall determine. All of the Bonds shall be dated as of the Dated Date, become due in the amounts on the Stated Maturities subject to redemption and payment prior to their Stated Maturities, and shall bear interest at the rates per annum set forth on the inside cover page of this Official Statement (computed on the basis of twelve 30-day months) from the later of the Dated Date or the most recent Interest Payment Date to which interest has been paid, on the Interest Payment Dates in the manner hereinafter set forth.

### **Designation of Paying Agent and Bond Registrar**

The Issuer will at all times maintain a paying agent and bond registrar meeting the qualifications set forth in the Bond Resolution. The Issuer reserves the right to appoint a successor paying agent or bond registrar. No resignation or removal of the paying agent or bond registrar shall become effective until a successor has been appointed and has accepted the duties of paying agent or bond registrar. Every paying agent or bond registrar appointed by the Issuer shall at all times meet the requirements of Kansas law.

The Treasurer of the State of Kansas, Topeka, Kansas (the “Bond Registrar” and “Paying Agent”) has been designated by the Issuer as paying agent for the payment of principal of and interest on the Bonds and bond registrar with respect to the registration, transfer and exchange of Bonds.

### **Method and Place of Payment of the Bonds**

The principal of, or Redemption Price, and interest on the Bonds shall be payable in any coin or currency which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts. The principal or Redemption Price of each Bond shall be paid at Maturity to the Person in whose name such Bond is registered on the Bond Register at the Maturity thereof, upon presentation and surrender of such Bond at the principal office of the Paying Agent.

The interest payable on each Bond on any Interest Payment Date shall be paid to the Owner of such Bond as shown on the Bond Register at the close of business on the Record Date for such interest[ (a) ]by check or draft mailed by the Paying Agent to the address of such Owner shown on the Bond Register or at such other address as is furnished to the Paying Agent in writing by such Owner[; or (b) in the case of an interest payment to Cede & Co. by electronic transfer to such Owner upon written notice given to the Bond Registrar by such Owner, not less than 15 days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank, ABA routing number and account number to which such Owner wishes to have such transfer directed].

Notwithstanding the foregoing, any Defaulted Interest with respect to any Bond shall cease to be payable to the Owner of such Bond on the relevant Record Date and shall be payable to the Owner in whose name such Bond is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed as hereinafter specified. The Issuer shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be at least 30 days after receipt of such notice by the Paying Agent) and shall deposit with the Paying Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest. Following receipt of such funds the Paying Agent shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment. The Paying Agent shall notify the Issuer of such Special Record Date and shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, by first class mail, postage prepaid, to each Owner of a Bond entitled to such notice not less than 10 days prior to such Special Record Date.

**[SO LONG AS CEDE & CO., REMAINS THE REGISTERED OWNER OF THE BONDS, THE PAYING AGENT SHALL TRANSMIT PAYMENTS TO THE SECURITIES DEPOSITORY, WHICH SHALL REMIT SUCH PAYMENTS IN ACCORDANCE WITH ITS NORMAL PROCEDURES. See “THE BONDS – Book-Entry Bonds; Securities Depository.”]**

### **Payments Due on Saturdays, Sundays and Holidays**

In any case where a Bond Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.



## **[Book-Entry Bonds; Securities Depository**

The Bonds shall initially be registered to Cede & Co., the nominee for the Securities Depository, and no Beneficial Owner will receive certificates representing their respective interests in the Bonds, except in the event the Bond Registrar issues Replacement Bonds. It is anticipated that during the term of the Bonds, the Securities Depository will make book-entry transfers among its Participants and receive and transmit payment of principal of, premium, if any, and interest on, the Bonds to the Participants until and unless the Bond Registrar authenticates and delivers Replacement Bonds to the Beneficial Owners as described in the following paragraphs.

The Issuer may decide, subject to the requirements of the Operational Arrangements of DTC (or a successor Securities Depository), and the following provisions of this section to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository):

(a) If the Issuer determines (1) that the Securities Depository is unable to properly discharge its responsibilities, or (2) that the Securities Depository is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, or (3) that the continuation of a book-entry system to the exclusion of any Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Bonds; or

(b) if the Bond Registrar receives written notice from Participants having interest in not less than 50% of the Bonds Outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the continuation of a book-entry system to the exclusion of any Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Bonds, then the Bond Registrar shall notify the Owners of such determination or such notice and of the availability of certificates to owners requesting the same, and the Bond Registrar shall register in the name of and authenticate and deliver Replacement Bonds to the Beneficial Owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest and previous calls for redemption; provided, that in the case of a determination under (a)(1) or (a)(2) of this paragraph, the Issuer, with the consent of the Bond Registrar, may select a successor securities depository in accordance with the following paragraph to effect book-entry transfers.

In such event, all references to the Securities Depository herein shall relate to the period of time when the Securities Depository has possession of at least one Bond. Upon the issuance of Replacement Bonds, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Bond Registrar, to the extent applicable with respect to such Replacement Bonds. If the Securities Depository resigns and the Issuer, the Bond Registrar or Owners are unable to locate a qualified successor of the Securities Depository, then the Bond Registrar shall authenticate and cause delivery of Replacement Bonds to Owners, as provided herein. The Bond Registrar may rely on information from the Securities Depository and its Participants as to the names of the Beneficial Owners of the Bonds. The cost of printing, registration, authentication, and delivery of Replacement Bonds shall be paid for by the Issuer.

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

## **Registration, Transfer and Exchange of Bonds**

As long as any of the Bonds remain Outstanding, each Bond when issued shall be registered in the name of the Owner thereof on the Bond Register. Bonds may be transferred and exchanged only on the Bond Register as hereinafter provided. Upon surrender of any Bond at the principal office of the Bond Registrar, the Bond Registrar shall transfer or exchange such Bond for a new Bond or Bonds in any authorized denomination of the same Stated Maturity and in the same aggregate principal amount as the Bond that was presented for transfer or exchange. Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Bond Registrar, duly executed by the Owner thereof or by the Owner's duly authorized agent.

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Bond Registrar shall authenticate and deliver Bonds in accordance with the provisions of the Bond Resolution. The Issuer shall pay the fees and expenses of the Bond Registrar for the registration, transfer and exchange of Bonds. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Bond Registrar, are the responsibility of the Owners of the Bonds. In the event any Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Owner sufficient to pay any governmental charge required to be paid as a result of such failure.

The Issuer and the Bond Registrar shall not be required (a) to register the transfer or exchange of any Bond that has been called for redemption after notice of such redemption has been mailed by the Paying Agent and during the period of 15 days next preceding the date of mailing of such notice of redemption; or (b) to register the transfer or exchange of any Bond during a period beginning at the opening of business on the day after receiving written notice from the Issuer of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest.

### **Mutilated, Lost, Stolen or Destroyed Bonds**

If (a) any mutilated Bond is surrendered to the Bond Registrar or the Bond Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Issuer and the Bond Registrar such security or indemnity as may be required by each of them, then, in the absence of notice to the Issuer or the Bond Registrar that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and, upon the Issuer's request, the Bond Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount. If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the Issuer, in its discretion, may pay such Bond instead of issuing a new Bond. Upon the issuance of any new Bond under this *Section*, the Issuer may require the payment by the Owner of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Paying Agent) connected therewith.

### **Nonpresentation 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 Issuer to the 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 Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Bond Resolution or on, or with respect to, said Bond. If any Bond is not presented for payment within four (4) years following the date when such Bond becomes due at Maturity, the Paying Agent shall repay to the Issuer the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer, and the Owner thereof shall be entitled to look only to the Issuer for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

### **Redemption Provisions**

***Optional Redemption.*** At the option of the Issuer, the Bonds or portions thereof maturing on September 1, 2026, and thereafter may be called for redemption and payment prior to their Stated Maturity on September 1, 2025, and thereafter as a whole or in part (selection of maturities and the amount of Bonds of each maturity to be redeemed to be determined by the Issuer in such equitable manner as it may determine) at any time, at the Redemption Price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the Redemption Date.

***Selection of Bonds to be Redeemed.*** Bonds shall be redeemed only in an Authorized Denomination. When less than all of the Bonds are to be redeemed and paid prior to their Stated Maturity, such Bonds shall be redeemed in such manner as the Issuer shall determine, Bonds of less than a full Stated Maturity shall be selected by the Bond Registrar in minimum Authorized Denomination in such equitable manner as the Bond Registrar may determine. In the case of a partial redemption of Bonds by lot when Bonds of denominations greater than a minimum Authorized Denomination are then Outstanding, then for all purposes in connection with such redemption each minimum Authorized Denomination of face value shall be treated as though it were a separate Bond of a minimum Authorized Denomination. If it is determined that one or more, but not all, of the minimum Authorized Denomination value represented by any Bond is selected for redemption, then upon notice of intention to redeem such minimum Authorized Denomination, the Owner or the Owner's duly authorized agent shall forthwith present and surrender such Bond to the Bond Registrar: (1) for payment of the Redemption Price and interest to the Redemption Date of such minimum Authorized Denomination value called for redemption, and (2) for exchange, without charge to the 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 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 minimum Authorized Denomination value called for redemption (and to that extent only).

***Notice and Effect of Call for Redemption.*** Unless waived by any Owner of Bonds to be redeemed, if the Issuer shall call any Bonds for redemption and payment prior to the Stated Maturity thereof, the Issuer shall give written notice of its intention to call and pay said Bonds to the Bond Registrar and the Purchaser. In addition, the Issuer shall cause the Bond Registrar to give written notice of redemption to the Owners of said Bonds. Each of said written notices shall be deposited in the United States first class mail not less than 30 days prior to the Redemption Date.

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 are to be redeemed, the identification (and, in the case of partial

redemption of any Bonds, the respective principal amounts) 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 principal office of the Paying Agent. The failure of any Owner to receive notice given as heretofore provided or an immaterial defect therein shall not invalidate any redemption.

Prior to any Redemption Date, the Issuer shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds that are to be redeemed on such Redemption Date. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall become due and payable on the Redemption Date, at the Redemption Price therein specified, and from and after the Redemption Date (unless the Issuer defaults in the payment of the Redemption Price) such Bonds or portion of Bonds shall cease to bear interest.

[For so long as the Securities Depository is effecting book-entry transfers of the Bonds, the Bond Registrar shall provide the notices specified 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 Bond Registrar, 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.]

In addition to the foregoing notice, the Paying Agent is also directed to comply with any mandatory or voluntary standards then in effect for processing redemptions of municipal securities established by the State or the Securities and Exchange Council. Failure to comply with such standards shall not affect or invalidate the redemption of any Bond.

### **[THE DEPOSITORY TRUST COMPANY**

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

2. DTC, the world’s largest 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 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Council. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.
6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. 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 Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. 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 Issuer or Paying Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Issuer, 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 Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.
11. The Issuer 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.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

### **THE PROJECT**

Proceeds of the Bonds will be used to finance a portion of costs associated with certain internal improvements described as follows (the "Improvements") and to pay costs associated with the issuance of the Bonds:

<b><u>Project Description</u></b>	<b><u>Res. No.</u></b>	<b><u>Authority (K.S.A.)</u></b>	<b><u>Amount</u></b>
Improve, equip, construct and extend the electric works of the city	06-2017	12-834 <i>et seq.</i> , as amended by Charter Ordinance No. 2017-6	\$450,000

### **RISK FACTORS AND INVESTMENT CONSIDERATIONS**

A PROSPECTIVE PURCHASER OF THE BONDS DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE BOND WHICH MUST BE RECOGNIZED. THE FOLLOWING STATEMENTS REGARDING CERTAIN RISKS ASSOCIATED WITH THE OFFERING SHOULD NOT BE CONSIDERED AS A COMPLETE DESCRIPTION OF ALL RISKS TO BE CONSIDERED IN THE DECISION TO PURCHASE THE BONDS. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD ANALYZE CAREFULLY THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND ADDITIONAL INFORMATION IN THE FORM OF THE COMPLETE DOCUMENTS SUMMARIZED HEREIN, COPIES OF WHICH ARE AVAILABLE AND MAY BE OBTAINED FROM THE ISSUER OR THE UNDERWRITER.

## **Legal Matters**

Various state and federal laws, regulations and constitutional provisions apply to the obligations created by the Bonds. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the Issuer or the taxing authority of the Issuer. Changes in laws affecting the taxing authority of the Issuer could limit the ability of the Issuer to collect revenue sufficient to pay principal and interest on the Bonds.

### **Limitations on Remedies Available to Owners of Bonds**

The enforceability of the rights and remedies of the owners of Bonds, and the obligations incurred by the Issuer in issuing the Bonds, are subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain unusual situations, of the police power inherent in the State and its governmental subdivisions in the interest of serving a legitimate and significant public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion interpretation of their rights in bankruptcy and otherwise, and consequently may involve risks of delay, limitation or modification of their rights.

### **Kansas Public Employees Retirement System**

As described herein, the Issuer participates in the Kansas Public Employees Retirement System ("KPERS"), as an instrumentality of the State to provide retirement and related benefits to public employees in Kansas. KPERS administers three statewide defined benefit retirement plans for public employees which are separate and distinct with different membership groups, actuarial assumptions, experience, contribution rates and benefit options. Under existing law, employees make contributions and the Issuer makes all employer contributions to the Plan; neither the employees nor the Issuer are directly responsible for any unfunded accrued actuarial liability ("UAAL"); however, Plan contribution rates may be adjusted by legislative action over time to address any UAAL. According to KPERS' Valuation Report, dated as of December 31, 2016, the Local Group had an UAAL of \$1.515 billion.

### **Taxation of Interest on the Bonds**

An opinion of Bond Counsel will be obtained to the effect that interest earned on the Bonds is excludable from gross income for federal income tax purposes under current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable rulings and regulations under the Code; however, an application for a ruling has not been made and an opinion of counsel is not binding upon the Internal Revenue Service. There can be no assurance that the present provisions of the Code, or the rules and regulations thereunder, will not be adversely amended or modified, thereby rendering the interest earned on the Bonds includable in gross income for federal income tax purposes.

The Issuer has covenanted in the Bond Resolution and in other documents and certificates to be delivered in connection with the issuance of the Bonds to comply with the provisions of the Code, including those which require the Issuer to take or omit to take certain actions after the issuance of the Bonds. Because the existence and continuation of the excludability of the interest on the Bonds depends upon events occurring after the date of issuance of the Bonds, the opinion of Bond Counsel described under "TAX MATTERS" assumes the compliance by the Issuer with the provisions of the Code described above and the regulations relating thereto. No opinion is expressed by Bond Counsel with respect to the excludability of the interest on the Bonds in the event of noncompliance with such provisions. The failure of the Issuer to comply with the provisions described above may cause the interest on the Bonds to become includable in gross income as of the date of issuance.

### **Premium on Bonds**

[The initial offering prices of certain maturities of the Bonds that are subject to optional redemption are in excess of the respective principal amounts thereof. ]Any person who purchases a Bond in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the Bonds are subject to redemption at par under the various circumstances described under "THE BONDS – Redemption of Bonds".

### **No Additional Interest or Mandatory Redemption upon Event of Taxability**

The Bond Resolution does not provide for the payment of additional interest or penalty on the Bonds or the mandatory redemption thereof if the interest thereon becomes includable in gross income for federal income tax purposes. Likewise, the Bond Resolution does not provide for the payment of any additional interest or penalty on the Bonds if the interest thereon becomes includable in gross income for Kansas income tax purposes.

## Suitability of Investment

The tax exempt feature of the Bonds is more valuable to high tax bracket investors than to investors who are in low tax brackets, and so the value of the interest compensation to any particular investor will vary with individual tax rates. Each prospective investor should carefully examine this Official Statement, including the Appendices hereto, and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment.

## Market for the Bonds

**Bond Rating.** The Bonds are **not** rated and no application has been made for a rating.

**Secondary Market.** There is no assurance that a secondary market will develop for the purchase and sale of the Bonds. The absence of continuing disclosure of financial or other information pertaining to the Issuer may impair the development of a secondary market for the Bonds and could impair the ability of an owner to sell the Bonds in the secondary market. It is the present practice of the Underwriter, however, to make a secondary market as dealers in issues of municipal bonds which the Underwriter distributes. The Underwriter intends to continue this practice with respect to the Bonds, but is not obligated to do so. Prices of bonds traded in the secondary market, though, are subject to adjustment upward and downward in response to changes in the credit markets. From time to time it may be necessary for the Underwriter to suspend indefinitely secondary market trading in the Bonds as a result of the financial condition or market position of the Underwriter, prevailing market conditions, lack of adequate current financial information about the Issuer, or a material adverse change in the financial condition of the Issuer, whether or not the Bonds are in default as to principal and interest payments, and other factors which in the opinion of the Underwriter may give rise to uncertainty concerning prudent secondary market practices.

THE FOREGOING STATEMENTS REGARDING CERTAIN RISKS ASSOCIATED WITH THE OFFERING SHOULD NOT BE CONSIDERED AS A COMPLETE DESCRIPTION OF ALL RISKS TO BE CONSIDERED IN THE DECISION TO PURCHASE THE BONDS.

PROSPECTIVE PURCHASERS OF THE BONDS SHOULD ANALYZE CAREFULLY THE INFORMATION CONTAINED IN THIS PRELIMINARY OFFICIAL STATEMENT AND ADDITIONAL INFORMATION IN THE FORM OF THE COMPLETE DOCUMENTS SUMMARIZED HEREIN, COPIES OF WHICH ARE AVAILABLE AND MAY BE OBTAINED FROM THE UNDERWRITER.

## BOND RATINGS

The Issuer has **not** applied for a rating on the Bonds herein offered for sale.

## SOURCES AND USES OF FUNDS

The following table summarizes the sources and uses of funds associated with the issuance of the Bonds (exclusive of accrued interest):

<b>Sources of Funds:</b>	
Principal Amount of the Bonds	\$430,000.00
Available Issuer Funds	
<i>Total</i>	<u>                    </u> \$
<b>Uses of Funds:</b>	
Deposit to Project Fund	
Underwriter's Discount	
Costs of Issuance	
<i>Total</i>	<u>                    </u> \$

\* Subject to change.

**DEBT SERVICE REQUIREMENT ON THE BONDS**

Payment Date	Principal*	Interest Rate	Interest	Semi-Annual Debt Service	Annual Debt Service
03/01/2018					
09/01/2018	\$25,000	____%			
03/01/2019					
09/01/2019	15,000	____%			
03/01/2020					
09/01/2020	15,000	____%			
03/01/2021					
09/01/2021	15,000	____%			
03/01/2022					
09/01/2022	20,000	____%			
03/01/2023					
09/01/2023	20,000	____%			
03/01/2024					
09/01/2024	20,000	____%			
03/01/2025					
09/01/2025	20,000	____%			
03/01/2026					
09/01/2026	20,000	____%			
03/01/2027					
09/01/2027	20,000	____%			
03/01/2028					
09/01/2028	20,000	____%			
03/01/2029					
09/01/2029	20,000	____%			
03/01/2030					
09/01/2030	20,000	____%			
03/01/2031					
09/01/2031	25,000	____%			
03/01/2032					
09/01/2032	25,000	____%			
03/01/2033					
09/01/2033	25,000	____%			
03/01/2034					
09/01/2034	25,000	____%			
03/01/2035					
09/01/2035	25,000	____%			
03/01/2036					
09/01/2036	25,000	____%			
03/01/2037					
09/01/2037	30,000	____%			
<b>Totals*</b>	<b>\$430,000</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>

\* Subject to change.

**CITY GOVERNMENT**

The City of LaHarpe, Kansas (the “City”) is a municipal corporation incorporated in 1857, and a city of the third class organized and existing under and pursuant to the Constitution and laws of the State. The City has a Mayor/Council form of government. The City Council conducts all legislative functions for the City and establishes general policies which are executed by its staff, which serves at its pleasure.

The principal officials and officers of the City are as follows:

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Ella Mae Crowell	01/2019
Council Member	Ron Knavel	01/2021
Council Member	David Lee	01/2019
Council Member	Sharlyn Thompson	01/2021
Council Member	Cynthia Carr	01/2021
Council Member	Danny Ware Jr.	01/2019
City Clerk	Michelle Altis	N/A
City Attorney	Charles Apt III	N/A
City Treasurer	Teresa Driskel	N/A

**Management Personnel**

The Council appoints staff members and City Clerk to carry out the provisions of the City services.

**FINANCIAL INFORMATION**

**Accounting, Budgeting and Auditing Procedures**

The City has received a waiver from GAAP and follows a statutory basis of accounting which demonstrates compliance with the cash-basis and budget laws of the State of Kansas for all tax supported funds of the City, including the General Fund. More complete information regarding the City’s accounting is contained in the Notes to the Financial Statements attached hereto as *Appendix A*.

An Annual budget of estimated receipts and disbursements for the coming calendar year is required by statute to be prepared for all funds (unless specifically exempted). The budget is prepared utilizing the modified accrual basis which is further modified by the encumbrance method of accounting. For example, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes. The proposed budget is presented to the governing body of the City prior to August 1, with public hearing required to be held prior to August 15, with the formal budget to be adopted prior to August 25 of each year. Budgets may be amended upon action of the governing body after notice and public hearing, provided that no additional tax revenues may be raised after the original budget.

The statutes provide that the budget if the succeeding calendar year must be prepared on or before August 1 and published on or before August 5 of each year. A public hearing is required to be held on or before August 15, with the final budget being adopted on or before August 25 of each year. Original appropriations may be modified by supplemental appropriation and transfers among budget categories. The County must approve all significant changes.

The City may levy taxes in accordance with the requirements of its adopted budget. Property tax levies are based on the adopted budget of the City and the assessed valuations provided by the County appraiser. The Kansas Legislature passed legislation in 2015 and 2016 that, among other things, imposes an additional limit on the aggregate amount of property taxes that may be imposed by cities and counties, without a majority vote of qualified electors of the city or county (the “Tax Lid”). The Tax Lid became effective on January 1, 2017, and provides that, subject to certain exceptions, no city or county may approve an appropriation or budget which provides for funding by property tax revenues in an amount exceeding that of the immediately prior year, as adjusted to reflect the average changes in the consumer price index for the preceding five calendar years and provided that such average shall not be less than zero, unless approved by a majority vote of electors. The Tax Lid does not require an election in the following situations:

- “(1) Increased property tax revenues that, in the current year, are produced and attributable to the taxation of:
  - (A) The construction of any new structures or improvements or the remodeling or renovation of any existing structures or improvements on real property, which shall not include any ordinary maintenance or repair of any existing structures or improvements on the property;
  - (B) increased personal property valuation;
  - (C) real property located within added jurisdictional territory;
  - (D) real property which has changed in use;
  - (E) expiration of any abatement of property from property tax; or
  - (F) expiration of a tax increment financing district, rural housing incentive district, neighborhood revitalization area or any other similar property tax rebate or redirection program.
- (2) Increased property tax revenues that will be spent on:



- (A) Bond, temporary notes, no fund warrants, state infrastructure loans and interest payments not exceeding the amount of ad valorem property taxes levied in support of such payments, and payments made to a public building commission and lease payments but only to the extent such payments were obligations that existed prior to July 1, 2016;
- (B) payment of special assessments not exceeding the amount of ad valorem property taxes levied in support of such payments;
- (C) court judgments or settlements of legal actions against the city or county and legal costs directly related to such judgments or settlements;
- (D) expenditures of city or county funds that are specifically mandated by federal or state law with such mandates becoming effective on or after July 1, 2015, and loss of funds from federal sources after January 1, 2018, where the city or county is contractually obligated to provide a service;
- (E) expenses relating to a federal, state or local disaster or federal, state or local emergency, including, but not limited to, a financial emergency, declared by a federal or state official. The board of county commissioners may request the governor to declare such disaster or emergency; or
- (F) increased costs above the consumer price index for law enforcement, fire protection or emergency medical services.

(3) Any increased property tax revenues generated for law enforcement, fire protection or emergency medical services shall be expended exclusively for these purposes but shall not be used for the construction or remodeling of buildings.

(4) The property tax revenues levied by the city or county have declined:

- (A) In one or more of the next preceding three calendar years and the increase in the amount of funding for the budget or appropriation from revenue produced from property taxes does not exceed the average amount of funding from such revenue of the next preceding three calendar years, adjusted to reflect changes in the consumer price index for all urban consumers as published by the United States department of labor for the preceding calendar year; or
- (B) the increase in the amount of ad valorem tax to be levied is less than the change in the consumer price index plus the loss of assessed property valuation that has occurred as the result of legislative action, judicial action or a ruling by the board of tax appeals.”

The Tax Lid also provides that “[w]henver a city or county is required by law to levy taxes for the financing of the budget of any political or governmental subdivision of this state that is not authorized by law to levy taxes on its own behalf, and the governing body of such city or county is not authorized or empowered to modify or reduce the amount of taxes levied therefore, the tax levies of the political or governmental subdivision shall not be included in or considered in computing the aggregate limitation upon the property tax levies of the city or county.”

Because of ambiguities in the Tax Lid, it is unclear how the various exceptions will be interpreted and how the provisions will be implemented. As a result, it is unclear how the Tax Lid will impact the City.

However, as described above, the Tax Lid provides a specific exception for “[b]ond, temporary notes, no fund warrants, state infrastructure loans, and interest payments not exceeding the amount of ad valorem property taxes levied in support of such payments” as well as certain lease payments. Therefore, the City is permitted under the Tax Lid to levy unlimited ad valorem taxes as necessary to pay principal of and interest on the Bonds, as required by the Bond Resolution.

Kansas law prohibits counties and other governmental units from creating indebtedness unless there is money on hand in the proper fund and encumbered by previous commitments with which to pay the indebtedness. An exception to this cash-basis operation is made where provision has been made for payment of obligations by bonds or other specific debt obligations authorized by law.

### **Property Valuations**

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the state of Kansas is the responsibility of the various counties under the direction of state statutes. The Allen County Appraiser's office determines the fair market value of all taxable property within Allen County and the assessed valuation thereof that is to be used as a basis for the mill levy on property located in the Issuer.

Property subject to ad valorem taxation is divided into two classes, real property and personal property. Real property is divided into seven subclasses; there are six subclasses of personal property. The real property (Class 1) subclasses are: (i) real property used for residential purposes including multi-family mobile or manufactured homes and the real property on which such homes are located, assessed at 11.5%, (ii) agricultural land, valued on the basis of agricultural income or productivity, assessed at 30%, (iii) vacant lots, assessed at 12%, (iv) real property, owned and operated by a not-for-profit organization not subject to federal income taxation, pursuant to Code §501, assessed at 12%, (v) public utility real property, except railroad real property, assessed at the average rate that all other commercial and industrial property is assessed, assessed at 33%, (vi) real property used for commercial and industrial purposes and buildings and other improvements located on land devoted to agricultural use, assessed at 25%, and (vii) all other urban and real property not otherwise specifically classified, assessed at 30%. Tangible personal property (Class 2) subclasses are: (i) mobile homes used for residential purposes, assessed at 11.5%, (ii) mineral leasehold interests, except oil leasehold interests, the average daily production from which is 5 barrels or less, and natural gas leasehold interests, the average daily production from which is 100 mcf or less, which shall be assessed at 25%, assessed at 30%, (iii) public utility tangible personal property, including inventories thereof, except railroad personal property, including inventories thereof, which shall be

assessed at the average rate all other commercial and industrial property is assessed, assessed at 33%, (iv) all categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985, assessed at 30%, (v) commercial and industrial machinery and equipment which if its economic life is 7 years or more, shall be valued at its retail cost, when new, less seven-year straight-line depreciation, or which, if its economic life is less than 7 years, shall be valued at its retail cost when new, less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property, assessed at 25%, and (vi) all other tangible personal property not otherwise specifically classified, assessed at 30%. All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, farm machinery and equipment, merchants' and manufacturers' inventories, other than public utility inventories included in subclass (3) of class 2, livestock, and all household goods and personal effects not used for the production of income, shall be exempted from property taxation.

The Kansas Legislature reduced the applicable assessment rates on motor vehicles from 30% of market value to 20% of market value as of January 1, 2000.

The 2006 Kansas Legislature exempted from all property or ad valorem property taxes levied under the laws of the State all commercial, industrial, telecommunications and railroad machinery and equipment acquired by qualified purchase or lease after June 30, 2006 or transported into the State after June 30, 2006 for the purpose of expanding an existing business or creation of a new business.

The following table shows the total assessed valuation of all the tangible property in the City for the year 2017:

Assessed Tangible Valuation	\$1,298,313
Tangible Valuation of Motor Vehicles	<u>382,946</u>
Equalized Assessed Valuation of Taxable Tangible Property	\$1,681,259

Source: County Clerk

The following table shows the assessed valuation of the taxable tangible property within the City (excluding motor vehicle valuations) for the following years:

<u>Year</u>	<u>Assessed Valuation of Taxable Tangible Property<sup>(1)</sup></u>
2017	\$1,298,313
2016	1,410,158
2015	1,497,662
2014	1,515,536
2013	1,550,641

<sup>(1)</sup> Assessed valuation for 2017 is preliminary figure used for budgeting purposes.

Source: County Clerk

### Property Tax Levies and Collections

**Tax Collections.** Tax statements are mailed November 1 each year and may be paid in full or one-half on or before December 20 with the remaining one-half due on or before May 10 of the following year. Taxes that are unpaid on the due dates are considered delinquent and accrue interest at a per annum rate established by State law until paid or until the property is sold for taxes. Real estate bearing unpaid taxes is advertised for sale on or before October 1 of each year and is sold by the County for taxes and all legal charges on the first Tuesday in September. Properties that are sold and not redeemed within two years after the tax sale are subject to foreclosure sale, except homestead properties which are subject to foreclosure sale after three years.

Personal taxes are due and may be paid in the same manner as real estate taxes, with the same interest applying to delinquencies. If personal taxes are not paid when due, and after written notice, warrants are issued and placed in the hands of the Sheriff for collection. If not paid on or before October 1, legal judgment is entered and the delinquent tax becomes a lien on the property. Unless renewed, a non-enforced lien expires five years after it is entered.

Motor vehicle taxes are collected periodically throughout the year concurrently with the renewal of motor vehicle tags based upon the value of such vehicles. Such tax receipts are distributed to all taxing subdivisions, including the State of Kansas, in proportion to the number of mills levied within each taxpayer's tax levy unit.

**Tax Rates.** The City may levy taxes in accordance with the requirements of its adopted budget. Property tax levies are based on the adopted budget of the City and the assessed valuations provided by the county appraiser.

**Aggregate Tax Levies.** The aggregate tax levies (per \$1000 assessed valuation) of the City and overlapping jurisdictions for the years indicated are included in the following table:

**Mill Levy  
(Per \$1,000 Assessed Valuation)  
(2013 to 2017, inclusive)**

<u>Levy Year</u>	<u>Budget Year</u>	<u>City of LaHarpe</u>	<u>Allen County</u>	<u>USD No. 257</u>	<u>Other</u>	<u>State</u>	<u>Total</u>
2017	2018	65.577	64.010	46.364	23.858	1.500	201.309
2016	2017	59.316	64.191	45.333	24.107	1.500	194.447
2015	2016	54.606	65.848	48.471	22.249	1.500	192.674
2014	2015	54.607	68.090	44.426	22.633	1.500	191.256
2013	2014	54.607	71.155	52.389	22.740	1.500	202.391

Source: County Clerk

**Tax Collection Record.** The following table sets forth tax collection information for the City for the years indicated:

**Tax Collection Record  
(2013 to 2017, inclusive)**

<u>Year</u>	<u>Taxes Levied</u>	<u>Taxes Collected</u>	<u>Percentage of Taxes Collected</u>
2017	\$85,186	In Process	N/A
2016	83,712	\$75,326	89.98%
2015	81,849	74,355	90.84%
2014	83,013	76,095	91.67%
2013	84,764	78,894	93.08%

Source: County Clerk

**Major Taxpayers.** The following table sets forth the ten largest taxpayers in the City based on total assessed valuation in 2017:

<u>Taxpayer</u>	<u>Assessed Valuation</u>
1. LaHarpe Telephone Company, Inc.	\$134,483
2. Kansas Gas Service	115,264
3. RCM's Properties LLC	61,128
4. Individual	25,855
5. Individual	18,784
6. Individual	15,618
7. Individual	15,134
8. Individual	14,696
9. Individual	14,656
10. Individual	12,735

Source: County Clerk

The following table lists the ten largest taxpayers of the City based on total taxes levied in 2017:

<u>Taxpayer</u>	<u>Taxes Levied</u>
1. LaHarpe Telephone Company, Inc.	\$27,072
2. Kansas Gas Service	23,203
3. RCM's Properties LLC	12,175
4. Individual	5,204
5. Individual	3,735
6. Individual	3,069
7. Individual	3,000
8. Individual	2,912
9. Individual	2,904
10. Individual	2,425

Source: County Clerk

## Employee Retirement Plans

The Issuer participates in the Kansas Public Employees Retirement System (“KPERS”) established in 1962, as an instrumentality of the State, pursuant to K.S.A. 74-4901 *et seq.*, to provide retirement and related benefits to public employees in Kansas. KPERS is governed by a board of trustees consisting of nine members, each of whom serve four-year terms. The board of trustees appoints an executive director to serve as the managing officer of KPERS and manage a staff to carry out daily operations of the system.

As of December 31, 2016, KPERS serves approximately 305,000 members and approximately 1,500 participating employers, including the State, school districts, counties, cities, public libraries, hospitals and other governmental units. KPERS administers the following three statewide, defined benefit retirement plans for public employees:

- (a) Kansas Public Employees Retirement System;
- (b) Kansas Police and Firemen’s Retirement System; and
- (c) Kansas Retirement System for Judges.

These three plans are separate and distinct with different membership groups, actuarial assumptions, experience, contribution rates and benefit options. The Kansas Public Employees Retirement System is the largest of the three plans, accounting for more than 95% of the members. The Kansas Public Employees Retirement System is further divided into two separate groups, as follows:

- (a) *State/School Group* - includes members employed by the State, school districts, community colleges, vocational-technical schools and educational cooperatives. The State of Kansas makes all employer contributions for this group, the majority of which comes from the State General Fund.
- (b) *Local Group* - all participating cities, counties, library boards, water districts and political subdivisions are included in this group. Local employers contribute at a different rate than the State/School Group rate.

KPERS is currently a qualified, governmental, § 401(a) defined benefit pension plan, and has received IRS determination letters attesting to the plan’s qualified status dated October 14, 1999 and March 5, 2001. KPERS is also a “contributory” defined benefit plan, meaning that employees make contributions to the plan. This contrasts it from noncontributory pension plans, which are funded solely by employer contributions. The Issuer’s employees currently annually contribute 6% of their gross salary to the plan if such employees are KPERS Tier 1 members (covered employment prior to July 1, 2009), KPERS Tier 2 members (covered employment on or after July 1, 2009), or KPERS Tier 3 members (covered employment on or after January 1, 2015).

In 2015, the Legislature authorized, and there were issued, revenue bonds in the aggregate principal amount of \$1,005,180,000 to finance a portion of the unfunded actuarial pension liability as directed by KPERS and costs of issuance, but did not finance capitalized interest on such bonds. The repayment of the revenue bonds is subject to legislative annual appropriation, is not an obligation of the KPERS system, and the full faith and credit or taxing power of the State is not pledged to the repayment of the revenue bonds.

The Issuer’s contribution varies from year to year based upon the annual actuarial valuation and appraisal made by KPERS, subject to legislative caps on percentage increases. The Issuer’s contribution is 8.46% of the employee’s gross salary for calendar year 2018. Beginning January 1, 2018, the Issuer’s contribution will change to 8.39% of gross compensation for calendar year 2018. In addition, the Issuer contributes 0% of the employee’s gross salary for Death and Disability Insurance for covered employees for the period beginning April 1, 2016, through September 30, 2018, and 1% of the employee’s gross salary for Death and Disability Insurance for covered employees for the period beginning October 1, 2017.

According to the Valuation Report as of December 31, 2016, (the “2016 Valuation Report”) the KPERS Local Group, of which the Issuer is a member, carried an unfunded accrued actuarial liability (“UAAL”) of approximately \$1.515 billion at the end of 2016. The authors of the 2016 Valuation Report note that the UAAL increased due to multiple factors, the most significant of which was the increase in the actuarial liability due to assumption and methodology changes adopted since the release of the prior valuation report. The 2016 Valuation Report discusses these assumption and methodology changes, and includes additional information relating to the funded status of the KPERS Local Group, including recent trends in the funded status of the KPERS Local Group, and is available on the KPERS website at [kpers.org/about/reports.html](http://kpers.org/about/reports.html). The Issuer has no means to independently verify any of the information set forth on the KPERS website or in the 2016 Valuation Report, which is the most recent financial and actuarial information available on the KPERS website relating to the funded status of the KPERS Local Group. The 2016 Valuation Report sets the employer contribution rate for the period beginning January 1, 2019, for the KPERS Local Group, and KPERS’ actuaries identified that an employer contribution rate of 8.89% of covered payroll would be necessary, in addition to statutory contributions by covered employees, to eliminate the UAAL by the end of the actuarial period set forth in the 2016 Valuation Report. The statutory contribution rate of employers currently equals the 2016 Valuation Report’s actuarial rate. As a result, members of the Local Group are adequately funding their projected actuarial liabilities and the UAAL can be expected to diminish over time. The required employer contribution rate may increase up to the maximum statutorily allowed rate, which is 1.2% in fiscal year 2017 and thereafter.

KPERS has implemented GASB 68 – Financial Reporting for Pension Plans – An Amendment of GASB Statement 25, and is required annually to provide its participants the proportional share of the net pension liability of KPERS allocated to each participant as of the end of the prior fiscal year. The KPERS’ Schedule of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer and Nonemployer (the “GASB 68 Report”) provides the net pension liability allocated to each KPERS participant, including the Issuer. The GASB 68 Report is available on the KPERS website at [kpers.org/about/reports.html](http://kpers.org/about/reports.html). The Issuer has no means to independently verify any of the information set forth on the KPERS website or in the GASB 68 Report. It is important to note that under existing State law, the Issuer has no legal obligation for the UAAL or the net pension liability calculated by KPERS, and such figures are for informational purposes only.

**Employee Relations**

The City has two full and three part-time employees. Employee relations are characterized as good.

**AUTHORITY TO INCUR DEBT**

Equalized Assessed Valuation of Tangible Valuation	
For Computation of Bonded Debt Limitations <sup>(1)</sup> .....	\$1,681,259
Legal limitation of Bonded Debt <sup>(2)</sup> .....	\$504,377
Outstanding general obligation debt as of March 1, 2018 <sup>(3)</sup> .....	\$430,000
Exempt Debt.....	\$430,000
Net Debt against Statutory Debt limit capacity.....	\$0
Additional debt capacity .....	\$504,377
Direct debt per capita.....	\$787
Overlapping Indebtedness.....	\$0
Direct and overlapping debt.....	\$430,000
Direct and overlapping debt per capita .....	\$787
Direct debt as a percentage of Equalized Assessed Valuation .....	25.87%
Direct & overlapping debt as a percentage of Equalized Assessed Valuation .....	25.87%
Statutory direct debt as a percentage of Equalized Assessed Valuation .....	0%

<sup>(1)</sup> Includes motor vehicle valuation.

<sup>(2)</sup> K.S.A. 10-301 *et seq.*

<sup>(3)</sup> Includes this issue, and subject to change.

**Overlapping Indebtedness**

The following table sets forth overlapping indebtedness as of March 1, 2018, and the percent attributable (on the basis of assessed valuation) to the City:

Taxing <u>Jurisdiction</u>	2017 Assessed <u>Valuation</u>	Outstanding General Obligation <u>Indebtedness</u>	Percent Applicable <u>To the City</u>	Amount Applicable <u>to the City</u>
Allen County	\$141,357,942	\$0	0.92%	\$0
U.S.D. No. 257	52,168,777	0	2.49%	<u>0</u>
			Totals	\$0

Source: County Clerk

**Outstanding General Obligation Debt  
(As of March 1, 2018)**

Description of <u>Indebtedness</u>	<u>Series</u>	Maturity <u>Date</u>	Original <u>Amount</u>	Amount <u>Outstanding</u>	Amount Included <u>In Debt Limitation</u>
GO Bonds <sup>(1)</sup>	2018	09/01/2037	\$430,000	<u>\$430,000</u>	<u>\$0</u>
Totals				\$430,000	\$0

<sup>(1)</sup> This issue and subject to change.

**Temporary Notes Outstanding  
(As of March 1, 2018)**

As of March 1, 2018 none are outstanding.

**Capital Leases Outstanding  
(As of March 1, 2018)**

As of March 1, 2018 none are outstanding.

Source: City Clerk

**Loans Outstanding  
(As of March 1, 2018)**

<u>Description of Loan</u>	<u>Year</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
KDHE Sewer Loan KWPCRF C20 1207 01	1999	09/01/2019	\$760,000	<u>\$94,350</u>
Totals				\$94,350

Source: City Clerk

**Debt Payment Record**

The City has never been delinquent in any payments of its debt agreements.

**Future Indebtedness**

The City does not have any plans to issue any additional debt at this time.

**REGIONAL, ECONOMIC AND DEMOGRAPHIC INFORMATION**

**Size and Location**

The City of LaHarpe, Kansas is located in Allen County, Kansas and is located approximately 120 miles east of Wichita, the largest population center in Kansas. The City has a current estimated population of 546 persons.

**Municipal Services and Utilities**

The City owns and operates its own water and sewer utility systems. Waste Connections provides trash service to residents of the City. Electricity is provided by Westar Electric. Natural Gas is provided by Kansas Gas Service.

The City's fire and emergency services are provided by LaHarpe Volunteer Fire Department.

**Transportation Facilities**

The City is served by U.S. Highway 54, and U.S. Highway 169. The Allen County Airport, located seven miles from the City, serves the City and provides a runway capable of handling private and corporate aircraft. Wichita Dwight D. Eisenhower National Airport is located within 120 miles of the City and provides regularly scheduled air service.

**Educational Institutions and Facilities**

Students in LaHarpe attend Unified School District No. 257, located in Iola, Kansas. The school district operates one pre-kindergarten school, three elementary schools, one junior high school, and one high school in the surrounding area. The District has a total enrollment of approximately 1,285 students. Allen Community College is located six miles from the City. Wichita Area Technical College, Butler County Community College, Wichita State University, Friends University, Newman University, and Wichita Technical Institute are all within 120 miles of the City.

**Medical and Health Facilities**

Allen County Regional Hospital, located in Iola, Kansas provides the City with major medical service. Other major medical service can be found in the City of Wichita, KS. There are approximately seven nursing homes located within 15 miles of the City.

**Recreational Facilities**

There are two exercise facilities located in Iola, Kansas open to the public 24 hours a day, seven days a week. A municipal pool sits in Riverside Park located on the south edge of Iola which is surrounded by six ball diamonds, all functional during the summer months and available for all. The City has a City Park which includes playground equipment for smaller children, a zipline, ball diamond and sand volleyball for all ages. In the months to come there will be a fitness center located at City Hall which will be opened to the public 24 hours a day.

## Population Trends

The following table shows the approximate population of Allen County and the City in the years indicated:

<u>Year</u>	<u>Allen County Population</u>	<u>City of LaHarpe Population</u>
2016	12,714	546
2015	12,724	543
2014	12,903	552
2013	13,080	563
2012	13,336	576

Source: Kansas Statistical Abstract

## Labor Force

The following table sets forth labor force figures for Allen County and the State of Kansas:

### ALLEN COUNTY

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2016	6,354	5,977	377	5.9%
2015	6,588	6,249	339	5.1%
2014	6,964	6,617	347	5.0%
2013	6,890	6,473	417	6.1%
2012	7,470	6,990	480	6.4%

### STATE OF KANSAS

<u>Average For Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2016	1,484,001	1,422,122	61,879	4.2%
2015	1,499,009	1,435,884	63,125	4.2%
2014	1,500,353	1,432,359	67,994	4.5%
2013	1,486,764	1,407,562	79,202	5.3%
2012	1,486,600	1,400,635	85,965	5.8%

Source: Kansas Statistical Abstract

## Financial and Banking Institutions

There are currently nine banks located in Allen County. During a five-year period, bank deposits of the County's banks are as follows:

<u>Year</u>	<u>Total Bank Deposits</u> (thousands of dollars)
2016	\$281,000
2015	273,000
2014	259,000
2013	264,000
2012	261,000

Source: Kansas Statistical Abstract

## Retail Sales Tax Collections

The following table lists Allen County's state sales tax collections for the years indicated:

<u>Year</u>	<u>Sales Tax Collections</u>	<u>Per Capita Sales Tax</u>
2016	\$9,973,246	\$776.91
2015	9,917,654	789.64
2014	10,778,350	805.35
2013	9,818,054	707.89
2012	9,520,978	715.95

Source: Kansas Statistical Abstract

The statewide sales and use tax was increased from 4.25% to 4.90% effective July 1, 1992. It was subsequently increased to 6.3%, effective July 1, 2010, and decreased to 6.15%, effective July 1, 2013. Effective July 1, 2015, the statewide sales and use tax was increased to 6.50%.

## Personal Income Trends

Allen County personal and per capita income and State of Kansas per capita income are listed for the years indicated, in the following table

<u>Year</u>	<u>Allen County Personal Income (\$000)</u>	<u>Allen County Per Capita Income</u>	<u>State of Kansas Per Capita Income</u>
2015	\$484,512	\$38,100	\$47,161
2014	530,145	37,507	46,393
2013	526,183	37,448	45,838
2012	497,615	34,988	44,795
2011	463,787	34,744	42,515

Source: Kansas Statistical Abstract

## ABSENCE OF LITIGATION

At the present time there is no controversy, suit or other proceedings of any kind pending or threatened whereby any question is raised or may be raised questioning or affecting in any way the legal organization of the City or its boundaries or the right or title of any of its officers to their respective offices, or the legality of any official act shown to have been done in the Transcript of proceedings leading up to the issuance of the Bonds, or the constitutionality or validity of the indebtedness represented by the Bonds shown to be authorized in said Transcript, or the validity of the Bonds or any of the proceedings had in relation to the issuance or sale thereof, or the levying and collection of taxes to pay the principal and interest thereof.

## FINANCIAL ADVISOR

Ranson Financial Group, LLC serves as financial advisor (the "Financial Advisor") to the City. The Financial Advisor is a "municipal advisor" as defined in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The Financial Advisor has participated in the preparation of this Preliminary Official Statement, but has not verified all of the factual information contained herein, nor has it conducted a detailed investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Preliminary Official Statement. The Financial Advisor's fee is contingent upon the actual issuance and delivery of the Bonds.

## UNDERWRITING

On February 14, 2018, the City received \_\_\_\_\_ bids for the purchase of the Bonds. The Bonds were awarded by the City to the account of \_\_\_\_\_ (the "Underwriter"). The Underwriter submitted the lowest bid for the purchase of the Bonds with a net effective interest rate of \_\_\_\_%.

The Bonds will be offered to the public initially at the prices determined to produce the yield to maturity set forth on the inside cover page of this Preliminary Official Statement. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices other than the price stated on the inside cover page hereof and may change the initial offering price from time to time subsequent to the date hereof. In connection with the offering, the Underwriters may over allot or effect transactions which 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.



## LEGAL MATTERS

### Approval of Bonds

All matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Wichita, Kansas (“Bond Counsel”), bond counsel to the Issuer. The factual and financial information appearing herein has been supplied or reviewed by certain officials of the City and its certified public accountants, as referred to herein. Bond Counsel has participated in the preparation of the matters appearing in the sections of this Preliminary Official Statement captioned “THE BONDS,” “LEGAL MATTERS,” “TAX MATTERS,” and “*APPENDIX B* - SUMMARY OF FINANCING DOCUMENTS”. Payment of the legal fee of Bond Counsel is contingent upon the delivery of the bonds. Certain legal matters have been passed on for the Issuer by Charles Apt III, Esq.

## TAX MATTERS

The following is a summary of the material federal and State 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 holders 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 Kansas, does not discuss the consequences to an owner under 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

In the opinion of Bond Counsel, under the law existing as of the issue date of the Bonds:

***Federal 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 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.

***Bank Qualification.*** The Bonds are “qualified tax-exempt obligations” for purposes of Code § 265(b)(3).

***Kansas Tax Exemption.*** The interest on the Bonds is exempt from income taxation by the State.

Bond Counsel’s opinions are provided as of the date of the original issue of the Bonds, subject to the condition that the Issuer 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 Issuer 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 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.

### 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 Code § 1288, 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: (a) the issue price of that Bond, plus the amount of OID accrued in all prior accrual periods; multiplied by (b) 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 (c) 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 issued 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 Code § 171, 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 the Bonds are 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 Bonds, and to the proceeds paid on the sale of 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.

#### **MISCELLANEOUS**

The references herein to the Bond Resolution and other documents referred to in this Preliminary Official Statement are brief summaries of certain provisions thereof and do not purport to be complete. For full and complete statements of such provisions, reference is made to such documents.

The agreement of the Issuer with the Owners of the Bonds is fully set forth in the Bond Resolution, and neither any advertisement of the Bonds nor this Preliminary Official Statement is to be construed as constituting an agreement with the purchasers of the Bonds. So far as any statements are made in this Preliminary Official Statement involving matters of opinion, estimates, projections or forecasts, whether or not expressly stated as such, they are not to be construed as representations of fact. Copies of the documents mentioned under this caption are on file at the offices of the Underwriter and, following delivery of the Bonds, will be on file with the Issuer.

The Appendices attached hereto is an integral part of this Preliminary Official Statement and must be read together with all of the statements.

#### **AUTHORIZATION OF PRELIMINARY OFFICIAL STATEMENT**

The preparation of this Preliminary Official Statement and its distribution has been authorized by the governing body of the Issuer as of the date on the cover page hereof. This Preliminary Official Statement is submitted in connection with the issuance of the Bonds and may not be reproduced or used as a whole or in part for any other purpose. This Preliminary Official Statement does not constitute a contract between the Issuer or the Underwriter and any one or more of the purchasers, Owners or Beneficial Owners of the Bonds

CITY OF LAHARPE, KANSAS

By: \_\_\_\_\_  
Ella Mae Crowell, Mayor

**\$430,000\***  
**CITY OF LAHARPE, KANSAS**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2018**

**APPENDIX A**

**FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED DECEMBER 31, 2016**

\* Subject to change.

**CITY OF LAHARPE, KANSAS**

Independent Auditors' Report and  
Financial Statement with  
Supplementary Information

For the Year Ended December 31, 2016

**CITY OF LAHARPE, KANSAS**

December 31, 2016

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**JARRED, GILMORE & PHILLIPS, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and City Council  
City of LaHarpe, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of LaHarpe, Kansas, a municipality, as of and for the year ended December 31, 2016, and the related notes to the financial statement.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the Kansas Municipal Audit and Accounting Guide. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement 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 statement.

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

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statement, the financial statement is prepared by the City of LaHarpe on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of LaHarpe as of December 31, 2016, or changes in financial position and cash flows thereof for the year then ended.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of LaHarpe as of December 31, 2016, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

***Other Matters***

*Supplemental Information*

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and disbursements-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2015 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2015 basic financial statement upon which we rendered an unmodified opinion dated April 25, 2016. The 2015 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://admin.ks.gov/offices/chief-financial-officer/municipal-services>. Such 2015 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2015 basic financial statement. The 2015 comparative information was subjected to the auditing procedures applied in the audit of the 2015 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2015 basic financial statement or to the 2015 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the

2015 comparative information is fairly stated in all material respects in relation to the 2015 basic financial statement as a whole, on the basis of accounting described in Note 1.

*Jarred, Gilmore & Phillips, PA*

JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

June 13, 2017  
Chanute, Kansas



CITY OF LAHARPE, KANSAS

Summary Statement of Receipts, Expenditures, and Unencumbered Cash  
 Regulatory Basis  
 For the Year Ended December 31, 2016

Funds	Beginning Unencumbered Cash Balances	Receipts	Expenditures	Ending Unencumbered Cash Balances	Add Encumbrances and Accounts Payable	Cash Balance December 31 2016
General Fund	\$ 136,167.60	\$ 153,394.08	\$ 211,843.28	\$ 77,718.40	\$ 9,361.33	\$ 87,079.73
Special Purpose Funds:						
Special Highway	13,466.54	49,233.95	4,487.61	58,212.88	-	58,212.88
Equipment Reserve	23,407.42	12,999.96	14,802.32	21,605.06	954.20	22,559.26
Bond and Interest Funds:						
Bond and Interest	-	51,186.34	51,186.34	-	-	-
Business Funds:						
Water Utility	53,505.39	112,872.96	125,439.81	40,938.54	5,919.92	46,858.46
Electric Utility	69,457.14	375,330.56	391,616.40	53,171.30	35,912.26	89,083.56
Sewer Utility	31,308.43	105,711.28	131,620.89	5,398.82	1,886.04	7,284.86
Sewer Reserve	32,480.40	13,766.40	-	46,246.80	-	46,246.80
Trash Utility	5,978.91	19,240.18	19,311.63	5,907.46	1,602.00	7,509.46
Total Reporting Entity ( Excluding Agency Funds)	\$ 365,771.83	\$ 893,735.71	\$ 950,308.28	\$ 309,199.26	\$ 55,635.75	\$ 364,835.01
Composition of Cash:						
Cash on Hand						\$ 300.00
Checking Accounts - Piqua State Bank						317,173.96
Certificates of Deposit						48,883.28
Total Cash						366,357.24
Agency Funds Per Schedule 3						(1,522.23)
Total Reporting Entity						\$ 364,835.01

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

## CITY OF LAHARPE, KANSAS

Notes to Financial Statement  
December 31, 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The financial statement and schedules of the City of LaHarpe, Kansas, have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies follow. Note 1 describes how the City's accounting policies differ from accounting policies generally accepted in the United States of America.

#### Financial Reporting Entity

The City of LaHarpe, Kansas, is a municipal corporation governed by an elected five-member council.

*Related Municipal Entities:* A related municipal entity is determined by the following criteria. Whether the City exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the City. Related municipal entities are not required to be included in the City's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG).

The City has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a related municipal entity in this financial statement.

#### Regulatory Basis Fund Types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities of the City of LaHarpe, Kansas, for the year of 2016:

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose funds – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest funds - used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Business funds – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.).

Agency fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES** (Continued)

### Basis of Accounting

*Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America.* The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

### Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for the revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property.

### Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as receipts. In the financial statements and budget schedules comparisons presented in this report, reimbursements and refunds are recorded as receipts. The reimbursements are recorded as cash receipts when received by the City Treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

### Comparative Data

Comparative data for the prior year have been presented in the accompanying financial statement in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data, i.e., presentation of prior year totals by fund type in the statement have not been presented since their inclusion would make the statement unduly complex and difficult to read.

### Pension Plan

Substantially all full-time City employees are members of the State of Kansas Public Employees Retirement System, which is a multi-employer state-wide pension plan. The City's policy is to fund all pension costs accrued. Such costs to be funded are actuarially determined annually by the State of Kansas.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES** (Continued)

### Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following timetable in the adoption of the legal operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1;
2. Publication in local newspaper, on or before August 5, of the proposed budget and notice of public hearing on the budget;
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing; then
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, trust funds, and the following special purpose fund:

- Equipment Reserve Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

## **2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### Compliance with Kansas Statutes

Statement 1 and Schedule 1 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1 and Schedule 1, the City was in apparent compliance with the Kansas cash basis laws and budget laws.

### **3. DEPOSITS AND INVESTMENTS**

K.S.A 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main branch or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

*Concentration of credit risk.* State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2016.

At year-end, the City's carrying amount of deposits was \$366,057.24 and the bank balance was \$369,480.95. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$298,883.29 was covered by FDIC insurance, and \$70,597.66 was collateralized with securities held by the pledging financial institution's agents in the City's name.

### **4. DEFINED BENEFIT PENSION PLAN**

#### *General Information about the Pension Plan*

*Plan description.* The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publically available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

*Contributions.* K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

#### **4. DEFINED BENEFIT PENSION PLAN** (Continued)

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate through March 31, 2016 with a 0% moratorium until June 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 9.18% for the fiscal year ended December 31, 2016. Contributions to the pension plan from the City were \$13,146.17 for the year ended December 31, 2016.

##### *Net Pension Liability*

At December 31, 2016, the City's proportionate share of the collective net pension liability reported by KPERS was \$96,194.00. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and nonemployer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described above.

## 5. LONG-TERM DEBT

Changes in long-term debt for the City of LaHarpe for the year ended December 31, 2016, were as follows:

Issue	Interest Rates	Date of Issue	Original Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
Sewer System Revolving Loan									
Paid by Utility Revenues:									
Series 1998	2.86%	June 26, 1999	\$ 760,000.00	September 1, 2019	\$ 191,130.32	\$ -	\$ 45,593.95	\$ 145,536.37	\$ 5,592.39
Capital Lease									
Bucket Truck	2.32%	September 22, 2014	18,900.00	August 22, 2017	10,620.67	-	6,348.73	4,271.94	179.27
Total Contractual Indebtedness					<u>\$ 201,750.99</u>	<u>\$ -</u>	<u>\$ 51,942.68</u>	<u>\$ 149,808.31</u>	<u>\$ 5,771.66</u>

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity is as follows:

Issue	2017	2018	2019	Total
Principal				
General Obligation Bonds				
Sewer System Revolving Loan				
Series 1998	\$ 47,022.94	\$ 48,496.72	\$ 50,016.71	\$ 145,536.37
Capital Lease				
Bucket Truck	4,271.94	-	-	4,271.94
Total Principal	<u>51,294.88</u>	<u>48,496.72</u>	<u>50,016.71</u>	<u>149,808.31</u>
Interest				
General Obligation Bonds				
Sewer System Revolving Loan				
Series 1998	4,163.40	2,689.62	1,169.63	8,022.65
Capital Lease				
Bucket Truck	36.98	-	-	36.98
Total Interest	<u>4,200.38</u>	<u>2,689.62</u>	<u>1,169.63</u>	<u>8,059.63</u>
Total Principal and Interest	<u>\$ 55,495.26</u>	<u>\$ 51,186.34</u>	<u>\$ 51,186.34</u>	<u>\$ 157,867.94</u>

## 6. CAPITAL LEASE OBLIGATIONS

The City has entered into a capital lease agreement in order to finance the acquisition of a bucket truck. Payments are made monthly, including interest at 2.32%. Final maturity of the lease is August 22, 2017. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2017	\$ 4,308.92
Total Payments	4,308.92
Less imputed interest	( 36.98)
Net Present Value of Minimum Lease Payments	4,271.94
Less: Current Maturities	(4,271.94)
Long-Term Capital Lease Obligations	\$ 0.00

## 7. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

### *Compensated Absences:*

Regular employees earn and accumulate vacation leave after one year of employment. The maximum number of vacation days which can be accumulated by employees is based upon number of years of full-time service and varies from 5-15 days. If an employee wished to cash out vacation time, they may do so but no more than five days may be cashed out in any calendar year. If an employee has unused vacation time on their anniversary date, said unused time will not accumulate nor will it roll over.

Regular employees earn and accumulate sick leave from the beginning of employment at the rate of 40 hours per year. Sick leave may be accumulated to a maximum of 320 hours. Any unused sick leave above 320 hours is lost. Sick leave is not paid to terminated employees.

The City accrues a liability for compensated absences which meet the following criteria:

- (1) The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- (2) The obligation relates to rights that vest or accumulate.
- (3) Payment of the compensation is probable.
- (4) The amount can be reasonably estimated and is material to the financial statement.

In accordance with the above criteria, the City has estimated a liability for vacation pay of \$1,027.00, and not accrued a liability for sick pay which has been earned, but not taken by City employees, inasmuch as the amount cannot be reasonably estimated.

### *Other Post Employment Benefits:*

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the city is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the Federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.



**8. SEWER TREATMENT SYSTEM AGREEMENT**

On April 14, 1999 the City of LaHarpe, the City of Gas, and the Allen County Commissioners entered into a sewer treatment system agreement. The following items were agreed upon:

- a) The City of LaHarpe owns and operates a sewer treatment system and provides service to the City of Gas.
- b) The Kansas Department of Commerce would provide funds to build a replacement lagoon system that will be jointly owned by the City of LaHarpe and the City of Gas.
- c) An interlocal agreement was entered into between the City of LaHarpe and the City of Gas to establish a joint sewer board.
- d) The agreement terminates on September 30, 2019, unless extended by the written agreement of all parties. No parties may terminate this agreement prior to September 30, 2019, without the consent of all parties.

**9. ECONOMIC DEPENDENCY**

During 2016, the City collected 16.92% of its sewer utility receipts from the City of Gas, Kansas. During 2016, the City purchased 100% of its water sold from Public Wholesale Water Supply District #5.

**10. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The City manages these risks of loss through the purchase of various insurance policies.

**11. INTERFUND TRANSFERS**

Operating and residual transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
Sewer Utility	Bond & Interest Fund	K.S.A. 12-825d	\$ 32,682.78
Sewer Utility	Sewer Reserve	K.S.A. 12-1,117	13,766.40
Electric Utility	Equipment Reserve	K.S.A. 12-1,117	3,000.00
General	Equipment Reserve	K.S.A. 12-1,117	9,999.96
General	Special Highway	K.S.A. 12-197	13,510.70

**12. SUBSEQUENT EVENTS**

The City evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statement. However, the City has been granted a CDBG grant in the amount of \$400,000.00 and is in the process of issuing bonds, the amount of which, has not yet been determined, for an electrical upgrade, expected to be completed in 2018.

## **SUPPLEMENTARY INFORMATION**

**CITY OF LAHARPE, KANSAS**  
 Summary of Expenditures - Actual and Budget  
 Regulatory Basis  
 (Budgeted Funds Only)  
 For the Year Ended December 31, 2016

Funds	Total Certified Budget	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund	\$ 317,733.00	\$ 211,843.28	\$ (105,889.72)
Special Purpose Funds:			
Special Highway	29,215.00	4,487.61	(24,727.39)
Bond and Interest Funds:			
Bond and Interest	51,186.00	51,186.34	0.34
Business Funds:			
Water Utility	187,196.00	125,439.81	(61,756.19)
Electric Utility	405,850.00	391,616.40	(14,233.60)
Sewer Utility	142,233.00	131,620.89	(10,612.11)
Trash Utility	27,288.00	19,311.63	(7,976.37)

**CITY OF LAHARPE, KANSAS**  
**GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Taxes and Shared Receipts				
Ad Valorem Property Tax	\$ 76,095.28	\$ 74,355.06	\$ 81,776.00	\$ (7,420.94)
Delinquent Tax	6,736.24	5,294.19	3,550.00	1,744.19
Motor Vehicle Tax	18,147.72	16,956.21	16,903.00	53.21
Commercial Vehicle Tax	-	716.58	490.00	226.58
Recreational Vehicle Tax	47.49	61.22	106.00	(44.78)
16/20 Vehicle Tax	36.00	27.33	29.00	(1.67)
Special Assessment	-	150.00	-	150.00
Intergovernmental				
Franchise Tax	9,008.19	5,996.24	9,076.00	(3,079.76)
Sales Tax	36,769.10	20,935.72	24,244.00	(3,308.28)
Licenses and Permits	415.00	515.00	430.00	85.00
Animal Control	1,115.00	1,285.00	1,150.00	135.00
Fines, Forfeitures and Penalties	7,496.00	8,064.43	4,000.00	4,064.43
Use of Money and Property				
Interest Income	552.66	526.54	603.00	(76.46)
Rental Income	3,550.00	2,500.00	2,700.00	(200.00)
Park Income	100.00	10,000.00	-	10,000.00
Other Receipts				
Miscellaneous	2,415.42	5,578.91	3,125.00	2,453.91
Reimbursed Expense	9,884.72	431.65	9,620.00	(9,188.35)
<b>Total Receipts</b>	<b>172,368.82</b>	<b>153,394.08</b>	<b>\$ 157,802.00</b>	<b>\$ (4,407.92)</b>
<b>Expenditures</b>				
General and Administrative				
Personal Services	12,092.63	12,670.25	\$ 9,530.00	\$ 3,140.25
Contractual Services	49,328.20	36,273.03	34,475.00	1,798.03
Commodities	10,577.99	11,236.62	10,500.00	736.62

**CITY OF LAHARPE, KANSAS  
GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Expenditures</b>				
<b>Parks and Recreation</b>				
Commodities	\$ 2,585.10	\$ 1,687.25	\$ 5,000.00	\$ (3,312.75)
Contractual Services	-	-	500.00	(500.00)
Capital Outlay	-	22,625.00	-	22,625.00
<b>Streets</b>				
Contractual Services	-	-	500.00	(500.00)
Commodities	1,112.82	1,050.50	1,000.00	50.50
Capital Outlay	-	-	25,000.00	(25,000.00)
<b>Law Enforcement</b>				
Personal Services	4,556.51	8,382.27	3,032.00	5,350.27
Contractual Services	11,131.92	10,244.05	15,000.00	(4,755.95)
Commodities	5,831.38	5,877.60	3,500.00	2,377.60
Capital Outlay	-	-	1,200.00	(1,200.00)
<b>Animal Control and Code Enforcement</b>				
Personal Services	10,852.72	7,768.20	8,270.00	(501.80)
Contractual Services	-	2,533.70	500.00	2,033.70
Commodities	-	-	1,000.00	(1,000.00)
<b>Fire Department</b>				
Personal Services	10,492.07	3,067.09	2,778.00	289.09
Contractual Services	551.68	7,225.12	7,000.00	225.12
Commodities	3,047.64	3,841.29	3,000.00	841.29
<b>Incentive Program Houses</b>				
Contractual Services	1,321.78	-	5,000.00	(5,000.00)
Capital Outlay	7,779.83	-	119,999.00	(119,999.00)
Neighborhood Revitalization Rebate	6,313.15	5,948.59	5,949.00	(0.41)
Employee Benefits	30,288.62	47,902.06	45,000.00	2,902.06
<b>Operating Transfers to:</b>				
Equipment Reserve Fund	9,999.96	9,999.96	10,000.00	(0.04)
Special Highway Fund	-	13,510.70	-	13,510.70
<b>Total Expenditures</b>	<b>177,864.00</b>	<b>211,843.28</b>	<b>\$ 317,733.00</b>	<b>\$ (105,889.72)</b>
<b>Receipts Over (Under) Expenditures</b>	<b>(5,495.18)</b>	<b>(58,449.20)</b>		
<b>Unencumbered Cash, Beginning</b>	<b>141,662.78</b>	<b>136,167.60</b>		
<b>Unencumbered Cash, Ending</b>	<b>\$ 136,167.60</b>	<b>\$ 77,718.40</b>		

**CITY OF LAHARPE, KANSAS**  
**SPECIAL HIGHWAY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Taxes and Shared Receipts				
State Payments	\$ 14,615.62	\$ 14,524.03	\$ 14,960.00	\$ (435.97)
Intergovernmental				
Sales Tax	-	20,863.52	-	20,863.52
Other Receipts				
Reimbursed Expense	-	335.70	-	-
Operating Transfer from General Fund	-	13,510.70	-	-
<b>Total Receipts</b>	<b>14,615.62</b>	<b>49,233.95</b>	<b>\$ 14,960.00</b>	<b>\$ 20,427.55</b>
<b>Expenditures</b>				
Highways and Streets				
Contractual Services	3,899.75	4,261.49	\$ 15,000.00	\$ (10,738.51)
Commodities	39.30	226.12	14,215.00	(13,988.88)
<b>Total Expenditures</b>	<b>3,939.05</b>	<b>4,487.61</b>	<b>\$ 29,215.00</b>	<b>\$ (24,727.39)</b>
Receipts Over (Under) Expenditures	10,676.57	44,746.34		
Unencumbered Cash, Beginning	2,789.97	13,466.54		
Unencumbered Cash, Ending	\$ 13,466.54	\$ 58,212.88		

**CITY OF LAHARPE, KANSAS**  
**EQUIPMENT RESERVE FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	Prior Year Actual	Current Year Actual
Receipts		
Other Receipts		
Reimbursed Expense	\$ 3,300.00	\$ -
Operating Transfers from:		
Electric Utility Fund	3,000.00	3,000.00
Sewer Utility Fund	12,000.00	-
General Fund	9,999.96	9,999.96
Total Receipts	<u>28,299.96</u>	<u>12,999.96</u>
Expenditures		
Capital Outlay	<u>29,396.26</u>	<u>14,802.32</u>
Total Expenditures	<u>29,396.26</u>	<u>14,802.32</u>
Receipts Over (Under) Expenditures	(1,096.30)	(1,802.36)
Unencumbered Cash, Beginning	<u>24,503.72</u>	<u>23,407.42</u>
Unencumbered Cash, Ending	<u>\$ 23,407.42</u>	<u>\$ 21,605.06</u>

**CITY OF LAHARPE, KANSAS**  
**BOND AND INTEREST FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Other Receipts				
Gas City Reimbursement	\$ 18,503.86	\$ 18,503.56	\$ 18,504.00	\$ (0.44)
Operating Transfer from Sewer Utility Fund	32,682.48	32,682.78	32,682.00	0.78
<b>Total Receipts</b>	<b>51,186.34</b>	<b>51,186.34</b>	<b>\$ 51,186.00</b>	<b>\$ 0.34</b>
Expenditures				
Debt Service				
Principal	44,208.37	45,593.95	\$ 45,594.00	\$ (0.05)
Interest	6,977.97	5,592.39	5,592.00	0.39
<b>Total Expenditures</b>	<b>51,186.34</b>	<b>51,186.34</b>	<b>\$ 51,186.00</b>	<b>\$ 0.34</b>
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	\$ -	\$ -		



**CITY OF LAHARPE, KANSAS**  
**WATER UTILITY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Operating Receipts				
Water Sales	\$ 109,752.58	\$ 109,662.90	\$ 120,000.00	\$ (10,337.10)
Water Penalties and Reconnect Fees	575.00	550.00	575.00	(25.00)
Bulk Water Sales	964.95	937.76	975.00	(37.24)
Other Receipts				
Reimbursed Expenses	3,509.49	794.84	1,249.00	(454.16)
Miscellaneous	803.22	927.46	1,165.00	(237.54)
<b>Total Receipts</b>	<u>115,605.24</u>	<u>112,872.96</u>	<u>\$ 123,964.00</u>	<u>\$ (11,091.04)</u>
<b>Expenditures</b>				
Transmission and Distribution				
Contractual Services	43,342.80	47,287.15	\$ 55,000.00	\$ (7,712.85)
Commodities	-	25.00	3,000.00	(2,975.00)
Capital Outlay	-	-	66,347.00	(66,347.00)
General Operations				
Personal Services	30,042.38	44,545.51	34,349.00	10,196.51
Contractual Services	18,357.13	18,178.72	20,000.00	(1,821.28)
Commodities	12,405.44	10,403.43	8,500.00	1,903.43
Capital Outlay	-	5,000.00	-	5,000.00
<b>Total Expenditures</b>	<u>104,147.75</u>	<u>125,439.81</u>	<u>\$ 187,196.00</u>	<u>\$ (61,756.19)</u>
Receipts Over (Under) Expenditures	11,457.49	(12,566.85)		
Unencumbered Cash, Beginning	<u>42,047.90</u>	<u>53,505.39</u>		
Unencumbered Cash, Ending	<u>\$ 53,505.39</u>	<u>\$ 40,938.54</u>		

**CITY OF LAHARPE, KANSAS**  
**ELECTRIC UTILITY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Operating Receipts				
Residential Sales	\$ 334,983.11	\$ 341,566.85	\$ 332,419.00	\$ 9,147.85
Other Sales	20,479.32	32,308.85	15,000.00	17,308.85
Connect Fee	1,050.00	700.00	985.00	(285.00)
Other Receipts				
Reimbursed Expenses	954.83	112.90	-	112.90
Miscellaneous	98.36	641.96	140.00	501.96
<b>Total Receipts</b>	<b>357,565.62</b>	<b>375,330.56</b>	<b>\$ 348,544.00</b>	<b>\$ 26,786.56</b>
Expenditures				
Operating Expenditures				
Transmission and Distribution				
Contractual Services	272,491.00	298,818.82	\$ 269,184.00	\$ 29,634.82
Commodities	298.50	-	-	-
General Operations				
Personal Services	29,444.36	44,873.27	33,344.00	11,529.27
Contractual Services	14,408.61	20,379.00	19,000.00	1,379.00
Commodities	9,208.95	20,045.30	10,000.00	10,045.30
Capital Outlay	-	4,500.01	71,322.00	(66,821.99)
Operating Transfers to Equipment Reserve Fund	3,000.00	3,000.00	3,000.00	-
<b>Total Expenditures</b>	<b>328,851.42</b>	<b>391,616.40</b>	<b>\$ 405,850.00</b>	<b>\$ (14,233.60)</b>
Receipts Over (Under) Expenditures	28,714.20	(16,285.84)		
Unencumbered Cash, Beginning	40,742.94	69,457.14		
Unencumbered Cash, Ending	<u>\$ 69,457.14</u>	<u>\$ 53,171.30</u>		

**CITY OF LAHARPE, KANSAS**  
**SEWER UTILITY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Operating Receipts				
Residential Sales	\$ 89,849.05	\$ 90,825.00	\$ 93,280.00	\$ (2,455.00)
Penalties	12,951.23	13,582.42	12,000.00	1,582.42
Other Receipts				
Miscellaneous	117.50	771.95	25.00	746.95
Reimbursed Expenses	741.18	531.91	741.00	(209.09)
<b>Total Receipts</b>	<b>103,658.96</b>	<b>105,711.28</b>	<b>\$ 106,046.00</b>	<b>\$ (334.72)</b>
Expenditures				
Operating Expenditures				
Plant Operations				
Commodities	-	2,506.70	\$ 1,500.00	\$ 1,006.70
Operations and Maintenance				
Personal Services	29,921.27	44,715.51	33,822.00	10,893.51
Contractual Services	18,187.43	20,475.04	16,000.00	4,475.04
Commodities	8,554.11	12,974.47	8,500.00	4,474.47
Capital Outlay	-	4,499.99	23,963.00	(19,463.01)
Operating Transfer to:				
Bond and Interest Fund	32,682.48	32,682.78	32,682.00	0.78
Equipment Reserve Fund	12,000.00	-	12,000.00	(12,000.00)
Sewer Reserve Fund	13,766.40	13,766.40	13,766.00	0.40
<b>Total Expenditures</b>	<b>115,111.69</b>	<b>131,620.89</b>	<b>\$ 142,233.00</b>	<b>\$ (10,612.11)</b>
Receipts Over (Under) Expenditures	(11,452.73)	(25,909.61)		
Unencumbered Cash, Beginning	42,761.16	31,308.43		
Unencumbered Cash, Ending	<b>\$ 31,308.43</b>	<b>\$ 5,398.82</b>		

**CITY OF LAHARPE, KANSAS**  
**SEWER RESERVE FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfer from Sewer Utility Fund	\$ 13,766.40	\$ 13,766.40
Total Receipts	13,766.40	13,766.40
Expenditures		
Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	13,766.40	13,766.40
Unencumbered Cash, Beginning	18,714.00	32,480.40
Unencumbered Cash, Ending	\$ 32,480.40	\$ 46,246.80

**CITY OF LAHARPE, KANSAS**  
**TRASH UTILITY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Prior Year Ended December 31, 2015)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Operating Receipts				
Residential Sales	\$ 18,200.50	\$ 19,240.18	\$ 18,852.00	\$ 388.18
Total Receipts	18,200.50	19,240.18	\$ 18,852.00	\$ 388.18
Expenditures				
Operating Expenditures				
Commodities	648.84	284.28	\$ 500.00	\$ (215.72)
Contractual Services	17,763.47	19,027.35	17,000.00	2,027.35
Operating Transfer to General Fund	-	-	9,788.00	(9,788.00)
Total Expenditures	18,412.31	19,311.63	\$ 27,288.00	\$ (7,976.37)
Receipts Over (Under) Expenditures	(211.81)	(71.45)		
Unencumbered Cash, Beginning	6,190.72	5,978.91		
Unencumbered Cash, Ending	\$ 5,978.91	\$ 5,907.46		

**CITY OF LAHARPE, KANSAS**  
**Agency Funds**  
 Schedule of Receipts and Disbursements  
 Regulatory Basis  
 For the Year Ended December 31, 2016

Agency Funds	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Sales Tax	\$ 2,789.22	\$ 9,826.84	\$ 11,865.30	\$ 750.76
Security Deposits	(288.69)	1,460.16	400.00	771.47
<b>Total Agency Funds</b>	<b>\$ 2,500.53</b>	<b>\$ 11,287.00</b>	<b>\$ 12,265.30</b>	<b>\$ 1,522.23</b>



The Honorable Mayor and City Council  
City of LaHarpe, Kansas

In planning and performing our audit of the financial statement of City of LaHarpe, Kansas as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered City of LaHarpe's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of City of LaHarpe's internal control. Accordingly, we do not express an opinion on the effectiveness of City of LaHarpe's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

#### Preparation of Financial Statement

Accounting standards states the client must be able to accept responsibility and be able to identify a material misstatement when reviewing the financial statement, including footnotes and supplemental information. This would also include knowing if a required footnote disclosure was missing or not correctly stated. Presently, the City staff does not have the ability to process and prepare the required financial statement, including footnotes. The potential effects of this material weakness could be unrecognized errors on the financial statement. While we recognize that this condition is not unusual for a City your size, it is important that you be aware of this condition for financial reporting purposes. Management and the City Council should continually be aware of the financial reporting of the City and changes in reporting requirements.

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**Jarred, Gilmore & Phillips, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

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IOLA, KANSAS 66749  
(620) 365-3125

Segregation of Duties

An internal control structure is, quite simply, the procedures and policies in effect which ensure that the City's financial activity is properly recorded, processed, summarized, and reported in the financial statements. A weakness in the control structure occurs when one person is responsible for all of the accounting activities such as performing billings, receipting cash, making deposits, reconciling the bank accounts, and having access to all books and records of the City. Due to small staff size, it is not possible for reviews of daily work to take place, potentially resulting in errors in financial records and reports.

Accounts Payable

K.S.A. 10-1117 requires the City Clerk to maintain a record of each fund's indebtedness. This means that the City's expenses in each fund need to reflect accounts payable. The City's records only reflect cash disbursed and do not include in expenses any payables still owed. As a result, the City could inadvertently overspend cash and budget available.

This communication is intended solely for the information and use of management, City Council, and others within the City of LaHarpe, and is not intended to be, and should not be, used by anyone other than these specified parties.



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

Chanute, Kansas  
June 13, 2017



**\$430,000\***  
**CITY OF LAHARPE, KANSAS**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2018**

**APPENDIX B**  
**SUMMARY OF FINANCING DOCUMENTS**

\* Subject to change.

## ***APPENDIX B***

### **SUMMARY OF FINANCING DOCUMENTS**

The following is a summary of certain provisions contained in the Bond Resolution authorizing the issuance of the Bonds. This summary does not purport to be complete and is qualified by reference to the entirety of the foregoing documents.

#### **THE BOND RESOLUTION**

##### **DEFINITIONS**

In addition to words and terms defined elsewhere in this Official Statement, the following words and terms as used herein shall have the meanings hereinafter set forth. Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

**“Act”** means the Constitution and statutes of the State of Kansas including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.* and K.S.A. 12-834 *et seq.* as amended by Charter Ordinance No. 2017-6 of the City, all as amended and supplemented.

**“Authorized Denomination”** means \$5,000 or any integral multiples thereof.

**“Beneficial Owner”** of the Bonds includes any Owner of the Bonds and any other Person who, directly or indirectly has the investment power with respect to such Bonds.

**“Bond and Interest Fund”** means the Bond and Interest Fund of the Issuer for its general obligation bonds.

**“Bond Counsel”** means the firm of Gilmore & Bell, P.C., or any other attorney or firm of attorneys whose expertise in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and acceptable to the Issuer.

**“Bond Payment Date”** means any date on which principal of or interest on any Bond is payable.

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

**“Bond Registrar”** means the State Treasurer, and its successors and assigns.

**“Bond Resolution”** means collectively, the Ordinance passed by the governing body of the Issuer and the resolution adopted by the governing body of the Issuer authorizing the issuance of the Bonds, as amended from time to time.

**“Bonds”** means the General Obligation Bonds, Series 2017, authorized and issued by the Issuer pursuant to the Bond Resolution.

**“Business Day”** means a day other than a Saturday, Sunday or any day designated as a holiday by the Congress of the United States or by the Legislature of the State and on which the Paying Agent is scheduled in the normal course of its operations to be open to the public for conduct of its operations.

**“Cede & Co.”** means Cede & Co., as nominee of DTC and any successor nominee of DTC with respect to the Bonds.

**“City”** means the City of LaHarpe, Kansas.

**“Clerk”** means the duly appointed and acting Clerk of the Issuer or, in the Clerk's absence, the duly appointed Deputy, Assistant or Acting Clerk of the Issuer.

**“Code”** means the Internal Revenue Code of 1986, as amended, and the applicable regulations promulgated thereunder of the United States Department of the Treasury.

**“Consulting Engineer”** means an independent engineer or engineering firm, or architect or architectural firm, having a favorable reputation for skill and experience in the construction, financing and operation of public facilities, at the time employed by the Issuer for the purpose of carrying out the duties imposed on the Consulting Engineer by the Bond Resolution.

**“Costs of Issuance”** means all costs of issuing the Bonds, including but not limited to all publication, printing, signing and mailing expenses in connection therewith, registration fees, financial advisory fees, all legal fees and expenses of Bond Counsel and other legal counsel, expenses incurred in connection with compliance with the Code, all expenses incurred in connection with receiving ratings on the Bonds, and any premiums or expenses incurred in obtaining municipal bond insurance on the Bonds.

**“Costs of Issuance Account”** means the account by that name created by the Bond Resolution.

**“Dated Date”** means March 1, 2018.

**“Debt Service Account”** means the account by that name created within the Bond and Interest Fund by the Bond Resolution.

**“Debt Service Requirements”** means the aggregate principal payments (whether at maturity or pursuant to scheduled mandatory sinking fund redemption requirements) and interest payments on the 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 located in the State 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 any of the following obligations:

(a) United States Government Obligations that are not subject to redemption in advance of their maturity dates;  
or

(b) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:

(1) the obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(2) the obligations are secured by cash or United States Government Obligations that may be applied only to principal of, premium, if any, and interest payments on such obligations;

(3) such cash and the principal of and interest on such United States Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the obligations;

(4) such cash and United States Government Obligations serving as security for the obligations are held in an escrow fund by an escrow agent or a trustee irrevocably in trust;

(5) such cash and United States Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and

(6) such obligations are rated in a rating category by Moody's or Standard & Poor's that is no lower than the rating category then assigned by that Rating Agency to United States Government Obligations.

**“Derivative”** means any investment instrument whose market price is derived from the fluctuating value of an underlying asset, index, currency, futures contract, including futures, options and collateralized mortgage obligations.

**“DTC”** means The Depository Trust Company, New York, New York.

**“Event of Default”** means each of the following occurrences or events:

(a) Payment of the principal and of the redemption premium, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at Stated Maturity or by proceedings for redemption or otherwise;

(b) Payment of any installment of interest on any of the Bonds shall not be made when the same shall become due; or

(c) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond Resolution on the part of the Issuer to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Issuer by the Owner of any of the Bonds then Outstanding.

**“Federal Tax Certificate”** means the Issuer's Federal Tax Certificate for the Bonds, dated as of the Issue Date, as the same may be amended or supplemented in accordance with the provisions thereof.

**“Financeable Costs”** means the amount of expenditure for an Improvement which has been duly authorized by action of the governing body of the Issuer to be financed by general obligation bonds, less: (a) the amount of any temporary notes or general obligation bonds of the Issuer which are currently Outstanding and available to pay such Financeable Costs; and (b) any amount of Financeable Costs which has been previously paid by the Issuer or by any eligible source of funds unless such amounts are entitled to be reimbursed to the Issuer under State or federal law.

**“Fiscal Year”** means the twelve month period ending on December 31.

**“Funds and Accounts”** means funds and accounts created by or referred to in the Bond Resolution.

**“Improvement Fund”** means the fund by that name created in the Bond Resolution.

**“Improvements”** means the improvements referred to in the preamble to the Ordinance and any Substitute Improvements.

**“Independent Accountant”** means an independent certified public accountant or firm of independent certified public accountants at the time employed by the Issuer for the purpose of carrying out the duties imposed on the Independent Accountant by the Bond Resolution.

**“Interest Payment Date(s)”** means the Stated Maturity of an installment of interest on any Bond which shall be March 1 and September 1 of each year, commencing September 1, 2018.

**“Issue Date”** means the date when the Issuer delivers the Bonds to the Purchaser in exchange for the Purchase Price.

**“Issuer”** means the City and any successors or assigns.

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

**“Mayor”** means the duly elected and acting Mayor of the Issuer, or in the Mayor's absence, the duly appointed and/or elected Vice Mayor or Acting Mayor of the Issuer.

**“Moody's”** means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody's” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

**“Official Statement”** means the Issuer's Official Statement relating to the Bonds.

**“Outstanding”** means, when used with reference to the Bonds, as of a particular date of determination, all Bonds theretofore, authenticated and delivered, except the following Bonds:

- (a) Bonds theretofore canceled 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 Bond Resolution; and
- (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered hereunder.

**“Owner”** when used with respect to any Bond means the Person in whose name such Bond is registered on the Bond Register. Whenever consent of the Owners is required pursuant to the terms of the Bond Resolution, and the Owner of the Bonds, as set forth on the Bond Register, is Cede & Co., the term Owner shall be deemed to be the Beneficial Owner of the Bonds.

**“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 the State Treasurer, and any successors and assigns.

**“Permitted Investments”** shall mean the investments hereinafter described, provided, however, no moneys or funds shall be invested in a Derivative: (a) investments authorized by K.S.A. 12-1675 and amendments thereto; (b) the municipal investment pool established pursuant to K.S.A. 12-1677a, and amendments thereto; (c) direct obligations of the United States Government or any agency thereof; (d) the Issuer's temporary notes issued pursuant to K.S.A. 10-123 and amendments thereto; (e) interest-bearing time deposits in commercial banks or trust companies located in the county or counties in which the Issuer is located which are insured by the Federal Deposit Insurance Corporation or collateralized by securities described in (c); (f) obligations of the federal national mortgage association, federal home loan banks, federal home loan mortgage corporation or government national mortgage association; (g) repurchase agreements for securities described in (c) or (f); (h) investment agreements or other obligations of a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's or Standard & Poor's; (i) investments and shares or units of a money market fund or trust, the portfolio of which is comprised entirely of securities described in (c) or (f); (j) receipts evidencing ownership interests in securities or portions thereof described in (c) or (f); (k) municipal bonds or other obligations issued by any municipality of the State as defined in K.S.A. 10-1101 which are general obligations of the municipality issuing the same; or (l) bonds of any municipality of the State as defined in K.S.A. 10-1101 which have been refunded in advance of their maturity and are fully secured as to payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, of securities described in (c) or (f), all as may be further restricted or modified by amendments to applicable State law.

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

**“Purchaser”** means the financial institution or investment banking firm that is original purchaser of the Bonds.

**“Rating Agency”** means any company, agency or entity that provides, pursuant to request of the Issuer, financial ratings for the Bonds.

**“Record Dates”** 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”** means, when used with respect to any Bond to be redeemed, the date fixed for the redemption of such Bond pursuant to the terms of the Bond Resolution.

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

**“Replacement Bonds”** means Bonds issued to the Beneficial Owners of the Bonds in accordance with the Bond Resolution.

**“Securities Depository”** means, initially, DTC, and its successors and assigns.

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

**“Standard & Poor's”** means S&P Global Ratings, a division of S&P Global Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Standard & Poor's shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

**“State”** means the state of Kansas.

**“State Treasurer”** means the duly elected Treasurer of the State or, in the Treasurer's absence, the duly appointed Deputy Treasurer or acting Treasurer of the State.

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

**“Substitute Improvements”** means the substitute or additional improvements of the Issuer described in the Bond Resolution.

[ **“Term Bonds”** means the Bonds scheduled to mature in the year 2037.]

[ **“\_\_\_ Term Bonds”** means the Bonds scheduled to mature in the year \_\_\_\_.]

[ **2037 Term Bonds”** means the Bonds scheduled to mature in the year 2037.]

[ **“Term Bonds”** means collectively, the \_\_\_ Term Bonds and the 2037 Term Bonds.

**“Treasurer”** means the duly appointed and/or elected Treasurer of the Issuer or, in the Treasurer's absence, the duly appointed Deputy Treasurer or acting Treasurer of the Issuer.

**“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 payment on obligations issued by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, which obligations are rated in the highest rating category by a nationally recognized rating service and such obligations are held in a custodial account for the benefit of the Issuer.

#### **ESTABLISHMENT OF FUNDS AND ACCOUNTS; DEPOSIT AND APPLICATION OF BOND PROCEEDS**

***Creation of Funds and Accounts.*** Simultaneously with the issuance of the Bonds, there shall be created within the Treasury of the Issuer the following Funds and Accounts:

- (a) Improvement Fund.
- (b) Debt Service Account (within the Bond and Interest Fund).
- (c) Costs of Issuance Account.

The above Funds and Accounts shall be administered in accordance with the provisions of the Bond Resolution so long as the Bonds are Outstanding.

***Deposit of Bond Proceeds.*** The net proceeds received from the sale of the Bonds shall be deposited simultaneously with the delivery of the Bonds as follows:

- (a) Excess proceeds, if any, received from the sale of the Bonds shall be deposited in the Debt Service Account.
- (b) An amount necessary to pay the Costs of Issuance shall be deposited in the Costs of Issuance Account.
- (c) The remaining balance of the proceeds derived from the sale of the Bonds shall be deposited in the Improvement Fund.

***Application of Moneys in the Improvement Fund.*** Moneys in the Improvement Fund shall be used for the sole purpose of: (a) paying the costs of the Improvements; (b) paying interest on the Bonds during construction of the Improvements; and (c) paying Costs of Issuance. Withdrawals from the Improvement Fund shall be made only when authorized by the governing body of the Issuer. Each authorization for costs of the Improvements shall be supported by a certificate executed by the Clerk (or designate) Consulting Engineer stating that such payment is being made for a purpose within the scope of the Bond 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. Authorizations for withdrawals for other authorized purposes shall be supported by a certificate executed by the Clerk (or designate) stating that such payment is being made for a purpose within the scope of the Bond Resolution. Upon completion of the Improvements, any surplus remaining in the Improvement Fund shall be deposited in the Debt Service Account.

***Substitution of Improvements; Reallocation of Proceeds.*** The Issuer may elect for any reason to substitute or add other public improvements to be financed with proceeds of the Bonds provided the following conditions are met: (a) the Substitute Improvement and the issuance of general obligation bonds to pay the cost of the Substitute Improvement has been duly authorized by the governing body of the Issuer in accordance with the laws of the State; (b) a resolution authorizing the use of the proceeds of the Bonds to pay the Financeable Costs of the Substitute Improvement has been duly adopted by the governing body of the Issuer pursuant to this Section, (c) the Attorney General of the State has approved the amendment made by such resolution to the transcript of proceedings for the Bonds to include the Substitute Improvements; and (d) the use of the proceeds of the Bonds to pay the Financeable Cost of the Substitute Improvement will not adversely affect the tax status of the Bonds under State or federal law.

The Issuer may reallocate expenditure of Bond proceeds among all Improvements financed by the Bonds; provided the following conditions are met: (a) the reallocation is approved by the governing body of the Issuer; (b) the reallocation shall not cause the proceeds of the Bonds allocated to any Improvement to exceed the Financeable Costs of the Improvement; and (c) the reallocation will not adversely affect the tax status of the Bonds under State or federal law.

***Application of Moneys in the Debt Service Account.*** All amounts paid and credited to the Debt Service Account shall be expended and used by the Issuer for the sole purpose of paying the principal or Redemption Price of and interest on the Bonds as and when the same become due and the usual and customary fees and expenses of the Bond Registrar and Paying Agent. The Treasurer is authorized and directed to withdraw from the Debt Service Account sums sufficient to pay both principal or Redemption Price of and interest on the Bonds and the fees and expenses of the Bond Registrar and Paying Agent as and when the same become due, and to forward such sums to the Paying Agent in a manner which ensures that the Paying Agent will receive immediately available funds in such amounts on or before the Business Day immediately preceding the dates when such principal, interest and fees of the Paying Agent will become due. If, through the lapse of time or otherwise, the Owners of Bonds are no longer entitled to enforce payment of the Bonds or the interest thereon, the Paying Agent shall return said funds to the Issuer. 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 Bond Resolution and shall be held in trust by the Paying Agent for the benefit of the Owners of the Bonds entitled to payment from such moneys. Any moneys or investments remaining in the Debt Service Account after the retirement of the Bonds shall be transferred and paid into the Bond and Interest Fund.

***Payments Due on Saturdays, Sundays and Holidays.*** In any case where a Bond Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

***Application of Moneys in the Costs of Issuance Account.*** Moneys in the Costs of Issuance Account shall be used by the Issuer to pay the Costs of Issuance. Any funds remaining in the Costs of Issuance Account, after payment of all Costs of Issuance, but not later than the later of 30 days prior to the first Stated Maturity of principal or one year after the date of issuance of the Bonds, shall be transferred to the Improvement Fund until completion of the Improvements and thereafter to the Debt Service Account.

## **DEPOSIT AND INVESTMENT OF MONEYS**

***Deposits.*** Moneys in each of the Funds and Accounts shall be deposited in a bank, savings and loan association or savings bank which are members of the Federal Deposit Insurance Corporation, or otherwise as permitted by State law, and which meet certain guidelines of State law. All such deposits shall be held in cash or invested in Permitted Investments or shall be adequately secured as provided by the laws of the State.

***Investments.*** Moneys held in any Fund or Account may be invested in accordance with the Bond Resolution and the Federal Tax Certificate, in Permitted Investments; provided, however, that no such investment shall be made for a period extending longer than to the date when the moneys invested may be needed for the purpose for which such fund was created. All earnings on any investments held in any Fund or Account shall accrue to and become a part of such Fund or Account; provided that, during the period of construction of the Improvements, earnings on the investment of such funds may, at the discretion of the Issuer, be credited to the Debt Service Account.

## **DEFAULT AND REMEDIES**

***Remedies.*** The provisions of the Bond Resolution, including the covenants and agreements herein contained, shall constitute a contract between the Issuer and the Owners of the Bonds. If an Event of Default occurs and shall be continuing, the 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 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 Owner or Owners against the Issuer and its officers, agents and employees, and to require and compel duties and obligations required by the provisions of the Bond Resolution or by the Constitution and laws of the State;

(b) by suit, action or other proceedings in equity or at law to require the Issuer, 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 Owners of the Bonds.

**Limitation on Rights of Owners.** The covenants and agreements of the Issuer contained in the Bond Resolution and in the Bonds shall be for the equal benefit, protection, and security of the Owners of any or all of the Bonds, all of which Bonds of any series shall be of equal rank and without preference or priority of one Bond over any other Bond in the application of the Funds and Accounts pledged to the payment of the principal of and the interest on the Bonds, or otherwise, except as to rate of interest, date of maturity and right of prior redemption as provided in the Bond Resolution. No one or more Owners secured hereby 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 Bond Resolution, or to enforce any right, except in the manner provided in the Bond Resolution, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of such Outstanding Bonds.

**Remedies Cumulative.** No remedy conferred upon the Owners 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. No waiver of any default or breach of duty or contract by the 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 thereon.

## **DEFEASANCE**

When any or all of the Bonds, redemption premium, if any, or scheduled interest payments thereon have been paid and discharged, then the requirements contained in the Bond Resolution and all other rights granted thereby shall terminate with respect to the Bonds or scheduled interest payments thereon so paid and discharged. Bonds, redemption premium, if any, or scheduled interest payments thereon shall be deemed to have been paid and discharged within the meaning of the Bond Resolution if there has been deposited with the Paying Agent, or other commercial bank or trust company located in the State and having full trust powers, at or prior to the Stated Maturity or Redemption Date of said Bonds or the interest payments thereon, in trust for and irrevocably appropriated thereto, moneys and/or Defeasance Obligations which, together with the interest to be earned on any such Defeasance Obligations, will be sufficient for the payment of the principal or Redemption Price of said Bonds and/or interest accrued to the Stated Maturity or Redemption Date, or if default in such payment has occurred on such date, then to the date of the tender of such payments. If the amount to be so deposited is based on the Redemption Price of any Bonds, no such satisfaction shall occur until: (a) the Issuer has elected to redeem such Bonds, and (b) either notice of such redemption has been given, or the Issuer has given irrevocable instructions, or shall have provided for an escrow agent to give irrevocable instructions, to the Bond Registrar to give such notice of redemption.

## **TAX COVENANTS**

**General Covenants.** The Issuer covenants and agrees that it will comply with: (a) all applicable provisions of the Code necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds; and (b) all provisions and requirements of the Federal Tax Certificate. The Issuer will take such 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 Issuer.

**Survival of Covenants.** The covenants contained in the Bond Resolution and in the Federal Tax Certificate shall remain in full force and effect notwithstanding the defeasance of the Bonds or any other provision of the Bond Resolution until such time as is set forth in the Federal Tax Certificate.

## **MISCELLANEOUS PROVISIONS**

**Annual Audit.** Annually, promptly after the end of the Fiscal Year, the Issuer will cause an audit to be made of the financial statements of the Issuer for the preceding Fiscal Year by an Independent Accountant. Within 30 days after the completion of each such annual audit, a copy thereof shall be filed in the office of the Clerk. Such audits shall at all times



during the usual business hours be open to the examination and inspection by any Owner of any of the Bonds, or by anyone acting for or on behalf of such user or Owner.

***Levy and Collection of Annual Tax.*** The governing body of the Issuer shall annually make provision for the payment of Debt Service Requirements on the Bonds as the same become due by levying and collecting the necessary taxes upon all of the taxable tangible property within the Issuer in the manner provided by law. The taxes referred to above shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the Issuer are levied and collected. The proceeds derived from said taxes shall be deposited in the Bond and Interest Fund, shall be kept separate and apart from all other funds of the Issuer shall thereafter be deposited in the Debt Service Account and shall be used solely for the payment of the principal of and interest on the Bonds as and when the same become due, taking into account any scheduled mandatory redemptions, and the fees and expenses of the Paying Agent. If at any time said taxes are not collected in time to pay the principal of or interest on the Bonds when due, the Treasurer is hereby authorized and directed to pay said principal or interest out of the general funds of the Issuer and to reimburse said general funds for money so expended when said taxes are collected.

***Amendments.*** The rights and duties of the Issuer and the Owners, and the terms and provisions of the Bonds or of the Bond Resolution, may be amended or modified at any time in any respect by resolution of the Issuer with the written consent of the Owners of not less than a majority in principal amount of the Bonds then Outstanding, such consent to be evidenced by an instrument or instruments executed by such 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 Clerk, 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 Issuer is required to pay as principal of or interest on any Bond; (c) permit preference or priority of any Bond over any other Bond; or (d) reduce the percentage in principal amount of Bonds required for the written consent to any modification or alteration of the provisions of the Bond Resolution.

Any provision of the Bonds or of the Bond Resolution may, however, be amended or modified by resolution duly adopted by the governing body of the Issuer at any time in any legal respect with the written consent of the Owners of all of the Bonds at the time Outstanding.

Without notice to or the consent of any Owners, the Issuer may amend or supplement the Bond Resolution for the purpose of curing any formal defect, omission, inconsistency or ambiguity, to grant to or confer upon the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners, to more precisely identify the Improvements, to reallocate proceeds of the Bonds among Improvements, to provide for Substitute Improvements, to conform the Bond Resolution to the Code or future applicable federal law concerning tax-exempt obligations, or in connection with any other change therein which is not materially adverse to the interests of the Owners.

***Notices, Consents and Other Instruments by Owners.*** Any notice, request, complaint, demand or other communication required or desired to be given or filed under the Bond Resolution shall be in writing, and shall be deemed duly given or filed if the same shall be: (a) duly mailed by registered or certified mail, postage prepaid; or (b) communicated via fax, with electronic or telephonic confirmation of receipt. Copies of such notices shall also be given to the Paying Agent. The Issuer, the Paying Agent and the Purchaser may from time to time designate, by notice given hereunder to the others of such parties, such other address to which subsequent notices, certificates or other communications shall be sent. All notices given by: (a) certified or registered mail as aforesaid shall be deemed duly given as of the date they are so mailed; (b) fax as aforesaid shall be deemed duly given as of the date of confirmation of receipt. If, because of the temporary or permanent suspension of regular mail service or for any other reason, it is impossible or impractical to mail any notice in the manner herein provided, then such other form of notice as shall be made with the approval of the Paying Agent shall constitute a sufficient notice.

***Electronic Transactions.*** The issuance of the Bonds and the transactions related thereto and described herein may be conducted and documents may be stored by electronic means.

***Severability.*** If any section or other part of the Bond Resolution, whether large or small, is for any reason held invalid, the invalidity thereof shall not affect the validity of the other provisions of the Bond Resolution.

***Governing Law.*** The Bonds and the Bond Resolution shall be governed exclusively by and construed in accordance with the applicable laws of the State.